公路醫生®

Freetech Road Recycling Technology (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6888

GLOBAL OFFERING

Joint Bookrunners and Joint Lead Managers

中信証券國際 CITIC Securities International

CICC 中金香港证券

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

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中信証券國際 CITIC Securities International

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Freetech 英達科技®

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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)

GLOBAL OFFERING

Number of Shares offered under the Global Offering	:	**260,000,000 Shares (subject to the Over-allotment Option)**
Number of International Offer Shares	:	**234,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**26,000,000 Shares (subject to adjustment)**
Maximum Offer Price	:	**HK$3.32 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)**
Nominal value	:	**HK$0.10 per Share**
Stock code	:	**6888**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, with the documents specified in the section headed "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between CITIC Securities and CICC (for themselves and on behalf of the other Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 19 June 2013 or such later date as may be agreed by CITIC Securities and CICC and our Company, but in any event not later than Friday, 21 June 2013. The Offer Price will not be more than HK$3.32 per Offer Share and is currently expected to be not less than HK$2.43 per Offer Share unless otherwise announced. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK$3.32 for each Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$3.32.

CITIC Securities and CICC (for themselves and on behalf of the other Underwriters), may, with consent of the Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.freetech-holdings.hk**. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the CITIC Securities and CICC (for themselves and on behalf of the other Underwriters) and our Company on or before Friday, 21 June 2013, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Public Offer Shares should note the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Public Offer Shares, are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the US Securities Act.

14 June 2013

The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on its website at **www.freetech-holdings.hk** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** if there is any change in the following expected timetable of the Hong Kong Public Offering[1].

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2]	11:30 a.m. on Wednesday, 19 June 2013
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Wednesday, 19 June 2013
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 19 June 2013
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfers(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 19 June 2013
Application lists Hong Kong Public Offering close[3]	12:00 noon on Wednesday, 19 June 2013
Expected Price Determination Date[5]	Wednesday, 19 June 2013
Announcement of the Offer Price, the indication of levels of interest in the International Offering, the level of applications in respect of the Hong Kong Public Offering and the results of applications and basis of allotment of the Hong Kong Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at **www.freetech-holdings.hk**, on the website of the Stock Exchange at **www.hkexnews.hk** on or before	Tuesday, 25 June 2013
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "Publication of results" in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus) from	Tuesday, 25 June 2013
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from	Tuesday, 25 June 2013
Dispatch of Share certificates in respect of wholly or partially successful Applications pursuant to the Hong Kong Public Offering on or before[6][7]	Tuesday, 25 June 2013
Dispatch of e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7]	Tuesday, 25 June 2013
Dealings in Shares on the Main Board of the Stock Exchange expected to commence on	Wednesday, 26 June 2013

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post in English and in the Hong Kong Economic Times in Chinese.

(2) You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at, **www.hkeipo.hk**, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 19 June 2013, the application lists will not open or close on that day. Please refer to the section headed "How to Apply for the Hong Kong Public Offer Shares — Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Wednesday, 19 June 2013, the dates mentioned in this section headed "Expected Timetable" may be affected. We will make a press announcement in such event.

(4) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Public Offer Shares — Applying by giving electronic application instructions to HKSCC" in this prospectus.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 19 June 2013 and, in any event, not later than Friday, 21 June 2013. If, for any reason, the Offer Price is not agreed between CITIC Securities and CICC (for themselves and on behalf of the other Underwriters) and the Company by Friday, 21 June 2013, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse, subject to the Underwriting Agreements.

(6) Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 26 June 2013, provided that (i) the Global Offering has become unconditional and in all respects and (ii) the right of termination in the Underwriting Agreements have not been exercised by the Joint Bookrunners (on behalf of the Underwriters) in accordance with their terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Public Offer Share payable on application. All refunds will be paid by e-Auto Refund payment instruction or a cheque crossed "Account Payee Only" made to you. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

Applicants who apply on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 or more Hong Kong Public Offer Shares and have indicated in their Application Forms that they wish to collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 25 June 2013 or any other date notified by us in the newspapers as the date of dispatch of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be dispatched by ordinary post to the addressees specified in the relevant applications at the applicants' own risk. Further information is set out in "How to Apply for the Hong Kong Public Offer Shares".

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Freetech Road Recycling Technology (Holdings) Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

Our Business

We are a leading and fast-growing service provider using the Hot-in-Place recycling technology in the asphalt pavement maintenance industry in the PRC. The Hot-in-Place recycling technology is a method to reuse aged asphalt directly on-site, through heating, scarifying and mixing the damaged asphalt materials with new materials, and is relatively cost-efficient and environmentally friendly. We have two business segments: the asphalt pavement maintenance service segment, where we provide asphalt pavement maintenance services under our registered trademark "公路医生®" (Road Doctor) to repair damaged asphalt pavement surface, and the asphalt pavement maintenance equipment segment, where we manufacture and sell a wide range of asphalt pavement maintenance service equipment. We are one of the few asphalt pavement maintenance service providers using the Hot-in-Place recycling technology in the PRC that are able to provide asphalt pavement maintenance services as well as manufacture a wide range of asphalt pavement maintenance equipment, according to CCID, an independent market research institution. Our asphalt pavement maintenance service and asphalt pavement maintenance equipment businesses are supported by our strong research and development capabilities. Our asphalt pavement maintenance service technology research centre works together with our asphalt pavement maintenance equipment design institute to help design customised asphalt pavement maintenance service plan, composition of asphalt mixture and equipment to be deployed. As a result, we are able to provide a wide range of asphalt maintenance services that satisfy our customers' needs and specifications.

Asphalt pavement maintenance service segment

We use our self-designed and manufactured asphalt pavement maintenance equipment and our own servicing team to provide asphalt pavement maintenance services. In recognition of our capabilities to provide high-quality and customised services, we have been engaged in a number of high-profile asphalt pavement maintenance projects, including the Chang An Street (長安街) project in Beijing in advance of the 60th National Day processions, the Asian Games (亞運會) project in Guangzhou, Guangdong province and the Asian Bo Ao Forum (亞洲博鰲論壇) transportation improvement project in Hainan province. During the Track Record Period, we completed 114 asphalt pavement maintenance service projects and the total contract value of these projects amounted to approximately HK$687.5 million. These projects primarily consisted of maintenance work for highways, national and provincial main roads and municipal roads in the PRC. We usually have a small number of projects that are in progress or signed but not yet commenced. Due to the nature of asphalt pavement maintenance service, the time between when the contract for a project is signed and when the project commences is typically short, often a few weeks. During the Track Record Period, the servicing periods for our projects ranged from days to months, and the average servicing period for most of our asphalt pavement maintenance service projects was approximately one to two months. Furthermore, due to the seasonal nature of our business, the winter months are usually the off-season for our asphalt pavement maintenance service projects. During the Track Record Period, our revenue derived from the asphalt pavement maintenance service segment was generally higher from May to October compared with other months of the year, primarily because the asphalt pavement maintenance service market is generally more active when the weather is warm, which is more amenable to performing outdoor services and heating up asphalt.

Asphalt pavement maintenance equipment segment

We design, manufacture and sell a wide range of asphalt pavement maintenance equipment. Our asphalt pavement maintenance equipment is categorised into the standard series and the modular series. Our standard series equipment is designed to perform routine small-scale asphalt pavement maintenance service projects, such as repairing localised defects. The principal product of our standard series equipment is a multifunctional vehicle with heating and paving functions, which is capable of performing the key maintenance work for small-scale asphalt pavement maintenance service projects by itself. Our modular series equipment is primarily used for large-scale asphalt pavement maintenance service projects. Our modular series includes modules with various functionalities, and we configure the modules to form different equipment to serve the requirements of different asphalt pavement maintenance service projects. Two models of our standard series equipment are cited as industry standard Hot-in-Place equipment by the *PRC industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement* (公路瀝青路面養護技術規範) promulgated by the Ministry of Transport in 2001, which is currently in effect.

Our Market Position

We have a leading market share in the PRC in terms of the sales volume of our standard series equipment using the Hot-in-Place recycling technology as of 31 December 2012, according to CCID. We owned and used ten of the total of 50 sets of modular series equipment using the Hot-in-Place recycling technology in service in the PRC as of 31 December 2012, while none of the other asphalt pavement maintenance service providers in the PRC owned or used more than three sets of modular series equipment using the Hot-in-Place recycling technology to provide asphalt pavement maintenance services in the PRC, according to CCID. We believe that the Hot-in-Place recycling technology has significant growth potential compared with traditional asphalt pavement maintenance technologies as the use of recycling technologies is encouraged by recent policies issued by the PRC government.

Our Research and Development

As of the Latest Practicable Date, we owned 82 registered patents and had 16 pending patent applications in Hot-in-Place recycling technology and related equipment in the PRC, and our patented technology and equipment are widely used. As a result of our proprietary technologies, we have equipment with different functionalities designed to repair different types of asphalt pavement damage under a wide range of topographic, weather and work conditions, including in temperatures below ten degrees Celsius, which we believe most service providers using traditional asphalt pavement maintenance processes are normally unable to do. Our versatility in asphalt pavement maintenance service capabilities helps to provide a wide geographical coverage across the PRC for our asphalt pavement maintenance service segment.

Our research and development capabilities have been recognised by various government authorities in the PRC. Our asphalt pavement maintenance equipment design institute has been designated by the Jiangsu Development and Reform Commission (江蘇省發展和改革委員會) as the Jiangsu Province Road Maintenance Equipment Engineering Laboratory (江蘇省公路養護裝備工程實驗室) and our asphalt pavement maintenance service technology research centre has been designated by the Bureau of Science and Technology of Jiangsu Province (江蘇省科學技術廳) as the Research Centre for Asphalt Pavement Surface Hot-in-Place Recycling Technology (江蘇省瀝青路面熱再生技術研究中心). In March 2009, our three core technologies in Hot-in-Place recycling were certified by the Ministry of Transport to be internationally leading (國際領先).

Our Sales, Pricing Policies and Customers

During the Track Record Period, our customers in both our asphalt pavement maintenance service segment and asphalt pavement maintenance equipment segment primarily included PRC government agencies at various levels, which, in turn, primarily comprised: (i) municipal government agencies that generally oversee the construction and maintenance of infrastructure and public facilities in a city, (ii) road authorities that generally oversee the maintenance of road networks in a particular geographical region, and (iii) highway administrations that generally oversee the construction and maintenance of highways in a particular geographical region, and privately-owned companies. In addition to PRC government agencies and privately-owned companies, our customers in the asphalt pavement maintenance equipment segment also include joint venture companies we established with local asphalt pavement maintenance service providers or person with local sales networks. Since 2011 and up to the Latest Practicable Date, we had established seven joint venture companies with local asphalt pavement maintenance service providers in certain regional markets in the PRC and a third-party investor. We sell equipment to these joint venture companies and collaborate with them to explore asphalt pavement maintenance service project opportunities.

We generally obtain our asphalt pavement maintenance service projects (i) through negotiations or mutual agreement where our customers are privately-owned companies or main contractors for government infrastructure maintenance projects and (ii) through bidding where our customers are government agency project owners. We do not price our asphalt pavement maintenance service projects on a cost-plus basis. We set our price on a project-by-project basis, after taking into account various factors, which primarily include the local price for the provision of asphalt pavement maintenance services using traditional technologies, level of competition, specific requirements by the customer, if any, and relevant costs, in particular, raw material costs. We generally obtain our asphalt pavement maintenance equipment sales contracts (i) from PRC government agencies for municipal projects through a bidding process, (ii) from PRC government agencies for highway maintenance projects through either a bidding process or through direct negotiations and (iii) from privately-owned companies and our joint venture companies through direct negotiations. We price our asphalt pavement maintenance equipment with reference to the prevailing prices in the local markets where our equipment is sold. We grant credit periods to customers on a case-by-case basis primarily based on customer type, the customer's payment records with its other suppliers and service providers, the availability of earmarked government funding for the relevant project, and the customer's payment history with us if it is a recurring customer.

In our asphalt pavement maintenance service projects during the Track Record Period, we had three different categories of contracts based on our role and contractual relationship with the project owner. The table below sets forth a breakdown of our revenue from the asphalt pavement maintenance service segment by the three categories of contracts:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Contract with project owners directly for asphalt pavement maintenance services	85,360	43.7	108,869	53.4	233,563	81.0
Contract with main contractor to act as subcontractor for asphalt pavement maintenance services	58,390	29.9	94,890	46.6	54,836	19.0
Contract with project owner to act as main contractor in an infrastructure maintenance project	51,557	26.4	N/A	N/A	N/A	N/A
Total:	195,307	100.0	203,759	100.0	288,399	100.0

The table below sets forth a breakdown of our revenue by customer type for the periods indicated:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
PRC government agencies	199,616	228,697	307,911
Privately-owned companies	33,529	39,831	69,494
Joint venture companies	—	12,751	108,598
Total	233,145	281,279	486,003

Geographic barriers for providing asphalt pavement maintenance services exist between different regions in the PRC and project owners tend to favour service providers with a local presence and proven track record. We establish joint ventures with local partners that possess local expertise and customer networks to expand our business and increase our geographic presence in the PRC. Our revenue from sales of asphalt pavement maintenance equipment to the joint venture companies increased significantly from HK$12.8 million, or 16.5% of our total asphalt pavement maintenance equipment sales, for the year ended 31 December 2011 to HK$106.1 million, or 53.7% of our total asphalt pavement maintenance equipment sales, for the year ended 31 December 2012, primarily because we had more joint venture companies in 2012 compared with 2011. Our share of profits and losses of jointly-controlled entities and associates also increased from HK$0.4 million to HK$3.1 million during this period for the same reason.

Our Procurement and Suppliers

The principal raw materials used in our asphalt pavement maintenance services are bitumen, asphalt mixture and rejuvenating agents, which are readily available with abundant supply. We generally source raw materials used in our asphalt pavement maintenance services from suppliers located near our service sites. We have entered into project-based non-binding framework agreements with some of our suppliers for the provision of asphalt mixture. The major terms of the framework agreements usually address the specifications, unit price and delivery arrangements.

The principal raw materials and components used in our asphalt pavement maintenance equipment production are chassis, liquefied petroleum gas components and hydraulic components, which are readily available in the market. We primarily source raw materials and components used in our asphalt pavement maintenance equipment production from dealers and manufacturers in the PRC. We generally do not enter into any framework agreements with our suppliers of raw material and components for our asphalt pavement maintenance equipment segment.

Our Production Facilities

Our production facilities are located in Nanjing, Jiangsu province. We currently have one plant with an aggregate site area of approximately 26,600 sq.m. and a total gross floor area of approximately 9,700 sq.m. We commenced the construction of a new plant in Nanjing in February 2013. The new plant is located partially on the same parcel of land with our existing plant and partially on a parcel of land adjacent to our existing plant in Nanjing. The new plant is expected to be operational by late 2013. The new plant will include a production facility of a gross floor area of approximately 13,400 sq.m. and two new buildings for our design institute, research centre and auxiliary purpose.

OUR COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES — HIGHLIGHTS

We have been able to compete successfully in our industry due to strengths including: (i) our business model consisting of strong asphalt pavement maintenance service and equipment businesses and industry-leading research and development capabilities allows us to provide one-stop and customised solutions to our customers; and (ii) we employ the Hot-in-Place recycling technology in our asphalt pavement maintenance services, which has significant advantages over other technologies currently in use in the PRC.

We intend to strengthen our market position and increase our market share by pursuing business strategies including: (i) continue to increase our market penetration, particularly in second and third tier cities where the use of Hot-in-Place recycling technology is relatively limited; (ii) pursue strategic acquisitions and joint ventures; and (iii) further strengthen our research and development capabilities and increase our equipment production and service capacities.

For further details of our competitive strengths and business strategies, please refer to the sections headed “Business — Our Competitive Strengths” and “Business — Our Business Strategies”, respectively.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following table sets forth our summary consolidated income statements for the periods indicated:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Revenue	233,145	281,279	486,003
Gross profit	82,651	140,913	263,039
Share of profits and losses of: (i) Jointly-controlled entities	—	419	3,573
(ii) Associates	—	—	(426)
Profit for the year	26,814	62,150	150,373

We began to sell the modular series equipment in 2011. Our revenue derived from sales of modular series equipment increased significantly from HK$12.8 million for 2011 to HK$133.8 million for 2012. We are able to command a higher gross profit margin for our modular series equipment, primarily because our modular series equipment is in demand due to its functionality and technologies involved and there is a limited number of comparable products available in the PRC. The following table sets forth the sales volume of modular series equipment, the revenue and gross profit we derived from sales of modular series equipment and the respective amounts derived from joint venture companies for the periods indicated:

	Year Ended 31 December					
	2010	% of total	2011	% of total	2012	% of total
Modular Series Equipment						
Sales volume *(unit(s))*	—	—	1	100%	8	100%
To joint venture companies	—	—	1	100%	7	87.5%
Revenue *(HK$'000)*	—	—	12,751	100%	133,761	100%
From joint venture companies	—	—	12,751	100%	104,634	78.2%
Gross profit *(HK$'000)*	—	—	9,135	100%	97,975	100%
From joint venture companies	—	—	9,135	100%	72,717	74.2%

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by business segment for the periods indicated:

	Year ended 31 December								
	2010			2011			2012		
	Revenue	Gross Profit	Margin	Revenue	Gross Profit	Margin	Revenue	Gross Profit	Margin
	HK$'000	HK$'000	%	HK$'000	HK$'000	%	HK$'000	HK$'000	%
Asphalt pavement maintenance service	195,307	66,413	34.0	203,759	92,981	45.6	288,399	127,338	44.2
Asphalt pavement maintenance equipment	37,838	16,238	42.9	77,520	47,932	61.8	197,604	135,701	68.7
Total:	233,145	82,651	35.5	281,279	140,913	50.1	486,003	263,039	54.1

The following table sets forth our summary consolidated statements of financial position as of the dates indicated:

	As of 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Total non-current assets	98,159	121,928	178,522
Total current assets	132,693	319,593	457,916
Total current liabilities	163,566	209,915	215,212
Net current assets/(liabilities)	(30,873)	109,678	242,704
Total non-current liabilities	5,238	162,296	178,477
Net assets	62,048	69,310	242,749

Net Current Liabilities/Assets Position

We recorded a net current liabilities position of HK$30.9 million as of 31 December 2010 primarily due to the classification of HK$19.8 million of long-term loans as current liability as of 31 December 2010. Our loan facility agreement contained a clause that the lender had a right to require us to repay the loan on demand. Our net current liabilities position as of 31 December 2010 was also due in part to an increase of our trade payables as a result of the increase in our subcontracting cost incurred for an asphalt pavement maintenance service project where we acted as the main contractor and outsourced non-asphalt pavement maintenance services to subcontractors. We recorded a net current assets position of HK$109.7 million as of 31 December 2011, primarily due to an increase in our cash and bank balances and increase in our trade and bills receivable. Our net current assets position increased to HK$242.7 million as of 31 December 2012 primarily due to an increase in our trade and bills receivables and a decrease in dividends payable.

Acquisition of Freetech Ordos

For the year ended 31 December 2012, we recorded HK$8.8 million in fair value gain from re-measurement of equity interest previously held in an acquired subsidiary to fair value as a result of our purchase of an additional 2% interest in Freetech Ordos, which increased our total interest from 51% to 53% and changed Freetech Ordos from a jointly-controlled entity to our subsidiary. We recognised total identifiable net assets of HK$38.7 million, which primarily consisted of property, plant and equipment of HK$23.2 million, trade receivables of HK$19.2 million and cash and cash equivalent of HK$8.4 million, and partially offset by trade payables of HK$10.1 million and other payables and accruals of HK$2.0 million, as a result of the acquisition of Freetech Ordos. After the acquisition, Freetech Ordos made contribution of HK$36.8 million to our total revenue and HK$10.7 million to our consolidated profit before tax for the year ended 31 December 2012.

Our Trade and Bills Receivables

The following table sets out the ageing analysis of our trade and bills receivables after impairment and the subsequent settlement as of the dates indicated:

	As of 31 December			Subsequent settlement as of 30 April 2013
	2010	**2011**	**2012**	
	HK$'000	**HK$'000**	**HK$'000**	**%**
Within 3 months	31,037	45,489	113,726	44.4
3 to 12 months	39,080	38,264	89,436	15.1
1 to 2 years	14,920	46,830	24,520	39.6
Over 2 years	994	6,807	40,526	13.6
Total	86,031	137,390	268,208	29.5
Less: Warranty	(15,251)	(21,660)	(34,516)	12.5
Less: Accounts receivable for Freetech Ordos(1)	—	—	(29,953)	7.9
Trade and bills receivables after impairment less warranty and accounts receivables for Freetech Ordos	70,780	115,730	203,739	38.9

Note:

(1) Represents the amount of accounts receivables we consolidated as a result of our acquisition of Freetech Ordos in June 2012. After that all of Freetech Ordos's outstanding trade receivables, including those related to services performed prior to our acquisition of Freetech Ordos, were consolidated into our accounts as of 31 December 2012. Freetech Ordos commenced one asphalt pavement maintenance project with a contract value of approximately HK$136.9 million. As of 31 December 2012, this project was still in progress.

Our impairment for trade and bills receivables increased from HK$5.9 million for the year ended 31 December 2010 to HK$8.4 million for the year ended 31 December 2011 and then decreased to HK$8.2 million for the year ended 31 December 2012. For the determination of allowance for impairment provision, we consider factors such as the significant financial difficulties of the debtors, the probability that the debtor will file for bankruptcy or be subject to a financial reorganisation, and the possibility of default or delinquent payments.

Our average trade and bills receivables turnover days were 115.7 days, 167.5 days and 172.0 days for the years ended 31 December 2010, 2011 and 2012, respectively. Our trade and bills receivables turnover days were relatively long and increased during the Track Record Period, primarily due to the following: (i) receivables from PRC government agencies accounted for over 70% of our total trade and bills receivables for each of the three years in the Track Record Period, (ii) PRC government agencies require a lengthy internal approval process before making payments to us, and (iii) certain receivables for asphalt pavement maintenance services we performed prior to 2011 further aged before they could be written-off according to our impairment policies. Given that we have sufficient operating cashflow and banking facilities available to us, our Directors are of view that the long receivables turnover days during the Track Record Period did not and will not have a material impact on our overall liquidity.

We have further enhanced our credit control measures and customer selection criteria to manage our trade and bills receivables. We intend to focus on customers with sufficient cash on hand and relatively short internal audit period for payment approval. For large-scale projects that meet the following criteria: (i) over RMB10 million in contract value, (ii) relatively long estimated payment periods, and (iii) sponsored by PRC government agencies with uncertain financial condition, we would not, starting from August 2012, enter into service contracts until we are provided with payment guarantees from local finance bureaus, which oversee allocation of funding for all government agencies under their respective administration. Since August 2012, we have postponed the signing of three service contracts due to the customer selection criteria described above. Since the implementation of our enhanced credit control measures and stringent customer selection criteria in August 2012, we have closely monitored the financial conditions of our customers. We have established a collections department dedicated to collecting accounts receivables in late December 2012. We have also accelerated our preliminary inspection and our own internal audit process upon completion of a project, which allows us to speed up our billing process and hence enable our client to start their internal approval process in a more timely manner. We conducted frequent follow-ups with customers regarding the progress of their internal approval process. To the extent that their request is reasonable, we will provide any necessary information to them so that they can speed up their internal approval process. As of 30 April 2013, approximately 45.3%, 50.2% and 26.5% of our trade and bills receivables outstanding as of 31 December 2010, 2011 and 2012, respectively, had been settled and approximately 52.0%, 58.2% and 29.5% of our trade and bills receivables outstanding (net of provision) as of 31 December 2010, 2011 and 2012, respectively, had been settled. PRC government agencies represented approximately 71.9% of our trade and bill receivables outstanding (net of provision) as of 31 December 2012. Furthermore, approximately 44.4% of the trade and receivables due within three months as of 31 December 2012 had been settled as of 30 April 2013. As a result of the implementations of our enhanced credit control measures, our trade and bills receivables decreased from HK$268.2 million as of 31 December 2012 to HK$249.6 million as of 30 April 2013, based on the unaudited financial statements prepared by our management for the four months ended 30 April 2013. During the same period, our business operations continued to expand. In view of the above, we believe that our enhanced credit control measures and customer selection criteria to manage our trade and bills receivables are effective.

KEY FINANCIAL RATIOS

Our net profit margin increased from 11.5% for 2010 to 22.1% for 2011, and further to 30.9% for 2012, primarily as a result of an increase in the number of asphalt pavement maintenance equipment with higher profit margin that we sold and decrease in withholding tax rate on dividend declared by Freetech Road Recycling from 10% to 5% in 2012. We derived higher profit margins from the sales of a certain model of our standard series equipment, which is capable of performing the key maintenance work for small-scale projects or regular road maintenance by itself, and modular series equipment, which is used for large-scale asphalt pavement maintenance service projects and can be customised according to customers' specific requirements. We are able to command high profit margins for this particular model of standard series equipment and modular series equipment, primarily because such equipment is in demand due to its functionality and technologies involved and there is a limited number of comparable products available in the PRC.

CAPITAL EXPENDITURES

Our projected capital expenditures for the years ending 31 December 2013 and 2014 are HK$102.2 million and HK$114.8 million, respectively. We plan to use all of our projected capital expenditures for the construction and procurement of property, plant and equipment in 2013. We plan to use HK$52.1 million for the acquisition of property, plant and equipment and HK$62.7 million to acquire land use rights in 2014.

We intend to fund our capital requirements for the year ending 31 December 2013 as to approximately 20% to 25% by proceeds from the Global Offering, 30% to 35% by bank borrowings and the remaining by operating cash flow. We intend to fund our capital requirements for the year ending 31 December 2014 as to approximately 15% to 20% by operating cash flow and the remaining by proceeds from the Global Offering.

KEY OPERATIONAL DATA

The total area serviced by our asphalt pavement maintenance services amounted to approximately 1,850,000 sq.m., 1,950,000 sq.m. and 2,760,000 sq.m. for the years ended 31 December 2010, 2011 and 2012, respectively.

The following table sets forth the average selling price for our asphalt pavement maintenance equipment:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Standard series equipment			
Principal series[1]	1,349	1,684	2,135
Non-principal series[2]	246	343	213
Modular series equipment (calculated based on the amount of sales revenue attributable to our Group)	—	12,751	16,720

Notes:

(1) Our principal series of standard series equipment refer to our PM series (修路王). PM series equipment are used on both municipal and highway pavements, and are suitable for small repair works and regular routine maintenance.

(2) Our non-principal series of standard series equipment include traditional patching vehicles (TM series), asphalt recyclers (AR series), pavement pre-heaters (HM series), crack sealing equipment (C series) and walk-behind and hand-held vibratory roller (VR series). Non-principal series equipment utilise traditional tools such as pavement saw and breaker to remove the defect area.

OFFER STATISTICS

	Based on an Offer Price of HK$2.43 per Share	Based on an Offer Price of HK$3.32 per Share
Market capitalisation of our Shares[1]	HK$2,527 million	HK$3,453 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share[2]	HK$0.76	HK$0.98

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalisation is based on 1,040,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 1,040,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering.

If the Over-allotment Option is exercised in full, the unaudited pro forma adjusted consolidated net tangible asset value per Share will be approximately HK$0.82 per Share (based on an Offer Price of HK$2.43 per Share) or approximately HK$1.06 per Share (based on an Offer Price of HK$3.32 per Share).

USE OF PROCEEDS

We estimate that net proceeds from the Global Offering will be approximately HK$686.2 million, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the Offer Price of HK$2.875 per Share, being the mid-point of the indicative Offer Price range.

We intend to use the proceeds from the Global Offering for the proposes and in the amounts set out below:

- approximately 20%, or HK$137.3 million, for investment in research and development activities including the research and development of asphalt pavement maintenance services and equipment (e.g. recruiting additional personnel and research equipment), collaboration with universities and establishment of research centres and training centres;

- approximately 20%, or HK$137.3 million, for establishing joint ventures in select provinces in the PRC and expanding asphalt pavement maintenance service teams of our joint ventures;

- approximately 15%, or HK$102.9 million, for manufacturing asphalt pavement maintenance equipment for our asphalt pavement maintenance service business and expanding our asphalt pavement maintenance service teams;

- approximately 15%, or HK$102.9 million, for acquisitions of other asphalt pavement maintenance service providers. We have not yet identified any acquisition target;

- approximately 10%, or HK$68.6 million, for constructing our new production facility and expanding our current production facility;

- approximately 10%, or HK$68.6 million, for establishing sales offices in new markets and marketing expenses; and

- approximately 10%, or HK$68.6 million, for general corporate purposes and working capital requirements, such as purchasing raw materials and hiring qualified personnel.

For more details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

DIVIDEND POLICY

We may declare dividends in the future after taking into account our results of operations, cash flows, financial condition and future prospects, as well as statutory and regulatory restrictions on our ability to make dividend payments and any other factors that we may consider relevant. Holders of our Shares will be entitled to receive dividends, if any, on a pro rata basis according to the amounts paid up or credited as paid up on the Shares. Companies now comprising our Group had declared dividends of approximately HK$12.9 million and HK$59.9 million for the years ended 31 December 2010 and 2011, respectively. We have also declared a dividend of HK$60.0 million in the first half of 2013. All declared and unpaid dividends will be fully settled prior to Listing through our internal funds and bank borrowings. After the Listing, the declaration of dividends will be subject to the approvals of our Board after considering the above factors and by our then Shareholders.

RISK FACTORS

There are certain risks involved in our operations, many of which are beyond our control. A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed "Risk Factors" in this prospectus.

RECENT DEVELOPMENTS

Our business model, cost and revenue structure remained unchanged and our overall profitability remained stable since 31 December 2012. Based on our unaudited financial statements prepared by our management, our unaudited revenue increased in the four months ended 30 April 2013 compared with the same period in 2012, as our business operations continued to grow. We completed one asphalt pavement maintenance service project with a contract value of approximately HK$18.1 million during the four months ended 30 April 2013. We sold 12 units of standard series equipment and one set of modular series equipment in the four months ended 30 April 2013 with a total contract value of approximately HK$32.2 million and approximately HK$12.5 million, respectively. As of the Latest Practicable Date, we had four asphalt pavement maintenance service projects in progress with a total remaining contract value of approximately HK$100.6 million. As of 30 April 2013, our trade and bills receivables and total bank borrowings amounted to HK$249.6 million and HK$93.9 million, respectively, and we had utilised banking facilities of approximately HK$106.5 million and un-utilised banking facilities of approximately HK$29.3 million. We have obtained written confirmations from local commercial banks in Nanjing to grant us additional credit lines of approximately RMB30 million in early 2013. We have also obtained written confirmations from our principal bankers to extend our short term bank borrowings of approximately RMB22.5 million when these borrowings become due. As part of our planned expansion, we have established one new joint venture company, namely Suitong Guangzhou, after the Track Record Period.

We incurred approximately HK$9.1 million of expenses in connection with the Global Offering and the Listing during the Track Record Period. We expect to incur approximately an additional HK$20.0 million in listing expenses after the Track Record Period, which will be reflected in our administrative expenses for the year ending 31 December 2013. We do not expect such listing expenses to have a material impact on our results of operations for the year ending 31 December 2013.

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2012 and no event has occurred since 31 December 2012 that would materially and adversely affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any one of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 7 June 2013 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Best Venture"	Best Venture Holdings Limited, a company incorporated in the BVI with limited liability on 10 June 2011 and is owned as to 42.334% by Ms. Anna Sze, 15% by Mr. Wong Yik Chor, 7.849% by Dong An, 15.697% by Mr. Sze, 1.24% by Infinite Venture, 0.77% by Ms. Cao Yabing, 7.65% by Fortune Kingdom and 9.46% by Swift Sino
"Board" or "Board of Directors"	the board of Directors
"BS BVI"	BS (BVI) Limited, a company incorporated in the BVI with limited liability on 30 March 2011 and a wholly-owned subsidiary of our Company
"BS Hong Kong"	BS (Int'l) Automobile Technology Co., Limited (奔騰(國際)汽車科技有限公司), a company incorporated in Hong Kong with limited liability on 18 August 2004 and an indirect wholly-owned subsidiary of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

"Capitalisation Issue"	the issue of 680,000,000 Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "Written resolutions of our Shareholders passed on 7 June 2013" under the section headed "Further Information about our Group" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCID"	CCID Consulting Company Limited, an Independent Third Party, a PRC based professional market research and consulting firm listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (stock code: 8235)
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China City"	China City Investment Holdings Limited, a company incorporated in the BVI on 29 January 2010 with limited liability, which is wholly owned by CCIG Capital Management Limited, a company owned as to 98% by Mr. Yang Gaocai and 2% by Mr. Suen San Man, both being Independent Third Parties
"CICC"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港証券有限公司), acting as the joint bookrunner and the joint lead manager of the Global Offering

"CITIC Securities"	CITIC Securities Corporate Finance (HK) Limited (中信証券融資(香港)有限公司), a company incorporated in Hong Kong with limited liability on 24 March 1992 and a wholly-owned subsidiary of CITIC Securities Company Limited (中信証券股份有限公司), a joint stock company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6030), is a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO), acting as the sole global coordinator, the joint bookrunner and the joint lead manager of the Global Offering and one of the joint sponsors of the Listing
"City Investment"	City Investment (China) Asset Management Co., Ltd.* (城投(中國)資產管理有限公司), a company established in the PRC on 7 September 2005 with limited liability, which is wholly owned by China City Investment Group Limited (中國城投集團有限公司), and in turn is wholly owned by CCIG Capital Management Limited, a company owned as to 98% by Mr. Yang Gaocai and 2% by Mr. Suen San Man, both are Independent Third Parties. City Investment is one of the shareholders of Hengtong Suqian, an associate of our Group
"cm"	centimetre(s)
"Companies Law"	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented and otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Freetech Road Recycling Technology (Holdings) Limited (英達公路再生科技(集團)有限公司) (previously known as Freetech Road Recycling Technology Ltd.), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 8 June 2011
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Freetech Cayman, Sze BVI, Freetech Technology and Mr. Sze

"Corporate Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History and Corporate Structure — Corporate Reorganisation" in this prospectus
"CSRC"	China Securities Regulatory Commission
"Deed of Indemnity"	a deed of indemnity dated 7 June 2013 entered into by our Controlling Shareholders in favour of our Company (for itself and on behalf of our subsidiaries) pursuant to which our Controlling Shareholders have given certain indemnities to us
"Deed of Non-Competition"	a deed of non-competition dated 7 June 2013 entered into by our Controlling Shareholders in favour of our Company, in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us
"Director(s)"	the directors of our Company as at the date of this prospectus
"Dong An"	Dong An Holdings Limited (東安控股有限公司) (previously known as Kang Hai Pharmaceutical Holdings Limited), a company incorporated in the BVI on 10 June 2002 with limited liability, which is wholly owned by Mr. Hui Tin Cho, an Independent Third Party. Dong An is one of our Shareholders
"EIT"	Enterprise Income Tax (企業所得稅)
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) as adopted at the fifth session of the 10th NPC on 16 March 2007 and effective from 1 January 2008, as amended, supplemented or otherwise modified from time to time
"Fortune Kingdom"	Fortune Kingdom Investments Limited, a company incorporated in Hong Kong on 3 February 2012 with limited liability, which is wholly owned by Ms. Guo Yuan Lan, an Independent Third Party. Fortune Kingdom is one of our Shareholders
"Freetech BVI"	Freetech Road Recycling Engineering Limited (英達公路再生工程有限公司), a company incorporated in the BVI with limited liability on 23 November 2009 and a wholly-owned subsidiary of our Company

"Freetech Cayman"	Freetech (Cayman) Ltd., a company incorporated in the Cayman Islands with limited liability on 8 June 2011 which, is owned as to 65.27% by Sze BVI, 10% by Best Venture, 9.8% by Rank Best, 7.46% by Smart Firm and 7.46% by Future Blossom as at the Latest Practicable Date and will be wholly owned by Sze BVI upon Listing
"Freetech Cayman Preferred Shares"	series A redeemable convertible preferred shares with par value of HK$0.10 each in the share capital of Freetech Cayman
"Freetech Hong Kong"	Freetech Road Maintenance Engineering Co., Limited (英達公路養護工程有限公司), a company incorporated in Hong Kong with limited liability on 17 August 2001 and an indirect wholly-owned subsidiary of our Company
"Freetech Manufacturing"	Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation* (南京英達公路養護車製造有限公司), a limited liability company established under the laws of the PRC on 21 June 2005, and registered as a high-and-new technology enterprise in the PRC and an indirect wholly-owned subsidiary of our Company
"Freetech Ordos"	Inner Mongolia Freetech Dongfang Road Recycling Engineering Co., Ltd.* (內蒙古英達東方道路再生工程有限公司), a limited liability company established under the laws of the PRC on 17 June 2011 and an indirect subsidiary of our Company, which is owned as to 53% by Freetech Road Recycling and 47% by Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司). Ordos Lutong Road Maintenance Co., Ltd.* is a substantial shareholder of Freetech Ordos, hence a connected person of our Company pursuant to Chapter 14A of the Listing Rules
"Freetech Road Recycling"	Freetech Road Recycling Corporation* (英達熱再生有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 8 September 2000, and registered as a high-and-new technology enterprise in the PRC and an indirect wholly-owned subsidiary of our Company
"Freetech Technology"	Freetech Technology Limited (英達科技有限公司), a company incorporated in Hong Kong with limited liability on 23 September 1993 and wholly owned by Mr. Sze, one of our Controlling Shareholders and an executive Director
"Freetech Xinjiang"	Xinjiang Freetech Road Recycling Co., Ltd.* (新疆英達熱再生有限公司), a limited liability company established under the laws of the PRC on 8 June 2012 and an indirect wholly-owned subsidiary of our Company

"Freetech Yanbian"	Yanbian Freetech Road Engineering Co., Ltd.* (延邊英達道路工程有限公司), a limited liability company established under the laws of the PRC on 31 May 2012 and an indirect wholly-owned subsidiary of our Company
"Freetech Yueyang"	Hunan Freetech Tongqu Road Recycling Engineering Co., Ltd.* (湖南英達通衢道路再生工程有限公司), a limited liability company established under the laws of the PRC on 11 April 2011 and a jointly-controlled entity of our Group, which is owned as to 55% by Freetech Road Recycling, an indirect wholly-owned subsidiary of our Company, and 45% by Yueyang Tongqu Prosper Road Co.* (岳陽市通衢興路公司), an Independent Third Party
"Futech Quanzhou"	Quanzhou Futech Road Recycling Engineering Technology Co., Ltd* (泉州福達道路再生工程技術有限公司), a limited liability company established under the laws of the PRC on 6 June 2012 and a jointly-controlled entity of our Group, which is wholly owned by Futech Road Recycling, another jointly-controlled entity of our Group, which in turn is owned as to 50% by Freetech BVI and 50% by New Bester Group Limited, a company wholly owned by Mr. Wong Yik Chor
"Futech Road Recycling"	Futech Road Recycling Engineering Limited (福達道路再生工程有限公司), a company incorporated in Hong Kong on 15 May 2012 with limited liability and a jointly-controlled entity of our Group, which is owned as to 50% by Freetech BVI and 50% by New Bester Group Limited, a company wholly owned by Mr. Wong Yik Chor
"Future Blossom"	Future Blossom Investment Limited, a company incorporated in the Cayman Islands with limited liability on 8 June 2011 and wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP L.P., which is indirectly wholly owned by China International Capital Corporation Limited. Future Blossom is one of our Shareholders
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time

"Group Company"	any company of our Group as the context so requires
"Guotai Junan Capital"	Guotai Junan Capital Limited (國泰君安融資有限公司), a company incorporated in Hong Kong with limited liability on 8 August 1995, is a corporation licensed under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activity, acting as one of the joint sponsors of the Listing
"Guotai Junan Securities"	Guotai Junan Securities (Hong Kong) Limited (國泰君安證券(香港)有限公司), is a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, acting as the joint bookrunner and joint lead manager of the Global Offering
"Hengtong Suqian"	Suqian Hengtong Road Recycling Constructions Co., Ltd.* (宿遷恒通道路再生工程有限公司), a limited liability company established under the laws of the PRC on 31 May 2012, an associate of our Group, which is owned as to 51% by Suqian Traffic Investments Co., Ltd.* (宿遷市交通投資有限公司), 35% by Freetech Road Recycling, an indirect wholly-owned subsidiary of our Company, and 14% by City Investment. Suqian Traffic Investments Co., Ltd.* is an Independent Third Party
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name through the designated website of HK eIPO White Form - **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the **HK eIPO White Form** service provider designated by the Company, as specified on the designated website at **www.hkeipo.hk**
"HK$", "Hong Kong dollar(s)", or "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standard(s)
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s)
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Public Offering"	the offer to the public in Hong Kong for subscription of the Hong Kong Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms
"Hong Kong Public Offer Shares"	the 26,000,000 new Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) being offered by us for subscription at the Offer Price under the Hong Kong Public Offering
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters in respect of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 13 June 2013 relating to the Hong Kong Public Offering entered into by, among others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"Infinite Venture"	Infinite Venture Holdings Limited, a company incorporated in the BVI on 16 September 2011 with limited liability, which is wholly owned by Ms. Michelle Ma Qiaoqiao, an Independent Third Party. Infinite Venture is one of our Shareholders
"International Offering"	the conditional offering of the International Offer Shares at the Offer Price by the International Underwriters as set out in the section headed "Structure of the Global Offering" in this prospectus
"International Offer Shares"	the 234,000,000 new Shares initially being offered for subscription under the International Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Underwriters"	the underwriters in respect of the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offering

"International Underwriting Agreement"	the underwriting agreement to be entered into between, among others, our Company, our Controlling Shareholders, the Sole Global Coordinator and International Underwriters in respect of the International Offering to be dated on or around 19 June 2013
"Jianda Urumqi"	Xinjiang Jianda Road Engineering Co., Ltd.* (新疆建達道路工程有限公司), a limited liability company established under the laws of the PRC on 20 December 2012 and an associate of our Group, which is owned as to 49% by Freetech Road Recycling, an indirect wholly-owned subsidiary of our Company, 40% by Urumqi Northern Hongsheng Technology Maintenance Co., Ltd.* (烏魯木齊北方宏升科技養護有限公司) and 11% by Ms. Xu Shaoyu, Independent Third Parties
"Joint Bookrunners"	CITIC Securities, CICC and Guotai Junan Securities
"Joint Lead Managers"	CITIC Securities, CICC and Guotai Junan Securities
"Joint Sponsors"	CITIC Securities and Guotai Junan Capital
"km"	kilometre(s)
"Latest Practicable Date"	6 June 2013, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 26 June 2013, on which dealings in the Shares first commence on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Lujie Nanjing"	Nanjing Lujie Road Maintenance Engineering Co., Ltd.* (南京路捷道路養護工程有限公司), a limited liability company established under the laws of the PRC on 20 December 2012 and a jointly-controlled entity of our Group, which is owned as to 45% by Freetech Road Recycling, an indirect wholly-owned subsidiary of our Company, and 55% by Nanjing Road and Bridge Construction Company* (南京市路橋工程總公司), an Independent Third Party
"m"	metre(s)

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Ministry of Transport"	the Ministry of Transport of the PRC (中華人民共和國交通運輸部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Sze"	Mr. Sze Wai Pan, the chairman of the Board, an executive Director and the chief executive officer of our Company, and one of our Controlling Shareholders. He is also the brother of Mr. Sze Wai Pang, Ms. Anna Sze and Ms. Irene Sze
"Mr. Sze Wai Pang"	Mr. Sze Wai Pang, brother of Mr. Sze, Ms. Anna Sze and Ms. Irene Sze, and the sole shareholder of Smart Vision
"Mr. Wong Yik Chor"	Mr. Wong Yik Chor, an Independent Third Party, is the sole shareholder of New Bester Group Limited, which in turn holds 50% of Futech Road Recycling. He is also one of the shareholders of Best Venture
"Ms. Anna Sze"	Ms. Sze On Na, Anna, sister of Mr. Sze, Mr. Sze Wai Pang and Ms. Irene Sze, one of the shareholders of Best Venture and the sole shareholder of Smart Executive
"Ms. Irene Sze"	Ms. Sze Wan Nga, an executive Director and sister of Mr. Sze, Mr. Sze Wai Pang and Ms. Anna Sze. She is also a shareholder of Rank Best
"Nanjing Maintenance Machinery"	Nanjing BS Maintenance Machinery Company Limited* (南京奔騰養護機械有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 22 July 2009 and an indirect wholly-owned subsidiary of our Company
"National Bureau of Statistics of China"	the National Bureau of Statistics of China (中華人民共和國國家統計局), an agency directly under the State Council which is in charge of the statistics and economic accounting in China. National Bureau of Statistics of China is independent of our Group

"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of not more than HK$3.32 per Share and expected to be not less than HK$2.43 per Share, at which the Offer Shares are to be subscribed for and issued pursuant to the Hong Kong Public Offering, to be determined in the manner further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional Offer Shares issued and sold pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by the Company to the International Underwriters, exercisable by CITIC Securities (for itself and on behalf of the other International Underwriters), with the prior written consent of the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 39,000,000 additional Offer Shares, representing 15% of the initial size of the Global Offering, to, among other things, cover over-allocations in the International Offering as described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	The People's Bank of China (中國人民銀行), the central bank of PRC
"PBOC Rate(s)"	the exchange rate for foreign exchange transactions set daily by PBOC based on the China inter-bank foreign exchange market rate of the previous day and with reference to current exchange rates on the world financial markets
"per cent" or "%"	per centum or percentage
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"Price Determination Date"	the date on which the Offer Price is fixed for the purpose of the Global Offering, expected to be on or around 19 June 2013, but in any event no later than 21 June 2013

"Qualified IPO"	has the meaning ascribed to it in the paragraph headed "History and Corporate Structure — Pre-IPO investments through Freetech Cayman — Special rights applicable to both Smart Firm and Future Blossom — (1) Redemption option" in this prospectus
"Rank Best"	Rank Best Holdings Limited, a company incorporated in the BVI with limited liability on 27 May 2011 and is owned as to 38.78% by Ms. Irene Sze, 30.61% by Mr. Sze Wai Pang and 30.61% by Ms. Anna Sze, and will be wholly beneficially owned by Ms. Irene Sze immediately prior to the Capitalisation Issue. Mr. Sze Wai Pang is the brother of Mr. Sze, Ms. Anna Sze and Ms. Irene Sze
"Regulation S"	Regulation S under the US Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.10 each in the share capital of our Company, which are to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 7 June 2013, the principal terms of which are summarised under the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus
"Share Redemption Agreement"	a share redemption agreement dated 7 June 2013 entered into between Best Venture, Rank Best, Smart Firm, Future Blossom, Freetech Cayman, our Company, Sze BVI and Mr. Sze in relation to Freetech Cayman redeeming a total of 265,964 Freetech Cayman Preferred Shares held by Smart Firm and Future Blossom, and a total of 352,716 ordinary shares of Freetech Cayman held by Best Venture and Rank Best at a total consideration of 33,158,300 Shares

"Share Subscription Agreement"	a share subscription agreement dated 27 July 2011 in relation to Freetech Cayman entered into between Smart Firm and Future Blossom as investors, Freetech Cayman as the company and Mr. Sze as the guarantor for the aggregate subscription of 221,636 Freetech Cayman Preferred Shares (subject to adjustment) by Smart Firm and Future Blossom for a total consideration of US$20,000,000
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	a shareholders' agreement dated 16 August 2011 entered into between Smart Firm, Future Blossom, Freetech Cayman, our Company, Sze BVI, Rank Best, Best Venture and Mr. Sze relating to Freetech Cayman and our Company, as amended by a supplemental agreement entered into between the same parties dated 7 June 2013
"Smart Executive"	Smart Executive Group Limited, a company incorporated in the BVI with limited liability on 8 March 2013, which is wholly owned by Ms. Anna Sze
"Smart Firm"	Smart Firm Investments Limited, a company incorporated in the BVI with limited liability on 11 January 2011, which is wholly owned by CSI Direct Investments Limited, a wholly-owned subsidiary of CITIC Securities Company Limited (中信証券股份有限公司), a joint stock company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6030). Smart Firm is one of our Shareholders
"Smart Vision"	Smart Vision Partner Limited, a company incorporated in the BVI with limited liability on 10 May 2013, which is wholly owned by Mr. Sze Wai Pang, brother of Mr. Sze, Ms. Anna Sze, and Ms. Irene Sze
"Sole Global Coordinator"	CITIC Securities
"sq.km."	square kilometre(s)
"sq.m."	square metre(s)
"Stabilising Manager"	CITIC Securities
"State Administration for Industry and Commerce" or "SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"State Administration of Foreign Exchange" or "SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC government agency responsible for matters relating to foreign exchange administration, including local branches, when applicable

"State Administration of Taxation" or "SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Freetech Cayman on or around the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Swift Sino"	Swift Sino Holdings Limited, a company incorporated in the BVI on 8 May 2012 with limited liability, which is wholly owned by Mr. Ding Ding (丁鼎), a director of Freetech Ordos. Swift Sino is one of our Shareholders
"Suitong Guangzhou"	Guangdong Suitong Road Recycling Engineering Co., Ltd.* (廣東穗通道路再生工程有限公司), a limited liability company established under the laws of the PRC on 16 January 2013 and a jointly-controlled entity of our Group, which is owned as to 51% by Freetech Road Recycling, an indirect wholly-owned subsidiary of our Company, and 49% by Guangzhou Municipal Engineering and Maintenance Bureau* (廣州市市政工程維修處), an Independent Third Party
"Sze BVI"	Freetech (BVI) Limited, a company incorporated in the BVI with limited liability on 3 June 2011 which is wholly owned by Freetech Technology and one of our Controlling Shareholders
"Track Record Period"	the years ended 31 December 2010, 2011 and 2012
"Twelfth Five-Year Plan"	a series of economic development initiatives established by PRC government for the five years from 2011 to 2015
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"US dollar(s)" or "US$"	United States dollars, the lawful currency for the time being of the United States
"US Securities Act"	the U.S. Securities Act of 1933, as amended

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars at an exchange rate of RMB0.8108 = HK$1.00 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into HK dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

This glossary contains definitions of certain terms used in this prospectus in connection with our business. Some of these terms and their given meanings may not correspond to standard industry meaning or usage of those terms.

"aggregates"	materials used in road maintenance including asphalt pavement maintenance, usually consisting of sand, gravel and crushed stones
"asphalt" or "bitumen"	a black viscous liquid or semi-solid obtained naturally from deposits or as a residue from petroleum distillation and used for road or pavement surfacing as glue for aggregates
"asphalt content ratio"	the percentage of asphalt in asphalt mixture
"asphalt mixture"	composed of asphalt, coarse aggregate, fine aggregate and filler (filler is a substance used for filling cracks or holes in a surface), and used for constructing and maintaining pavements and roads
"bleeding"	a type of pavement damage generally caused by excessive usage of asphalt and poor thermal stability of the pavement materials used, and where liquid appears through cracks and pavement surface
"civil engineering"	a branch of engineering concerned with the design, construction, and maintenance of the physical and naturally built environment such as dams, roads, bridges, canals, and buildings
"Cold-in-Place recycling"	a process in which a portion of an existing asphalt pavement is milled on-site and in place, and then mixed with building agent to form the road base
"ERP"	enterprise resource planning
"first-class road"	multi-lane road with ability to control exits as necessary with an average daily traffic ranging from 15,000 to 55,000 passenger vehicles
"fourth-class road"	road connecting county- or town-level regions normally equipped with one lane with an average daily traffic of less than 200 heavy duty vehicle
"graded road"	highway, first-class road, second-class road, third-class road or fourth-class road
"highway"	road used exclusively for multi-lane high speed transportation of motor vehicles with all controlled exits with an average daily traffic of more than 25,000 passenger vehicles

"Hot-in-Place recycling"	used in asphalt pavement maintenance, an on-site, in-place technology that rehabilitates deteriorated asphalt pavements through heating, scarifying and mixing the damaged asphalt materials with new materials and thereby minimises the use of new materials. The primary purpose of this process is to repair pavement damages such as cracks, ruts and holes, and bumps
"modular series Hot-in-Place recycling equipment"	all-in-one Hot-in-Place recycling equipment consisting of various machinery modules such as heater, recycler and mixer. It is mainly used in Hot-in-Place recycling of asphalt roads
"material science"	an applied science discipline concerned with the relationship between the structure and properties of materials
"mechanical engineering"	a discipline of engineering that involves the production and usage of heat and mechanical power for the design, production and operation of machines and applies the principles of physics and materials science
"mill-and-pave technique"	a traditional asphalt pavement maintenance technique which involves milling the damaged asphalt pavement and repaving the milled area with new asphalt mixture
"milling"	the process of removing road surface materials with rotary cutters
"municipal road"	road for vehicle traffic located within the overall urban planning zones
"pavement load bearing capability"	the maximum amount of traffic over a defined period of time that the pavement can withstand before it wears out
"rejuvenating agent"	a petroleum resin oil based liquid used in Hot-in-Place recycling to soften hardened or aged asphalt
"road density"	average road mileage owned by a certain size of population or a certain area of land
"road mileage"	actual mileage of graded roads meeting the specifications set out by Road Engineering Technical Standards (公路工程技術標準)
"scarifying process"	the process of loosening heated and compacted asphalt surface with raking tools
"second-class road"	double-lane road with no separation in the middle with a designed speed limit of approximately 60 to 80 km per hour

"standard series Hot-in-Place recycling equipment"	standalone Hot-in-Place equipment used for small-scale and small routine repair of the pavement, targeting at potholes and small surface damages
"third-class road"	double-lane road connecting county-or-above-level cities, suitable for all vehicles with an average daily traffic of less than 2,000 medium-sized heavy duty vehicle
"transverse cracks"	gaps and breaks in a pavement surface generally caused by shrinkage of the pavement surface due to low temperatures or bitumen hardening that run perpendicular

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed "Financial Information" in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in the Company before making any investment decision in relation to our Shares. The trading price of our Shares may decline due to any of these risks and you may lose all or part of your investment as a result.

RISKS RELATING TO OUR BUSINESS

If PRC government expenditures on road maintenance and asphalt pavement maintenance projects decrease or grow at lower rates than anticipated, our business and prospects may be materially and adversely affected.

The PRC provincial, municipal and local government agencies constitute a majority of our customer base for our asphalt pavement maintenance service and asphalt pavement maintenance equipment segments. For the years ended 31 December 2010, 2011 and 2012, our revenue from PRC government agencies accounted for approximately 85.6%, 81.3% and 63.4% of our total revenue, respectively. As a result, our sales and growth are directly dependent on government spending in the PRC, in particular, government spending relating to road maintenance and asphalt pavement maintenance projects. The level of government spending on road maintenance is affected by various factors, including macroeconomic conditions, economic and trade development, regional politics, taxation, unemployment levels and general consumer confidence. There is no assurance that these factors would continue to favour growth in government spending. If the PRC government spending relating to our business decreases or does not grow at the expected rate, our business and growth prospects may be materially and adversely affected.

If we fail to collect our trade and bills receivables in a timely manner, we would have to record impairment and our financial condition and results of operations would be negatively affected.

We may not be able to collect our trade receivables in a timely manner and some of our customers may delay payments after the dates of the invoices due to various reasons beyond our control, such as delays caused by their internal approval process. We provide asphalt pavement maintenance services and sell asphalt pavement maintenance equipment to three types of customers: PRC government agencies, privately-owned companies and joint venture companies. During the Track Record Period, some customers in each customer type did not strictly adhere to the payment terms stipulated in our contracts with them. During the Track Record Period, our trade and bills receivables turnover days ranged from approximately 115.7 days to 172.0 days. Our long trade and bills receivables turnover days during the Track Record Period were primarily due to the following: (i) receivables from PRC government agencies accounted for over 70% of our total trade and bills receivables for each of the three years in the Track Record Period, (ii) PRC government agencies typically require a lengthy internal approval process before making payments to us, and (iii) a PRC government agency customer delayed payments to us for our service performed for the Xuzhou Huaihai Road municipal project in 2010, under which we acted as the main contractor and outsourced non-asphalt pavement maintenance related work to third party subcontractors. This delay in settlement, in turn, was primarily because PRC government agencies need to go through a lengthy internal approval process before payments may be made. In addition, PRC government agencies typically review project documentation and make payment in the order that projects are completed. To the extent there are projects ahead of us in the payment backlog, payment to us is further delayed. Our trade receivables from the Xuzhou Huaihai Road municipal project as of 31 December 2012 were approximately HK$18.5 million, which also included subcontractors' fees and costs. PRC government agencies, privately-owned companies and joint venture companies accounted for 74.4%, 15.7% and

9.9% of our trade and bills receivables before impairment as of 31 December 2012, respectively. Our PRC government agency customers primarily comprised municipal government agencies, road authorities and highway administrations during the Track Record Period. Delayed payments from our major customers pose difficulties for us to manage our working capital. If our major customers do not improve their payment practices, or if we cannot otherwise finance our working capital, our business and financial performance will be materially and adversely affected.

Moreover, the impairment losses recorded for the years ended 31 December 2010, 2011 and 2012 were approximately HK$5.9 million, HK$8.4 million and HK$8.2 million, respectively. There is no assurance that impairment losses will not continue to exist in the future even if we have established a collections department and enhanced our credit control measures to minimise credit risk. If any material amount of trade receivables is considered to be uncollectable, impairment will be made accordingly. As a result, our financial condition and results of operations will be materially and adversely affected.

Fluctuations in the prices, availability and quality of the raw materials and components we use in our asphalt pavement maintenance services and asphalt pavement maintenance equipment production could disrupt our business operations and increase our cost of sales.

The raw materials and components we use include asphalt mixture, bitumen and rejuvenating agents for asphalt pavement maintenance services and chassis, liquefied petroleum gas components and hydraulic components for asphalt pavement maintenance equipment production. Substantially all of our raw materials and components are sourced from PRC suppliers. Approximately 45.1%, 56.9% and 63.8% of our cost of sales represented purchases of raw materials, components and consumables for the years ended 31 December 2010, 2011 and 2012, respectively. Our average purchase price for asphalt mixture, our major pavement material used for asphalt pavement maintenance services, was approximately RMB660 per tonne, RMB550 per tonne and RMB560 per tonne for the years ended 31 December 2010, 2011 and 2012, respectively. Our total asphalt mixture cost accounted for approximately 29%, 37% and 45% of our total cost of sales for asphalt pavement maintenance service segment for the years ended 31 December 2010, 2011 and 2012, respectively.

Fluctuations in prices for raw materials and components are subject to factors beyond our control, including government policies and economic conditions in the PRC. Although the purchase prices for our main raw materials and components remained relatively stable during the Track Record Period, there is no assurance that the prices will not increase in the future. According to CCID, there will be a significant increase in the costs of stones in China in the future due to the continuous growth in the infrastructure construction industry, and as a result, increase the unit cost for pavement materials. If we cannot successfully pass the incremental costs on to our customers or source our main raw materials at reasonable prices, our business and results of operations will be materially and adversely affected.

We do not have long-term agreements with our suppliers. Instead, we have entered into project-based non-binding framework agreements with some suppliers, which is usually subject to renewal on a project basis. For each order, we enter into separate purchase contracts which set out the terms regarding the price, purchase quantity, delivery terms and settlement terms, among others. For the years ended 31 December 2010, 2011 and 2012, our five largest suppliers accounted for approximately 41.9%, 25.2% and 26.8% of our total purchases, respectively. For the same periods, our largest supplier accounted for approximately 28.8%, 12.7% and 6.5% of our total purchases, respectively. An adverse change in our relationship with any major suppliers could result in disruption to the availability of raw materials necessary for our asphalt pavement maintenance services and our production of asphalt pavement maintenance equipment. There is no assurance that our suppliers will continue to supply us the raw materials we need to produce our asphalt pavement maintenance equipment and raw materials used in our asphalt pavement maintenance services at favourable or similar prices, or at all or meet our standards. If any of our major raw material supplier discontinues its relationship with us and we are unable to find a suitable replacement in time, our business, financial condition and results of operations would be materially and adversely affected.

We conduct some of our business through our joint ventures and intend to establish additional joint ventures with other local asphalt pavement maintenance service providers, which involves certain levels of risks and may adversely affect our own business reputations and results of operations.

We conduct some of our business through our joint ventures since 2011. For the years ended 31 December 2011 and 2012, approximately 0.7% and 2.1% of our profit after tax, respectively, was derived from our joint ventures. We also intend to establish additional joint ventures with other asphalt pavement maintenance service providers or persons who are strategically aligned with us and possess local expertise and knowledge in our target regions of expansion. We believe this strategy will help us to tap into new markets, broaden our customer base nationwide and increase our existing market share in the PRC.

We cannot assure you that these joint ventures and the respective joint venture partners, in particular those joint venture companies in which we do not have majority control, will always cooperate with us to carry out our business plans or growth strategies. If our joint venture companies fail to carry out our business plans or if they fail to secure asphalt pavement maintenance service projects in their respective local markets, or if there are changes in the laws and regulations in the PRC that adversely affects joint venture arrangements, our financial condition and results of operations could be materially and adversely affected. In the event that our joint venture partners breached the territorial restrictions set out in our joint venture contracts or breached other terms of our joint venture contracts, our joint venture partners may compete with us for asphalt pavement maintenance service projects and our business may be adversely affected.

In conducting and expanding our business through joint ventures, we may be exposed to the risk that our asphalt pavement maintenance equipment or technologies be misappropriated by our joint venture partners or misused by our joint venture companies or partners. As our joint venture partners may only be experienced in providing asphalt pavement maintenance services using traditional technology, they may lack sufficient knowledge and experience in operating our asphalt pavement maintenance equipment. Any improper or unauthorised usage of our asphalt pavement maintenance equipment by our joint venture partners may lead to quality issues and affect our reputation, which would adversely impact our financial condition and results of operations. In addition, the joint venture contracts provide that if there is a material dispute between us and our joint venture partners and if the dispute is not resolved, the joint venture company could be dissolved, in which case our business, financial condition and results of operations would be materially and adversely affected.

Our customers may improperly use our modular series asphalt pavement maintenance equipment, which may materially and adversely affect our business, financial condition and results of operations.

We sell our modular series asphalt pavement maintenance equipment to customers, who agree, among others, to restrict the use of the equipment sold to them in certain regional markets, where our management had carefully evaluated and concluded that it would be more cost-effective to establish joint venture companies or sell our asphalt pavement maintenance equipment to increase our presence in these markets. In the event that our customers fail to observe these restrictions, our customers may compete with us for asphalt pavement maintenance service projects in regions where we operate or new markets where we intend to further expand into, particularly those markets where penetration rates of asphalt pavement maintenance services and asphalt pavement maintenance equipment using the Hot-in-Place recycling technology are still relatively low. As a result, our business growth strategies may be adversely affected. In addition, if our customers who have purchased asphalt pavement maintenance equipment from us, without our consent, use the equipment with the same Hot-in-Place recycling technology that we offer to our customers for other asphalt pavement maintenance service projects, such unauthorised use may confuse our customers for other projects as to our association and relationship with these customers who have purchased asphalt pavement maintenance equipment from us. If we cannot successfully monitor and ensure the proper use of our modular series asphalt pavement maintenance equipment by our customers, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to maintain or expand our customer base, our business, financial condition and results of operations would be materially and adversely affected.

Our customers of asphalt pavement maintenance service segment mainly include PRC government agencies at various levels, such as road authorities, highway administrations and municipal governments, as well as privately-owned companies. Our customers of asphalt pavement maintenance equipment segment mainly include PRC government agencies, privately-owned companies and our joint venture companies. We have maintained good relationships with our customers. However, there is always competition for government projects, and we cannot assure you that our customers will continue to engage our services in their asphalt pavement maintenance service projects or purchase our asphalt pavement maintenance equipment. If there are other asphalt pavement maintenance service providers or asphalt pavement maintenance equipment manufacturers that can provide similar services or equipment at lower or comparable prices, or if they develop stronger relationships with our customers, then our customers may not continue to enter into contracts with us on terms and conditions that are acceptable to us, or at all. In addition, if there are such competitors in our target regions of expansion, we may not be able to successfully develop a customer base in those regions. If we are not able to maintain or expand our customer base, or if our current and future customer relationships are damaged or continued on less favourable terms, our business and results of operations would be materially and negatively affected. Even if we succeed in expanding our customer base, there is no assurance that our new customers will engage us on appropriate projects, or on favourable terms.

If we fail to implement our growth strategies for the asphalt pavement maintenance service segment, our business, financial condition, results of operations and prospects would be materially and adversely affected.

Our business primarily consists of two business segments, the asphalt pavement maintenance service segment and the asphalt pavement maintenance equipment segment. Our asphalt pavement maintenance service segment contributed approximately 83.8%, 72.4% and 59.3% to our total revenue for the years ended 31 December 2010, 2011 and 2012, respectively. We plan to strategically expand our asphalt pavement maintenance service segment by continuing to expand our business through organic growth, increasing our servicing capacities and forming joint ventures and acquisitions. As we grow organically, we may expand our business to cities or regions where we have not secured a stable customer base. Our advanced technologies may not be well received by the local governments or customers. Thus the expansion of our business in other cities may not be successful and may adversely affect our financial performance. Our continued growth may also require us to obtain additional funding and we may not be able to obtain sufficient funding to support our growth. There can be no assurance that we would be able to implement our growth strategies successfully, or that our asphalt pavement maintenance service segment would expand as expected. If we fail to implement our growth strategies, our business and results of operations may be materially and adversely affected.

We may face competition from asphalt pavement maintenance equipment manufacturers and asphalt pavement maintenance service providers with traditional or recycling asphalt pavement maintenance processes.

According to CCID, as the total mileage of asphalt pavement in the PRC continued to increase from 2006 to 2011, it is expected that the demand for asphalt pavement maintenance services will increase accordingly. As a result, the existing asphalt pavement maintenance service providers with traditional asphalt pavement maintenance processes may offer asphalt pavement maintenance services at more competitive terms and conditions than we do so as to maintain their competitiveness. There is also no assurance that other current large-scale machinery manufacturers or asphalt pavement maintenance service providers with traditional asphalt pavement maintenance process will not expand their business to include manufacturing of asphalt pavement maintenance equipment or that they will not apply similar non-traditional process in their business. We may also face competition from other asphalt pavement maintenance service providers who have already applied recycling asphalt pavement maintenance process. As a result, we might not be able to obtain a larger market share in providing asphalt pavement maintenance services as we planned. In order to compete effectively, we may need to incur additional capital expenditures to improve our technologies used in the asphalt pavement maintenance services, and improve the quality and functionality of our asphalt pavement maintenance products, and allocate more resources in our marketing and sales. Although we have other strengths such as applying advanced asphalt pavement maintenance techniques to fix specific asphalt pavement damages in the PRC and our competitors are relatively new in this aspect, if they expand their business to focus on providing asphalt pavement maintenance services through recycling asphalts or manufacturing asphalt pavement maintenance equipment targeting at China's asphalt pavement damages, it may materially and adversely affect our business, financial condition and results of operations.

We had net current liabilities as of 31 December 2010 and a significant level of indebtedness during the Track Record Period. We may be exposed to liquidity risks and our business, financial condition and results of operations may be affected as a result.

We have relied on a combination of funds generated from our operations, bank loans and cash advance from immediate holding company to finance our business operations and expansion. We had a net current liabilities position of approximately HK$30.9 million as of 31 December 2010, which improved to a net current assets position of approximately HK$109.7 million as of 31 December 2011 and further to HK$242.7 million as of 31 December 2012. Our gearing ratio was 69.2%, 76.5% and 51.7% as of 31 December 2010, 2011 and 2012. Our high level of indebtedness could materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;

- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate; and
- increase our exposure to interest rate fluctuations.

Our net current liabilities position exposed us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing.

We intend to apply approximately 10% of the net proceeds of the Global Offering as our working capital. However, this amount of funding may not be sufficient for our future operations and we may still need to obtain loan financing from financial institutions or other persons and therefore, we may have net current liabilities and high gearing ratio in the future, which may limit our working capital for the purposes of operations or capital for our expansion plans and materially and adversely affect our business, financial condition and results of operations.

Our business requires significant capital investments and a high level of working capital to sustain our operations and business growth. We may not be successful in implementing our business plans.

Our business is capital intensive and we depend on cash generated from our operations as well as external financing to operate and expand our business. Our capital expenditures have principally consisted of expenditures on property, plant and equipment, land use rights and other intangible assets. For the years ended 31 December 2010, 2011 and 2012, we incurred capital expenditures in the amounts of approximately HK$31.2 million, HK$17.2 million and HK$20.6 million, respectively. Our capital expenditure incurred during the Track Record Period was primarily related to the manufacture of asphalt pavement maintenance equipment for our asphalt pavement maintenance service segment and production machineries for our asphalt pavement maintenance equipment segment. Our future funding requirements will depend, to a large extent, on our working capital requirements and the nature of our capital expenditures, our business performance, market conditions and other factors which are beyond the control and anticipation of our management. The tightening of credit which resulted from the recent economic downturn may increase the interest expenses on our bank borrowings and create difficulties for us to renew existing banking facilities and/or obtain additional sources of debt financing, which may affect the amount of banking facilities available to us.

Our outstanding balance of bank borrowings as of 31 December 2010, 2011 and 2012 was HK$77.4 million, HK$58.8 million and HK$85.7 million, respectively. We may continue to incur debt to fund our daily operations as well as pursue our expansion plans. Any increase in interest rates could cause our finance costs to increase. The lender may withdraw facilities, request for early repayment of outstanding loans or increase in the amount of pledges for secured borrowings. Furthermore, if we require additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities. We need substantial capital expenditures to maintain and continuously upgrade and expand our production facilities and design and development functions to keep pace with the competitive landscape and changing requirements in our industry.

In addition, we plan to construct a new plant to expand our current production capacity. As of the Latest Practicable Date, we have incurred capital expenditures of HK$12.7 million relating to the construction of our new plant. We expect to incur capital expenditures of approximately HK$62.5 million, which primarily include building construction costs of HK$54.3 million, machinery costs of HK$7.0 million and office equipment costs of HK$0.6 million, to complete the construction of our new plant in 2013. We plan to use approximately HK$10.0 million from the proceeds of the Global Offering to fund the construction plan. We expect to meet the remaining funding requirements through the advance from Freetech Cayman using proceeds from the pre-IPO investments of Smart Firm and Future Blossom, internally generated cash flow and bank borrowings. Our ability to obtain financing through bank borrowings, or debt or equity financing, as well as our ability to scheduled repayments of our indebtedness, including our ability to roll over our short-term bank borrowings, will depend heavily upon our future operating performance and cash flow, the performance of our industry, prevailing political and economic conditions in the PRC and other factors, many of which are beyond our control. We may not be able to obtain adequate funds on acceptable terms, or at all. If capital is unavailable, we may be forced to curtail our expansion plans, which could result in an inability to successfully implement our business strategy.

If we are unable to complete our new asphalt pavement maintenance equipment production facility on time, our business and growth strategies would be materially and adversely affected.

We currently have one asphalt pavement maintenance equipment production facility in Nanjing. Due to our brand name and market reputation, there has been strong market demand for our asphalt pavement maintenance equipment. In order to meet the increasing market demand, we plan to construct a new asphalt pavement maintenance equipment production facility in Nanjing. See “Business — Asphalt Pavement Maintenance Equipment Segment — Production capacity and output”. We expect that the new production facility will become operational by late 2013 upon partial completion of the construction and obtaining the title certificate for the new plant and double our asphalt pavement maintenance equipment production output by the end of 2014 when the construction is completed.

However, we cannot assure you that this new production facility will be completed on time, or at all. We are required to obtain relevant PRC government approvals prior to the commencement of construction and production. If we are unable to secure the necessary funding or government approvals for any reason, or if we encounter unforeseen difficulties in the course of the construction, the construction may be significantly delayed and we may not be able to complete the new production facility on time. In this case, our business and growth strategies would be materially and negatively affected.

Our asphalt pavement maintenance services and asphalt pavement maintenance equipment production could be disrupted due to a variety of factors.

We rely on our asphalt pavement maintenance equipment to perform asphalt pavement maintenance services. Unexpected equipment failures may result in gaps in our services, which, if not remedied promptly, could result in delay in project timetable, breach of service contract, loss of revenue and penalties. In 2010, we had one equipment breakdown during a service project, which resulted in delay in completion of the project. In addition, we incurred approximately RMB10,000 in transporting a similar unit of asphalt pavement maintenance equipment from nearby location to complete the project and approximately HK$1.5 million in writing-off the asphalt pavement maintenance equipment that broke down and was no longer usable.

Other factors that could cause disruptions in our asphalt pavement maintenance services and asphalt pavement maintenance equipment production include bad weather conditions, accidents, equipment overhauls or breakdown, interruptions in electricity or water supplies, natural disasters or other causes. As a result, we may in the future experience service or production curtailments, which would negatively affect our results of operations. In addition, such events could cause damage to properties, personal injuries or deaths. Any such event could result in civil lawsuits or regulatory enforcement proceedings, which in turn could lead to significant liabilities.

Our continuing success depends on our ability to adequately protect our intellectual property rights.

We have invested, and plan to continue to invest, significant resources in our research and development efforts, which we believe represent one of our key strengths. As of the Latest Practicable Date, we had registered 82 patents, of which seven are invention patents, 67 are utility model patents and eight are design patents, and we had 16 pending patent applications, of which 13 were invention patents and one were utility model patents. We have marketed and branded our asphalt pavement maintenance services as "Road Doctor" ("公路医生®") and our PM series of asphalt pavement maintenance equipment as "修路王", with "公路医生®" being a registered trademark in the PRC and Hong Kong. We may be subject to intellectual property rights claims from third parties. Third parties may obtain patent rights in the future and claim that we infringe their intellectual property rights. There is no assurance that such third parties may not launch any claims in future against any of us. Furthermore, third parties may infringe our rights and use brand names, including but not limited to the use of our "Road Doctor"（"公路医生®"）brand in connection with similar or dissimilar goods or services as those provided by us. Third parties may have rights that are superior to ours if they have used those brand names before us in connection with similar goods or services as those of ours, or hold a ''well-known'' trademark in respect of our brand names in the PRC. If a third party asserts that our products or brand names infringe upon its intellectual property rights, these claims could cause us to incur significant expenses and, if successfully asserted against us, could require us to pay substantial damages and/or prevent us from selling our asphalt pavement maintenance equipment and/or using our "Road Doctor"（"公路医生®"）brand name. In addition, we may suffer reputational loss which may not be easily quantified. Even if we were to prevail against such claims, any litigation regarding intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations.

Further details of our intellectual property portfolio are set out in the section headed "C. Further Information about Our Business — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus. In addition, we possess confidential and proprietary technologies, know-how and processes. Our measures to protect our intellectual property rights may not be adequate to prevent or deter infringement or other misappropriation of our intellectual property rights. Our asphalt pavement maintenance equipment may be subject to unauthorised counterfeit or misappropriation. There is no assurance that we will be able to detect such unauthorised counterfeit or misappropriation. In addition, we cannot assure that the public may not be misled by products that bear trademarks similar to those registered or used by or those endorsed by us or associated with our products. If we fail to effectively protect our intellectual properties from inappropriate or unauthorised use by third parties in ways that adversely affect our corporate image or brand name, our reputation could suffer damage, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to product liability claims.

We are not required under the PRC law to maintain, and we do not maintain, general product liability insurance for products sold in the PRC. We may be exposed to product liability claims, and we may, as a result, have to allocate significant financial and managerial resources to defend against such claims. Product liability claim risks are anticipated to increase as legal concepts in product liability claims begin to develop and mature in the PRC where our products are sold. In the event that we are found to be liable for a product liability claim, we may be required to pay a substantial amount of monetary damages so claimed and suffer reputational losses. Even if we successfully defend ourselves against a product liability claim, we may be forced to spend a substantial amount of money, management time and resources on defending such a claim and our reputation may suffer as a result of the negative publicity associated with it. In addition, we may be exposed to additional product liabilities related to parts or components that we procured from our third-party suppliers and used in the production of our asphalt pavement maintenance equipment.

We may not have adequate insurance coverage.

Our insurance coverage may not adequately protect us against certain other risks. Insurance companies in the PRC and Hong Kong offer limited commercial insurance products. For example, to the best knowledge of our Directors, business interruption insurance available in the PRC or Hong Kong offers less coverage compared to that offered in many other countries. We only maintain limited insurance coverage. As a result, we may have to pay for any uninsured financial or other losses, damages and liabilities, litigation or business disruption pay out of our own resources. The occurrence of certain incidents, including earthquake, fire, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from such events may not be fully covered by our insurance policies. If our business operations were disrupted or interrupted for a substantial period of time, we could incur costs and losses that could materially and adversely affect our business, financial condition and results of operations.

Our continuing success depends on the ability to retain our senior management and key personnel.

Our success depends on the experience and skills of our current management and our leading sales personnel, researchers and mechanical engineers. In particular, our senior management has significant experience in the research, sales and production of asphalt pavement maintenance servicing and asphalt pavement maintenance equipment manufacturing industries. Our management team includes Mr. Sze Wai Pan (施偉斌), Ms. Sze Wan Nga (施韻雅), Mr. Zhang Yifu (張义甫), Mr. Chan Kai King (陳啟景), Mr. Jiang Yong He (蔣永河) and Mr. Huang Liang Zhong (黃良忠), each of whom has over ten years of experience in the industry. They constitute the core of the management and research team and oversee strategic planning and hold decision making power. They have been fundamental to our achievements to date. The loss of any member of the management team could adversely affect our ability to sustain and grow our business.

Our business heavily relies on research and development personnel and key mechanical engineers for their knowledge and experience. Although we provide our talents with attractive employment benefits including some social welfare and our key research personnel and mechanical engineers have been with us for more than five years, we cannot guarantee that our competitors will not solicit them and offer them higher salaries or benefits regarded more desirable by them. If we are unable to identify, attract and retain talents, our business and growth may be materially and adversely affected.

We cannot assure you that we will be able to recruit additional qualified employees to strengthen our management team or integrate new management into our existing operations in order to keep pace with the proposed growth of our business. Competition for experienced individuals exists in the PRC, and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain additional qualified personnel may hinder our ability to grow our business, which could materially and adversely affect our business, financial condition and results of operations.

Our business could be harmed by a failure of our information technology and administrative system.

We rely on our information technology and administrative systems, particularly the ERP system, in our manufacturing facilities to effectively manage our business data, communications, order entry and fulfilment and other business processes, which we believe is important in production efficiency, and the client relationship management system, the CRM, to effectively manage our interactions with our customers and develop sales prospects. We also plan to expand the use of the ERP system by introducing it to other operations. In addition, as of the Latest Practicable Date, we had also installed Global Positioning System, or GPS, on over 100 asphalt pavement maintenance equipment to ensure that relevant equipment management department of our asphalt pavement maintenance service segment can remotely monitor the positions, speed and driving directions of those asphalt pavement maintenance equipment which are also vehicles to be driven on the road. Installing GPS also effectively helps us monitor and manage fuel consumption of our asphalt pavement maintenance equipment or vehicle and ensure that we can oversee compliance with all relevant traffic regulations. Moreover, we can effectively organise and mobilise our servicing project teams to different locations accordingly. The failure of the information technology or administrative systems in meeting our expectations could disrupt our business and result in transaction errors, causing inefficiencies and potential loss of sales and customers. Further, the information technology and administrative systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, security breaches and viruses. Any such damage or interruption could have a material adverse effect on our business and prevent us from paying our product suppliers, raw material suppliers or employees, receiving payments from our customers or performing other information technology or administrative services required by our business on a timely basis.

Some of the properties leased by us are subject to irregularities.

For some of the leased properties we occupy in the PRC, our landlords have not yet obtained sufficient title certificates that allow us to use or freely transfer the properties. As of the Latest Practicable Date, our landlords had not obtained or delivered to us the building ownership certificates for 13 properties in the PRC. These properties are used for various purposes, including offices and employee accommodation. We may be subject to fines ranging from RMB1,000 to RMB10,000 for failure to register each of the lease agreements within the required registration period. There is no assurance that our landlords will honour their obligations to continue leasing these properties to us. In the event of an early termination of the lease agreements that we have entered into for any reason or any dispute or claim in relation to the title to the properties occupied by us, including litigation involving allegations of illegal or unauthorised use of these properties, we would be required to find alternative locations for our offices and employee accommodation. Moreover, there is no assurance that we would be able to secure alternative locations or negotiate lease agreements on commercially reasonable terms in a timely manner, or at all. If we were required to enter into new lease agreements with less favourable terms, our business, financial condition and future growth potential may be materially and adversely affected.

We are currently involved in a legal proceeding and we may be subject to other claims in the future. If any such proceeding or claim is not ruled in our favour, our business, financial condition and results of operations may be negatively affected.

Nanyang Expressway Co. Ltd. (南陽市高速公路有限公司) filed a lawsuit with Nanyang City Wancheng District People's Court (南陽市宛城區人民法院) against our Freetech Road Recycling on 28 October 2008, requesting the Construction Contract Agreement to be terminated and that we, the defendant, return RMB727,000 with interest to Nanyang Expressway Co. Ltd. (南陽市高速公路有限公司) and pay for all relevant litigation costs. In response to such an allegation, we have filed a counterclaim with Nanyang City Wancheng District People's Court (南陽市宛城區人民法院) and request Nanyang Expressway Co. Ltd. (南陽市高速公路有限公司) to continue to fulfil its contractual obligations and pay us an indemnity of approximately RMB3.1 million as well as pay for the relevant litigation costs. As of the Latest Practicable Date, this legal proceeding was still in progress and we cannot guarantee that result of such lawsuit will be in our favour. If this legal proceeding is ruled against us, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, to manage our liquidity, we have delayed payment to certain suppliers and subcontractors to match our trade payables with our trade receivables. We cannot assure you, however, that these suppliers and subcontractors will not make a claim against us. If they file a legal claim against us for the outstanding payables we owe them, we may have to settle the payables, which would have a material and negative impact on our working capital. In addition, we may be ordered to pay penalties and the relevant litigation costs, which would have an adverse effect on our business, financial condition and results of operations.

Some of our subsidiaries and joint ventures may not have all the operating permits required under PRC laws. If they are not able to obtain the necessary permits, or if they are deemed by PRC authorities to have violated relevant PRC laws, they may have to cease operations, have their illegal income forfeited and pay penalties.

Under relevant PRC laws, to engage in the provisions of asphalt pavement maintenance services, companies are required to obtain the Production Safety Licence and the Certificate of Qualification for Construction Enterprises issued by relevant PRC regulatory authorities. Our joint venture companies, Freetech Yueyang and Hengtong Suqian, and our subsidiary, Freetech Ordos, are in the process of applying but have not yet obtained these permits. Freetech Yueyang, Hengtong Suqian and Freetech Ordos together contributed HK$12.0 million, or 5.0%, to our total profit after tax during the Track Record Period. In view of the facts that (i) our joint ventures and subsidiary have either directly contracted with the PRC government authorities for asphalt pavement maintenance services or indirectly subcontracted with PRC government authorities for asphalt pavement maintenance services through contractors, (ii) for the asphalt pavement maintenance services that our joint ventures and subsidiary have contracted, the owners of the pavement approved that the shareholder of our joint ventures and subsidiary is in possession of the Production Safety Licence and the Certificate of

Qualification for Construction Enterprises would suffice, and (iii) we have not received any notice from any PRC government authority regarding our joint ventures' or subsidiary's provision of asphalt pavement maintenance services without the Production Safety Licence and the Certificate of Qualification for Construction, our PRC legal adviser, King & Wood Mallesons, is of the view that (a) Freetech Yueyang, Hengtong Suqian and Freetech Ordos operating without the Production Safety Licence and the Certificate of Qualification for Construction is not a material violation of the PRC laws and regulations, and (b) the likelihood of Freetech Yueyang, Hengtong Suqian and Freetech Ordos to be penalised by the relevant authorities for the provision of asphalt pavement maintenance services without operating permits is low. As such, our Directors are of the view that the provision of asphalt pavement maintenance services by Freetech Yueyang, Hengtong Suqian and Freetech Ordos without these operating permits would not cause any material and adverse effect on our business. We cannot assure you, however, that Freetech Yueyang, Hengtong Suqian and Freetech Ordos would be able to obtain all necessary operating permits in time, or at all, or that in the future relevant PRC authorities would not challenge the view of our PRC legal adviser and/or deem Freetech Yueyang, Hengtong Suqian and Freetech Ordos to have violated PRC laws by providing asphalt pavement maintenance services without all the required permits. If those joint venture companies and subsidiary are deemed to have violated relevant PRC laws, each of them may be ordered to cease operation, have their illegal income forfeited, if any, and pay penalties in which case our business, financial condition and results of operations would be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

Global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and results of operations.

The global capital and credit markets have been experiencing extreme volatility and disruption in recent times. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, the US mortgage market and a declining residential real estate market in the US and elsewhere have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. These events have led to a slowdown in the Chinese economy. In addition, further deterioration of the European economic condition may also have a domino effect on the Chinese economy and materially affect our business.

Our asphalt pavement maintenance equipment are primarily sold within the PRC and we also primarily provide asphalt pavement maintenance services within the PRC. During the years ended 31 December 2010, 2011 and 2012, approximately 83.8%, 72.4% and 59.3% of our total revenue was derived from our asphalt pavement maintenance service segment, respectively. The remaining portion of our revenue during the Track Record Period was generated from our asphalt pavement maintenance equipment segment. All of our revenue had been derived from our operations in the PRC except a small portion of revenue, which was derived from the sales of our asphalt pavement maintenance equipment in Hong Kong, during the Track Record Period. In the event of any adverse changes that may happen to the PRC economy affecting consumption in the market, such as a slowdown in growth of the GDP in the PRC, which leads to a slowdown in the growth of development of the towns and cities, may significantly decrease the demand for our products, thereby materially and adversely affecting our business, financial condition and results of operations.

Our sales may be affected by seasonality and a number of other factors.

Revenue generated from our asphalt pavement maintenance service segment can be affected by certain seasonal and weather conditions. For example, during the Track Record Period, our revenue derived from the asphalt pavement maintenance service segment was generally higher from May to October compared with other months of the year, primarily because the asphalt pavement maintenance service market is generally more active when the weather is warm, which is more amenable to performing outdoor services and heating up asphalt. During the Track Record Period, revenue generated in the third quarter of each year accounted for approximately one-third of the total revenue generated in the full year for our asphalt pavement maintenance services, which exceeded any of the other three quarters in a year. In addition, projects are often on hold during the Chinese New Year's holidays, which fall in January or February of the year. During the Track Record Period, revenue for our asphalt pavement maintenance services generated in the first quarter of each year usually represented approximately 10% of our total annual revenue for asphalt pavement maintenance services. As a result of these seasonal fluctuations, comparisons of our operating results between different periods within a financial year, or between the same periods in different financial years, may not be meaningful and should not be relied upon as indicators of our future performance. Any unpredictable changes in weather patterns, especially any undesirable weather conditions such as rain or snow, could affect our efficiency in carrying out asphalt pavement maintenance projects and generally any occurrence of natural catastrophes may also affect our performance.

If the minimum wage is increased, our cost of production will increase and our business may be harmed.

Asphalt pavement maintenance equipment manufacturing is a labour intensive industry. For the years ended 31 December 2010, 2011 and 2012, total direct labour costs represented approximately 15.4%, 13.1% and 12.5% of our total cost of sales under asphalt pavement maintenance equipment segment, respectively. Labour protection systems are implemented in the PRC and minimum wage standards are determined by the people's government of the relevant provinces, autonomous regions and municipalities and then submitted to and filed with the State Council of the PRC. We are obliged to pay the relevant local minimum wage to our workers in the PRC. If such minimum wage were to increase materially, the labour cost would increase and if we are not able to pass that increase on to our customers in the form of higher prices, our business may be harmed. For the years ended 31 December 2010, 2011 and 2012, cost of production of our asphalt pavement maintenance equipment constituted approximately 14.4%, 21.1% and 27.7% of our total cost of sales, respectively. Any rise in the production overhead could negatively affect our business and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. For the past three decades, the PRC government has implemented economic reform and measures emphasising the utilisation of market forces in the development of the PRC economy. Although we believe these economic reforms and measures will have a positive effect on the PRC's overall and long-term development, we cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, allocation of natural resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly. Furthermore, we cannot assure you that we will be in compliance with regulations implemented under these policies or comply with them within the stipulated timeframe. If we do not comply with future regulations or do not comply with them in a timely manner, we may be subject to penalties or be ordered to cease operations and our business, financial condition and results of operations may be materially and adversely affected.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. The China Banking Regulatory Commission began implementing restrictions on bank lending in early 2010. Stricter lending policies in the PRC may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

Demand for our asphalt pavement maintenance equipment, our asphalt pavement maintenance services and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control. As such, our future success depends on the economic, political and social conditions as well as laws and government policies of the PRC and any change detrimental to our operations, such as further tightening the lending standards, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

The value of Renminbi and foreign currencies we trade in may fluctuate and may affect our results of operation and financial condition.

The value of the Renminbi has been under pressure of appreciation in recent years. There have been international pressure on the PRC to allow more flexible exchange rates for the Renminbi, hence economic situation and financial market development in the PRC and abroad, and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. In addition, the exchange rate for the foreign currencies that our operations are exposed to, including but not limited to Hong Kong dollars, may also fluctuate against Renminbi.

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to, will affect our business in different ways. For example, the appreciation of the Renminbi or the depreciation of foreign currencies may adversely affect the price competitiveness and profitability of exporting asphalt pavement maintenance equipment overseas following our future expansion into the overseas market. We may also face more intense competition from imported asphalt pavement maintenance equipment at a cheaper price due to the appreciation of the Renminbi or depreciation of foreign currencies. In addition, changes in foreign exchange rates may have an impact on the book value of certain of our foreign currency denominated assets and liabilities, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

PRC Governmental control on the convertibility of Renminbi may affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. The majority of our income are received in Renminbi and shortages in the availability of foreign currencies may restrict the ability of our subsidiaries and joint venture companies in the PRC to remit sufficient foreign currencies to pay dividends or other payments to our Company, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose any restriction on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our Shareholder.

The PRC economy may experience inflationary pressure and the potential inflation may affect our business.

Inflationary pressure may exist in various economies in the world. It has been expected that the PRC may experience inflation in the coming years, which may result in general increases in prices of goods. Along with the increase in prices of goods, the prices of our asphalt pavement maintenance equipment and our raw materials used in asphalt pavement maintenance services and the manufacturing our asphalt pavement maintenance equipment are expected to rise as well. Inflation in the PRC may also lead to an increase in interest rates and a slowdown in economic growth in the PRC, which may negatively impact our business. The overall impact of inflationary pressure may adversely affect our business, financial condition, results of operations and growth prospects.

Changes in PRC laws, legal protections or government policies on foreign investment in the PRC may adversely affect our business.

Our business is subject to laws and regulations applicable to foreign investment in the PRC as well as laws and regulations applicable to foreign-invested enterprises. These laws and regulations are subject to change, and their interpretation and enforcement involves uncertainties that could limit the legal protections available to us and our investors. In addition, the PRC legal system is based in part on government policies (some of which are not published on a timely basis or at all) that may have a retroactive effect. If any of our past operations are deemed to be non-compliant with PRC law, we may be subject to penalties and our business and operations may be adversely affected. For instance, under the Guidance Catalogue of Industries for Foreign Investment (“《外商投資產業指導目錄》”) effective on 30 January 2012 (the “Catalogue”), some industries are categorised as encouraged, restricted or prohibited for foreign investment. Unless otherwise stipulated by other laws and regulations, industries that do not fall into any of these three categories are considered permitted for foreign investment. Our PRC legal adviser, King & Wood Mallesons, advised that based on the industries listed in the Catalogue and the scope of business as stated in the business licences of Freetech Road Recycling, Nanjing Maintenance Machinery, Freetech Manufacturing and Futech Quanzhou, our foreign invested subsidiaries or jointly-controlled entity in the PRC, these companies are in compliance with the relevant regulations related to foreign investment under the Catalogue. As the Catalogue is updated every few years, there can be no assurance that PRC government will not change its policies in a manner that would render part or all of our business to fall within the restricted or prohibited categories. If we cannot obtain approval from the relevant approval authorities to engage in businesses which become prohibited or restricted for foreign investors, we may be forced to sell or restructure such business. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. The PRC government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted to us by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment or changes in the interpretation and application of existing or new laws, our business, financial condition, results of operations and prospects may be adversely affected.

We may be deemed as a PRC resident for PRC tax purposes following the effectiveness of the new Enterprise Income Tax, which may subject us to PRC income taxes on our worldwide income.

Under the EIT Law, which took effect on 1 January 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% EIT rate as to their global income. Under the implementation rules of the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation (國家稅務總局) (the “SAT”) promulgated a circular on “identifying Chinese Controlled Offshore Enterprise as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management, ” which sets out certain criteria for specifying what constitutes a “de facto management body” in respect of enterprises that are established offshore by PRC enterprises.

As most of our management is currently based in China and may remain in China in the future, we may be treated as a PRC resident enterprise for PRC EIT purposes. If we are deemed as a PRC resident enterprise, we will be subject to PRC EIT at the rate of 25% on our worldwide income. In that case, however, dividend income we receive from our PRC subsidiaries may be exempt from PRC EIT because the EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise is exempt from EIT. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that we are eligible for such PRC EIT exemptions or reductions.

We will be required to record a deferred PRC withholding tax liability if we intend to distribute dividends from our PRC subsidiaries to our offshore holding company, which will adversely impact of our financial results.

Under the EIT Law and its implementation rules, dividends payable to foreign investors that are "derived from sources within the PRC" would be subject to withholding income tax at the rate of 10%. In addition, due to the "Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income", signed on 21 August 2006 (the "Hong Kong Treaty"), a company incorporated in Hong Kong, such as Freetech Hong Kong or BS Hong Kong, will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it directly holds a 25% or more interest in that subsidiary. In addition, the SAT promulgated a tax notice on 27 October 2009 ("Circular 601"), which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance. Circular 601 applies to dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiaries. When our Directors declare and distribute dividends from our PRC subsidiaries to our Hong Kong subsidiaries, we will be required to record a deferred PRC withholding tax liability in our accounts up to 10% (or 5% as we may be entitled to tax treaty benefits under the Hong Kong Treaty but subject to Circular 601) of gross dividend amounts or the prescribed percentage of after-tax earnings. Upon such event, our financial results will be negatively impacted.

Our tax benefits may be reduced or eliminated, which may adversely affect our financial condition and results of operations.

Effective from 1 January 2008, entities operating in the PRC are subject to the enterprise income tax rate of 25% under Enterprise Income Tax Law. Under the Enterprise Income Tax Law, companies engaged in certain encouraged sectors including those classified as high-and-new technology enterprise by the relevant PRC authorities are entitled to a preferential tax rate of 15%. During the Track Record Period, all of our PRC subsidiaries were taxed at the applicable statutory EIT rate of 25% of a company's taxable income except for Freetech Road Recycling and Freetech Manufacturing for the whole Track Record Period when they were entitled to preferential tax rates. Freetech Road Recycling was recognised as a high-and-new technology enterprise (高新技術企業) by Jiangsu Province Department of Science and Technology* (江蘇省科學技術廳), Jiangsu Province Department of Finance* (江蘇省財政廳), Jiangsu State Administration of Taxation (江蘇省國稅局) and Jiangsu Local Taxation Bureau* (江蘇省地稅局) on 9 September 2011. In 2011, upon its completion of required registration with the tax authority in-charge, Freetech Road Recycling became entitled to the preferential tax rate of 15% for a three-year period commencing 9 September 2011. During the years ended 31 December 2010 and 2011, Freetech Manufacturing was also granted a preferential PRC EIT rate and was taxed at half of the applicable rate. In 2012, Freetech Manufacturing was approved by the local tax authority as a high-and-new technology enterprise and is entitled to a preferential corporate income tax rate of 15% for a three-year period commencing 6 August 2012. As a result, for the years ended 31 December 2010, 2011 and 2012, our effective enterprise income tax rates were approximately 28.6%, 25.2% and 22.1%, respectively. We cannot assure you that such preferential tax treatment will not be abated or revoked, or that our subsidiaries, upon the expiration of the current preferential treatments periods, will continue to be entitled to the same or other tax incentives.

Labour laws in the PRC may materially and adversely affect our results of operations.

The Standing Committee of the National People's Congress adopted the PRC Labour Contract Law on 29 June 2007 which became effective on 1 January 2008 and the State Council passed the Implementation Rules of the PRC Labour Contract Law on 18 September 2008. The PRC Labour Contract Law and its implementation rules impose requirements relating to, among others, minimum wage, severance payment and non-fixed term employment contracts, and establishes time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed term employment contract. It also provides for mandatory social insurance for the employees, failure of which may result in a unilateral termination of the labour contract by the employee.

Pursuant to the PRC Labour Contract Law and its implementation rules, our PRC subsidiaries are required to enter into non-fixed term employment contracts with employees who have worked for them for more than ten consecutive years or, unless otherwise provided in the PRC Labour Contract Law and its implementation rules, for whom a fixed term employment contract has been concluded for two consecutive terms since 1 January 2008. We may not be able to efficiently terminate non-fixed term employment contracts under this law and its implementation rules without cause. In addition, we are also required to make severance payments to employees under the fixed term contracts upon the expiration of their employment contracts, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the new employer are the same as or better than those stipulated in the current contract. Generally, the amount of severance payment is calculated based on the monthly wage of the employee multiplied by the number of years that the employee was employed by the employer, unless the employee's monthly wage is greater than three times the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years.

Thus, compliance with the relevant labour laws and regulations may substantially increase our operating costs and may have a material and adverse effect on our results of operations. In particular, an increase in the labour costs in the PRC will increase our operating costs and we may not be able to pass these increases on to our customers due to competitive pricing pressures. We cannot assure you that any employment disputes or strikes will not arise in the future. Increases in our labour costs and future disputes with our employees could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We face uncertainty regarding the PRC tax reporting obligations and consequences for certain indirect transfers of our shares.

The Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise* (關於加强非居民企業股權轉讓所得企業所得税管理的通知) (Circular Guoshuihan [2009] No. 698) which became effective from 1 January 2008 provides that except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company ("Indirect Transfer") located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%, or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. In this case, the PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the Indirect Transfer without reasonable commercial purpose and in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purpose and re-characterise the Indirect Transfer. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to PRC withholding tax at the rate of up to 10%.

At present, the PRC tax authorities will neither confirm nor deny that they would enforce Circular 698, in conjunction with other tax collection and tax withholding rules, to make claims against our PRC subsidiary as being indirectly liable for unpaid taxes, if any, arising from Indirect Transfers by our Shareholders who have not obtain their shares in the Global Offering or purchased our Shares from the Stock Exchange after the Listing.

The PRC environmental laws and regulations may change and our environmental compliance liabilities and costs may increase.

In recent years, the PRC has introduced and imposed stricter measures on the industrial sector in relation to environmental protection, such as low-carbon requirements. PRC laws and regulations relating to environmental protection at both national and local levels currently impose fines for over discharge of pollutants, levy fines for causing pollution, and require closure of any facility which causes serious environmental problems. Under such laws and regulations, we are also required to conduct tests prescribed from time to time by the relevant PRC authorities for waste discharge and waste disposal. Non-compliance with such PRC laws and regulations relating to environmental protection may, depending on the seriousness of the circumstances, result in an order for rectification from the authorities, penalties or an order to suspend production.

During the Track Record Period, we have complied with all relevant environmental protection laws and regulations of the PRC in all material aspects and have not received any notice or warning of non-compliance with the PRC laws and regulations relating to environmental protection. However, with the increasing concern over the deteriorating environment in the PRC, we cannot assure that new laws or regulations will not be introduced in the future or that current laws will not be amended with higher requirements and emission standards applicable to manufacturing enterprises. In such event, in order to comply with the new laws or regulations, we may incur additional costs to update our environmental protection devices and take more measures and assign more personnel to make sure our compliance with such laws and regulations. As a result, our financial condition, results of operations and future prospects may be materially and adversely affected.

Any outbreak of severe communicable diseases in the PRC may cause suspension of our operations and affect the economic condition of the PRC which may, in turn, affect our operations.

All of our production facilities are located and carried out in the PRC. If any outbreak of severe communicable disease occurs in the PRC and is inadequately controlled, there may be a negative impact on, labour supply and potentially the overall GDP growth of the PRC, which, in turn, may hinder market activities and slow down the general economic growth of the PRC. As our business is sensitive to domestic consumer demand for our products and relies on domestic labour, any inadequately controlled outbreak of severe communicable disease in the PRC could materially and adversely affect our business, financial condition, results of operations and growth prospects.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop.

Prior to the Global Offering, there has not been a public market for our Shares. While we have applied to list and deal in our Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our Shares will develop or be sustained if developed. The Offer Price of our Shares will be determined through negotiations between us and CITIC Securities and CICC (on behalf of themselves and the other Underwriters), and it may not necessarily be indicative of the market price of our Shares after the Global Offering is complete. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares. In addition, as there will be a four Business Day gap between the pricing and trading of our Shares offered in the Global Offering, the initial trading price of our Shares could be lower than the Offer Price due to a variety of reasons including material negative events affecting us.

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders.

The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industries in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the asphalt pavement maintenance servicing and asphalt pavement maintenance equipment manufacturing industries and companies.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

Prior dividend distributions do not indicate our future dividend policy.

The Company was incorporated in the Cayman Islands. Companies now comprising the Group had declared dividends of approximately HK$12.9 million and HK$59.9 million for the years ended 31 December 2010 and 2011, respectively. We have also declared a dividend of HK$60.0 million in the first half of 2013. All declared and unpaid dividends will be fully settled prior to Listing. The source of funding for payment of such dividends was our internal funds and bank borrowings.

The foregoing dividend distributions were to the Shareholders prior to the Global Offering only. Historical dividend distributions are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by the Company will be at the discretion of the Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and Companies Law, including (where required) the approval of shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC. For further details of the dividend policy of the Company, please see the section headed "Financial Information — Dividend and Dividend Policy" in this prospectus.

The sales or the availability for sales of substantial amounts of our Shares in the future could materially and adversely affect the market price of our Shares.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. There will be 1,040,000,000 Shares outstanding immediately after the Global Offering, assuming the Over-allotment Option is not exercised. Although our Controlling Shareholders have agreed with the Underwriters to a lock-up until six months after the date of this prospectus as described under the section headed "Underwriting" in this prospectus, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period.

Shareholders' interests may be diluted as a result of additional equity fund-raising.

We may need to raise additional funds in the future to finance further expansion of our capacity and business. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

The costs of the options to be granted under the Share Option Scheme may negatively affect our results of operations and any exercise of the options granted will result in dilution to the Shareholders.

We have conditionally adopted the Share Option Scheme pursuant to which we will in the future grant to our employees options to subscribe to Shares. Such options if exercised in full will represent

10% of our issued share capital immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised). Details of the Share Option Scheme and the options to be granted thereunder are set out in the paragraph headed "F. Share Option Scheme" in Appendix IV to this prospectus.

The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative effect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share.

You may face difficulties in protecting your interests under Cayman Islands law.

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, actions by minority shareholders and the fiduciary responsibilities of the Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such many differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For further details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

Facts and statistics in this prospectus relating to the PRC economy and asphalt pavement maintenance servicing and asphalt pavement maintenance equipment manufacturing industries may not be fully reliable.

Facts and statistics in this prospectus relating to China and the industry in which we operate, including those relating to the PRC economy and the asphalt pavement maintenance servicing and asphalt pavement maintenance equipment manufacturing industries in the PRC, are derived from various publications of government agencies or independent third parties and obtained in communications with various government agencies or independent third parties that we believe are reliable. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any Underwriter, or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics and should not place undue reliance on them.

Prospective investors should read the entire Prospectus carefully, and are strongly cautioned not to place any reliance on any information contained in any press articles or other media coverage which contains information not being disclosed or which is not consistent with the information included in this prospectus.

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorised any such press and media reports, and the financial information, financial projections, valuation and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

Certain members of our Group have entered into transactions which would constitute non-exempted continuing connected transactions of our Company under the Listing Rules upon Listing. We have received from the Stock Exchange a waiver from strict compliance with the announcement and independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Please refer to the section headed "Connected Transactions" of this prospectus for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering will be underwritten by the Hong Kong Underwriters. The Global Offering comprises the Hong Kong Public Offering of initially 26,000,000 Offer Shares and the International Offering of initially 234,000,000 Offer Shares subject, in each case, to reallocation on the basis described in the section headed "Structure of the Global Offering" in this prospectus. For applicants under the Hong Kong Public Offering, this prospectus and the **WHITE**, **YELLOW** and **GREEN** Application Forms set forth the terms and conditions of the Hong Kong Public Offering.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement among CITIC Securities and CICC (on behalf of themselves and the other Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 19 June 2013 and, in any event, not later than Friday, 21 June 2013. If, for whatever reason, we and CITIC Securities and CICC are not able to agree on the Offer Price, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, the Offer Shares (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares, up to 10% of the Shares in issue as of the Listing Date, which may be issued upon exercise of the options which may be granted under the Share Option Scheme). None of our Shares or loan capital is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, our Shares on any other stock exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek advice from your stockbrokers or other professional advisers.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

No stamp duty in Hong Kong is payable by applicants in the Global Offering.

Dealings in our Shares registered on our Company's register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult an expert. Our Company, the Joint Sponsors, the Sole Global Coordinator, the Joint Bookrunners, and the Underwriters, all of their respective directors, officers, employees, agents, advisers, representatives or any other persons involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, or purchasing, holding or disposing of or dealing in the Offer Shares.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Offer Shares or exercising any rights in relation to the Offer Shares. Neither our Company, the Joint Sponsors, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents, advisers, representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in or exercise of any rights in relation to the Offer Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Sze Wai Pan (施偉斌)	Flat G, 4/F Block 18 South Horizons Ap Lei Chau Hong Kong	Chinese
Ms. Sze Wan Nga (施韻雅)	Flat H, 16/F Block 19 South Horizons Ap Lei Chau Hong Kong	Chinese
Mr. Zhang Yifu (張义甫)	5-905 Xuefu Yuan Yadong Cheng 21 Xianyin Road (N) Nanjing PRC	Chinese
Mr. Chan Kai King (陳啟景)	Flat C, 12/F., Block 10 Sceneway Garden Lam Tin Kowloon Hong Kong	Chinese
Non-executive Directors		
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Name	Address	Nationality
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Mr. Tang Koon Yiu Thomas (鄧觀瑤)	House No. 24, Windsor Park Phase II, 1 Ma Lok Path Kau To Shan Shatin, New Territories Hong Kong	Chinese
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	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator	CITIC Securities Corporate Finance (HK) Limited 26/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Joint Bookrunners	CITIC Securities Corporate Finance (HK) Limited 26/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong
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	As to PRC law: King & Wood Mallesons 16-18/F, One ICC Shanghai ICC 999 Huai Hai Road (M) Shanghai 200031 PRC
	As to Cayman Islands law: Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
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Auditors and reporting accountants	Ernst & Young 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Independent property valuer and consultant	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor Three Pacific Place 1 Queen's Road East Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

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Company secretary	Mr. Lim Eng Sun (林恩善), HKICPA
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Remuneration committee	Mr. Tang Koon Yiu Thomas (鄧觀瑤) (Chairman) Ms. Yeung Sum (楊琛) Ms. Sze Wan Nga (施韻雅)
Nomination committee	Mr. Sze Wai Pan (施偉斌) (Chairman) Mr. Tang Koon Yiu Thomas (鄧觀瑤) Mr. Lau Ching Kwong (劉正光)

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Company website address	www.freetech-holdings.hk[(1)]

Note:

1. *The information contained on the website of our Company does not form part of this prospectus.*

This section contains certain information derived from official government publications, industry sources and a report we commissioned from CCID, an Independent Third Party, for a fee of RMB300,000. CCID is principally engaged in the provision of market research and management consultancy services. We believe that the sources of the above-mentioned information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official government and non-official sources, it has not been independently verified by us, or any of our affiliates or advisers, nor by the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their affiliates or advisers or any other party involved in the Global Offering. The information extracted from CCID's report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to CCID should not be considered as CCID's opinion as to the value of any security or the advisability of investing in our Group. The information and statistics in this section may not be consistent with information available from other sources within or outside the PRC. Neither our Group, its affiliates or advisers, the Underwriters or their affiliates or advisers, nor any other party involved in the Global Offering make any representation as to the accuracy, completeness or fairness of such information from official government and non-official sources and, accordingly, you should not unduly rely on such information.

INTRODUCTION

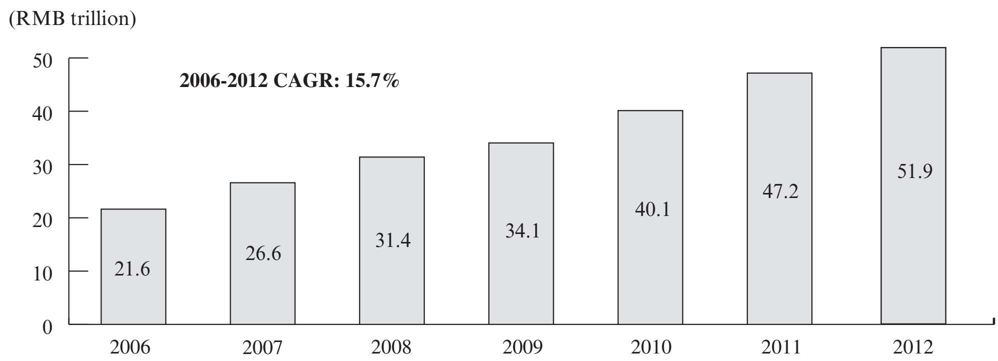
We have commissioned CCID, an independent market research institution based in China, to analyse and report on the asphalt pavement maintenance market in China, including both the asphalt pavement maintenance service market and the asphalt pavement maintenance equipment market. The information and statistics as set forth in this section have been extracted from the report issued by CCID. To provide an analysis of this market, CCID combined both primary and secondary research by applying its macro-economic outlook and its understanding of the development patterns of the industry. Data collection was carried out by analysts with specific knowledge of the asphalt pavement maintenance market. Secondary sources such as company reports and historical market data were generated through the analysis of relevant data such as production, trade and consumption that were prepared by various governmental authorities and industry associations, such as the National Bureau of Statistics of China, the Ministry of Transport and the China Construction Machinery Association (中國工程機械工業協會), etc. In preparing its report, CCID also conducted interviews with domestic asphalt pavement maintenance companies and their customers to support its forecast model. The interviews also served as a method of cross-checking and data verification. Market forecasts represent CCID's view on the future development of the asphalt pavement maintenance market based on key drivers of market demand.

MACRO ECONOMIC CONDITION IN CHINA

Growth of China's Economy

China's economy has been witnessing a continuous growth in recent years with its GDP growing at a CAGR of approximately 15.7% from approximately RMB21.6 trillion for the year ended 31 December 2006 to approximately RMB51.9 trillion for the year ended 31 December 2012. The chart below sets forth China's GDP and its growth rate during the periods indicated:

Fig. 1 China's GDP, 2006-2012

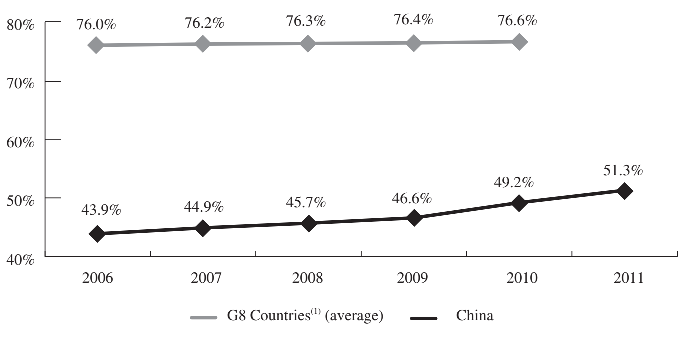


Source: The National Bureau of Statistics of China, 2013

Urbanisation and Growth of Transportation Activities

With the continuous growth of the GDP, China has also undergone a steady urbanisation process during the recent years. The urbanisation rate of the PRC has increased from approximately 43.9% for the year ended 31 December 2006 to approximately 51.3% for the year ended 31 December 2011, which was still significantly lower than that of the developed countries, according to CCID. The chart below sets forth China's and G8 Countries' urbanisation rates during the periods indicated:

Fig. 2 China's and G8 Countries' urbanisation rates, 2006-2011



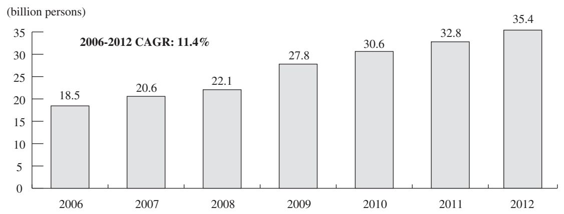
Sources: The National Bureau of Statistics of China, World Bank, 2013

Note:

(1) G8 countries include US, Japan, France, the United Kingdom, Germany, Italy, Canada and Russia.

Driven by the robust economy and the urbanisation process, the volume of passengers transported by road in China has increased from 18.5 billion persons for the year ended 31 December 2006 to 35.4 billion persons for the year ended 31 December 2012, representing a CAGR of approximately 11.4%. During the same period, the volume of cargos transported by road in China has increased from 14.6 billion tonnes to 32.2 billion tonnes with a CAGR of approximately 14.1%. The charts below set forth China's road transportation volumes during the periods indicated:

Fig. 3 Volume of China's passenger transportation by road, 2006-2012



Source: The National Bureau of Statistics of China, 2013

Fig. 4 Volume of China's cargo transportation by road, 2006-2012

Source: The National Bureau of Statistics of China, 2013

Increase in Investment in Fixed Assets in Urban Areas and Total Investment in Road Constructions

The rapid growth of China's economy and the steady urbanisation process has resulted in an increase in its investment in fixed assets in urban areas, and in particular, its total investment in road constructions. According to the National Bureau of Statistics of China, China's total investment in fixed assets in urban areas increased from approximately RMB9.3 trillion for the year ended 31 December 2006 to approximately RMB36.5 trillion for the year ended 31 December 2012, representing a CAGR of approximately 25.6%. China's total investment in road constructions increased from approximately RMB623.1 billion for the year ended 31 December 2006 to approximately RMB1,259.6 billion for the year ended 31 December 2011, representing a CAGR of approximately 15.1%.

OVERVIEW OF ASPHALT PAVEMENT MAINTENANCE TECHNOLOGIES

Overview

According to CCID, by different maintenance level, pavement maintenances can be divided into four categories, daily maintenance, damage maintenance, renovation and recycling and reconstruction. By different treatments made to the original pavement surface, technologies adopted in the process of various pavement maintenances can be further divided into two categories, namely traditional asphalt pavement maintenance technologies and non-traditional asphalt pavement maintenance technologies.

Traditional asphalt pavement maintenance technologies typically involve breaking, cutting and milling the damaged portion or the entire asphalt pavement, disposing the original pavement material and repaving the road with new asphalt mixture. Non-traditional asphalt pavement maintenance technologies, on the other hand, involve heating asphalt pavement at a service site or milling and recycling original pavement materials, mixing it with a portion of new asphalt mixture and repaving the road with such mixture.

Non-traditional asphalt pavement maintenance technologies used in renovation and recycling maintenance can be further divided into four categories, namely Hot-in-Place recycling, hot central plant recycling, Cold-in-Place recycling and cold central plant recycling. The chart below summarises the classification of asphalt pavement maintenance technologies adopted by CCID:

Fig. 5 Classification of asphalt pavement maintenance technologies

- Daily maintenance: cleaning, decontaminating, water draining, removing ice and snow, etc.
- Damage maintenance
  - Traditional: cutting and milling the damaged portion of the asphalt pavement, repaving the road with new asphalt mixture, disposing all of the original pavement materials in most cases
  - Non-traditional: heating and loosening the damaged pavement, adding new mixture, compacting, recycling the original pavement materials in most cases
- Renovation and Recycling
  - Traditional: cutting and milling the materially damaged portion of the asphalt pavement, repaving the road, disposing all of the original pavement materials in most cases
  - Non-traditional
    - **Hot-in-Place recycling: heating the pavement, recycling damaged pavement materials, to which a portion of new asphalt mixture is added, repaving the pavement with the recycled asphalt mixture on site**
    - Hot central plant recycling: cutting and milling the pavement, recycling the original pavement materials in a mixing plant, then repaving the road using recycled mixture
    - Cold-in-place recycling: cutting and milling the pavement, grinding the original pavement materials and adding new mixture on site, repaving the road
    - Cold central plant recycling: cutting and milling the pavement, recycling the original pavement materials, cold mixing the original materials at a blending plant, then repaving the road using recycled mixture
- Reconstruction : reinforcing, widening and redesigning the pavement as necessary, similar to constructing a new road

Source: PRC industry standard for Technical Specifications of Road Maintenance, PRC industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement, 2013

Comparison among Different Asphalt Pavement Maintenance Technologies

The chart below summaries major differences among different asphalt pavement maintenance technologies in terms of their applications, cost analysis, time normally required before traffic may be resumed after the completion of road work, sustainability and endurance, environmental impact and materials required:

Fig. 6 Comparison among asphalt pavement maintenance technologies

		Traditional Asphalt Pavement Maintenance Technologies	Non-traditional Asphalt Pavement Maintenance Technologies			
			Hot-in-Place recycling	**Hot central plant recycling**	**Cold-in-Place recycling**	**Cold central plant recycling**
Applications		repair surface and road base of all roads	**repair surface of all asphalt roads**	repair asphalt paved surface of highways, first-class and second-class asphalt roads	repair road base of all roads and surface of third-class asphalt roads	repair road base of all roads and surface of third- and fourth-class asphalt roads
Raw material cost	**Percentage of original asphalt recyclable**	very low	**approximately 100%**	approximately 30%	approximately 100%	approximately 40% to 60%
	Percentage of cost saving as compared to traditional asphalt pavement maintenance technologies	the least cost-saving	**most cost-saving approximately by 35%**	intermediate cost-saving approximately by 15% to 20%	most cost-saving approximately by 20% for surface only applications; and approximately 45% for road base applications	intermediate cost-saving approximately by 20%-30% for both surface and road base applications
Transportation cost for finished materials		no cost-saving	**cost-saving by 15%**	no cost-saving	cost-saving by 15%	no cost-saving
Time normally required before traffic may be resumed after completion of roadwork		2-3 days (surface); 8-15 days (road base)	**around 2 hours (surface)**	2-3 hours (surface)	2-3 days (surface); 7-14 days (road base)	2-3 days (surface); 7-14 days (road base)
Sustainability and Endurance		seams between original and new pavements resulting in susceptibility to water damage; maintenance needed frequently in every four to six months	**very durable, no seams between original and new pavements; usually no repair needed within three or four years of the completion**	durable, in general maintenance needed after one to two years of the completion		
Environmental Impact (percentage compared to traditional asphalt pavement maintenance technologies)	**Energy consumption saving**	N/A	**40%**	5%	57%	21%
	Waste disposal reduced		**100%**	30%	100%	30%
	Dust emission reduced		**96%**	15%	97%	29%
	Carbon Dioxide emission reduced		**44%**	5%	60%	21%
	Sulphur Dioxide emission reduced		**83%**	4%	88%	26%
	Nitrogen Oxides emission reduced		**51%**	5%	65%	20%

Sources: CCID, PRC industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement, sinoasphalt.com, 2013

According to CCID, we are capable of repairing different types of asphalt pavement damage under a wide range of topographic, weather and work conditions. There are 13 types of typical damage to asphalt pavement according to the PRC *industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement (公路瀝青路面養護技術規範)* promulgated by the Ministry of Transport, which include cracks (裂縫), shoving (擁包), depression (沉陷), rutting (車轍), corrugation (波浪與搓板), swell (凍帳和翻漿), potholes (坑槽), ravelling (麻面與鬆散), bleeding (泛油), stripping (脱皮), shoulder drop-off (啃邊), polished aggregate (磨光) and asphalt paved bridge (橋面瀝青鋪裝). According to CCID, we are one of the few companies who are capable of repairing all 13 type of asphalt pavement damage in the PRC.

According to the PRC *industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement*, the PM400-48TRK and PM200-36TLR models of our standard series are cited as industry standard Hot-in-Place recycling patching vehicle used in highway maintenance. According to CCID, there is currently no industry standard for modular series Hot-in-Place recycling equipment.

Use of Non-traditional Asphalt Pavement Maintenance Technologies

According to CCID, developed countries such as US, the United Kingdom, Australia and Japan have widely adopted non-traditional asphalt pavement maintenance technologies in road maintenance projects due to the technologies' less impact on environment, lower raw material cost and shorter execution time compared with traditional asphalt pavement maintenance technologies.

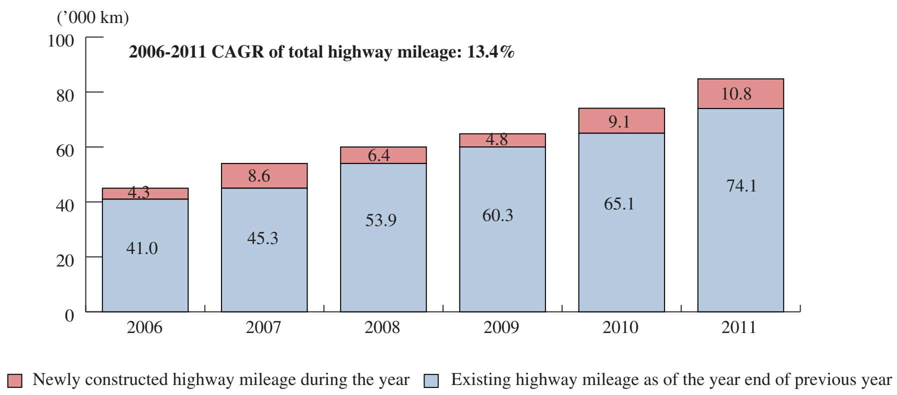
Emphasis on non-traditional asphalt pavement maintenance technologies was placed in the early 2000s when the asphalt pavements in China began to reach their lifespan with appearances of significant damages. Provinces and municipalities such as Beijing, Tianjin, Shanghai, Guangdong, Shandong, Jiangsu and Hebei introduced modular series recycling asphalt pavement maintenance equipment from overseas in their asphalt pavement maintenance projects and achieved successful results. Since then, non-traditional asphalt pavement maintenance technologies adopted by developed countries have been studied and applied in maintenance of highways and municipal roads in China. According to CCID, although non-traditional asphalt pavement maintenance technologies may account for a very small share of the entire asphalt pavement maintenance service market in the PRC, non-traditional technologies has a significant growth potential as they are considered to be more environmentally friendly, efficient and cost effective as compared to traditional asphalt pavement maintenance technologies. The PRC government also promotes the development of non-traditional asphalt pavement maintenance technologies in their policies. According to the Guidance on Promoting Road Pavement Material Recycling (關於加快推進公路路面材料循環利用工作的指導意見) ("**Guideline**") issued by the Ministry of Transport in September 2012, the target rate of recycling of damaged pavement materials in the PRC should reach at least 50% by the end of 2015 and at least 90% by the end of 2020. According to the Guideline, the average rate of recycling of damaged pavement materials in the PRC was lower than 30% in late 2012, representing a significant increase compared with the average rate as of the end of 2010, which, according to CCID, was lower than 5%.

PRC ASPHALT PAVEMENT MAINTENANCE INDUSTRY

Overview of PRC Paved Road Development

Pressured by the increasing volume of the road transportation, there has been a significant increase of the new roads constructed in China during recent years. As of 31 December 2009, China has become the second largest countries in the world by total road mileage. According to CCID, newly-constructed highways in China reached approximately 10,800 km in 2011, representing an approximately 18.7% increase from approximately 9,100 km of highways newly-constructed in 2010, and has more than doubled compared with the 4,800 km of highways newly-constructed in 2009. The total highway mileage in China increased from approximately 45,300 km in 2006 to 84,900 km in 2011, representing a CAGR of approximately 13.4%. According to CCID, the Twelfth Five-Year Plan estimates that the highway mileage in China will increase by 34,000 km between 2011 and 2015. The chart below sets forth the total and newly-constructed mileage of China's highways during the periods indicated:

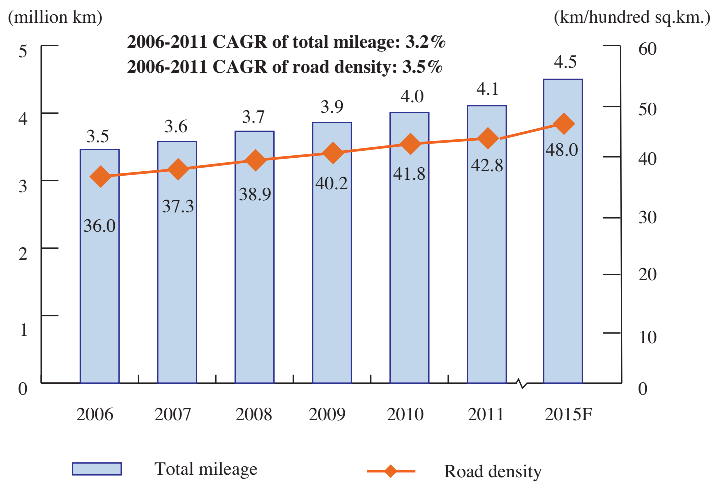
Fig. 7 China's total and newly-constructed highway mileage, 2006-2011



Source: the Ministry of Transport, 2013

With the increasing amount of new constructions, according to CCID, by the end of 2011, the total mileage and density of China's roads reached 4.1 million km and 42.8 km per hundred sq.km., respectively, and will further reach 4.5 million km and 48 km per hundred sq.km. by 2015. The chart below sets forth the actual and forecasted total mileage and density of China's roads during the periods indicated:

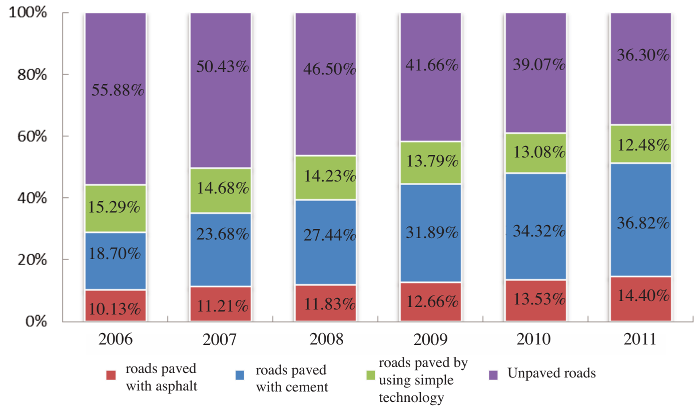
Fig. 8 Total mileage and density of China's roads, 2006-2011, 2015 Forecast



Source: the Ministry of Transport, 2013

According to the Ministry of Transport, as of 31 December 2011, out of 4.1 million km of total PRC road mileage, approximately 63.7% of the roads in China was paved with asphalt or cement or paved with simple mixtures to achieve a smooth surface, representing an increase of approximately 19.6% from that in 2006. The aggregated mileage of the paved roads and roads paved with simple mixtures in China reached 2.6 million km in 2011, of which, 0.6 million km of roads were paved with asphalt and 1.5 million km of roads were paved with cement. The chart below sets forth the composition of China's roads by various pavement materials for the periods indicated:

Fig. 9 Composition of road pavements in China, 2006-2011



Source: the Ministry of Transport, 2013

Compared to other pavement materials, asphalt is more flexible and easier to construct. As a result, although a majority of paved roads in China were paved with cement, according to CCID, roads paved with asphalt, among the newly-constructed roads, comprise a majority of highways, first-class roads and second-class roads. In particular, according to CCID, currently approximately 90% of the newly-constructed highways in China are paved with asphalt.

The following table sets forth the total mileage of roads in China by grade for periods indicated:

Fig. 10 Total mileage of roads in China by grade, 2006-2011

	Mileage by grade (km)						
Year	Highway	First-class road	Second-class road	Third-class road	Fourth-class road	Out-of-class road	Total
2006	45,339	45,289	262,678	354,734	1,574,833	1,174,128	3,457,001
2007	53,913	50,093	276,413	363,922	1,791,042	1,048,332	3,583,715
2008	60,302	54,216	285,226	374,200	2,004,600	951,642	3,730,186
2009	65,055	59,462	300,686	379,023	2,252,038	804,558	3,860,822
2010	74,113	64,430	308,743	387,967	2,469,456	703,520	4,008,229
2011	84,946	68,119	320,536	393,613	2,586,377	652,796	4,106,387
CAGR	13.4%	8.5%	4.1%	2.1%	10.4%	-11.1%	3.5%

Source: the Ministry of Transport, 2013

Overview of PRC pavement maintenance development

After nearly two decades of rapid development, China has established a national road network of more than four million km. According to *the Twelfth Five-Year Plan for Transport (交通運輸"十二五"發展規劃)* there will be no less than 17% of the total mileage of national and provincial road network in China in need of major or medium-level repair works (including preventive repairs) during 2011 to 2015. The table below sets forth the actual expenditure for pavement maintenance and purchasing of pavement maintenance equipment in China for periods indicated:

Fig. 11 Expenditure for pavement maintenance and purchasing of pavement maintenance equipment in China, 2010 and 2011

	2010	2011
Expenditure for pavement maintenance *(RMB billion)*	224.2	262.9
Expenditure for purchasing of pavement maintenance equipment *(RMB billion)*	44.8	52.6

Source: Twelfth Five-Year Plan for Transport, CCID, 2013

Echoing the national policy for energy conservation and environmental protection, the PRC government has been, through laws and policy papers, promoting the adoption of cost-efficient and recycled pavement materials in its road development projects. For example, *the Twelfth Five-Year Plan for Transport* (交通運輸"十二五"發展規劃) issued by the Ministry of Transport in 2011 has proposed to actively promote the recycling asphalt pavement maintenance technologies to reduce the emission as well as the environmental impact in providing road maintenance services. Furthermore, the Ministry of Transport released the Guideline in 2012, targeting to achieve approximately "zero wastage" of damaged pavement materials in the PRC by the end of 2015. According to CCID, the average rate of recycling of damaged pavement materials in the PRC was lower than 5% as of the end of 2010. The Guideline stipulates that the average rate of recycling of damaged pavement materials in the PRC should reach at least 50% by the end of 2015 and at least 90% by the end of 2020, and the average rate of recycling of damaged pavement materials should reach at least 70% and 90% for ordinary road and highway, respectively, by the end of 2015.

In addition, the Ministry of Industry and Information Technology of the PRC released *the Guidance on Investing in Technology Progress and Technology Innovation of the Equipment Industry* (裝備產業技術進步和技術改造投資方向) in 2010 and has named the asphalt pavement maintenance recycling equipment applied in place at the service site as a key area for investment. Furthermore, the Ministry of Transport issued the *Notice of the Twelfth Five-Year Plan National Arterial Road Maintenance Management Inspection* (關於做好"十二五"全國幹線公路養護管理檢查準備工作的通知) in 2012. It sets out to ensure that sufficient investment is made in road maintenance. With the continuous growth in the total road mileage and the rapid development of automobile transportation in China, CCID forecasts that road maintenance equipment with high efficiency, low fuel consumption, low emission and advanced technology will achieve a great development in PRC pavement maintenance industry. CCID further forecasts that local governments will increasingly promote road recycling maintenance technologies, which will stimulate relevant local road authorities to purchase road recycling maintenance equipment.

Overview of PRC asphalt paved roads

According to CCID, roads paved with asphalt in the PRC increased from approximately 350,100 km in 2006, representing approximately 10.1% of total roads in China, to approximately 591,300 km in 2011, representing approximately 14.4% of total roads in China. According to CCID, currently in China, the preventative maintenance for an asphalt pavement usually takes place once every two to four years, with major repairs taking place once every five to seven years.

Overview of PRC Asphalt Pavement Maintenance Service Market

Overview

There are two major asphalt pavement maintenance sub-markets in the PRC, namely, high grade roads sub-market, which include highways, first-class roads and second-class roads, and municipal road sub-market. According to CCID, the area size of asphalt pavement maintenance services in China using hot-recycling pavement maintenance technologies increased from 2006 to 2010, and as of the end of 2010, 22 provinces (including municipalities) in China had adopted hot-recycling pavement maintenance technologies in the maintenance of roads.

According to CCID, demand for highway asphalt pavement maintenance services is one of the major market drivers for hot-recycling pavement maintenance technologies in China. It is primarily due to the relatively sufficient funding for highway maintenance and the higher quality standard for highway pavements, as compared with other types of roads. CCID forecasts that by 2013, when the *National Highway Network Plan* (國家高速公路網規劃) is expected to be completed, rather than highway construction, highway maintenance will evolve to be the focus in highway management, which will result in a phase of rapid growth in the highway asphalt pavement maintenance services using hot-recycling asphalt pavement maintenance equipment.

Market Demand of Asphalt Pavement Maintenance Services in China

According to CCID, the market demand of asphalt pavement maintenance services in China derives mainly from high grade roads. According to the Ministry of Transport, approximately 12.5% of the total mileage of the PRC road network received major or medium-level repair works during 2006 to 2010, and there will be more than 17% of the total mileage of the highways, first- and second-class roads in China in need of major or medium-level repair works from 2011 to 2015.

According to CCID, based on *Technical Specifications of Road Project* (公路工程技術標準), assuming that the average width of highways, first-class roads and second-class roads is 18 metres, 18 metres and nine metres, respectively. CCID forecasts that the demand of asphalt pavement maintenance services for these roads in China will reach approximately 1.1 billion sq.m. in total by 2015, comprising approximately 342 million sq.m., approximately 241 million sq.m. and approximately 495 million sq.m. for highways, first-class roads and second-class roads, respectively.

Major Asphalt Pavement Maintenance Service Providers in China

State-owned enterprises and local government agencies are the major asphalt pavement maintenance service providers in China. However, according to CCID, asphalt pavement maintenance service providers that have the ability to cover more than one province or city such as our Group are becoming increasingly important players in the market.

According to CCID, there has been an increasing number of companies entering the PRC asphalt pavement maintenance service market as the pavement maintenance industry requires advanced technology and is more market-oriented. According to CCID, as the market-oriented process moving forward, there has been an emergence and rapid development of asphalt pavement maintenance service providers in China that have the ability to cover more than one province or city such as our Group. CCID forecasts that as the PRC asphalt pavement maintenance service market becomes more market-oriented and less defined by geographic boundaries, professional pavement maintenance service providers in China with technology capability and service capacity will have greater room for expansion.

The major asphalt pavement maintenance service providers in municipal road maintenance projects are also mainly regional state-owned enterprises and local government agencies such as Beijing Municipal Road & Bridge Management and Maintenance Group and Shanghai Municipal Maintenance and Management. The total serviced area that we completed in 2012 was approximately 2.8 million sq.m.

Competition

Competitive environment in the PRC asphalt pavement maintenance service market

In order to meet the demand for faster and more environmentally friendly asphalt pavement maintenance services in the PRC asphalt pavement maintenance industry as well as to allow asphalt pavement maintenance services providers to expand their services beyond their local market, there are two factors that need to be taken into consideration: (i) ability to design and plan asphalt pavement maintenance service projects and (ii) ability to provide Hot-in-Place asphalt pavement maintenance services. As most of the roads in China have state interest, most of the asphalt pavement maintenance services are managed and provided by local governments or their holding companies. However, the regional management of these providers significantly limits their geographic coverage due to their limited knowledge in providing non-traditional asphalt pavement maintenance service solutions. In general, the asphalt pavement maintenance project owner requires the local engineering design department to design the asphalt pavement maintenance service plan before commencing the asphalt pavement maintenance service project. However, generally, the local asphalt pavement maintenance engineering design department can only offer traditional asphalt pavement maintenance technologies as the solution in the asphalt pavement maintenance service plan due to their limited knowledge in non-traditional asphalt pavement maintenance technologies. As a result, according to CCID, asphalt pavement maintenance service providers with non-traditional asphalt pavement maintenance technologies such as our Group can enter the market through cooperation with local service providers and the establishment of service stations to increase their coverage beyond one province or city.

According to CCID, due to the difficulty in ascertaining the servicing area completed by asphalt pavement maintenance service providers focused on small scale repairs, there is no public information from reliable source in respect of the annual asphalt pavement maintenance serviced area in the PRC or the annual asphalt pavement maintenance serviced area using the Hot-in-Place recycling technology. As a result, it is impossible to reliably calculate or estimate the market size of the asphalt pavement maintenance service industry as well as the market share of our Group in the asphalt pavement maintenance market by distinguishing market participants using the traditional and non-traditional asphalt pavement maintenance technologies. According to CCID, the asphalt pavement maintenance market is still dominated by the traditional asphalt pavement maintenance technologies and state-owned enterprises, and the local government agencies are the major asphalt pavement maintenance service providers in the PRC. Our Directors believe that when calculating the market share of our Group, comparison against the market share of the asphalt pavement maintenance service providers adopting the traditional asphalt pavement maintenance technologies may not be meaningful, as our Hot-in-Place recycling technology is substantially different from traditional asphalt pavement maintenance technologies.

Competitive landscape

According to CCID, factors affecting a participant's competitiveness in the PRC asphalt pavement maintenance service market include geographical location, the capability to reach beyond one province or city, scale of operation at a professional level and integration of manufacturing and servicing capabilities.

Major asphalt pavement maintenance service providers in China are currently located in economically developed regions such as Beijing, Shanghai and Jiangsu due to the historically large mileage of asphalt pavement in such regions. However, rather than servicing only regional customers, the PRC asphalt pavement maintenance service market has become more market-oriented, and it is increasingly important for the service providers to provide services to more than one province or city to cope with customers' needs for speedy and quality services. Furthermore, some local asphalt pavement maintenance services providers cannot expand their services beyond the local market because they are limited by their technologies whereas non-traditional asphalt pavement maintenance services providers such as us can penetrate into the national market due to the technological advantages.

According to CCID, hot-recycling asphalt pavement maintenance services in China is mainly conducted by local government agencies. In 1995, the Ministry of Transport published the policy of "separation of management and maintenance, separation of administration and enterprise (管養分離，事企分開)" at the National Maintenance Meeting in Hefei, Anhui Province. Since then, an increasing number of municipal road maintenance companies have to purchase or lease equipment to perform hot-recycling asphalt pavement maintenance services because they no longer have the resources to do so under the aforementioned policy. As a result, CCID estimates that larger scale professional asphalt pavement maintenance service providers, especially those with both equipment manufacturing and servicing capabilities and those who can provide services at a lower cost and with wider geographic coverage, will have a stronger competitive edge over other competitors. According to CCID, currently we are a leading asphalt pavement maintenance company with integrated capabilities in asphalt pavement maintenance equipment design and manufacture, asphalt pavement maintenance service provision and asphalt pavement maintenance service technology research and development in China. As of 31 December 2012, there were 50 sets of modular series Hot-in-Place recycling equipment servicing the asphalt pavement maintenance market in the PRC. We held a leading market share of approximately 20%, as we owned and used ten sets of modular series equipment using the Hot-in-Place recycling technology (including one set owned and used by Freetech Ordos, our non-wholly owned subsidiary) as of 31 December 2012. According to CCID, the second largest

Hot-in-Place asphalt pavement maintenance service providers in terms of the number of sets of modular series equipment using the Hot-in-Place technology deployed were Shandong Luqiao Group Co., Ltd. and Triumphor (including Beijing Triumphor Road Maintenance Engineering Technology Company and Yixing Triumphor Road Engineering Maintenance Co., Ltd.), each owning three sets of modular series equipment and accounting for approximately 6% of the market share as of 31 December 2012. The remaining sets of modular series equipment were used by regional asphalt pavement maintenance service providers across the PRC, each of which owned no more than two sets as of 31 December 2012, according to CCID.

According to CCID, we are one of the few hot-recycling asphalt pavement maintenance service providers in the PRC that have the ability to provide services in more than one single province or city and we have a competitive advantage over our competitors in providing municipal road maintenance services. We are the only hot-recycling asphalt pavement maintenance services provider that is also capable of manufacturing both modular and standard series asphalt pavement maintenance equipment. In addition, according to CCID, we possess technological advantages in asphalt pavement materials research over our competitors. The chart below sets forth a comparison of the major hot-recycling asphalt pavement maintenance equipment manufacturers and service providers in China as of 31 December 2012.

Fig. 12 Comparison of the major hot-recycling asphalt pavement maintenance equipment manufacturers and service providers in China(1)

Company	Modular series Equipment Manufacturing	Standard series Equipment Manufacturing	Asphalt Pavement Maintenance Servicing
Our Group	√	√	√
Anshan Senyuan Road and Bridge Co., Ltd	√	√	X
Shandong Luqiao Group Co., Ltd.	√	X	√
Wirtgen	√	X	X
Beijing Triumphor Road Maintenance Engineering Technology Company, Yixing Triumphor Road Engineering Maintenance Co., Ltd.	X	X	√
Huayu Road & Bridge	X	X	√
Liaoning Datong	X	X	√
Ningxia Institute of Communication Science and Research	X	X	√

Source: CCID, 2013

Note:

(1) Selected primarily based on the scale of operations, technologies adopted and application of the products of these companies.

Barriers to Entry

According to CCID, there are several major barriers to enter into the PRC asphalt pavement maintenance service market, which include technologies and talents, geographic market segmentation and local protectionism, and high capital requirement.

To provide asphalt pavement maintenance service of high quality requires the knowledge and experience in operating an asphalt pavement maintenance equipment as well as understanding of the technical specifications for repairing various types of asphalt pavement damages on different road surfaces. However, asphalt pavement maintenance technologies, in particular, Hot-in-Place recycling technology, are an emerging area of research interest in the PRC and the market is yet under development. As a result, there is currently an insufficient supply of industry experts who possess the relevant technological knowledge and long-accumulated practical expertise in asphalt pavement maintenance service market in the PRC. Companies who have just entered the asphalt pavement maintenance service market usually have difficulties in meeting the technical standards for certain high-profile asphalt pavement maintenance projects, primarily due to a lack of experience and necessary talents. Our Group, on the other hand, has accumulated extensive industrial expertise through years of operations and successfully maintains a sufficient pool of talents.

According to CCID, geographic barriers for providing asphalt pavement maintenance services exist between different regions in the PRC. Asphalt pavement maintenance service providers, especially those focusing on traditional asphalt pavement maintenance technologies, normally do not expand their service coverage beyond the geographic region where they are based. According to CCID, road owners usually rely on local engineering companies to provide solutions for their asphalt pavement maintenance service requirements unless a project requires asphalt pavement maintenance service project design, capabilities and advanced technology, which local traditional asphalt pavement maintenance service providers do not usually possess. As a result, unlike traditional asphalt pavement maintenance service providers who have significant geographic limitations, we do not have such limitations due to our advanced design and technological expertise. In recent years, local regulatory authorities have established specific departments to monitor the road maintenance activities and requirements, and placed more emphasis on road maintenance with recycling technology and according to CCID, this would stimulate the demand for non-traditional technologies, including Hot-in-Place recycling technology. Our Group is an experienced manufacturer of asphalt pavement maintenance equipment and provider of asphalt pavement maintenance services, which enables us to provide asphalt pavement maintenance services across different regions in the PRC.

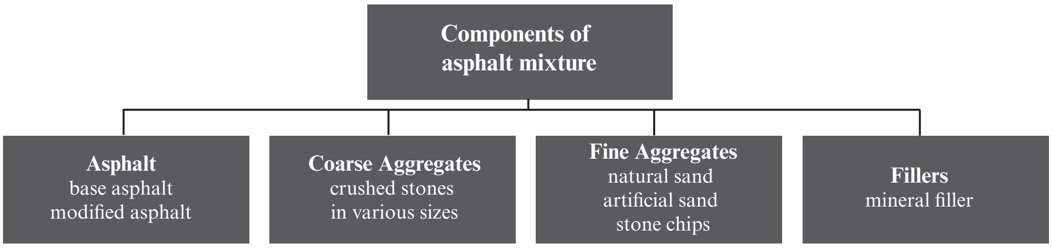
Furthermore, according to CCID, recycling asphalt pavement maintenance technologies, especially Hot-in-Place recycling technology, require a high capital investment in using and studying the technology. Only companies with sufficient funding support and high actual service demand are capable of purchasing the technologies or developing a service capacity using Hot-in-Place recycling technology.

Supplies of Raw Materials for Asphalt Pavement Maintenance Service

Asphalt Mixture

Asphalt mixture is the major raw material used for the construction and maintenance of asphalt pavements and is composed of asphalt, aggregates and filler. Aggregates include coarse aggregate, fine aggregate and serve as the bone structure of the mixture while asphalt and fillers are used for their glue and filling purpose. The following chart sets forth the components of asphalt mixture:

Fig. 13 Components of asphalt mixture

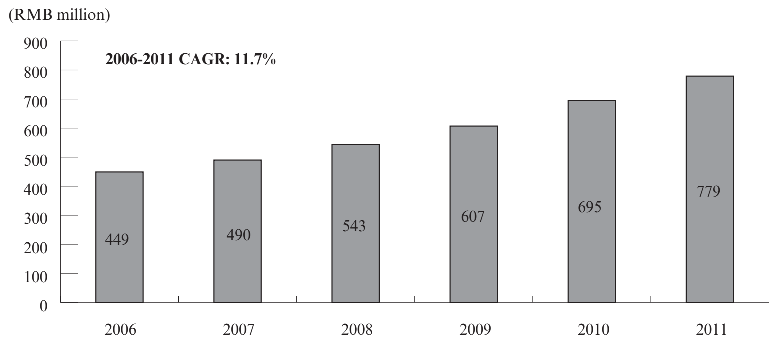


Source: "Road Material Technology" published by China Communications Press, 2013

In order to meet the standards for a durable and safe road, asphalt mixture used for the pavement must meet certain specifications, including: (1) high temperature stability, (2) low temperature brittle-resistance, (3) durability, (4) slide-resistance, and (5) accessibility for construction.

The following chart sets forth the market size of asphalt mixture in terms of sales revenue in the PRC for periods indicated:

Fig. 14 Market size of asphalt mixture in terms of sales revenue in China, 2006 — 2011



Source: sinoasphalt.com, chinaasphalt.com, 2013

Our average purchase price for asphalt mixture, our major pavement material used for asphalt pavement maintenance services, was approximately RMB660 per tonne, RMB550 per tonne and RMB560 per tonne for the years ended 31 December 2010, 2011 and 2012, respectively. Our total asphalt mixture cost accounted for approximately 29%, 37% and 45% of our total cost of sales for asphalt pavement maintenance service segment for the years ended 31 December 2010, 2011 and 2012, respectively.

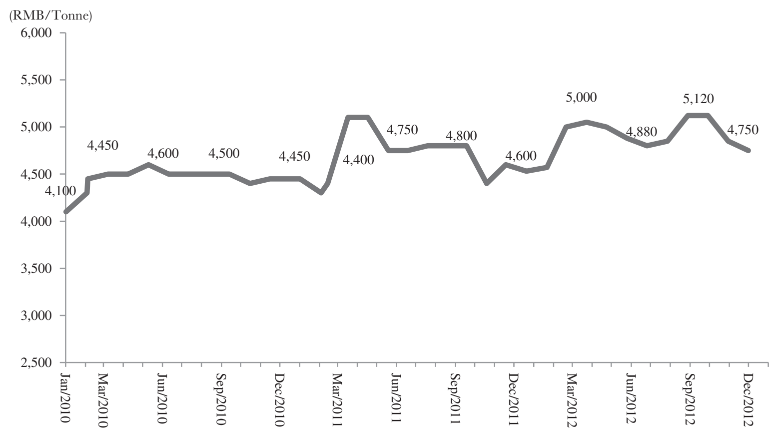
Asphalt

Asphalt is the major component of asphalt mixture, which also includes other low-priced components such as stones and sand. Therefore, according to CCID, the average purchase price of asphalt mixture per tonne is much lower than the average purchase price of asphalt per tonne. According to CCID, the price of asphalt is strongly influenced by the price of crude oil, the main raw material of asphalt. The overall level of activity and total investment in road construction and maintenance as well as building construction, in which asphalt is mainly used, are also the major drivers for changes in asphalt price. The level of asphalt inventories available is another factor that may affect the price of asphalt, according to CCID.

According to CCID, primarily due to the rapid economic growth, there has been an overall increase in asphalt consumption in China for the past five years. As there will be a further increase in highway mileage in China according to the *Twelfth Five-Year Plan*, CCID estimates that there will be a continuous increase in asphalt consumption in China in the near future.

The chart below sets forth the asphalt price for period indicated:

Fig. 15 Asphalt price(1), January 2010 — December 2012



Source: CCID, www.100ppi.com, 2013

Note:

(1) Primarily based on the price of heavy traffic asphalt #90.

Aggregates

According to CCID, aggregates serve as the bone structure to the asphalt mixture and are mainly comprised various mineral stones. On one hand, due to an increasing amount of attention in environmental protection and sustainable utilisation of resources, local authorities in China have established standard for entering the local stone industry. On the other hand, according to CCID, due to continuous growth in the infrastructure construction industry in China, there will be an increase in the demand of stones. As a result, CCID forecasts that there will be a significant increase in the costs of stones in China in the future, which will, in turn, result in an increase in the unit cost for pavement material. Nevertheless, according to CCID, such increase in pavement material cost will generally be beneficial to the environmental friendly recycling technologies that can lower the overall construction cost of the projects.

Overview of PRC Asphalt Pavement Maintenance Equipment Market

Overview

According to CCID, major asphalt pavement maintenance equipment manufacturers in China still focus on the development of traditional non-recycling pavement maintenance equipment. However, as the energy price and cost of raw materials increase, CCID forecasts there will be a greater demand and use of recycling asphalt pavement maintenance technology in the pavement maintenance projects in China. Following is an overview of different categories of asphalt pavement maintenance equipment used in China by their technologies:

Hot-in-Place recycling equipment

Modular series Hot-in-Place recycling equipment

Modular series Hot-in-Place recycling equipment primarily refers to modules using Hot-in-Place recycling technologies. Hot-in-Place recycling equipment have become more cost effective and technologically advanced since the late 2000s, when the usage of Hot-in-Place recycling equipment started to become more popular. In addition, modular series Hot-in-Place recycling equipment was not widely used because traditional asphalt pavement maintenance technologies were still dominant in the asphalt pavement maintenance industry. The pavement maintenance system reform allowed the pavement maintenance industry in China to become more market-oriented and professional. As a result, professional asphalt pavement maintenance service providers with coverage beyond one province or city such as our Group began to emerge in the market and consequently promoted the application of modular series Hot-in-Place recycling equipment in China. Since 2008, there has been a significant increase in the ownership of modular series Hot-in-Place recycling equipment in China. According to CCID, there were 50 sets of modular series Hot-in-Place recycling equipment servicing the asphalt pavement maintenance market in China as of 31 December 2012.

Standard series Hot-in-Place recycling equipment

Standard series Hot-in-Place recycling equipment primarily refers to standard series scale hot-recycling repair vehicle for asphalt pavements, mainly used for the repair of potholes and partial restorations.

Our two models of standard series Hot-in-Place recycling equipment, "PM-400-48TRK and PM-200036TLR", were regarded as the standard product in the PRC asphalt pavement maintenance market. It was the only cited product for asphalt pavement maintenance services by the *PRC industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement* (公路瀝青路面養護技術規範), published by the Ministry of Transport.

According to CCID, our technological and research advantages over our competitors and our long asphalt pavement maintenance service experience have made us a leader in the standard series asphalt pavement maintenance equipment market. We held a leading market share in the PRC for our standard series equipment using the Hot-in-Place recycling technology in terms of sales volume, accounting for approximately 40% to 50% of the total market share as of 31 December 2012, according to CCID. Shenyang North Traffic Heavy Industry Group, Anshan Senyuan Road and Bridge Co., Ltd and Foshan Witol Road Maintenance Equipment Co., Ltd. held the second, third and fourth largest market share, respectively, in terms of sales volumes of standard series equipment using the Hot-in-Place recycling technology as of 31 December 2012, according to CCID. However, according to CCID, there is limited availability of public data relating to the number of standard series equipment using the Hot-in-Place recycling technology servicing in the PRC and it is difficult to categorise standard series equipment using the Hot-in-Place recycling technology as it is mainly used in small and regular repair works, of which no reliable statistics are available in the PRC. As such, CCID, after conducting researches on the asphalt pavement maintenance industry in the PRC, is not able to derive an exact market size for standard series equipment and the market shares of the major peers of our Group.

Equipment using other non-traditional asphalt pavement maintenance technologies

Equipment using other non-traditional asphalt pavement maintenance technologies include:

- central hot plant recycling equipment: requires relatively less investment compared to Hot-in-Place recycling and can be used with existing asphalt blending equipment;
- Cold-in-Place recycling equipment: introduced in China in 1998, has been widely adopted due to the ability to form road base for high grade roads and to form road base and surfaces for low class roads; and
- central cold plant recycling equipment: economically less efficient than other recycling equipment due to costs associated with the transportation of original pavement materials and the limited usage of recycled material, thus, only a few manufacturers produce such equipment in China.

Market demand of asphalt pavement maintenance equipment in China

China's road network is currently in need for large-scale maintenance. CCID estimates that the annual maintenance needs in years from 2011 to 2015 for the highways can reach approximately 14,400 km. There is high future prospect of the development of recycling maintenance technology in China due to the significant demand for and efficiency of recycling maintenance technologies.

Pursuant to the PRC *industry standard for Technical Specifications of Road Maintenance* (《公路瀝青路面養護技術規範》), the market capacity of modular series Hot-in-Place recycling equipment in China will continue to increase to cope with the increase of construction of new roads and maintenance of existing roads. Such increase is expected also because asphalt pavement maintenance usually takes place every two to four years, with major repairs taking place every five to seven years. Although overseas manufacturers have an advantage in recycling asphalt pavement maintenance equipment market in China due to their earlier entry, domestic manufacturers have rapidly caught up with overseas competitors and reached leading position in the development and manufacturing of Hot-in-Place recycling asphalt pavement maintenance equipment.

As of 31 December 2012, there were 50 sets of modular series Hot-in-Place recycling equipment servicing the asphalt pavement maintenance market in the PRC, of which we had manufactured 18 sets. We held a leading market share in the PRC for modular series equipment using the Hot-in-Place recycling technology in terms of the number of sets sold and deployed as of 31 December 2012. We sold eight sets of modular series equipment to our customers, which mainly consisted of our joint venture companies (excluding one set of modular series equipment sold to Freetech Ordos, a joint venture company of which we acquired a controlling interest and became our subsidiary in June 2012), during the Track Record Period. We owned and used ten sets of modular series equipment in our asphalt pavement maintenance services as of 31 December 2012. According to CCID, the second and third largest Hot-in-Place asphalt pavement maintenance equipment manufacturers in terms of the number of modular series equipment using the Hot-in-Place recycling technology sold and deployed were Anshan Senyuan Road and Bridge Co., Ltd and Wirtgen, who had sold 12 sets and 11 sets of modular series equipment using the Hot-in-Place recycling technology, respectively, as of 31 December 2012.

Modular series Hot-in-Place recycling equipment in the PRC was mainly imported from overseas prior to 2005. We were the first company in the PRC to manufacture and use our own Hot-in-Place recycling equipment in asphalt pavement maintenance services in 2005. In addition, we held a leading market share in the PRC for our standard series equipment using the Hot-in-Place recycling technology in terms of sales volume, accounting for approximately 40% to 50% of the total market share as of 31 December 2012, according to CCID.

Competition

According to CCID, our modular series Hot-in-Place recycling and standard series Hot-in-Place recycling equipment have a number of advantages over those equipment offered by our competitors.

In terms of traditional asphalt pavement maintenance equipment, according to CCID, XCMG Group, Zoomlion Heavy Industry Science & Technology Development Co., Ltd. and Sany Heavy Industry Co., Ltd. are among the top domestic players in China. Overseas Hot-in-Place asphalt pavement maintenance equipment manufacturers such as Wirtgen and Kalottikone Oy have also entered China since 2002.

Our modular series Hot-in-Place recycling equipment are usually towed by trucks providing dispersed traction and flexibility in being mobilised. Most of other modular series Hot-in-Place recycling equipment in the market are not flexible enough to perform asphalt pavement maintenance services on relatively narrower municipal roads, compared with highways. As a result, our modular series Hot-in-Place recycling equipment are the most widely used asphalt pavement maintenance equipment in servicing municipal roads in the PRC.

According CCID, we ranked the first in terms of maximum service speed per single modular series Hot-in-Place recycling equipment as at 31 December 2012. Our modular series Hot-in-Place recycling equipment can perform asphalt pavement maintenance services at the speed of up to eight metres per minute.

Barriers to entry

PRC recycling asphalt pavement maintenance equipment market is competitive with relatively high barriers to entry. Research and development capability is one of the major obstacles for new entrants to the market due to the lack of qualified personnel. The study of the design and manufacturing of recycling asphalt pavement maintenance equipment not only requires the sophisticated interdisciplinary knowledge on the equipment itself, it also requires a profound understanding of downstream industries such as maintenance service technologies. There is currently significant insufficiency of talents in the asphalt pavement maintenance equipment industry in China and most of the existing core technologies, designs and other intellectual property rights have already been protected by patents, thus, it can be difficult for new entrants to perform necessary research and development for high-end products with advanced technology. According to CCID, we have competitive advantages in asphalt pavement maintenance research and development due to our experienced research and development team comprising personnel with civil engineering and material technological knowhow. We commenced our research and development in Hot-in-Place recycling technologies in 1994 and have acquired a leading position in research and development in the PRC, according to CCID.

According to CCID, the production of modular series Hot-in-Place asphalt pavement maintenance equipment requires high initial investment. As a result, there is potential market demand for asphalt pavement maintenance service outsourcing and modular series Hot-in-Place asphalt pavement maintenance equipment hire. However, despite the high initial investment for production of modular series Hot-in-Place asphalt pavement maintenance equipment, compared with traditional asphalt pavement maintenance equipment, once the modular series Hot-in-Place equipment is put in use, it reduces the overall cost of the asphalt pavement maintenance service project because of its efficiency and low wastage nature due to the use of recycled pavement materials.

Other barriers to entry the recycling asphalt pavement maintenance equipment market include regulatory procedure and brand recognition. According to CCID, PRC laws and regulations require the possession of relevant certificates and permits prior to the manufacturing of recycling asphalt pavement maintenance equipment. In addition, even if a new entrant passes the regulatory hurdle, according to CCID, it is still difficult to compete with manufacturers that have already gained market recognition due to the lengthy development cycle of the technology and the products.

Existing Challenges and Future Outlook for the PRC Asphalt Pavement Maintenance Industry

Still at its early stage of development, the PRC asphalt pavement maintenance industry has suffered from the lack in the ability to innovate due to the reliance on imported technologies and equipment in the past decades. Nevertheless, according to CCID, there is a booming opportunity for the development of non-traditional asphalt pavement maintenance technologies in China due to the technological advantage, the healthy growth of economic development in the PRC and the supporting policies adopted by the PRC government.

The positive outlook for the non-traditional asphalt pavement maintenance technologies in China is further enhanced, according to CCID, by following characteristics of these technologies:

- Low cost: According to CCID, costs associated with importing high quality maintenance materials from overseas make the low-cost non-traditional asphalt pavement maintenance technologies appealing to local governments.

- High efficiency: According to CCID, one of the major concern for local governments in China, when maintaining pavements, is the cost efficiency and timing associated with the project. As a result, the highly efficient non-traditional asphalt pavement maintenance technologies, in particular, the Hot-in-Place recycling technology is becoming more and more popular for asphalt pavement maintenance projects, especially for highway maintenance projects.

- Government support: According to CCID, the PRC government encourages the development of recycling road maintenance technologies. The Ministry of Transport released the Guidance on Promoting Road Pavement Material Recycling (關於加快推進公路路面材料循環利用工作的指導意見) in 2012 and encouraged local governments and provincial departments of the Ministry of Transport to allocate special funds and implement tax reduction policy to support road maintenance recycling. Such government support will enhance the market prospect for those asphalt pavement maintenance service providers employing non-traditional asphalt pavement maintenance technologies.

- Environmental friendly: Due to the inherent environmental friendly nature of the non-traditional technology, it will benefit from the government policies clearly in support of the recycling economy, energy conservation, emission reduction and protection and improvement of environment.

Set forth below are summaries of certain PRC laws and regulations applicable to asphalt pavement maintenance equipment manufacturers and road maintenance services providers in the PRC.

LAWS AND REGULATIONS RELATING TO THE ASPHALT PAVEMENT MAINTENANCE EQUIPMENT BUSINESS

Our asphalt pavement maintenance equipment products include special maintenance vehicles and non-vehicle maintenance equipment. For details of our special maintenance vehicle products, please refer to the section headed "List of special maintenance vehicle products" in Appendix IV to this prospectus.

The special maintenance vehicles (專用養護作業車) industry is governed by various laws and regulations in the PRC. *The Terms and Definitions for Motor Vehicles and Trailers (GB/T 3730.1-2001)* (《汽車和掛車類型的術語和定義》) has specifically defined special maintenance vehicles as special goods vehicles. Moreover, according to the *Catalogue for Motor Vehicles and Trailers (GB/T 15089-2001)* (《機動車輛及掛車分類》), special maintenance vehicles are classified as "N-type" vehicles. All special goods vehicles must be listed in the *Motor Vehicle Manufacturing Enterprises and Products Announcement* (道路機動車輛生產企業及產品公告) ("**Announcement**") and all "N-type" vehicles must obtain the compulsory certification and environmental approval. The Announcement was jointly promulgated by the NDRC and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) ("**AQSIQ**"). Set forth below are relevant regulations:

Pursuant to the *Automotive Industry Development Policy* (汽車產業發展政策) promulgated by the NDRC in 2004 and amended in 2009, motor vehicle manufacturing enterprises that are in compliance with the relevant rules of automotive production regulations and the mandatory requirements of the relevant regulations and technical specifications, and products that have obtained the relevant compulsory certification, will be listed in the Announcement. The products listed in the Announcement shall bear the logo of "China Compulsory Certification" or "3C".

On 17 November 2008, the Ministry of Industry and Information Technology (工業和信息化部) and the Ministry of Public Security (公安部) jointly promulgated the *Circular on Further Strengthening the Administration of Motor Vehicle Manufacturing Enterprises and Product Announcement and the Registration Work* (《關於進一步加強道路機動車輛生產企業及產品公告管理和註冊登記工作的通知》), pursuant to which, the Ministry of Industry and Information Technology administers the Announcement since August 2008. The scope of products within the list of Announcement shall include automobiles (including three-wheeled autos and low-speed trucks) and relevant chassis, semi-trailers, motorcycles, which are manufactured and sold domestically and driven on roads. Competent traffic management departments of public security administration in all regions shall conduct motor vehicle registration in accordance the latest Announcement. Registration of the relevant products shall be denied if that product is not listed in the Announcement, does not leave the manufacturing factories or is not purchased within the validity period of the Announcement.

Pursuant to the *Administration Rules on the Entrance of Special Use Automotive and Trailer Manufacturing Enterprises and Products* (《專用汽車和掛車生產企業及產品准入管理規則》) ("**Entrance Rules**") issued by the Ministry of Industry and Information in 2009. The Ministry of Industry and Information is responsible for regulating the permits for the special-use automotive manufacturing enterprises and products. The applicant for the permits of special-use automotive products and manufacturing enterprises must fulfil the particular requirements under the Entrance

Rules. If the manufacturing enterprise has obtained a permit of entrance before the issuance of the Entrance Rules but the fundamental situation of the enterprise has changed, then the manufacturing enterprise that is applying to the Ministry of Industry and Information to register such change shall be reviewed and tested in accordance with the particular requirements under the Entrance Rules.

Pursuant to the *Administration Measures on the Manufacture Consistency of Motor Vehicles Manufacturing Enterprises and the Products* (《車輛生產企業及產品生產一致性監督管理辦法》) issued by the Ministry of Industry and Information Technology of the PRC (工業和信息化部) in 2010, the Ministry of Industry and Information would supervise and regulate the manufacture consistency of motor vehicle manufacturing enterprises and the products listed under the Announcement. The motor vehicle manufacturing enterprises shall establish a manufacture consistency management system and ensure that the technical parameter, configuration, and performance index of the motor vehicle products that are actually manufactured and sold shall be consistent with: (i) those data approved by the Announcement for the approved motor vehicle products; (ii) the sample motor vehicles for testing; (iii) the product qualification certificate; and (iv) the information uploaded to the administration system of NDRC when the motor vehicles are leaving the factory. The manufacture consistency will be supervised and reviewed when the motor vehicles are manufactured, sold or registered.

Pursuant to the Provisions on the *Administration of Compulsory Product Certification* (《強制性產品認證管理規定》) promulgated and implemented by AQSIQ in 2009, the relevant products as prescribed by the State shall be subject to certification and bear the certification mark before they leave the factory, are sold, imported or used in other business activities. On 3 December 2001, the *Catalogue of first batch of Products subject to Compulsory Product Certification* (《第一批實施強制性產品認證的產品目錄》) was jointly promulgated and implemented by AQSIQ and the Certification and Accreditation Administration of the PRC (國家認證認可監督管理委員會), which provided that "M-, N- or O-type" vehicles driven on highways and urban roads should undergo compulsory product certification before they are sold and leave the factory.

On 30 May 2005, The Ministry of Environmental Protection of the PRC (環境保護部) and AQSIQ jointly promulgated the *Limits and Measurement Methods for Exhaust Pollutants from Compression Ignition and Gas Fuelled Positive Ignition Engines of Vehicles (III, IV, V) (GB17691-2005)* (《車用壓燃式、氣體燃料點燃式發動機與汽車排氣污染物排放限值及測量方法(中國III, IV, V階段)》) and prescribed the implementation dates for Phase III exhaust pollutant standard, Phase IV exhaust pollutant standard and Phase V exhaust pollutant standard. Phase III, IV and V exhaust pollutant standards became effective on 1 January 2007, 1 January 2010 and 1 January 2012, respectively. Pursuant to such standards, new types of engines and vehicles that fail to meet relevant standards shall not be approved for production. Furthermore, one year after each of the above three standards is implemented, if new engines and vehicles still fail to meet the relevant standards within the one-year period then they shall not be registered or sold. The *Notice of the State Council on Printing and Distributing the Comprehensive Plan for Energy-saving and Emission-reduction Work* (《國務院關於印發節能減排綜合性工作方案的通知》) was promulgated in 2007 to promote energy-saving and emission-reduction in the transportation industry. The phase III exhaust pollutant emission standard of motor-vehicles and vessels shall be strictly exercised and the standard may be raised in certain regions.

LAWS AND REGULATIONS RELATING TO ROAD MAINTENANCE SERVICES

Pursuant to the *Administration Regulation of Construction Enterprises Qualification* (《建築業企業資質管理規定》) issued by the *Ministry of Housing and Urban-Rural Development of the PRC* (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction of PRC (中華人民共和國建設部) in 2007, the enterprise who has obtained the certificate of qualification for construction enterprises may engage in the business of contracting construction projects that fall within its corresponding qualifications, and engage in project management or the relevant technology and management services. The construction department of the State Council (國務院) and construction departments of local governments are responsible for supervising and regulating the issue of qualifications to construction enterprises. The qualification issued to construction enterprises is divided into three criteria, including overall construction contracting, professional contracting and labour subcontracting. The certificate of qualification is valid for five years, and insofar as the enterprise complies with the relevant PRC laws and regulations, the enterprise may apply to extend the certificate of qualification upon the expiration of such certificate.

Pursuant to the *Administration Regulation on Foreign Invested Construction Enterprises* (《外商投資建築業企業管理規定》) jointly issued by the *Ministry of Housing and Urban-Rural Development of the PRC* (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction of PRC* (中華人民共和國建設部), and the Ministry of Commerce of PRC (中華人民共和國商務部), formerly known as Ministry of Foreign Trade and Economic Cooperation of PRC* (中華人民共和國對外貿易經濟合作部), in 2002, if a foreign invested construction enterprise applies for the qualifications of superior class and first class of overall construction contracting, or the first class of professional contracting, it shall be subject to the approval of the construction department of the State Council (國務院); however, if a foreign invested construction enterprise applies for the qualifications of the second class or even lower class of overall construction contracting and professional contracting, or the labour contracting, it shall be subject to the approval of the construction department of provincial level government.

Pursuant to the *Highway Law of the PRC* (《中華人民共和國公路法》) promulgated by the Standing Committee of NPC effective from 1 January 1998, amended on 31 October 1999, further amended on 28 August 2004, and on 27 August 2009, highways shall be classified into State roads, provincial roads, county roads and township roads.

Transportation department of the State Council shall be responsible for the administration of highways in the whole country. Transportation departments of local governments shall be responsible for the administration of highways in their respective administrative areas. Related administrative departments of highways should undertake to maintain highway roads according to the technical standards and operational procedures as prescribed by the transportation department under the State Council to ensure the roads are in good state. The State raises the highway maintenance fund by lawful taxation.

Pursuant to the *Regulations on the Administration of Urban Roads* (《城市道路管理條例》) promulgated by the State Council on 4 June 1996 and amended on 8 January 2011, the administrative department for municipal engineering shall fix the annual maintenance and repair budget for the urban roads under its administration and shall arrange the maintenance and repair funds in a unified way.

The maintenance and repair of urban roads under the administration of municipal engineering department shall be entrusted to urban road maintenance and repair entities. Urban roads built and managed by investment entities shall be maintained and repaired by such investment entities or their entrusted entities. Roads in residential quarters and development areas shall be maintained and repaired by the construction entities or their entrusted entities.

Pursuant to the regulation on *Protecting Highway Safety* (《公路安全保護條例》) issued by the State Council on 7 March and became effective on 1 July 2011, enterprises who engage in the highway maintenance services are required to possess certain qualifications, including a certain number of qualified technical staff, appropriate technical equipment for highway maintenance projects, appropriate experience in relation to the highway maintenance projects; and the measure for the administration of qualifications of entities conducting highway maintenance operations shall be formulated by the transport administration department of the PRC (中華人民共和國交通運輸部). Highway maintenance operations shall be conducted according to the technical specifications and procedures prescribed by the transport administrative department of the State Council, such as *Highway Maintenance Technical Specifications* (《公路養護技術規範》) (JTG H10-2009), *PRC industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement* (《公路瀝青路面養護技術規範》) (JTJ 073.2-2001), *Highway Asphalt Pavement Renewable Specifications* (《公路瀝青路面再生技術規範》) (JTG F41-2008), *Highway Maintenance Safety Operation Procedures* (《公路養護安全作業規程》) (JTG H30-2004) and *Highway Project Technical Standards* ("*Highway Project Technical Standards*") (《公路工程技術標準 》) (JTG B01-2003).

Please also see the section headed "Risk Factors — Risks Relating to Our Business — Some of our subsidiaries and joint venture may not have all the operating permits required under PRC laws. If they are not able to obtain the necessary permits, or if they are deemed by PRC authorities to have violated relevant PRC laws, they may have to cease operations, have their illegal income forfeited and pay penalties" in this prospectus.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign investors shall abide by *Catalogue for Guidance of Foreign Investment Industries* (《外商投資產業指導目錄》) ("**Catalogue**"). The Catalogue was promulgated on 28 June 1995 and was subsequently revised from time to time. The currently effective Catalogue was promulgated by MOFCOM and NDRC on 24 December 2011. The Catalogue classifies industries into three categories: Encouraged, Restricted and Prohibited. Except otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not listed in the Restricted or Prohibited categories. Investment in some industries in the Restricted category may be limited to equity or contractual joint ventures, in some cases, with the Chinese shareholder as the controlling shareholder. Foreign investors shall not invest in industries in the Prohibited category.

Pursuant to the *Law of PRC on Foreign-funded Enterprises (2000 Amendment)* (《中華人民共和國外資企業法》) and the *Rules for the Implementation of the Law of the PRC on Foreign-funded Enterprises (2001 Revision)* (《中華人民共和國外資企業法實施細則》), MOFCOM or the local authorities are responsible for approving the relevant joint venture contracts, articles of association of foreign invested enterprises and other substantial changes to foreign invested enterprises, including changes to capital, equity transfer and consolidation.

As advised by our PRC legal adviser, King & Wood Mallesons, the industries in which we operate (i.e., manufacturing asphalt pavement maintenance equipment and providing road maintenance services) are in compliance with the relevant regulations relating to foreign investment under the Guidance Catalogue of Industries for Foreign Investment (“《外商投資產業指導目錄》”) effective in December 2011. Please also see the section headed “Risk Factors — Risks Relating to Conducting Business in the PRC — Changes in PRC laws, legal protections or government policies on foreign investment in the PRC may adversely affect our business” in this prospectus.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in the PRC is the *Foreign Exchange Administration Regulations* (《中華人民共和國外匯管理條例》). The *Foreign Exchange Administration Regulations* was enacted by the State Council on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 1 August 2008, the State Council amended the *Foreign Exchange Administration Regulations*. According to the currently effective *Foreign Exchange Administration Regulations*, international payment in foreign exchange and transfer of foreign exchange under the currently listed items shall not be restricted. Foreign exchange income of a domestic institution or an individual may be transferred back into the PRC or deposited overseas, specific conditions and/or term requirements of which shall be determined by the Foreign Exchange Administrative Department of State Council with reference to the balance of the payments and the administrative requirements. An overseas institution or individual that makes direct investments into the PRC shall handle the registration formalities at a foreign exchange administrative organ upon the approval of the competent department. A domestic institution or individual that makes direct investment or issues or trades negotiable securities or derivative products overseas shall handle the registration formalities according to requirements by the foreign exchange administrative department of the State Council. If the relevant state provisions require the approval or registration of the competent department, such approval or registration shall be obtained before handling the registration formalities.

The dividends paid by the subsidiary in the PRC to its overseas shareholders are deemed to be income of the shareholders and are taxable in the PRC. Pursuant to the *Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996)* (《結匯、售匯及付匯管理規定》), foreign-invested enterprises in the PRC may purchase or remit foreign currency, subject to a cap approved by the SAFE, for settlement of current account transactions without the approval of the SAFE. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities.

Under the *Foreign Exchange Administration Regulations* promulgated by State Council in 1997 and various regulations issued by the SAFE, and other relevant government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, interests and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, require prior approval from the SAFE or its local branch. Payments for transactions which take place in the PRC may retain foreign exchange in accounts with designated foreign exchange banks subject to a capped value determined by SAFE or its local branch. Unless otherwise approved, domestic enterprises must convert all of their foreign currency proceeds into Renminbi.

On 29 August 2008, SAFE promulgated the *Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises* (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) ("**SAFE Circular 142**"), regulating the conversion by a foreign-invested enterprise with registered capital in foreign currency in Renminbi by restricting how the converted Renminbi may be used. The SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope, which had been approved by the applicable governmental authority, and may not be used for equity investments within the PRC unless otherwise specified. In addition, SAFE strengthened its control on the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise. The use of such Renminbi capital may not be altered without the SAFE's approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of the SAFE Circular 142 could result in severe monetary penalties.

LAWS AND REGULATIONS RELATING TO TAXATION

EIT

Prior to 1 January 2008, EIT payable by foreign-invested enterprises in the PRC was governed by the *Foreign-Invested Enterprise and Foreign Enterprise EIT Law of the PRC* (《中華人民共和國外商投資企業和外國企業所得稅法》) ("**FIE Tax Law**") promulgated on 9 April 1991 and effective on 1 July 1991. According to the FIE Tax Law and the its implementation rules, from the first year a foreign-invested enterprises begun their profitable operation (engaging in the production of goods/services with an expected business life of over 10 years) they were to enjoy full exemption from EIT in the first and second years of its profitable operation and a 50% reduction on EIT in the third to fifth years of its profitable operation. Foreign-invested enterprises operating in special economic development zones, especially those involving areas such as energy, transportation, port infrastructure and other State encouraged projects, were subject to EIT rate of 15% (before any exemption).

However, under the new *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) ("new EIT Law"), which was promulgated on 16 March 2007, EIT rates applicable to both domestic and foreign-invested enterprises were unified at 25% effective from 1 January 2008. Enterprises which enjoyed EIT rates of lower than the standard rate of 33% are given a five-year transitional period. Such enterprises will continue to enjoy the lower tax rate before they are gradually subject to the unified tax rate of 25% within and before the end of the transitional period. In particular, enterprises which were subject to an EIT rate of 15% would be subject to an EIT rate of 18% in 2008, increasing to 20% in 2009, 22% in 2010, 24% in 2011, and 25% in 2012. Enterprises which are enjoying two years of 100% exemption and three years of 50% reduction on tax payments may continue to enjoy such exemption and reduction until the term of such privilege expires.

VAT

Pursuant to the *Provisional Regulations on Value-Added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) and its implementation rules, both of which were amended in late 2008 and became effective from 1 January 2009, and the implementation rules was amended again on 28 October 2011, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the import of goods are required to pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT."

According to the *Circular of the State Administration of Taxation on Printing and Distributing the Measures for the Administration of Tax Refund (Exemption) for Export Goods (For Trial Implementation) (Exemption) of Exported Goods (For Trial Implementation)* (《國家稅務總局關於印發出口貨物退(免)稅管理辦法(試行)的通知》) promulgated on 16 March 2005 and became effective on 1 May 2005, unless otherwise provided by law, for the goods as exported either directly by an exporter or via an export agency, the exporter may, after the export declaration and the conclusion of financial settlement for sales, file a report to the competent State Taxation Bureau for the approval of refund or exemption of VAT or consumption tax on the strength of the relevant certificates. The scope of tax refund (exemption) for export goods, the tax refund rate the measures of tax refund (exemption) shall be governed by the relevant provisions of the State.

LAWS AND REGULATIONS RELATING TO PATENT

Protection Under Patent Law

According to the *PRC Patent Law* (《中華人民共和國專利法》) promulgated on 12 March 1984 and amended on 4 September 1992 and amended again on 25 August 2000 and 27 December 2008 and the *PRC Implementing Regulations* (《中華人民共和國專利法實施細則》) promulgated on 15 June 2001 and amended on 28 December 2001 and 9 January 2010, patent protection is divided into three categories: invention patent, utility patent and design patent. Invention patent is intended to protect new technology or measures for a product, method or its improvement. Utility patent is intended to protect new technology or measures to increase the utility of a product shape, structure or its combination. Design patent is intended to protect new designs by combination of product shape, graphic or colour with aesthetic and industrial application value.

- **Invention patent**

The products seeking invention patent protection must possess such characteristics as novelty, innovation and utility and the grant of invention patent is subject to disclosure and publication requirement. Normally, the patent administrative authority publishes the application 18 months after application is filed, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review as required by applicant within three years from publication or, if necessary, at its discretion to grant the invention patent, issue the certificate of invention patent and announce and register it if there is no cause of rejection of the application of the invention patent after substantive review. The term of protection is 20 years from the date of application.

Once an invention patent is granted, unless otherwise provided by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

- **Utility patent**

The products seeking utility patent protection must also possess such characteristics as novelty, innovation and utility. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility patent is also subject to the disclosure and publication requirement upon application. The term of protection is ten years from the date of application.

Once an utility patent is granted, unless otherwise provided by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

- **Design patent**

The products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publically used in the country or infringing upon third parties' legal rights. The application procedure and term of protection is the same as for utility patent.

Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent without consent of the patent holder.

LAWS AND REGULATIONS RELATING TO TRADEMARKS

The PRC *Trademark Law* (《中華人民共和國商標法》) was promulgated in 1982 and first amended on 22 February 1933 and amended again on 27 October 2001 and the *PRC Trademark Implementing Regulations* (《中華人民共和國商標法實施條例》) was promulgated on 3 August 2002. These laws provide the basic legal framework for the regulation of trademarks in China. The Trademark Office of SAIC ("**Trademark Office**") is responsible for the registration and administration of trademarks in the PRC.

PRC law provides that the following acts constitute infringement of the exclusive right to use a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark in respect of the same kind of or similar commodities without the authorisation of the trademark registrant;
- sale of commodities infringing upon the exclusive right to use the registered trademark;
- counterfeiting or making, without authorisation, representations of a registered trademark of another person, or sale of such representations of a registered trademark;
- changing a registered trademark and selling products on which the changed registered trademark is used without the consent of the trademark registrant; and

- otherwise infringing upon the exclusive right of another person to use a registered trademark.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

On 22 February 1993, the Standing Committee of NPC enacted the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》), which was revised on 8 July 2000 by the Standing Committee of the NPC. The said law stipulates that producers shall be responsible for the quality of products they produce, which shall meet the requirements according to the relevant laws and for compensating for damages committed to the person or property except to defective products where the products themselves are defective. Where the case is severe enough to constitute a crime, criminal responsibility shall apply.

All the products produced and sold in PRC shall abide by these laws and regulations.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) promulgated and effective on 26 December 1989, the environmental protection department of State Council is in charge of promulgating national standards for environmental protection. The local governments of provinces, autonomous regions and municipalities may also promulgate local standards for environmental protection on matters not specified under national standards. The local governments must report such standards to the administrative authority of environmental protection under State Council for its record.

Pursuant to the *Law on Environmental Impact Studies of the PRC* (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and effective on 1 September 2003, manufacturers must prepare environmental impact study report setting forth the impact the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the government authority prior to commencement of construction of the relevant project. New facilities built pursuant to this approval are not permitted to operate until the relevant environmental bureau has performed an inspection and is satisfied that the facilities are in compliance with environmental standards.

Pursuant to the *Administrative Regulations on Environmental Protection for Construction Project* (《建設項目環境保護管理條例》) promulgated and effective on 29 November 1998 by the State Council, construction projects shall conduct environmental impact assessment, obtain approval on such assessment and be examined to have applied with the environmental protection standard. Prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project shall be submitted to the relevant environmental protection authority. The newly-constructed production facilities cannot operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards. Environmental protection facilities shall be designed, constructed and put into use simultaneously with the main project construction.

LAWS AND REGULATIONS RELATING TO LABOUR AND SOCIAL INSURANCE

On 5 July 1994, the Standing Committee of NPC promulgated the *Labour Law of the PRC* (《中華人民共和國勞動法》), which became effective on 1 January 1995 and was amended on 27 August 2009. On 29 June 2007, the Standing Committee of NPC promulgated the *Employment Contract Law of the PRC* (《中華人民共和國勞動合同法》), which became effective on 1 January 2008. Pursuant to the said employment contract law, a written labour contract shall be concluded within one month from the date when the employee commences working; otherwise the employer shall pay twice the amount of the monthly wage if the employer fails to conclude a written labour contract with an employee after the lapse of more than one month but less than one year from the day when the employer started using the employee or be deemed that the employer and the employee have concluded a labour contract without a fixed term if the employer fails to sign a written labour contract with an employee after the lapse of one full year from the date when the employee begins to work. Labour contract is divided into three types, namely labour contract with a fixed term, labour contract without a fixed term and labour contract that sets the completion of specific tasks as the event that terminates the contract. An employee who has worked for ten full consecutive years at a company or the company and the employee have entered into two fixed-term labour contracts consecutively and without incurring any event that permits the employer to terminate the labour contract by law, at the end of the ten year employment period or term of the second consecutively renewed contract period, the employee shall be entitled to a non-fixed term labour contract.

The *PRC Law for Promotion of Employment* (《中華人民共和國就業促進法》), promulgated by NPC Standing Committee on 30 August 2007 and effective as of 1 January 2008, provides that no employee can be discriminated in employment by reason of race, ethnic, gender, or religion. The employer should neither refuse nor request higher conditions for the employment of any woman because of her gender; and no provision limiting any woman employee in marriage and child-bearing is allowed in the labour contract. The employer should not refuse the employment of anyone for the reason that the individual is a pathogen carrier, unless otherwise regulated by relevant PRC laws and regulations. Moreover, enterprises should allocate the employee education fund for occupational training and further education of employees, violation of which may result in punishment imposed by the labour administration.

Pursuant to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) promulgated on 28 October 2010 and implemented on 1 July 2011 by Standing Committee of the NPC and the *Interim Regulations Concerning the Levy of Social Insurance Fees* (《社會保險費徵繳暫行條例》) promulgated and implemented on 22 January 1999 by State Council, the *Interim Measures Concerning the Maternity Insurance of Enterprise Employees* (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 and implemented on 1 January 1995 by former Ministry of Labour, the *Regulation Concerning the Administration of Housing Fund* (《住房公積金管理條例》) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by PRC State Council, the *Regulation on Occupational Injury Insurance* (《工傷保險條例》) promulgated on 27 April 2003 by State Council and implemented on 1 January 2004 and amended on 20 December 2010 by State Council, and regulations on pension insurance, medical insurance and unemployment insurance at the provincial and municipal level, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The *Production Safety Law of the PRC* (《中華人民共和國安全生產法》) was promulgated on 29 June 2002, became effective on 1 November 2002 and was amended on 27 August 2009 by the Standing Committee of NPC. The production and business operation entities shall observe the said law and other relevant laws, regulations concerning the production safety, strengthen the administration of production safety, establish and perfect the system of responsibility for production safety, perfect the conditions for safe production, and ensure the safety in production. The main person-in-charge of the production and business operation of the entities shall take charge of the overall work of the production safety of the entity concerned.

Pursuant to the *Regulation on Production Safety Licence* (《安全生產許可證條例》) promulgated by the State Council on 13 January 2004, the State adopts a production safety licensing system to enterprises engaged in mining, construction, and the production of dangerous chemicals, fireworks and crackers, and blasting equipment for civil use (the "**Regulated Enterprises**"). No Regulated Enterprise may engage in production activities without production safety licences.

The construction department of the State Council shall be in charge of the issuance and administration of production safety licences for central state-owned construction enterprises. The construction departments of provincial, autonomous regions' and municipal governments shall be in charge of the issuance and administration of production safety licences for other construction enterprises, under the guidance and supervision of the construction department of the State Council.

Please also see the section headed "Risk Factors — Risks Relating to Our Business — Some of our subsidiaries and joint venture may not have all the operating permits required under PRC law. If they are not able to obtain the necessary permits, or if they are deemed by PRC authorities to have violated relevant PRC laws, they may have to cease operations, have their illegal income forfeited and pay penalties" in this prospectus.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE REGISTRATION OF OFFSHORE INVESTMENT BY PRC RESIDENTS

On 21 October 2005, the SAFE issued the *Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Round-trip Investment via Offshore Special Purpose Companies* (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("**Circular 75**"), which became effective on 1 November 2005. Circular 75 requires PRC residents, whether legal persons or individuals, to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, which is referred to in the notice as an offshore special purpose vehicle ("**Offshore SPV**").

As advised by King & Wood Mallesons, our PRC legal adviser, the Company does not fall into the ambit of an Offshore SPV established or controlled by any PRC resident for the purpose of capital financing and the provisions of Circular 75 are not applicable to the Global Offering for the following reasons: (i) the controlling beneficiary owner of the Company and our PRC subsidiaries is an individual from Hong Kong since the establishment of the Company and our PRC subsidiaries; and (ii) the Company was established and controlled by offshore investors.

Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the SASAC, the SAT, the SAIC, the CSRC and the SAFE, jointly promulgated the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the "**New M&A Rules**"), which became effective on 8 September 2006 and was amended by the MOFCOM on 22 June 2009. The New M&A Rules stipulate that the acquisition of a domestic enterprise by a foreign investor refers to circumstances whereby a foreign investor purchases by agreement the equity interest in a domestic, non-foreign invested enterprise (the "**Domestic Company**") or subscribes to the increased capital of a Domestic Company (an "**Equity Acquisition**"), and as a result, such Domestic Company becomes a foreign-funded enterprise; or, a foreign investor establishes a foreign-invested enterprise, and through which it purchases by agreement the assets of a Domestic Company and operates its assets, or, a foreign investor purchases by agreement the assets of a Domestic Company, and then invest such assets to establish a foreign-invested enterprise and operate the assets (an "**Asset Acquisition**").

Considering (i) the controlling beneficiary owner of the Company and our PRC subsidiaries is an individual from Hong Kong since the establishment of the Company and our PRC subsidiaries; (ii) our PRC subsidiaries and jointly-controlled entity are foreign invested companies, namely, Freetech Road Recycling, Nanjing Maintenance Machinery, Freetech Manufacturing and Futech Quanzhou, since their establishment and do not fall into the definition of the Domestic Company under the New M&A Rules; and (iii) the onshore restructurings carried out by the Company for the purpose of the Global Offering were equity transfers among the foreign investors and do not constitute an Equity Acquisition or Asset Acquisition, our PRC legal adviser, King & Wood Mallesons has advised us that the New M&A Rules do not apply to the Global Offering, and we are not required to submit an application to the CSRC or any other government authority for its approval prior to the Global Offering under the New M&A Rules.

BUSINESS DEVELOPMENT

Our history can be traced back to 2000 when Freetech Road Recycling was established in the PRC. Our business primarily consists of two segments, namely, provision of asphalt pavement maintenance services and manufacture and sale of asphalt pavement maintenance equipment.

The following sets out our major business milestones and achievements:

Year	Event
2000	• Freetech Road Recycling was established in the PRC
2001	• Our PM400-48TRK and PM200-36TLR models of our standard series equipment are cited as industry standard Hot-in-Place equipment by the PRC industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement (公路瀝青路面養護技術規範) promulgated by the Ministry of Transport in 2001
2004	• We were recognised by Jiangsu Province Department of Science and Technology (江蘇省科學技術廳) as high-and-new technology enterprise of Jiangsu (江蘇省高新技術企業) and our products were recognised as high-and-new products (高新技術產品)
2006	• We were recognised by the Nanjing Foreign Trade and Economic Cooperation Bureau (南京市對外貿易經濟合作局) as a technologically advanced foreign invested enterprise (外商投資先進技術企業)
2007	• We received the first place in the contest for customer satisfaction for road construction and maintenance equipment (Hot-in-Place recycling category) (用戶滿意的築養路機械企業第一名(就地熱再生類別)) presented by China Transportation Newspaper (中國交通報)
2009	• The core technologies in Hot-in-Place recycling, intermittent thermal-radiant heating technology (間歇式熱輻射加熱技術), multi-set scarifying process (多組多排疏鬆耙原路面疏鬆工藝) and spinning-cup rejuvenating agent spreading system (盤式再生劑撒布系統) were certified by the Ministry of Transport to be internationally leading (國際領先)
	• We participated in the Chang An Street (長安街) project in Beijing for asphalt pavement maintenance services before the 60th anniversary celebrations of the founding of the PRC (國慶60週年慶典)
	• We obtained approval from Jiangsu Science and Technology Bureau (江蘇省科學技術廳) for the establishment of "Jiangsu Asphalt Pavement Recycling Engineering Technology Research Centre" (江蘇省瀝青路面熱再生工程技術研究中心)
2011	• We established our first joint venture company, Freetech Yueyang, for the provision of asphalt pavement maintenance services in Hunan Province, PRC
2012	• We obtained approval from Jiangsu Development and Reform Commission (江蘇省發展和改革委員會) and Jiangsu Transportation Department (江蘇省交通廳) for the establishment of Jiangsu Province Road Maintenance Equipment Engineering Laboratory (江蘇省公路養護裝備工程實驗室)

CORPORATE DEVELOPMENT

The following entities are the companies comprising our Group and our jointly-controlled entities prior to the Corporate Reorganisation:

Freetech BVI

Freetech BVI was incorporated in the BVI on 23 November 2009 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On 1 December 2009, one share was allotted and issued to Freetech Technology as fully paid at par. On 18 October 2010, one share was allotted and issued to Freetech Technology as fully paid for a consideration of US$3,249,999. Freetech BVI is an investment holding company and was wholly owned by Freetech Technology, a company beneficially owned by Mr. Sze, prior to the Corporate Reorganisation.

Freetech Hong Kong

Freetech Hong Kong was incorporated in Hong Kong on 17 August 2001 with an authorised share capital of HK$10,000 divided into 10,000 shares with par value of HK$1.00 each. On 17 August 2001, one share was allotted and issued to Mr. Sze and Mr. Sze Man Chong, respectively, as fully paid at par. On 17 December 2009, Freetech BVI acquired the entire issued share capital of Freetech Hong Kong from Mr. Sze and Mr. Sze Man Chong, respectively, for a consideration of HK$1.00 each. On 18 October 2010, one fully paid share was allotted and issued to Freetech BVI at par. Subsequent to the above allotments and acquisitions, Freetech Hong Kong became a wholly-owned subsidiary of Freetech BVI. Freetech Hong Kong is principally engaged in the sales of our asphalt pavement maintenance equipment in Hong Kong.

Freetech Road Recycling

Freetech Road Recycling was established in the PRC as a wholly-foreign owned enterprise on 8 September 2000 with a registered capital of US$3,250,000, which was wholly owned by Thermal Power Corporation, a company incorporated in the State of Texas, United States of America on 30 December 1999, which was wholly owned by Mr. Sze. Such registered capital had been fully paid but not within the required timeframe. Our PRC legal adviser, King & Wood Mallesons, confirmed that Freetech Road Recycling will unlikely be penalised by the relevant government authority and will not affect the subsistence of Freetech Road Recycling due to the delay in contributing the registered capital as (i) such registered capital had been fully paid up on 31 March 2005, and (ii) the relevant government authority has not raised any objection on the late contributions.

On 20 December 2002, Thermal Power Corporation as seller and Freetech Technology as buyer entered into an equity transfer agreement where Thermal Power Corporation agreed to sell and Freetech Technology agreed to buy the entire equity interest in Freetech Road Recycling for a consideration of US$600,000, which was determined with reference to the paid-up capital of Freetech Road Recycling of approximately US$608,217 at the time. Subsequent to the above transfer, which was completed on 3 April 2003, Freetech Road Recycling became a wholly-owned subsidiary of Freetech Technology. Freetech Technology is a company incorporated in Hong Kong with limited liability on 23 September 1993 and beneficially wholly owned by Mr. Sze.

On 20 November 2009, Freetech Technology as seller and Freetech Hong Kong as buyer entered into an equity transfer agreement where Freetech Technology agreed to sell and Freetech Hong Kong agreed to buy the entire equity interest in Freetech Road Recycling for a consideration of RMB26,899,333.10, which was determined with reference to the registered capital of Freetech Road Recycling of US$3,250,000 at the time. Subsequent to the above transfer, which was completed on 19 January 2010, Freetech Road Recycling became a wholly-owned subsidiary of Freetech Hong Kong.

On 26 October 2011, the registered capital of Freetech Road Recycling was increased from US$3,250,000 to US$15,600,000. Our PRC legal adviser, King & Wood Mallesons, confirmed that (i) the contribution of registered capital of Freetech Road Recycling for such increase had so far been made within the required timeframe, (ii) as at 20 March 2012, being the date of the latest capital verification report for Freetech Road Recycling, a total of US$13,747,500 had been paid up, representing approximately 88.13% of the registered capital of Freetech Road Recycling, and (iii) the balance of US$1,852,500 shall be contributed before 26 October 2013.

Freetech Road Recycling is principally engaged in the provision of asphalt pavement maintenance services in the PRC.

Freetech Yueyang

On 11 April 2011, Freetech Yueyang, a jointly-controlled entity of our Group, was established in the PRC by Freetech Road Recycling and Yueyang Tongqu Prosper Road Co.* (岳陽市通衢興路公司), an Independent Third Party, as a limited liability company with an initial registered capital of RMB35,000,000, which is held as to 55% by Freetech Road Recycling and 45% by Yueyang Tongqu Prosper Road Co.* Our PRC legal adviser, King & Wood Mallesons, confirmed that the registered capital of Freetech Yueyang had been fully paid up within the required timeframe.

Freetech Yueyang is considered a jointly-controlled entity of our Group and not accounted for as a subsidiary of our Company as Freetech Road Recycling does not have unilateral control but have joint control of the voting power at general meetings of Freetech Yueyang for material matters.

Freetech Yueyang is principally engaged in the road management and maintenance services and the lease of road maintenance equipment.

Freetech Ordos

On 17 June 2011, Freetech Ordos was established in the PRC by Freetech Road Recycling and Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司) as a limited liability company with an initial registered capital of RMB30,000,000, which was held as to 51% by Freetech Road Recycling and 49% by Ordos Lutong Road Maintenance Co., Ltd.* At the time of establishment, Freetech Ordos was a jointly-controlled entity of our Group until June 2012. It was then considered a jointly-controlled entity of our Group and not accounted for as a subsidiary as Freetech Road Recycling did not control the voting power at general meetings of Freetech Ordos for material matters, which must be decided by two-third majority of the votes at its general meetings. Please refer to the paragraph headed "Corporate Reorganisation — (12) Transfer of equity interest in Freetech Ordos" for further details of Freetech Ordos becoming a subsidiary of our Company.

Our PRC legal adviser, King & Wood Mallesons, confirmed that the registered capital of Freetech Ordos had been fully paid up within the required timeframe.

Freetech Ordos is principally engaged in the road management and maintenance services and the lease of road maintenance equipment.

BS BVI

BS BVI was incorporated in the BVI on 30 March 2011 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On 6 April 2011, one share was allotted and issued to Mr. Sze as fully paid at par. BS BVI is an investment holding company and was wholly owned by Mr. Sze prior to the Corporate Reorganisation.

BS Hong Kong

BS Hong Kong was incorporated in Hong Kong on 18 August 2004 with an authorised share capital of HK$2,000,000 divided into 2,000,000 shares with par value of HK$1.00 each. On 20 August 2004, 100 shares were allotted and issued to Mr. Sze as fully paid at par. On 9 May 2011, 999,900 shares were allotted and issued to BS BVI as fully paid at par. On 9 June 2011, BS BVI acquired the 100 shares of BS Hong Kong from Mr. Sze for a consideration of US$1.00. Subsequent to the above allotments and acquisition, BS Hong Kong became a wholly-owned subsidiary of BS BVI. BS Hong Kong is principally engaged in the sales of our asphalt pavement maintenance equipment in Hong Kong and a direct wholly-owned subsidiary of BS BVI.

Nanjing Maintenance Machinery

On 22 July 2009, Nanjing Maintenance Machinery was established in the PRC by BS Hong Kong as a wholly-foreign owned enterprise with an initial registered capital of US$300,000. On 23 March 2011, the registered capital of Nanjing Maintenance Machinery was increased from US$300,000 to US$400,000. Our PRC legal adviser, King & Wood Mallesons, confirmed that the initial and the above additional registered capital of Nanjing Maintenance Machinery had been fully paid up within the required timeframe.

On 21 October 2011, the registered capital of Nanjing Maintenance Machinery was further increased from US$400,000 to US$5,050,000. Our PRC legal adviser, King & Wood Mallesons, confirmed that (i) the contribution of registered capital of Nanjing Maintenance Machinery for such increase had so far been made within the required timeframe, (ii) as at 8 September 2011, being the date of the latest capital verification report for Nanjing Maintenance Machinery, a total of US$1,330,000 had been paid up, representing approximately 26.34% of the registered capital of Nanjing Maintenance Machinery, and (iii) the balance of US$3,720,000 shall be contributed before 21 October 2013.

Nanjing Maintenance Machinery is principally engaged in the sale of road maintenance vehicles, lease of road maintenance equipment and import and export of road maintenance equipment and parts.

Freetech Manufacturing

On 21 June 2005, Freetech Manufacturing was established in the PRC by Freetech Road Recycling and BS Hong Kong as a limited liability company with an initial registered capital of US$3,500,000, which was held as to 75% by Freetech Road Recycling and 25% by BS Hong Kong. Such registered capital was not paid within the required timeframe. Our PRC legal adviser, King & Wood Mallesons, confirmed that Freetech Manufacturing will unlikely be penalised by the relevant government authority and will not affect the subsistence of Freetech Manufacturing due to the delay in contributing the registered capital as (i) such registered capital had been fully paid up, and (ii) the relevant government authority has not raised any objection on the late contribution.

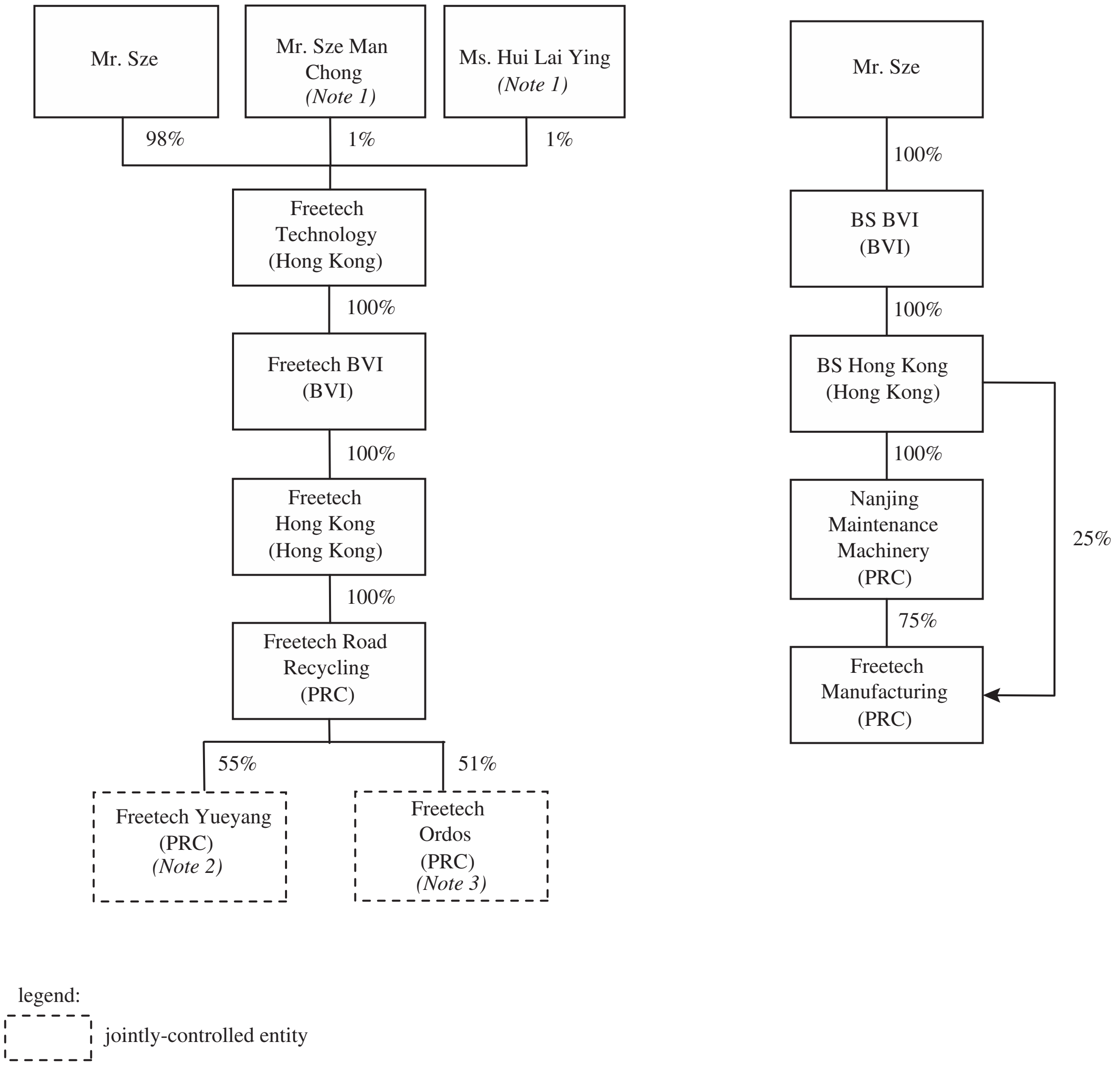
On 20 September 2009, Freetech Road Recycling as seller and Nanjing Maintenance Machinery as buyer entered into an equity transfer agreement where Freetech Road Recycling agreed to sell and Nanjing Maintenance Machinery agreed to buy 75% equity interest in Freetech Manufacturing for a consideration of RMB18,972,678.96, which was determined with reference to 75% the registered capital of Freetech Manufacturing of US$3,500,000 at the time. Subsequent to the above transfer, which was completed on 29 October 2012, Freetech Manufacturing was owned as to 75% by Nanjing Maintenance Machinery and 25% by BS Hong Kong.

On 21 October 2011, the registered capital of Freetech Manufacturing was increased from US$3,500,000 to US$9,700,000. Our PRC legal adviser, King & Wood Mallesons, confirmed that (i) the contribution of registered capital of Freetech Manufacturing for such increase had so far been made within the required timeframe, (ii) as at 28 March 2012, being the date of the latest capital verification report for Freetech Manufacturing, a total of US$6,059,300 had been paid, representing approximately 62.47% of the registered capital of Freetech Manufacturing, and (iii) the balance of US$3,640,700 shall be contributed before 21 October 2013.

Freetech Manufacturing is principally engaged in the design, development and manufacturing of road maintenance equipment and vehicles.

GROUP STRUCTURE PRIOR TO CORPORATE REORGANISATION

The corporate chart below illustrates the shareholding structure of our Group immediately prior to the Corporate Reorganisation:



Notes:

(1) The shares of Freetech Technology held by each of Ms. Hui Lai Ying and Mr. Sze Man Chong were held on trust for the benefit of Mr. Sze pursuant to a declaration of trust entered into between Ms. Hui Lai Ying and Mr. Sze dated 25 February 1994 and a declaration of trust entered into between Mr. Sze Man Chong and Mr. Sze dated 25 February 1994, respectively. Mr. Sze Man Chong is the father of Mr. Sze and Ms. Hui Lai Ying is the mother of Mr. Sze.

(2) The remaining 45% equity interests in Freetech Yueyang is held by Yueyang Tongqu Prosper Road Co.* (岳陽市通衢興路公司), an Independent Third Party.

(3) At the time, the remaining 49% equity interests in Freetech Ordos is held by Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司).

CORPORATE REORGANISATION

Our Group underwent the Corporate Reorganisation which involves the following steps:

(1) Incorporation of Best Venture and subdivision of shares

Best Venture was incorporated in the BVI on 10 June 2011 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On 11 June 2011, an aggregate of 50,000 shares were allotted and issued to Mr. Sze as fully paid at par. Mr. Sze became the sole shareholder and beneficial owner of Best Venture.

On 6 July 2011, the share capital of Best Venture was subdivided from 50,000 shares with par value of US$1.00 each into 5,000,000 shares with par value of US$0.01 each. Hence, Mr. Sze then held as to 5,000,000 shares with par value of US$0.01 each in Best Venture after such subdivision.

(2) Incorporation of Sze BVI

Sze BVI was incorporated in the BVI on 3 June 2011 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On 15 June 2011, one share was allotted and issued to Freetech Technology as fully paid at par. Freetech Technology became the sole shareholder and beneficial owner of Sze BVI and Mr. Sze became the sole and ultimate beneficial owner of Sze BVI.

(3) Incorporation of Rank Best

On 27 May 2011, Rank Best was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. On 8 July 2011, an aggregate of 10,000 shares were allotted and issued as to 3,878 shares to Ms. Irene Sze, 3,061 shares to Ms. Anna Sze and 3,061 shares to Mr. Sze Wai Pang at par, representing 38.78%, 30.61% and 30.61% of the issued share capital of Rank Best, respectively.

(4) Incorporation of Freetech Cayman, redenomination of authorised capital and subdivision of shares

Freetech Cayman was incorporated in the Cayman Islands on 8 June 2011 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. One share was allotted and issued to Reid Services Limited as fully paid at par on 8 June 2011 and was transferred to Mr. Sze for a consideration of US$1.00 on the same day. On the same day, 19,999 shares were allotted and issued to Mr. Sze as fully paid at par. After such allotment and issue of shares, Mr. Sze became the sole shareholder and beneficial owner of Freetech Cayman, holding 20,000 shares with par value of US$1.00 each.

On 13 July 2011, the currency denomination of the shares of Freetech Cayman was changed from United States dollar into Hong Kong dollar and each share was subdivided from par value of US$1.00 each into 78 shares with par value of HK$0.10 each resulting in an authorised share capital of HK$390,000 divided into 3,900,000 shares with par value of HK$0.10 each. Mr. Sze then held as to 1,560,000 shares with par value of HK$0.10 each in the share capital of Freetech Cayman, being the entire issued share capital of Freetech Cayman at the time.

(5) Incorporation of our Company, redenomination of authorised capital and subdivision of shares

Our Company was incorporated in the Cayman Islands on 8 June 2011 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. One share of our Company was allotted and issued to Reid Services Limited as fully paid at par on 8 June 2011 and was transferred to Freetech Cayman on the same day for a nominal consideration of US$1.00. On the same day, 19,999 shares of our Company were allotted and issued to Freetech Cayman as fully paid at par.

On 13 July 2011, the currency denomination of the shares of our Company was changed from United States dollar into Hong Kong dollar and each share was subdivided from par value of US$1.00 each into 78 shares with par value of HK$0.10 each resulting in an authorised share capital of HK$390,000 divided into 3,900,000 Shares with par value of HK$0.10 each. Freetech Cayman then held 1,560,000 Shares, being the entire issued share capital of our Company at the time.

(6) Transfer of shares in Best Venture from Mr. Sze

On 8 July 2011, Mr. Sze transferred:

(a) 3,072,700 shares in Best Venture to Ms. Anna Sze for a cash consideration of HK$50,000 as part of family arrangement and the consideration was settled on 8 July 2011;

(b) 750,000 shares in Best Venture to Mr. Wong Yik Chor in consideration of which outstanding personal loans between Mr. Sze as borrower and Mr. Wong Yik Chor as lender totalling approximately HK$19.3 million, inclusive of principal and interest as at 30 June 2011, were set off on 8 July 2011. The number of shares in Best Venture to be transferred was determined with reference to the forecasted and estimated value of the shares of Best Venture in anticipation of the completion of the acquisitions of Freetech BVI and BS BVI by our Company as set out in the paragraph "(8) Acquisitions of Freetech BVI and BS BVI by our Company" below and the anticipated subscription price of the Freetech Cayman Preferred Shares by Smart Firm and Future Blossom at the time. The details of such subscriptions are set out in the paragraph headed "(9) Pre-IPO investments by Smart Firm and Future Blossom" below.

    Such personal loans were settled by way of transferring the shares in Best Venture from Mr. Sze to Mr. Wong Yik Chor as: (i) it has been Mr. Wong Yik Chor's intention from the inception of the loans that he would obtain shares or equity interest, directly or indirectly, in the companies controlled by Mr. Sze which principally engaged in asphalt pavement maintenance service business and asphalt pavement maintenance equipment business, and (ii) Mr. Wong Yik Chor and Mr. Sze have not been able to find an agreed valuation over the companies comprising our Group and they believed that the proposed subscription price of Freetech Cayman Preferred Shares by of Smart Firm and Future Blossom which was agreed to be settled in late July 2011 would be fair and reasonable in representing the value thereof, they therefore agreed to set off the loans by transferring 750,000 shares in Best Venture from Mr. Sze to Mr. Wong Yik Chor.

    Mr. Wong Yik Chor is an Independent Third Party and the sole shareholder of New Bester Group Limited, one of the shareholders of Futech Road Recycling, a jointly-controlled entity of our Group; and

(c) 392,450 shares in Best Venture to Dong An for a cash consideration of HK$10,000,000, which was settled on 16 June 2011, and 784,850 shares in Best Venture to China City for a cash consideration of HK$20,000,000, of which, HK$15,000,000 was settled on 20 June 2011. The remaining balance of the consideration of HK$5,000,000 due from China City to Mr. Sze remained unpaid as at 2 May 2013. China City and Mr. Sze then entered into a settlement agreement on 2 May 2013 for the settlement of the breach of the sales and purchase agreement by China City. For further details, please refer to the paragraph headed "(23) Settlement agreement between China City and Mr. Sze".

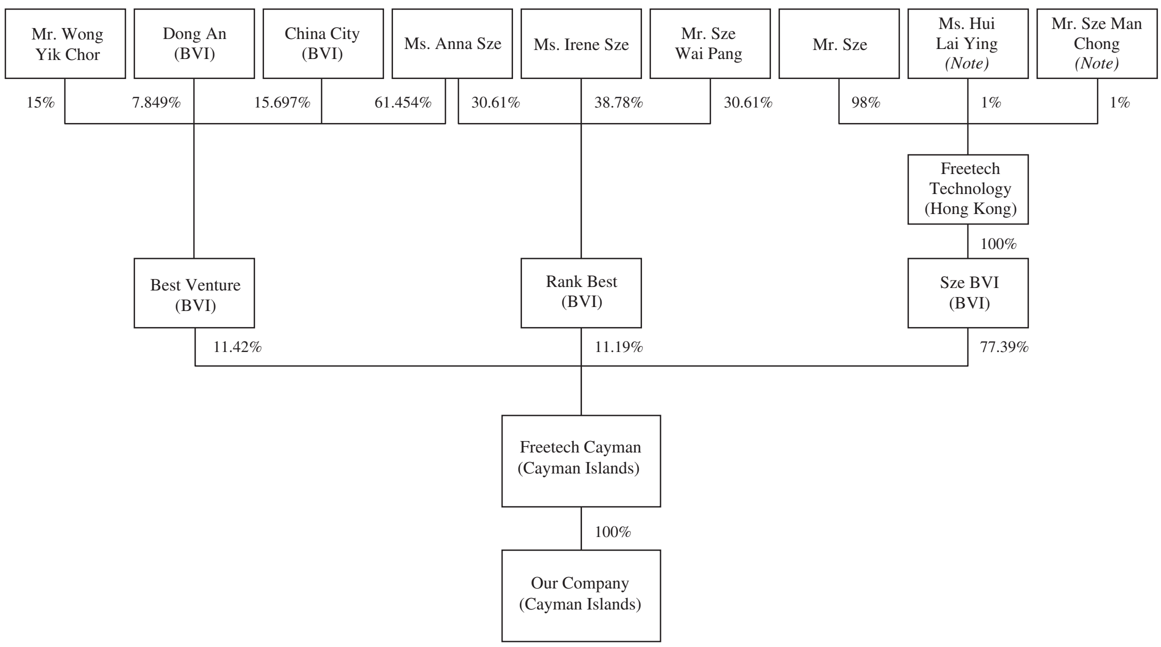
Each of such considerations was determined with reference to the forecasted and estimated value of the shares of Best Venture in anticipation of the completion of the acquisitions of Freetech BVI and BS BVI by our Company as set out in the paragraph "(8) Acquisitions of Freetech BVI and BS BVI by our Company" below. Dong An is wholly owned by Mr. Hui Tin Cho, an Independent Third Party, and China City is wholly owned by CCIG Capital Management Limited, a company owned as to 98% by Mr. Yang Gaocai and 2% by Mr. Suen San Man, Independent Third Parties.

Upon completion of the above share transfers, Best Venture was owned as to 61.454% by Ms. Anna Sze, 15% by Mr. Wong Yik Chor, 7.849% by Dong An and 15.697% by China City, respectively. Each of Ms. Anna Sze, Mr. Wong Yik Chor, Dong An and China City are holders of common shares of Best Venture, having the same rights as all the other common shareholders of Best Venture and without any special rights.

(7) Transfer of shares in Freetech Cayman

On 12 August 2011, Mr. Sze transferred his entire interest in Freetech Cayman as to 1,207,284 shares to Sze BVI, 178,152 shares to Best Venture and 174,564 shares to Rank Best. Upon completion of the above transfers, Freetech Cayman was owned as to 77.39% by Sze BVI, 11.42% by Best Venture and 11.19% by Rank Best, respectively.

The corporate chart below illustrates the offshore shareholding structure after completion of the above reorganisation steps:



Note: The shares of Freetech Technology held by each of Ms. Hui Lai Ying and Mr. Sze Man Chong were held on trust for the benefit of Mr. Sze pursuant to a declaration of trust entered into between Ms. Hui Lai Ying and Mr. Sze dated 25 February 1994, and a declaration of trust entered into between Mr. Sze Man Chong and Mr. Sze dated 25 February 1994, respectively.

(8) Acquisitions of Freetech BVI and BS BVI by our Company

On 12 August 2011, our Company acquired the entire issued share capital of Freetech BVI from Freetech Technology in consideration of and in exchange for which our Company allotted and issued 110,818 Shares to Freetech Cayman as fully paid at the direction of Freetech Technology. After such acquisition, Freetech BVI became a direct wholly-owned subsidiary of our Company.

On 12 August 2011, our Company acquired the entire issued share capital of BS BVI from Mr. Sze in consideration of and in exchange for which our Company allotted and issued 110,818 Shares to Freetech Cayman as fully paid at the direction of Mr. Sze. After such acquisition, BS BVI became a direct wholly-owned subsidiary of our Company.

Upon completion of the above acquisitions, and allotments and issues of Shares, Freetech Cayman held an aggregate of 1,781,636 Shares, being the entire issued shares of our Company.

(9) Pre-IPO investments by Smart Firm and Future Blossom

On 27 July 2011, Smart Firm, Future Blossom, Freetech Cayman and Mr. Sze entered into the Share Subscription Agreement, pursuant to which each of Smart Firm and Future Blossom agreed to subscribe for 110,818 Freetech Cayman Preferred Shares at a subscription price of US$10,000,000, which was determined with reference to the then forecasted profit of our Group for the year ended 31 December 2011. Upon completion of the pre-IPO investments of Smart Firm and Future Blossom on 12 August 2011, the total issued share capital of Freetech Cayman became HK$178,163.60 divided into 1,560,000 ordinary shares with par value of HK$0.10 each and 221,636 Freetech Cayman Preferred Shares, and was held as to approximately 67.76% by Sze BVI, 10% by Best Venture, 9.8% by Rank Best, 6.22% by Smart Firm and 6.22% by Future Blossom, respectively.

Smart Firm is wholly owned by CSI Direct Investments Limited, a wholly-owned subsidiary of CITIC Securities Company Limited, a joint stock company listed on the Main Board of the Stock Exchange (stock code: 6030), and the holding company of CITIC Securities, the Sole Global Coordinator, the Joint Sponsor, the Joint Bookrunner and the Joint Lead Manager.

Future Blossom is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited.

For details of the pre-IPO investments by Smart Firm and Future Blossom, please refer to the paragraph headed "Pre-IPO Investments through Freetech Cayman" in this section below.

(10) Transfers of shares in Best Venture from Ms. Anna Sze

On 28 May 2012, pursuant to a sale and purchase agreement entered into between Ms. Anna Sze and Infinite Venture, Ms. Anna Sze transferred 62,000 shares in Best Venture to Infinite Venture at a consideration of US$200,000, which was determined with reference to the subscription price of the Freetech Cayman Preferred Shares paid by Smart Firm and Future Blossom. The consideration was paid on 26 April 2012. Infinite Venture is wholly owned by Ms. Michelle Ma Qiaoqiao, an Independent Third Party.

On 28 May 2012, pursuant to a sale and purchase agreement entered into between Ms. Anna Sze and Ms. Cao Yabing, Ms. Anna Sze transferred 38,500 shares in Best Venture to Ms. Cao Yabing at a consideration of HK$1,000,000, which was determined with reference to the subscription price of the Freetech Cayman Preferred Shares paid by Smart Firm and Future Blossom. The consideration was paid in April 2012. Ms. Cao Yabing is an Independent Third Party.

On 28 May 2012, pursuant to a sale and purchase agreement entered into between Ms. Anna Sze and Fortune Kingdom, Ms. Anna Sze transferred 382,500 shares in Best Venture to Fortune Kingdom at a consideration of HK$10,000,000, which was determined with reference to the subscription price of the Freetech Cayman Preferred Shares paid by Smart Firm and Future Blossom. The consideration was paid on 22 May 2012. Fortune Kingdom is wholly owned by Ms. Guo Yuan Lan, an Independent Third Party.

On 28 May 2012, pursuant to a sale and purchase agreement entered into between Ms. Anna Sze and Swift Sino, Ms. Anna Sze transferred 473,000 shares in Best Venture to Swift Sino at a consideration of RMB10,000,000, which was determined with reference to the subscription price of the Freetech Cayman Preferred Shares paid by Smart Firm and Future Blossom. The consideration was paid on 26 May 2012. Swift Sino is wholly owned by Mr. Ding Ding, a director of Freetech Ordos, an indirect subsidiary of our Company.

After completion of the above transfers, Best Venture is owned as to approximately 42.334% by Ms. Anna Sze, 15% by Mr. Wong Yik Chor, 7.849% by Dong An, 15.697% by China City, 1.24% by Infinite Venture, 0.77% by Ms. Cao Yabing, 7.65% by Fortune Kingdom and 9.46% by Swift Sino. Each of Infinite Venture, Ms. Cao Yabing, Fortune Kingdom and Swift Sino are holders of common shares of Best Venture, having the same rights as all the other common shareholders of Best Venture and without any special rights.

Please also refer to the paragraph headed "Information on the shareholders of Best Venture" below for further information on these shareholders of Best Venture.

(11) Incorporation of Futech Road Recycling

On 15 May 2012, Futech Road Recycling, a jointly-controlled entity of our Group, was incorporated in Hong Kong with limited liability with an authorised capital of HK$100,000,000 divided into 100,000,000 shares with par value of HK$1.00 each. On 15 May 2012, 50 shares of Futech Road Recycling were allotted and issued to each of Freetech BVI and New Bester Group Limited as fully paid at par. Upon completion of the allotments and issues of shares, Futech Road Recycling is owned as to 50% by Freetech BVI and 50% by New Bester Group Limited. New Bester Group Limited is wholly owned by Mr. Wong Yik Chor, an Independent Third Party and one of the shareholders of Best Venture.

Futech Road Recycling is considered a jointly-controlled entity of our Group and not accounted for as a subsidiary as Freetech BVI does not have unilateral control but have joint control of the voting power at general meetings of Futech Road Recycling.

(12) Transfer of equity interest in Freetech Ordos

On 21 May 2012, Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司) as seller and Freetech Road Recycling as buyer entered into an equity transfer agreement pursuant to which Ordos Lutong Road Maintenance Co., Ltd.* transferred its 2% equity interest in Freetech Ordos to Freetech Road Recycling for a consideration of RMB1,200,000, which was determined with reference to the registered capital of Freetech Ordos. On the same day, the articles of association of Freetech Ordos were amended whereby Freetech Road Recycling will have control of the voting power at general meetings of Freetech Ordos, save for certain matters required to be passed by two-third majority at general meetings of Freetech Ordos. The above transfer was completed, and the amendments of the articles of association of Freetech Ordos were effective, on 21 June 2012. As a result, Freetech Ordos is owned as to 47% by Ordos Lutong Road Maintenance Co., Ltd.* and 53% by Freetech Road Recycling and became an indirect subsidiary of our Company as Freetech Road Recycling could control the voting power at general meetings of Freetech Ordos.

(13) Establishment of Freetech Yanbian

On 31 May 2012, Freetech Yanbian was established in the PRC by Freetech Road Recycling as a limited liability company with an initial registered capital of RMB100,000, which is wholly owned by Freetech Road Recycling and a wholly-owned subsidiary of our Company. Our PRC legal adviser, King & Wood Mallesons, confirmed that the registered capital of Freetech Yanbian had been fully paid up within the required timeframe.

Freetech Yanbian is principally engaged in road maintenance, road services and consultation, and road maintenance equipment rentals.

(14) Establishment of Hengtong Suqian

On 31 May 2012, Hengtong Suqian, an associate of our Group, was established in the PRC as a limited liability company with an initial registered capital of RMB35,000,000, which is owned as to 51% by Suqian Traffic Investments Co., Ltd.* (宿遷市交通投資有限公司), 35% by Freetech Road Recycling and 14% by City Investment. Suqian Traffic Investments Co., Ltd.* and its ultimate beneficial owners are Independent Third Parties. Our PRC legal adviser, King & Wood Mallesons, confirmed that the registered capital of Hengtong Suqian had been fully paid up within the required timeframe.

Hengtong Suqian is considered an associate of our Group and not accounted for as a subsidiary or jointly-controlled entity of our Group as Freetech Road Recycling does not have unilateral control or joint control but holds not less than 20% of the registered capital of Hengtong Suqian and is in a position to exercise significant influence of the voting power at general meetings of Hengtong Suqian.

Hengtong Suqian is principally engaged in road constructions, road management and maintenance, and road machineries and equipment rentals.

(15) Establishment of Futech Quanzhou

On 6 June 2012, Futech Quanzhou, a jointly-controlled entity of our Group, was established in the PRC as a wholly-owned foreign enterprise by Futech Road Recycling with an initial registered capital of HK$63,000,000. Our PRC legal adviser, King & Wood Mallesons, confirmed that the registered capital of Futech Quanzhou had been fully paid up within the required timeframe.

Futech Quanzhou is a wholly-owned subsidiary of Futech Road Recycling, a jointly-controlled entity of our Group. Therefore, Futech Quanzhou is also a jointly-controlled entity of our Group and not accounted for as a subsidiary of our Company.

Futech Quanzhou is principally engaged in road constructions, road management and maintenance, and road machineries and equipment rentals.

(16) Establishment of Freetech Xinjiang

On 8 June 2012, Freetech Xinjiang was established in the PRC by Freetech Road Recycling as a limited liability company with an initial registered capital of RMB10,000,000, which is wholly owned by Freetech Road Recycling and a wholly-owned subsidiary of our Company. Our PRC legal adviser, King & Wood Mallesons, confirmed that the registered capital of Freetech Xinjiang had been fully paid up within the required timeframe.

Freetech Xinjiang is principally engaged in road constructions, road management and maintenance, and road machineries and equipment rentals.

(17) Share transfers between Smart Firm, Future Blossom and Sze BVI

On 1 August 2012, the amended and restated memorandum of Freetech Cayman was amended where the authorised share capital of Freetech Cayman was changed from HK$390,000 consisting of (a) 3,678,364 ordinary shares with par value of HK$0.10 each and (b) 221,636 Freetech Cayman Preferred Shares to HK$390,000 consisting of (a) 3,634,036 ordinary shares with par value of HK$0.10 each and (b) 265,964 Freetech Cayman Preferred Shares.

On 1 August 2012, 44,328 ordinary shares of Freetech Cayman held by Sze BVI were reclassified and re-designated as 44,328 Freetech Cayman Preferred Shares, credited as fully paid and non-assessable.

On 1 August 2012, pursuant to the share adjustment formula as set out in the Shareholders' Agreement as further described in the paragraph headed "Pre-IPO Investments through Freetech Cayman — Special rights applicable to both Smart Firm and Future Blossom: — (5) Shareholding adjustments" in this section, since the profit of our Group for the year ended 31 December 2011 was below RMB75,000,000, Sze BVI transferred 22,164 Freetech Cayman Preferred Shares to each of Smart Firm and Future Blossom.

After such share transfers, Freetech Cayman was owned as to approximately 65.272% by Sze BVI, 10% by Best Venture, 9.8% by Rank Best, 7.464% by Smart Firm and 7.464% by Future Blossom.

(18) Establishment of Jianda Urumqi

On 20 December 2012, Jianda Urumqi, an associate of our Group, was established in the PRC as a limited liability company with an initial registered capital of RMB20,000,000, which is owned as to 49% by Freetech Road Recycling, 40% by Urumqi Northern Hongsheng Technology Maintenance Co., Ltd.* (烏魯木齊北方宏升科技養護有限公司) and 11% by Ms. Xu Shaoyu. Urumqi Northern Hongsheng Technology Maintenance Co., Ltd.* and its ultimate beneficial owners are Independent Third Parties and Ms. Xu Shaoyu is also an Independent Third Party. Our PRC legal adviser, King & Wood Mallesons, confirmed that (i) the first instalment of the registered capital of Jianda Urumqi has been fully paid up within the required timeframe, (ii) as at 19 December 2012, being the date of the latest capital verification report for Jianda Urumqi, a total of RMB10,000,000 had been paid up, representing 50% of the registered capital of Jianda Urumqi, and (iii) the balance of RMB10,000,000 shall be contributed on or before 18 December 2014.

Jianda Urumqi is considered an associate of our Group and not accounted for as a subsidiary of our Company or jointly-controlled entity of our Group as Freetech Road Recycling does not have unilateral control or joint control but holds not less than 20% of the registered capital of Jianda Urumqi and is in a position to exercise significant influence of the voting power at the general meetings of Jianda Urumqi.

Jianda Urumqi is principally engaged in road constructions, road management and maintenance, and road machineries and equipment rentals.

(19) Establishment of Lujie Nanjing

On 20 December 2012, Lujie Nanjing, a jointly-controlled entity of our Group, was established in the PRC as a limited liability company with an initial registered capital of RMB30,000,000, which is owned as to 40% by Freetech Road Recycling and 60% by Nanjing Road and Bridge Construction Company* (南京市路橋工程總公司). Nanjing Road and Bridge Construction Company* and its ultimate beneficial owners are Independent Third Parties. Our PRC legal adviser, King & Wood Mallesons, confirmed that the registered capital of Lujie Nanjing has been fully paid up within the required timeframe.

Lujie Nanjing is considered a jointly-controlled entity of our Group and not accounted for as a subsidiary of our Company as Freetech Road Recycling does not have unilateral control but have joint control of the voting power at the general meetings of Lujie Nanjing.

Lujie Nanjing is principally engaged in road maintenance and road construction works.

(20) Establishment of Suitong Guangzhou

On 16 January 2013, Suitong Guangzhou, a jointly-controlled entity of our Group, was established in the PRC as a limited liability company with an initial registered capital of RMB15,000,000, which is owned as to 51% by Freetech Road Recycling and 49% by Guangzhou Municipal Engineering and Maintenance Bureau* (廣州市市政工程維修處), an Independent Third Party. Our PRC legal adviser, King & Wood Mallesons, confirmed that (i) the first instalment of the registered capital of Suitong Guangzhou has been fully paid up within the required timeframe, (ii) as at 21 December 2012, being the date of the latest capital verification report for Suitong Guangzhou, a total of RMB3,000,000 had been paid up, representing 20% of the registered capital of Suitong Guangzhou, and (iii) the balance of RMB12,000,000 shall be contributed on or before 20 March 2014.

Suitong Guangzhou is considered a jointly-controlled entity of our Group and not accounted for as a subsidiary of our Company as Freetech Road Recycling does not have unilateral control but have joint control of the voting power relating to operations and major decision making at general meetings of Suitong Guangzhou.

Suitong Guangzhou is principally engaged in road repair and maintenance, road construction, road machineries and equipment rentals, and road engineering design and technology consultation.

(21) Allotment of shares of Futech Road Recycling

Between August and September 2012, each of Freetech BVI and New Bester Group Limited has provided advances to Futech Road Recycling of HK$31,499,950, amounted to a total of HK$62,999,900. As at 30 November 2012, the total amount due to Freetech BVI and New Bester Group Limited from Futech Road Recycling of HK$62,999,900 remained outstanding. On 30 November 2012, Futech Road Recycling allotted and issued a further 31,499,950 shares at par value of HK$1.00 each in its share capital to each of Freetech BVI and New Bester Group Limited to capitalise such advances. After such capitalisation, the total issued share capital of Futech Road Recycling is HK$63,000,000 divided into 63,000,000 shares with par value HK$1.00 each, and is continued to be owned as to 50% by Freetech BVI and 50% by New Bester Group Limited.

(22) Increase of registered capital of Lujie Nanjing

On 27 March 2013, the registered capital of Lujie Nanjing was increased by RMB10,000,000 from RMB30,000,000 to RMB40,000,000 whereby such increase was contributed as to RMB6,000,000 by Freetech Road Recycling and RMB4,000,000 by Nanjing Road and Bridge Construction Company* (南京市路橋工程總公司). After such increase of registered capital, Lujie Nanjing is owned as to 45% by Freetech Road Recycling and 55% by Nanjing Road and Bridge Construction Company*. Our PRC legal adviser, King & Wood Mallesons, confirmed that the increase of the registered capital of Lujie Nanjing has been fully paid up within the required timeframe.

(23) Settlement agreement between China City and Mr. Sze

As disclosed in the paragraph headed "Corporate Reorganisation — (6) Transfer of shares in Best Venture from Mr. Sze" above, for the transfer of 784,850 shares of Best Venture from Mr. Sze to China City on 8 July 2011, the balance of the consideration of HK$5,000,000 out of the total HK$20,000,000 due from China City to Mr. Sze remained unpaid as at 2 May 2013. Under the relevant sales and purchase agreement, such balance of HK$5,000,000 shall be paid on or before 31 August 2011. As a result, China City and Mr. Sze entered into a settlement agreement on 2 May 2013 for the settlement of the breach of the sales and purchase agreement by China City, whereby China City agreed to unconditionally transfer 784,850 shares of Best Venture registered under its name to Mr. Sze, in consideration for the return of HK$15,000,000 that Mr. Sze received from China City under the sales and purchase agreement to China City. The transfer of 784,850 shares of Best Venture from China City to Mr. Sze and the payment of HK$15,000,000 from Mr. Sze to China City were completed on 2 May 2013.

After such transfer, Best Venture is owned as to approximately 42.334% by Ms. Anna Sze, 15% by Mr. Wong Yik Chor, 7.849% by Dong An, 15.697% by Mr. Sze, 1.24% by Infinite Venture, 0.77% by Ms. Cao Yabing, 7.65% by Fortune Kingdom and 9.46% by Swift Sino.

(24) Capitalisation of an amount due to Freetech Cayman

As at the Latest Practicable Date, the amount due from the Company to Freetech Cayman amounted to HK$153,182,808.30 which was principally arisen as a result of Freetech Cayman transferring the same amount of the proceeds from the pre-IPO investments by Smart Firm and Future Blossom to the Company.

On 7 June 2013, the authorised share capital of our Company was increased from HK$390,000 divided into 3,900,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of 9,996,100,000 Shares. Subsequent to the increase of the authorised share capital of the Company, on 7 June 2013, our Company allotted and issued 98,218,364 Shares to Freetech Cayman for a total consideration of HK$153,182,808.30. The amount due from our Company to Freetech Cayman in the sum of HK$153,182,808.30 was capitalised and be applied in paying up in full the 98,218,364 Shares.

After such allotment and issue of Shares to Freetech Cayman, the issued share capital of the Company was HK$10,000,000 divided into 100,000,000 Shares, which was wholly owned by Freetech Cayman.

(25) Share Swaps prior to the Capitalisation Issue and the Listing

On 7 June 2013, parties to the Shareholders' Agreement, namely, Best Venture, Rank Best, Smart Firm, Future Blossom, Freetech Cayman, our Company, Sze BVI and Mr. Sze, entered into the Share Redemption Agreement, pursuant to which (i) Freetech Cayman will redeem all the Freetech Cayman Preferred Shares held by each of Smart Firm and Future Blossom subject to the Global Offering becoming unconditional in consideration of which 7,464,000 Shares and 7,464,000 Shares will be transferred from Freetech Cayman to Smart Firm and Future Blossom, respectively, and (ii) each of Best Venture and Rank Best served a written request pursuant to the Shareholders' Agreement to Freetech Cayman by entering into the Share Redemption Agreement, requesting Freetech Cayman to redeem all of its shareholding in Freetech Cayman subject to the Global Offering becoming unconditional. In consideration of such redemptions by Freetech Cayman from Best Venture and Rank Best, 10,000,000 Shares will be transferred from Freetech Cayman to Best Venture and 9,800,000 Shares will be transferred from Freetech Cayman to Rank Best, subject to the Global Offering becoming unconditional, immediately prior to the Capitalisation Issue.

Under the Share Redemption Agreement, Best Venture has instructed our Company to register, upon completion of the said redemptions, 4,233,400 Shares, 1,500,000 Shares, 784,900 Shares, 124,000 Shares, 77,000 Shares, 765,000 Shares and 946,000 Shares in our Company in the name of the shareholders (or its nominee) of Best Venture, namely, Smart Executive (a company wholly owned by Ms. Anna Sze), Mr. Wong Yik Chor, Dong An, Infinite Venture, Ms. Cao Yabing, Fortune Kingdom and Swift Sino, respectively.

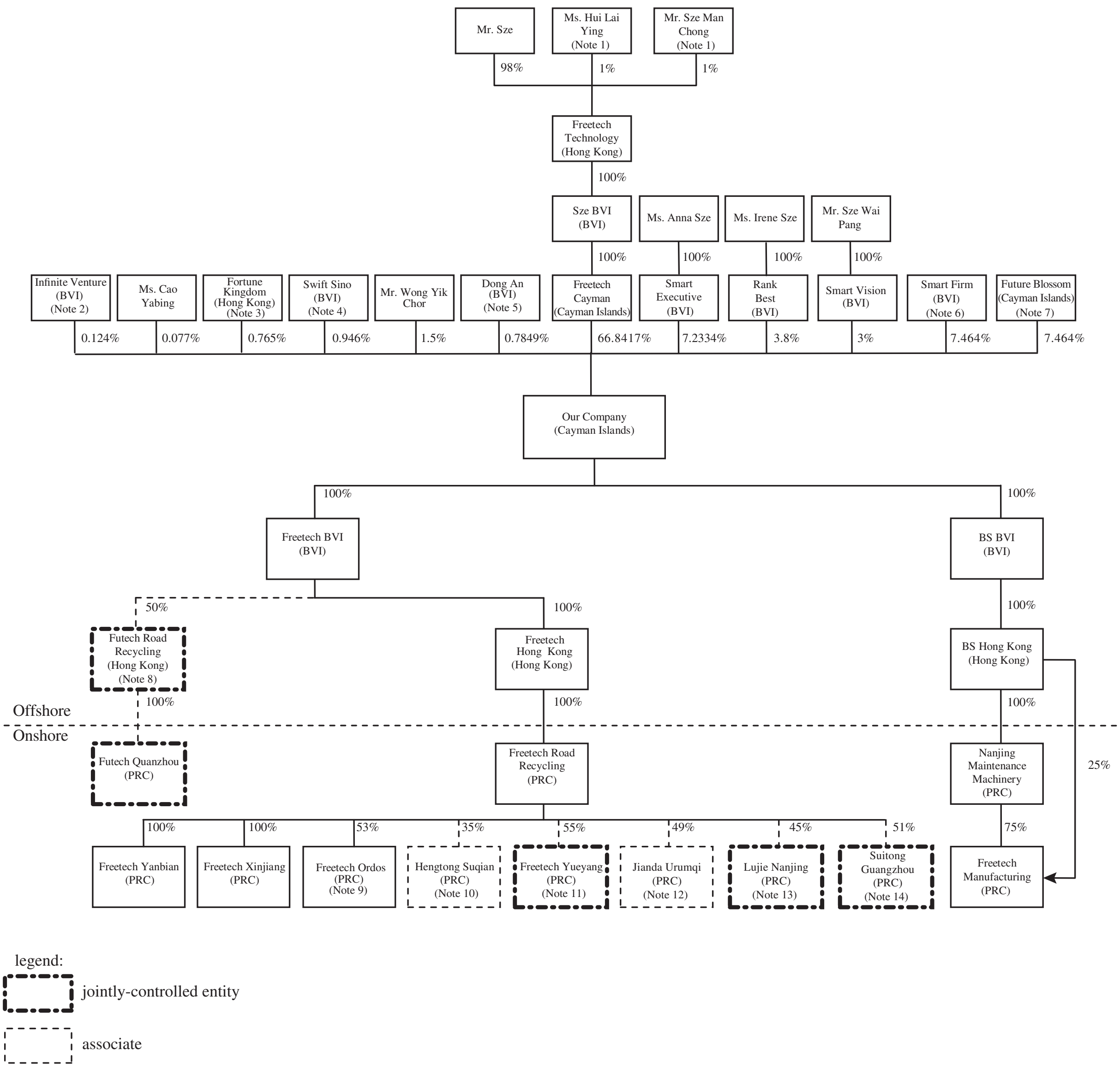
Under the share redemption agreement, Rank Best has instructed our Company to register, upon completion of the said redemptions, 3,000,000 Shares and 3,000,000 Shares of its equity interest in our Company, in the name of the shareholders (or its nominees) of Rank Best, namely, Smart Vision (a company wholly owned by Mr. Sze Wai Pang) and Smart Executive (a company wholly owned by Ms. Anna Sze), respectively.

After completion of the redemption of all the Freetech Cayman Preferred Shares, such shares will be treated as cancelled whereby there will no longer be any special rights in Best Venture outstanding and the issued share capital of Freetech Cayman will be reduced by the nominal value of such shares. Further, the Shareholders' Agreement will be terminated upon completion of the redemptions. As such, all special rights granted to Smart Firm and Future Blossom through the Freetech Cayman Preferred Shares will no longer exist. Please also refer to the paragraph headed "Pre-IPO investments through Freetech Cayman — Investment cost per Share" in this section for further details.

After the above redemptions, our Company will be held as to approximately 66.8417% by Freetech Cayman, 7.2334% by Smart Executive, 1.5% by Mr. Wong Yik Chor, 0.7849% by Dong An, 0.124% by Infinite Venture, 0.077% by Ms. Cao Yabing, 0.765% by Fortune Kingdom, 0.946% by Swift Sino, 3.0% by Smart Vision, 3.8% by Rank Best, 7.464% by Smart Firm and 7.464% by Future Blossom.

GROUP STRUCTURE AFTER CORPORATE REORGANISATION AND BEFORE LISTING

The corporate structure of our Group after the Corporate Reorganisation but immediately prior to the Capitalisation Issue and the Global Offering is set out below:



Notes:

(1) The shares of Freetech Technology held by each of Ms. Hui Lai Ying and Mr. Sze Man Chong were held on trust for the benefit of Mr. Sze pursuant to a declaration of trust entered into between Ms. Hui Lai Ying and Mr. Sze dated 25 February 1994 and a declaration of trust entered into between Mr. Sze Man Chong and Mr. Sze dated 25 February 1994, respectively.

(2) Infinite Venture is wholly owned by Ms. Michelle Ma Qiaoqiao, an Independent Third Party.

(3) Fortune Kingdom is wholly owned by Ms. Guo Yuan Lan, an Independent Third Party.

(4) Swift Sino is wholly owned by Mr. Ding Ding, a director of Freetech Ordos.

(5) Dong An is wholly owned by Mr. Hui Tin Cho, an Independent Third Party.

(6) Smart Firm is wholly owned by CSI Direct Investments Limited, a wholly-owned subsidiary of CITIC Securities Company Limited, a joint stock company listed on the Main Board of the Stock Exchange (stock code: 6030), and the holding company of CITIC Securities, the Sole Global Coordinator, the Joint Sponsor, the Joint Bookrunner and the Joint Lead Manager.

(7) Future Blossom is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited.

(8) The remaining 50% in Futech Road Recycling is held by New Bester Group Limited, which is wholly owned by Mr. Wong Yik Chor, an Independent Third Party and one of the shareholders of Best Venture.

(9) The remaining 47% equity interests in Freetech Ordos is held by Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司). Ordos Lutong Road Maintenance Co., Ltd.* is a substantial shareholder of a subsidiary of our Company, and hence a connected person of our Company.

(10) The remaining equity interests in Hengtong Suqian is held as to 51% by Suqian Traffic Investments Co., Ltd.* (宿遷市交通投資有限公司) an Independent Third Party and 14% by City Investment.

(11) The remaining 45% equity interests in Freetech Yueyang is held by Yueyang Tongqu Prosper Road Co.*(岳陽市通衢興路公司), an Independent Third Party.

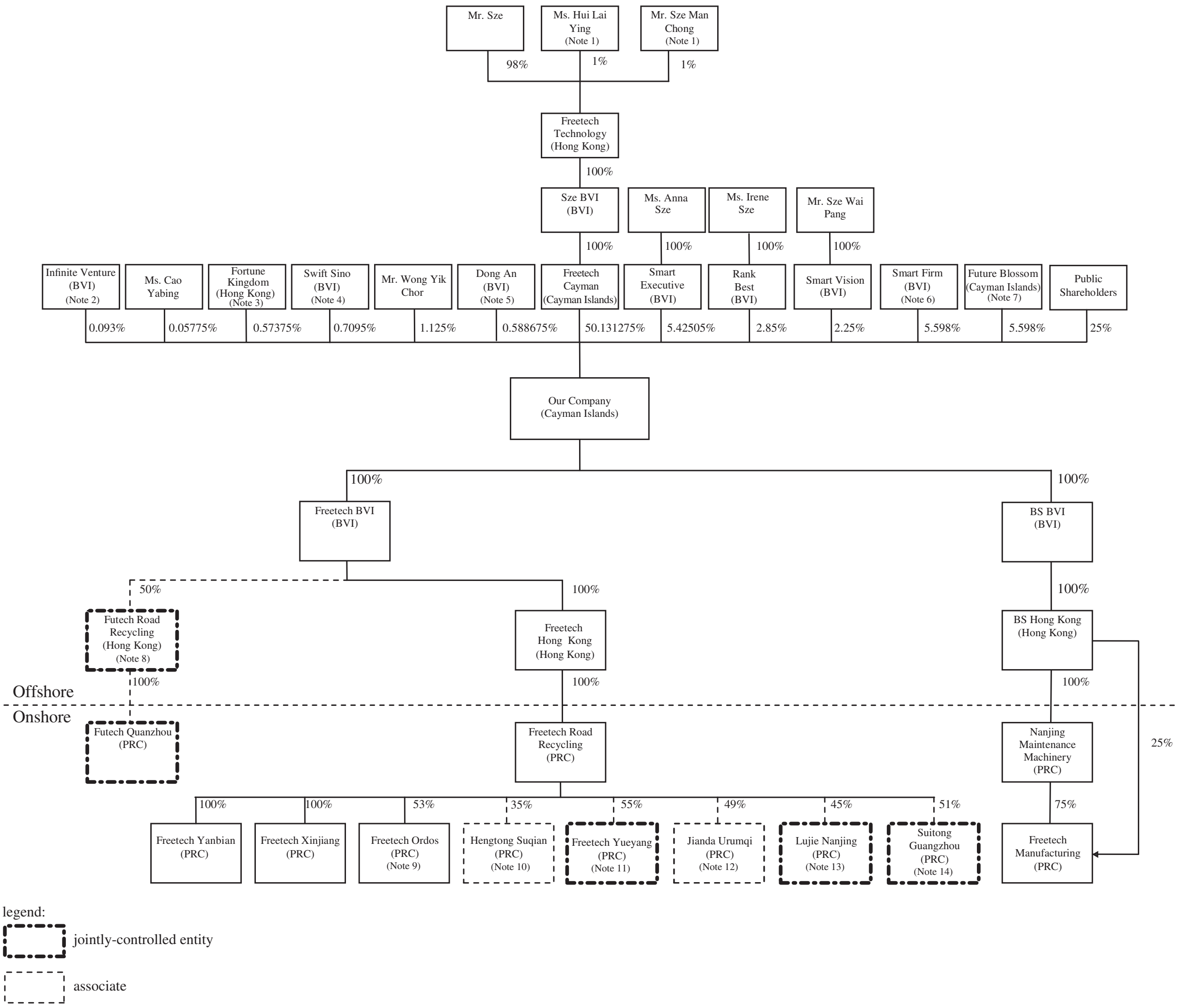
(12) The remaining 51% equity interests in Jianda Urumqi is held as to 40% by Urumqi Northern Hongsheng Technology Maintenance Co., Ltd.* (烏魯木齊北方宏升科技養護有限公司) and 11% by Ms. Xu Shaoyu, Independent Third Parties.

(13) The remaining 55% equity interests in Lujie Nanjing is held by Nanjing Road and Bridge Construction Company* (南京市路橋工程總公司), an Independent Third Party.

(14) The remaining 49% equity interests in Suitong Guangzhou is held by Guangzhou Municipal Engineering and Maintenance Bureau* (廣州市市政工程維修處), an Independent Third Party.

GROUP STRUCTURE AFTER CORPORATE REORGANISATION AND UPON LISTING

The corporate structure of our Group immediately after the Corporate Reorganisation, the Global Offering (assuming the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised) and the Capitalisation Issue is set out below:



Notes:

(1) The shares of Freetech Technology held by each of Ms. Hui Lai Ying and Mr. Sze Man Chong were held on trust for the benefit of Mr. Sze pursuant to a declaration of trust entered into between Ms. Hui Lai Ying and Mr. Sze dated 25 February 1994 and a declaration of trust entered into between Mr. Sze Man Chong and Mr. Sze dated 25 February 1994, respectively.

(2) Infinite Venture is wholly owned by Ms. Michelle Ma Qiaoqiao, an Independent Third Party.

(3) Fortune Kingdom is wholly owned by Ms. Guo Yuan Lan, an Independent Third Party.

(4) Swift Sino is wholly owned by Mr. Ding Ding, a director of Freetech Ordos.

(5) Dong An is wholly owned by Mr. Hui Tin Cho, an Independent Third Party.

(6) Smart Firm is wholly owned by CSI Direct Investments Limited, a wholly-owned subsidiary of CITIC Securities Company Limited, a joint stock company listed on the Main Board of the Stock Exchange (stock code: 6030), and the holding company of CITIC Securities, the Sole Global Coordinator, the Joint Sponsor, the Joint Bookrunner and the Joint Lead Manager.

(7) Future Blossom is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited.

(8) The remaining 50% in Futech Road Recycling is held by New Bester Group Limited, which is then wholly owned by Mr. Wong Yik Chor, an Independent Third Party and one of the shareholders of Best Venture.

(9) The remaining 47% equity interests in Freetech Ordos is held as by Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司). Ordos Lutong Road Maintenance Co., Ltd.* is a substantial shareholder of a subsidiary of our Company, and hence a connected person of our Company.

(10) The remaining equity interests in Hengtong Suqian is held as to 51% by Suqian Traffic Investments Co., Ltd.* (宿遷市交通投資有限公司) an Independent Third Party and 14% by City Investment.

(11) The remaining 45% equity interests in Freetech Yueyang is held by Yueyang Tongqu Prosper Road Co.* (岳陽市通衢興路公司), an Independent Third Party.

(12) The remaining 51% equity interests in Jianda Urumqi is held as to 40% by Urumqi Northern Hongsheng Technology Maintenance Co., Ltd.* (烏魯木齊北方宏升科技養護有限公司) and 11% by Ms. Xu Shaoyu, Independent Third Parties.

(13) The remaining 55% equity interests in Lujie Nanjing is held by Nanjing Road and Bridge Construction Company* (南京市路橋工程總公司), an Independent Third Party.

(14) The remaining 49% equity interests in Suitong Guangzhou is held by Guangzhou Municipal Engineering and Maintenance Bureau* (廣州市市政工程維修處), an Independent Third Party.

INFORMATION ON THE SHAREHOLDERS OF BEST VENTURE

We set out below summary of information and investment in our Company of each of Mr. Wong Yik Chor, Dong An, China City, Infinite Venture, Ms. Cao Yabing, Fortune Kingdom and Swift Sino, being shareholders of Best Venture and indirect shareholders of the Company as at the Latest Practicable Date. Upon completion of the Corporate Reorganisation, these shareholders of Best Venture will become our Shareholders.

	Name of shareholder	Background	How and when our Company became acquainted with the ultimate shareholders	Past or present relationship with our Group and our jointly-controlled entities, and their directors and senior management, and their associates	Circumstances leading to investment	Equivalent price per Share[(1)] (Approx.)	Discount to Offer Price range[(2)] (Approx.)
1.	Mr. Wong Yik Chor	Mr. Wong is a businessman in the retail business.	Our Company was acquainted with Mr. Wong through Mr. Sze. Mr. Sze met Mr. Wong in the early 1990s through the introduction of mutual friends.	Mr. Wong provided interest bearing personal loans to Mr. Sze, which were settled by Mr. Sze transferring shares in Best Venture to Mr. Wong. Please refer to the paragraph headed "Corporate Reorganisation — (6) Transfer of shares in Best Venture from Mr. Sze" above. Between September 2000 and March 2008, Mr. Wong was a director of Freetech Road Recycling, mainly responsible in assisting Mr. Sze in the business development of the Hot-in-Place recycling technology. During such time and to present, Mr. Wong has been carrying out his own retail businesses. Mr. Wong is the sole shareholder of New Bester Group Limited, one of the shareholders of Futech Road Recycling, and a director of Futech Road Recycling. Further, Mr. Wong is one of the ultimate Shareholders. Save as disclosed in this table, Mr. Wong has no past or present relationship with our Group and our jointly-controlled entities, their directors and senior management, and their respective associates.	Please refer to the paragraph headed "Corporate Reorganisation — (6) Transfer of shares in Best Venture from Mr. Sze" above. Further, to the best knowledge, information and belief of our Directors, Mr. Wong has good connections in the PRC, in particular in the Fujian province, the PRC and hence is potentially beneficial for our business expansion in the PRC if Mr. Wong would become a Shareholder.	HK$1.63	Between 32.92% and 50.90%

	Name of shareholder	Background	How and when our Company became acquainted with the ultimate shareholders	Past or present relationship with our Group and our jointly-controlled entities, and their directors and senior management, and their associates	Circumstances leading to investment	Equivalent price per Share(1) (Approx.)	Discount to Offer Price range(2) (Approx.)
2.	Dong An	Dong An is wholly owned by Mr. Hui Tin Cho. Mr. Hui is a businessman in the food industry and a member of the Nanjing Political Consultative Conference (南京市政治協商會議).	Our Company was acquainted with Mr. Hui through Mr. Sze. Mr. Sze met Mr. Hui in 2007 through functions and meetings of the Nanjing Political Consultative Conference (南京市政治協商會議).	Dong An is one of the indirect Shareholders and Mr. Hui is one of the ultimate Shareholders. Save as disclosed in this table, Dong An and Mr. Hui have no past or present relationship with our Group and our jointly-controlled entities, their directors and senior management, and their respective associates.	To the best knowledge, information and belief of our Directors, Mr. Hui acquired the shares of Best Venture as he perceived such investment was a sound investment taking into consideration of the prospects of our Company. Further, to the best knowledge, information and belief of our Directors, Mr. Hui has good connections in the PRC and hence is potentially beneficial for our business expansion in the PRC if Mr. Hui would become a Shareholder.	HK$1.63	Between 32.92% and 50.90%
3.	Infinite Venture	Infinite Venture is wholly owned by Ms. Michelle Ma Qiaoqiao. Ms. Ma is engaged in the financial industry.	Our Company was acquainted with Ms. Ma through Mr. Sze. Mr. Sze met Ms. Ma in 2010 through the introduction of mutual friends.	Infinite Venture is one of the indirect Shareholders and Ms. Ma is one of the ultimate Shareholders. Save as disclosed in this table, Infinite Venture and Ms. Ma have no past or present relationship with our Group and our jointly-controlled entities, their directors and senior management, and their respective associates.	To the best knowledge, information and belief of our Directors, Ms. Ma acquired the shares of Best Venture as she perceived such investment was a sound investment taking into consideration of the prospects of our Company. Further, to the best knowledge, information and belief of our Directors, Ms. Ma is knowledgeable in corporate finance and investment, and hence could provide us with corporate finance and investment advice in the future if Ms. Ma would become a Shareholder.	HK$1.61	Between 33.74% and 51.51%

	Name of shareholder	Background	How and when our Company became acquainted with the ultimate shareholders	Past or present relationship with our Group and our jointly-controlled entities, and their directors and senior management, and their associates	Circumstances leading to investment	Equivalent price per Share[(1)] (Approx.)	Discount to Offer Price range[(2)] (Approx.)
4.	Ms. Cao Yabing	Ms. Cao is engaged in the financial industry.	Our Company was acquainted with Ms. Cao through Mr. Sze. Mr. Sze met Ms. Cao in 2009 through the introduction of mutual friends.	Ms. Cao is one of the ultimate Shareholders. Save as disclosed in this table, Ms. Cao has no past or present relationship with our Group and our jointly-controlled entities, their directors and senior management, and their respective associates.	To the best knowledge, information and belief of our Directors, Ms. Cao acquired the shares of Best Venture as she perceived such investment was a sound investment taking into consideration of the prospects of our Company. Further, to the best knowledge, information and belief of our Directors, Ms. Cao is knowledgeable in corporate finance and investment, and hence could provide us with corporate finance and investment advice in the future if Ms. Cao would become a Shareholder.	HK$1.67	Between 31.28% and 49.70%
5.	Fortune Kingdom	Fortune Kingdom is wholly owned by Ms. Guo Yuan Lan. Ms. Guo is a business woman in the real estate industry.	Our Company was acquainted with Ms. Guo through Mr. Sze. Mr. Sze met Ms. Guo in 2006 through introduction of mutual friends.	Fortune Kingdom is one of the indirect Shareholders and Ms. Guo is one of the ultimate Shareholders. Save as disclosed in this table, Fortune Kingdom and Ms. Guo have no past or present relationship with our Group and our jointly-controlled entities, their directors and senior management, and their respective associates.	To the best knowledge, information and belief of our Directors, Ms. Guo acquired the shares of Best Venture as she perceived such investment was a sound investment taking into consideration of the prospects of our Company. Further, to the best knowledge, information and belief of our Directors, Ms. Guo has good connections in the PRC, in particular in Nanjing, Jiangsu province, the PRC and hence is potentially beneficial for our expansion of business the PRC if Ms. Guo would become a Shareholder.	HK$1.68	Between 30.86% and 49.40%

	Name of shareholder	Background	How and when our Company became acquainted with the ultimate shareholders	Past or present relationship with our Group and our jointly-controlled entities, and their directors and senior management, and their associates	Circumstances leading to investment	Equivalent price per Share(1) (Approx.)	Discount to Offer Price range(2) (Approx.)
6.	Swift Sino	Swift Sino is wholly owned by Mr. Ding Ding.	The Company became acquainted with Mr. Ding through the provision of asphalt pavement maintenance services to its customer in Ordos, Inner Mongolia, the PRC, namely, Ordos Dongfang Road & Bridge Group Co., Ltd.* (鄂爾多斯市東方路橋集團股份有限公司).	Mr. Ding is a director of Freetech Ordos, an indirect subsidiary of our Company. To the best knowledge, information and belief of our Directors, Mr. Ding and his associates control Ordos Dongfang Road & Bridge Group Co., Ltd.* (鄂爾多斯市東方路橋集團股份有限公司), one of our customers. Please refer to the section headed "Connected Transactions" of this prospectus for further details of Ordos Dongfang Road & Bridge Group Co., Ltd.*.	To the best knowledge, information and belief of our Directors, Mr. Ding acquired the shares of Best Venture as he perceived such investment was a sound investment taking into consideration of the prospects of our Company. Further, to the best knowledge, information and belief of our Directors, Mr. Ding has good connections in the PRC, in particular in Ordos, Inner Mongolia, the PRC and hence is potentially beneficial for our expansion of business the PRC if Ms. Ding would become a Shareholder.	HK$1.66	Between 31.69% and 50.00%

Notes:

(1) Calculated based on a total of 1,040,000,000 Shares, being the number of Shares in issue after the Corporate Reorganisation and Global Offering (assuming the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised).

(2) Calculated based on the lower end of the Offer Price range of HK$2.43 per Share and the upper end of the Offer Price range of HK$3.32 per Share.

PRE-IPO INVESTMENTS THROUGH FREETECH CAYMAN

In the course of the Corporate Reorganisation, we received two pre-IPO investments in August 2011.

On 27 July 2011, Smart Firm, Future Blossom, Freetech Cayman and Mr. Sze entered into the Share Subscription Agreement pursuant to which each of Smart Firm and Future Blossom agreed to subscribe for 110,818 Freetech Cayman Preferred Shares (representing approximately 6.22% of the issued share capital of Freetech Cayman immediately upon completion of the subscription of Freetech Cayman Preferred Shares) for a subscription price of US$10,000,000. On 16 August 2011, Smart Firm, Future Blossom, Freetech Cayman, our Company, Freetech BVI, Rank Best, Best Venture and Mr. Sze entered into the Shareholders' Agreement which regulates, among others, certain aspects of Freetech Cayman and its subsidiaries (the "Freetech Cayman Group"), and rights and obligations of the shareholders of Freetech Cayman.

On 1 August 2012, pursuant to the share adjustment formula as set out in the Shareholders' Agreement, as the profit of our Group for the year ended 31 December 2011 was below RMB75 million, Sze BVI transferred an additional 22,164 Freetech Cayman Preferred Shares to each of Smart Firm and Future Blossom. After such share transfers, Freetech Cayman was owned as to approximately 65.272% by Sze BVI, 10% by Best Venture, 9.8% by Rank Best, 7.464% by Smart Firm and 7.464% by Future Blossom. Please refer to the formula set out in the paragraph headed "Special rights applicable to both Smart Firm and Future Blossom: — (5) Shareholding adjustments" below for details of the calculation of adjustment. Other than the transfers from Sze BVI to each of Smart Firm and Future Blossom on 1 August 2012, which indirectly impacted the shareholdings of our Company, there was no other impact on the shareholdings of our Company as a result of the profit of our Group for the year ended 31 December 2011 was below RMB75 million under the Shareholders' Agreement.

Our profit for the year increased by approximately HK$35.4 million, or approximately 132.1%, from approximately HK$26.8 million for the year ended 31 December 2010 to approximately HK$62.2 million for the year ended 31 December 2011. As such, there is no significant deterioration of our business prospect even though for the year ended 31 December 2011, our profit for the year was HK$62.2 million, falling short of the low range of RMB75 million (equivalent to approximately HK$92.5 million) as set out in the Shareholders' Agreement.

The range of net profit after tax for the year ended 31 December 2011 of RMB75 million and RMB106.4 million (approximately HK$92.5 million and HK$131.2 million) as stated in the paragraph headed "Special rights applicable to both Smart Firm and Future Blossom: — (5) Shareholding adjustments" below is agreed by the parties after arm's length negotiations in January 2011, which took into consideration of the projected net profit for the year ended 31 December 2011, and the price/earnings ratio for the subscription of the Freetech Cayman Preferred Shares. The projected net profit for the year ended 31 December 2011 was determined taking into consideration of the then prospects of our Company for the year ended 31 December 2011, which included the expansion of our business after we would have received the funds from the pre-IPO investments by around the beginning of May 2011. As the completion of the pre-IPO investments was delayed due to the negotiation process, which eventually took place in August 2011, the expansion of our business was delayed until fourth quarter of 2011. Thus, our profit for the year from operations for the year ended 31 December 2011 was short of RMB75 million (approximately HK$92.5 million).

Further details of the investment of each of our pre-IPO investors are set out below:

Name of investor:	**Smart Firm**	**Future Blossom**
Background of investor:	Smart Firm is an investment holding company incorporated under the laws of the BVI and is ultimately beneficially owned by CITIC Securities Company Limited, a joint stock company with limited liability incorporated in the PRC. To the best knowledge, information and belief of our Directors, other than its investment in our Company and Mr. Yeung Chin Chiu's directorship in our Group, Smart Firm is independent of and not connected with our Directors, chief executive or Substantial Shareholders or any of our subsidiaries or their respective associates.	Future Blossom is an investment holding company incorporated under the laws of the Cayman Islands and is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited. To the best knowledge, information and belief of our Directors, other than its investment in our Company and Ms. Chen Shirley Shiyou's directorship in our Group, Future Blossom is independent of and not connected with our Directors, chief executive or Substantial Shareholders or any of our subsidiaries or their respective associates.
Date of the Share Subscription Agreement and the Shareholders' Agreement:	27 July 2011, 16 August 2011 and 7 June 2013, respectively	27 July 2011, 16 August 2011 and 7 June 2013, respectively
Consideration:	US$10,000,000	US$10,000,000
Basis of determination of consideration:	with reference to the then forecasted profit of our Group for the year ended 31 December 2011	with reference to the then forecasted profit of our Group for the year ended 31 December 2011
Subscription price payment date:	16 August 2011	16 August 2011

Name of investor:	Smart Firm	Future Blossom
Investment cost per Share:	Approximately US$75.198 per Freetech Cayman Preferred Share (equivalent to approximately HK$585.04 per Share). Immediately prior to the Capitalisation Issue and the Listing, pursuant to the Share Redemption Agreement, Freetech Cayman will redeem all of the Freetech Cayman Preferred Shares held by Smart Firm, equivalent to 7.464% of the issued share capital of Freetech Cayman, from Smart Firm and in consideration of which, Freetech Cayman will transfer 7,464,000 Shares to Smart Firm, equivalent to 7.464% of the issued share capital of our Company at the time. Pursuant to the Capitalisation Issue, an additional 50,755,200 Shares will be allocated and issued. Based on the indicative Offer Price range (assuming the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised), the investment cost of Smart Firm represents a discount of approximately 44.86% to HK$2.43 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 59.64% to HK$3.32 per Share, being the upper end of the stated Offer Price range.	Approximately US$75.198 per Freetech Cayman Preferred Share (equivalent to approximately HK$585.04 per Share). Immediately prior to the Capitalisation Issue and the Listing, pursuant to the Share Redemption Agreement, Freetech Cayman will redeem all of the Freetech Cayman Preferred Shares held by Future Blossom, equivalent to 7.464% of the issued share capital of Freetech Cayman, from Future Blossom and in consideration of which, Freetech Cayman will transfer 7,464,000 Shares to Future Blossom, equivalent to 7.464% of the issued share capital of our Company at the time. Pursuant to the Capitalisation Issue, an additional 50,755,200 Shares will be allocated and issued. Based on the indicative Offer Price range (assuming the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised), the investment cost of Future Blossom represents a discount of approximately 44.86% to HK$2.43 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 59.64% to HK$3.32 per Share, being the upper end of the stated Offer Price range.
Use of proceeds:	(i) the business of the Freetech Cayman Group; and (ii) reimburse the investors' costs and out of pocket expenses incurred in relation to the preparation, negotiation and execution of the Share Subscription Agreement and all ancillary matters, subject to a maximum cap of RMB400,000 in relation to each of the investors	Same as Smart Firm
Shareholding in our Company upon Listing, the Capitalisation Issue and completion of the Global Offering (assuming there are no diluting issuances of the Share by our Company such as consolidation or subdivision of our Shares immediately upon, and no exercise of the Over-allotment Option):	Approximately 5.598%	Approximately 5.598%

Name of investor:	Smart Firm	Future Blossom

Special rights applicable to both Smart Firm and Future Blossom:

(1) Redemption option:

In the event that a Qualified IPO is not completed by 15 August 2013 (or such later date as agreed between the parties), each of Smart Firm and Future Blossom shall have a redemption option exercisable by written notice to sell the Freetech Cayman Preferred Shares back to Freetech Cayman at a price equal to an amount of (i) the subscription price, and (ii) a premium of internal rate of return of twelve per cent of the subscription price per annum from 16 August 2011 to the date of payment of redemption price.

If a Qualified IPO is not achieved within the timeframe as set out above as a result of the shareholders of Freetech Cayman and/or its directors (other than the investors) not proceeding with a Qualified IPO even though a Qualified IPO can be satisfied, the applicable premium of internal rate of return shall be 25% per annum of the subscription price instead.

The above redemption price shall be subject to adjustment in accordance with the terms set forth in the paragraph headed "Conversion of Freetech Cayman Preferred Shares applicable to both Smart Firm and Future Blossom: — (3) Adjustments to Conversion Price" below. References in that paragraph to "Conversion Price" shall be construed as the relevant redemption price.

"Qualified IPO" refers to a fully underwritten initial public offering involving a listing of the ordinary shares of Freetech Cayman or the Shares or the ordinary shares of a listing vehicle of the Freetech Cayman Group on the Main Board, or the Shanghai Stock Exchange, or the Shenzhen Stock Exchange, or any other internationally recognised stock exchange approved by Mr. Sze where, among others:

(i) the lead sponsor and the lead underwriter are reputable investment bank(s) approved by Mr. Sze;

(ii) in the case where the prospectus for the said initial public offering is not published by Freetech Cayman or such listing vehicle on or before 30 June 2013, or if the prospectus for the said initial public offering is published by Freetech Cayman or such listing vehicle on or before 30 June 2013 but its shares have not commenced trading on the said exchanges, the pre-offering market capitalisation of the company to be listed is not less than RMB2 billion based on the final offer price agreed and determined by such company and the underwriters, and

(iii) subject to any post listing lock-up period of up to six months as may be required by the sponsor(s) or underwriters(s) or under the applicable law and to the extent permissible under the applicable law, the shares held by Smart Firm and Future Blossom and their respective permitted transferees shall be fully and freely transferable.

(2) Pre-emptive rights:

If at any time after the completion of subscription of Freetech Cayman Preferred Shares and prior to the Listing, Freetech Cayman proposes to issue any equity securities, each of Smart Firm and Future Blossom shall have the rights to subscribe shares in proportion to their respective shareholding in Freetech Cayman.

Name of investor:	Smart Firm	Future Blossom

(3) Appointment of director:

As long as each of Smart Firm and Future Blossom holds not less than 50% of the aggregate ordinary shares for which the Freetech Cayman Preferred Shares owned or held by it shall be convertible, each of Smart Firm and Future Blossom shall have the right to nominate one person to our Board and as a member of the audit committee and the remuneration committee of our Board.

(4) Information rights:

As long as each of Smart Firm and Future Blossom holds not less than 50% of the aggregate ordinary shares of Freetech Cayman for which the Freetech Cayman Preferred Shares owned or held by it shall be convertible, Freetech Cayman shall supply to each of Smart Firm and Future Blossom with documents including:

(i) audited consolidated financial statements of Freetech Cayman, our Company and audited financial statements of Freetech Road Recycling, Nanjing Maintenance Machinery and Freetech Manufacturing;

(ii) unaudited interim consolidated financial statements of the Freetech Cayman Group;

(iii) unaudited quarterly financial statements of Freetech Road Recycling, Nanjing Maintenance Machinery and Freetech Manufacturing; and

(iv) an annual budget of the Freetech Cayman Group.

(5) Shareholding adjustments:

Upon the consolidated financial statements of the Group for the financial year ended 31 December 2011 having been received by each of Smart Firm and Future Blossom, the shareholding percentage of each of Smart Firm and Future Blossom in the issued share capital of Freetech Cayman shall be adjusted as follows:

N(a) = N(o) x RMB90,000,000/P

where,

N(a) = the newly adjusted percentage of the total issued share capital of Freetech Cayman to be held by each of Smart Firm and Future Blossom on a fully diluted basis rounded to two decimal places, subject to a maximum of 7.6% and a minimum of 5.3%

N(o) = the percentage of the total issued share capital of Freetech Cayman held by each of Smart Firm and Future Blossom on a fully-diluted basis immediately prior to an adjustment to be made, and assuming the total number of the issued shares of Freetech Cayman remained the same during the period after the completion of the subscription but before the adjustment, N(o) shall be 6.22%

P = the net profit after tax for the year ended 31 December 2011, subject to a maximum of RMB106.4 million and a minimum of RMB75 million

Name of investor:	Smart Firm	Future Blossom

For any downward adjustment to be made, Smart Firm and Future Blossom may either choose to transfer to Mr. Sze or any of his affiliates such number of Freetech Cayman Preferred Shares held by it to give effect to the adjustment at a total consideration of HK$1.00 or pay such additional amount to Freetech Cayman in cash based on the following formula:

M(a) = P x 11.75 x N(o) x M(o)

where,

N(o) = same as in the previous formula

M(a) = amount payable by each of Smart Firm and Future Blossom

M(o) = the subscription price paid by each of Smart Firm and Future Blossom

P = the lower of the net profit after tax for the year ended 31 December 2011 and RMB106,400,000 (in United States dollar at fixed exchange rate of US$1 to RMB6.58)

Shares to be transferred from Smart Firm and Future Blossom shall be re-classified as ordinary shares of Freetech Cayman.

For any upward adjustment to be made to Smart Firm and Future Blossom, Mr. Sze shall transfer to each of Smart Firm and Future Blossom such number of shares of Freetech Cayman held by him to give effect to the adjustment for a total consideration of HK$1.00. Shares to be transferred from Mr. Sze to Smart Firm and Future Blossom must be reclassified as Freetech Cayman Preferred Shares.

(6) Most favoured terms:

If Freetech Cayman or any company in the Freetech Cayman Group completes a future financing with terms more favourable ("**Favourable Terms**") to investors than the transactions contemplated in the Share Subscription Agreement and the Shareholders' Agreement, each of Smart Firm and Future Blossom shall be entitled to the Favourable Terms and have them applied to the Freetech Cayman Preferred Shares and the rights of each of Smart Firm and Future Blossom.

(7) Termination of Special Rights:

All the above rights will be terminated upon Listing.

Lock-up: Both Smart Firm and Future Blossom have not entered into lock-up arrangement with our Company, the Joint Sponsors or the Underwriters. 6 months from the Listing Date as may be required by the Joint Sponsors or Underwriters or the applicable law.

Public Float: The shares held by Smart Firm and Future Blossom are considered as part of the public float as both Smart Firm and Future Blossom (i) are not connected persons of our Company; (ii) the acquisition of their respective interest in the Shares was not financed directly or indirectly by any connected person of our Company; and (iii) are not accustomed to take instructions from a connected person on relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it.

Name of investor:	Smart Firm	Future Blossom
Conversion of Freetech Cayman Preferred Shares applicable to both Smart Firm and Future Blossom:	***(1) Conversion of Freetech Cayman Preferred Shares:***	

All or part of the Freetech Cayman Preferred Shares shall be converted into fully paid ordinary shares if each of Smart Firm and Future Blossom serves Freetech Cayman with a written notice specifying the number of Freetech Cayman Preferred Shares to be converted into fully paid ordinary shares.

All outstanding Freetech Cayman Preferred Shares shall be automatically converted (without further notice) into fully paid ordinary shares immediately after the underwriting agreement(s) for the Qualified IPO for any reason has passed and in any event before the time at which trading of ordinary shares of the Company commences on the Stock Exchange.

(2) Provisions applying to conversions:

Each Freetech Cayman Preferred Share shall be converted into the number of ordinary shares of Freetech Cayman in accordance with the conversion rate as follows:

A = B/C

where:

A = the number of ordinary shares of Freetech Cayman converted from each Freetech Cayman Preferred Share

B = the subscription price per Freetech Cayman Preferred Share (as adjusted for any share splits, share dividends, reclassifications and the like)

*C = the "**Conversion Price**" effective on the relevant conversion date*

The Conversion Price initially is the subscription price per Freetech Cayman Preferred Share (as adjusted for any share splits, share dividends, reclassifications and the like), and shall be subject to adjustment set forth below.

(3) Adjustments to Conversion Price:

In the event the outstanding ordinary shares of Freetech Cayman shall be increased by share split, subdivision, or other similar transaction into a greater number of ordinary shares of Freetech Cayman, the Conversion Price then in effect shall, concurrently with effectiveness of such event, be proportionately decreased. In the event the outstanding ordinary shares of Freetech Cayman shall be decreased by a reverse share split, combination, consolidation, or other similar transaction into a smaller number of ordinary shares of Freetech Cayman, the Conversion Price then in effect shall, concurrently with the effectiveness of such event, be proportionately increased.

If Freetech Cayman shall issue any additional equity securities at any time after 16 August 2011 for an effective consideration per ordinary share of Freetech Cayman less than the Conversion Price then in effect, the Conversion Price then in effect shall be reduced, concurrently with such issue, to the effective price per ordinary share received by Freetech Cayman pursuant to the issue of such additional equity securities.

Name of investor:	Smart Firm	Future Blossom
Share swap prior to the Listing:	To the extent that Freetech Cayman is not the listing vehicle, Freetech Cayman shall redeem all of the Freetech Cayman Preferred Shares held by each of Smart Firm and Future Blossom in consideration of which to transfer to each of Smart Firm and Future Blossom such number of Shares as a percentage of the fully diluted share capital of our Company equal to the same percentage of the fully diluted share capital of Freetech Cayman attributable to the number of ordinary shares of Freetech Cayman issuable to each of Smart Firm and Future Blossom upon conversion of the Freetech Cayman Preferred Shares held by each of Smart Firm and Future Blossom immediately prior to such redemption at the then effective Conversion Price, rounded up to a whole number of a Share. For all ordinary shares of Freetech Cayman issued to the other shareholders of Freetech Cayman, upon written requests from these shareholders, Freetech Cayman shall redeem all of such shares in consideration of which Freetech Cayman shall transfer such number of Shares as a percentage of the fully diluted share capital of our Company equal to the same percentage of the fully diluted share capital of our Company attributable to the ordinary shares of Freetech Cayman being redeemed.	

The Joint Sponsors have reviewed the relevant information and documentation in relation to the investments of Smart Firm and Future Blossom in Freetech Cayman. On this basis, the Joint Sponsors are of the view that the investments of Smart Firm and Future Blossom in Freetech Cayman are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange in October 2010 (HKEX-GL29-12) as the pre-IPO investments from Smart Firm and Future Blossom are completed more than 180 clear days before the Listing Date.

THE M&A RULES

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the SASAC, the SAT, the SAIC, the CSRC and the SAFE, jointly promulgated the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which became effective on 8 September 2006 and was amended by the MOFCOM on 22 June 2009. The M&A Rules stipulate that the acquisition of a domestic enterprise by a foreign investor refers to circumstances whereby a foreign investor purchases by agreement the equity interest in a domestic, non-foreign invested enterprise (the "**Domestic Company**") or subscribes to the increased capital of a Domestic Company (an "**Equity Acquisition**"), and as a result, such Domestic Company becomes a foreign-funded enterprise; or, a foreign investor establishes a foreign-invested enterprise, and through which it purchases by agreement the assets of a Domestic Company and operates its assets, or, a foreign investor purchases by agreement the assets of a Domestic Company, and then invest such assets to establish a foreign-invested enterprise and operate the assets (an "**Asset Acquisition**").

Considering (i) the controlling beneficiary owner of our Company and our PRC subsidiaries is an individual from Hong Kong since the establishment of the Company and our PRC subsidiaries; and (ii) Freetech Road Recycling, Nanjing Maintenance Machinery, Freetech Manufacturing and Futech Quanzhou are foreign invested companies since their establishment and do not fall into the definition of the Domestic Company under the M&A Rule, our PRC legal adviser, King & Wood Mallesons has advised us that the M&A Rules do not apply to the Global Offering, and we are not required to submit an application to the CSRC or any other government authority for its approval prior to the Global Offering under the M&A Rules.

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As advised by our PRC legal adviser, King & Wood Mallesons, in accordance with the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Round-trip Investment via Offshore Special Purpose Companies ("關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知") promulgated on 21 October 2005, which became effective on 1 November 2005, our Company does not fall into the ambit of an "offshore special purpose vehicle" established or controlled by any PRC resident for the purpose of capital financing and the provisions of such notice and hence such notice is not applicable to the Global Offering as (i) the controlling beneficiary owner of our Company and our subsidiaries established in the PRC is an individual from Hong Kong since the establishment of our Company and our subsidiaries established in the PRC; and (ii) our Company was established and controlled by offshore investors.

CATALOGUE FOR GUIDANCE OF FOREIGN INVESTMENT INDUSTRIES

As advised by our PRC legal adviser, King & Wood Mallesons, based on the industries listed in the *Catalogue for Guidance of Foreign Investment Industries (《外商投資產業指導目錄》)* and the scope of business as stated in the business licences of Freetech Road Recycling, Nanjing Maintenance Machinery, Freetech Manufacturing and Futech Quanzhou, our foreign invested subsidiaries or jointly-controlled entity in the PRC are in compliance with the relevant regulations related to foreign investment under such catalogue.

OVERVIEW

We are a leading and fast-growing service provider using the Hot-in-Place recycling technology in the asphalt pavement maintenance industry in the PRC. We held a leading market share in the PRC in terms of the sales volume of our standard series equipment using the Hot-in-Place recycling technology as of 31 December 2012, according to CCID, an independent market research institution. We owned and used ten of the total of 50 sets of modular series equipment using the Hot-in-Place recycling technology in service in the PRC as of 31 December 2012, while none of the other asphalt pavement maintenance service providers in the PRC owned or used more than three sets of modular series equipment using the Hot-in-Place recycling technology to provide asphalt pavement maintenance services in the PRC, according to CCID. The Hot-in-Place recycling technology is a method to reuse aged asphalt directly on-site and is relatively cost-efficient and environmentally friendly. We believe that the Hot-in-Place recycling technology has significant growth potential compared with traditional asphalt pavement maintenance technologies as the use of recycling technologies is encouraged by recent policies issued by the PRC government.

We have two business segments: the asphalt pavement maintenance service segment, where we provide asphalt pavement maintenance services under our registered trademark "公路医生®" (Road Doctor) to repair damaged asphalt pavement surfaces, and the asphalt pavement maintenance equipment segment, where we manufacture and sell a wide range of asphalt pavement maintenance service equipment. Our asphalt pavement maintenance service and asphalt pavement maintenance equipment businesses are supported by our strong research and development capabilities. Our asphalt pavement maintenance service technology research centre works together with our asphalt pavement maintenance equipment design institute to help design customised asphalt pavement maintenance solutions covering service plan, composition of asphalt mixture and equipment to be deployed. As a result of our capabilities to provide customised asphalt pavement maintenance solutions, we are able to generate significant synergies among these three areas, capture opportunities in each key link of the asphalt pavement maintenance value chain, and provide one-stop solutions for our customers.

We employ the Hot-in-Place recycling technology in our asphalt pavement maintenance services. During the application of the Hot-in-Place recycling technology, the damaged asphalt surface is first heated then raked to loosen the softened asphalt, which is then mixed with a rejuvenating agent and blended with new asphalt to form a recycled mixture. Finally, the road is repaved with the recycled mixture. By comparison, other asphalt pavement maintenance technologies normally require the time-consuming and costly process of milling, or grinding, the aged asphalt prior to blending with new asphalt and some also involve completely replacing the aged asphalt with new mixture. The Hot-in-Place recycling technology does not involve milling, allows us to recycle the damaged asphalt, requires less time for traffic diversions and generally does not require complete road closures. We use our self-designed and manufactured asphalt pavement maintenance equipment and our own servicing team to provide asphalt pavement maintenance services.

We design, manufacture and sell a wide range of advanced asphalt pavement maintenance equipment. Our asphalt pavement maintenance equipment is categorised into the standard series and the modular series. Our standard series equipment is designed to perform routine small-scale asphalt pavement maintenance service projects, such as repairing localised defects. The PM400-48TRK and PM200-36TLR models of our standard series equipment are cited as industry standard Hot-in-Place equipment by the *PRC industry standard for Technical Specifications for Maintenance of Highway*

Asphalt Pavement (公路瀝青路面養護技術規範) promulgated by the Ministry of Transport in 2001, which is currently in effect. The PM series (修路王), which includes multifunctional vehicles with heating and paving functions and is capable of performing the key maintenance work for small-scale asphalt pavement maintenance service projects by itself, is our principal product under the standard series. Our modular series equipment is primarily used for large-scale asphalt pavement maintenance service projects. Our modular series includes modules with various functionalities, and we configure the modules to form different equipment to serve the requirements of different asphalt pavement maintenance service projects. During the Track Record Period, we sold 126 units of standard series asphalt pavement maintenance equipment and nine sets of modular series asphalt pavement maintenance equipment. We believe that our large equipment portfolio also enables us to broaden the range of asphalt pavement maintenance services we provide, which represents an important competitive advantage for us.

As a result of our proprietary technologies, we have equipment with different functionalities designed to repair different types of asphalt pavement damage under a wide range of topographic, weather and work conditions, which we believe most service providers using traditional asphalt pavement maintenance processes are normally unable to do. The landscape of the PRC is vast and diverse and its climate is distinct in each region. We are equipped to repair highways, national and provincial main roads, municipal roads and local roads in mountainous areas and winding roads throughout the diverse terrains of the PRC, which have varying complexities and require different solutions for repair. We are also equipped to perform asphalt pavement maintenance services under arid and cold weather conditions of northern PRC, including temperatures below ten degrees Celsius, and under wet and humid weather conditions of southern PRC. Our versatility in asphalt pavement maintenance service capabilities helps to provide a wide geographical coverage across the PRC for our asphalt pavement maintenance service segment. In recognition of our capabilities to provide high-quality and customised service solutions, we have been engaged in a number of high-profile asphalt pavement maintenance projects, including the Chang An Street (長安街) project in Beijing in advance of the 60th National Day processions, the Asian Games (亞運會) project in Guangzhou, Guangdong province and the Asian Bo Ao Forum (亞洲博鰲論壇) transportation improvement project in Hainan province.

Our strong research and development capabilities enable us to continually improve our asphalt pavement maintenance equipment and provide customised solutions to our asphalt pavement maintenance service customers. Our asphalt pavement maintenance service team gathers field data from a service site and provides it to our research and development team, who then uses the data to design new asphalt mixture and customise asphalt pavement maintenance equipment, techniques and processes to be used for the asphalt pavement maintenance service project. As a result of our research and development efforts, we had registered 82 patents as of the Latest Practicable Date with relevant PRC patent authority, including invention patents, utility model patents and design patents, and we had 16 pending patent applications. Our research and development capabilities have been recognised by various PRC government authorities at the national, provincial and municipal levels. In March 2009, our three core technologies in Hot-in-Place recycling, which is considered more environmentally friendly, efficient and cost effective as compared to traditional asphalt pavement maintenance technologies, were certified by the Ministry of Transport as internationally leading (國際領先). In October 2012, we were granted the Jiangsu Province Science and Technology Achievement Project Fund (江蘇省科技成果轉換項目基金) by the Jiangsu Science and Technology Bureau (江蘇省科學技術廳) in recognition of the technical contributions of our Hot-in-Place recycling technology to the development of the asphalt pavement maintenance industry.

We provide asphalt pavement maintenance services or sell asphalt pavement maintenance equipment in the PRC and Hong Kong. During the Track Record Period, our customers in both our asphalt pavement maintenance service segment and asphalt pavement maintenance equipment segment primarily included PRC government agencies at various levels, which, in turn, primarily comprised: (i) municipal government agencies that generally oversee the construction and maintenance of infrastructure and public facilities in a city, (ii) road authorities that generally oversee the maintenance of road networks in a particular geographical region, and (iii) highway administrations that generally oversee the construction and maintenance of highways in a particular geographical region, and privately-owned companies. In addition to PRC government agencies and privately-owned companies, our customers in the asphalt pavement maintenance equipment segment also include joint venture companies we established with local asphalt pavement maintenance service providers or person with local sales networks.

We have achieved significant growth in revenue and profit in recent years. Our revenue increased from approximately HK$233.1 million for the year ended 31 December 2010 to approximately HK$281.3 million for the year ended 31 December 2011 and further to approximately HK$486.0 million for the year ended 31 December 2012, representing a CAGR of 44.4%. Our profit for the year increased from approximately HK$26.8 million for the year ended 31 December 2010 to approximately HK$62.2 million for the year ended 31 December 2011 and further to approximately HK$150.4 million for the year ended 31 December 2012, representing a CAGR of 136.9%.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have enabled us to compete successfully in our industry:

We are a leading service provider using the Hot-in-Place recycling technology in the asphalt pavement maintenance industry in the PRC.

We are a leading service provider using the Hot-in-Place recycling technology in the asphalt pavement maintenance industry in the PRC. We have two business segments, the asphalt pavement maintenance service segment and the asphalt pavement maintenance equipment segment, which complement, support and collaborate extensively with each other. Our asphalt pavement maintenance service and asphalt pavement maintenance equipment businesses are supported by our strong research and development capabilities. Our asphalt pavement maintenance service technology research centre works together with our asphalt pavement maintenance equipment design institute to help design customised asphalt pavement maintenance solutions covering service plan, composition of asphalt mixture and equipment to be deployed. As a result of our capabilities to provide customised asphalt pavement maintenance solutions, we are able to generate significant synergies among these three areas, capture opportunities in each key link of the asphalt pavement maintenance value chain, and provide one-stop solutions for our customers.

Asphalt pavement surfaces are damaged due to a variety of reasons, so there is no uniform solution that could be used in all asphalt pavement maintenance services. We are able to leverage our expertise and strong research and development capabilities in both asphalt pavement maintenance services and asphalt pavement maintenance equipment design and manufacturing to design customised solutions for our customers. Our asphalt pavement maintenance service team gather field data and samples from a service site and provide them to our research and development team, who then conduct tests and analyses in order to design new asphalt mixture and customise asphalt pavement maintenance equipment, techniques and processes to be used for the maintenance work. The field data will also be used to provide guidance for the research and development of new asphalt pavement maintenance techniques and the design of new asphalt pavement maintenance equipment. In addition to supporting our asphalt pavement maintenance service teams and our asphalt pavement maintenance equipment production, our research and development capabilities further enhance our competitive advantages when competing for asphalt pavement maintenance service projects. Many of the asphalt pavement maintenance service design institutes are only familiar with traditional asphalt pavement maintenance technologies, so they only design and recommend to customers service plans using traditional asphalt pavement maintenance technologies. Our research and development team, on the other hand, possess in-depth knowledge and expertise in the Hot-in-Place recycling technology and can design a customised solution that contemplate the Hot-in-Place recycling technology, which is relatively cost-efficient and environmentally-friendly.

Our business model also enables us to fully utilise our know-how in the engineering and material science fields relating to asphalt pavement maintenance to provide customised asphalt pavement maintenance service solutions to our customers. Asphalt pavement maintenance services and asphalt pavement maintenance equipment design and manufacturing both require in-depth knowledge in civil engineering, mechanical engineering and material sciences. As a result of our business model, we are able to tap into a common knowledge base and fully leverage our in-house expertise across business segments to provide our customers with one-stop solutions in a cost-effective manner, which we believe represents a significant advantage over our competitors in the PRC. We won the first place in the customer satisfaction award for road construction and maintenance equipment (Hot-in-Place recycling category) (用戶滿意的築養路機械企業第一名(就地熱再生類別)) as the result of the two national consumer surveys conducted by China Transportation Newspaper in 2007 and 2010. Our Asphalt Concrete Pavement Construction and Inspection Procedures Using the Hot-in-Place Recycling Technology (《瀝青混凝土路面就地熱再生施工及驗收規程》) was cited by Jiangsu Provincial Construction Bureau (江蘇省建設廳) in setting the local price guideline for Hot-in-Place recycling asphalt pavement maintenance services in 2009. We were also a co-author for the Code for Construction and Acceptance of Urban Road Excavation and Quick Recovery (《城鎮道路開挖、回填、恢復快速施工及驗收規程》) and Code for Construction and Acceptance of Urban Road Asphalt Pavement Hot In-place Recycling (《城鎮道路瀝青路面就地熱再生施工及驗收規程》) promulgated by Jiangsu Provincial Bureau for Housing and Urban-rural Construction (江蘇省住房和城鄉建設廳) in 2013. We have been selected as the service provider in numerous high-profile asphalt pavement maintenance projects in the PRC. We provided asphalt pavement maintenance services or sell asphalt pavement maintenance equipment in certain locations in 25 provinces, autonomous regions and municipalities in the PRC and Hong Kong during the Track Record Period.

We believe that our business model allows us to provide customised solutions to our customers, positions us at the forefront of technological development and helps us to maintain a leading position in our industry in the PRC.

We employ the Hot-in-Place recycling technology in our asphalt pavement maintenance services, which has significant advantages over other asphalt pavement maintenance technologies currently in use in the PRC.

We employ the Hot-in-Place recycling technology in our asphalt pavement maintenance services. We believe that this technology is relatively cost-efficient and environmentally friendly in the asphalt pavement maintenance service industry in the PRC and has significant advantages over traditional asphalt pavement maintenance technologies currently in use.

Traditional asphalt pavement maintenance process typically uses the mill-and-pave technology, which involves milling the damaged asphalt pavement surface, disposing of the asphalt and repaving the road with new asphalt mixture. By comparison, we use the Hot-in-Place recycling technology, where the damaged asphalt surface is reheated at the site of the road, raked and loosened, and then mixed with a rejuvenating agent and new asphalt to form a new mixture to repave the road. Compared with other asphalt pavement maintenance processes, the Hot-in-Place recycling technology has several important advantages. The Hot-in-Place recycling technology recycles approximately 100% of the aged asphalt and uses all of the recycled asphalt as surface material to repave the road, according to CCID. In addition, the Hot-in-Place recycling technology does not involve milling, which makes it more cost-efficient as milling requires road closures and traffic diversions for an extended period of time. Furthermore, Hot-in-Place recycling technology reduces the likelihood of rutting in the repaved road, prevents water from entering the pavement and helps to restore a flat and smooth pavement surface.

In addition, we believe that asphalt pavement maintenance services employing the Hot-in-Place recycling technology have significant growth potential as this technology is considered more environmentally friendly, efficient and cost effective as compared to those using traditional asphalt pavement maintenance technologies. For example, the *Twelfth Five-Year Plan for Transport* (交通運輸"十二五"發展規劃) issued by the Ministry of Transport in 2011 has proposed to actively promote the recycling asphalt pavement maintenance technologies to reduce the emission as well as the environmental impact in providing road maintenance services. Furthermore, the Ministry of Transport released the *Guidance on Promoting Road Pavement Material Recycling* (關於加快推進公路路面材料循環利用工作的指導意見) ("**Guideline**") in September 2012, targeting to achieve approximately "zero wastage" of damaged pavement materials in the PRC by the end of 2015. According to the Guideline, the average rate of recycling of the damaged pavement materials in the PRC should reach at least 50% by the end of 2015 and at least 90% by the end of 2020, while this rate of recycling was lower than 30% in late 2012, which represented a significant increase compared with that as of the end of 2010, which, according to CCID, was lower than 5%. By completely recycling aged asphalt, our Hot-in-Place recycling technology reduces emissions of dust and carbon dioxide by approximately 96% and 44%, respectively, and reduces energy consumption by approximately 40% compared with traditional asphalt pavement maintenance technologies, according to CCID. In March 2009, our three core technologies in Hot-in-Place recycling were certified by the Ministry of Transport as internationally leading (國際領先).

We have industry-leading research and development capabilities.

Our strong research and development capabilities have been instrumental to our success. We have dedicated in-house research and development teams for our asphalt pavement maintenance service segment and asphalt pavement maintenance equipment segment. The asphalt pavement maintenance service research and development team is responsible for the analysis and design of asphalt mixture and process customisation, which help us to provide customised solutions for each asphalt pavement maintenance service project. The asphalt pavement maintenance equipment research and development team is responsible for designing and upgrading asphalt pavement maintenance equipment and enhancing the performance of our asphalt pavement maintenance equipment. Within each research and development team, we also have focus groups that are assigned to specific research areas. Our asphalt mixture focus group analyses field data relating to asphalt mixture from damaged pavements and designs new asphalt mixture for the repair work. This focus group possesses in-depth knowledge in pavement materials and the latest technologies relating to asphalt pavement maintenance. Our strong research and development capabilities enable us to design and provide customised solutions to our asphalt pavement maintenance service customers. In addition to our in-house research and development capabilities, we also collaborate with leading academic institutions for the research and development of new asphalt pavement maintenance technologies. We entered into a research cooperation agreement with Tongji University (同濟大學) on 6 March 2012 for a term of ten years. Under this agreement, we have established a research centre with Tongji University to jointly conduct research in asphalt pavement maintenance technologies in November 2012 and Tongji University will assist us in putting such technologies into commercial use.

As a result of our research and development efforts, as of the Latest Practicable Date, we had registered 82 patents, of which seven are invention patents, 67 are utility model patents and eight are design patents, and we had 16 pending patent applications, of which 13 were invention patents and one were utility model patents. Our patented technology and equipment are widely used. We have been successful in applying the technologies under our patents in our asphalt pavement maintenance services and asphalt pavement maintenance equipment production, which demonstrates our strong development ability to put our inventions into commercial use.

Our research and development capabilities have been recognised by various government authorities in the PRC. In October 2012, we were granted the Jiangsu Province Science and Technology Achievement Project Fund (江蘇省科技成果轉換項目基金) by the Jiangsu Science and Technology Bureau (江蘇省科學技術廳) in recognition of the technical achievements and ability to promote and implement Hot-in-Place asphalt pavement maintenance services. Our asphalt pavement maintenance equipment design institute has been designated by the Jiangsu Development and Reform Commission (江蘇省發展和改革委員會) as Jiangsu Province Road Maintenance Equipment Engineering Laboratory (江蘇省公路養護裝備工程實驗室) and our asphalt pavement maintenance service technology research centre has been recognised by the Jiangsu Science and Technology Bureau (江蘇省科學技術廳) as the Research Centre for Asphalt Pavement Surface Hot-in-Place Recycling Technology (江蘇省瀝青路面熱再生技術研究中心). In March 2009, the core technologies in Hot-in-Place recycling, intermittent thermal-radiant heating technology (間歇式熱輻射加熱技術), which is a heat transferring technology, multi-set scarifying process (多組多排疏鬆耙原路面疏鬆工藝), which is a raking process, and spinning-cup rejuvenating agent spreading system (盤式再生劑撒布系統), which is a rejuvenating agent distribution system, were certified by the Ministry of Transport to be internationally leading (國際領先). We have developed the urban road excavation and rapid filling restoration process (城市道路開挖快速回填恢復施工工藝), which uses recycled materials from the excavated road or recycled construction materials to refill the road base. Compared with the traditional excavation process that uses new sand and aggregates as filling materials and requires weeks of road closures, this process is more environmentally friendly and requires lower cost of raw materials and less time for road closures and traffic diversions. In recognition of our urban road excavation and rapid filling restoration process, we were appointed by the Jiangsu Provincial Bureau for Housing and Urban-rural Construction (江蘇省住房和城鄉建設廳) to help draft the Code for Construction and Acceptance of Urban Road Excavation and Quick Recovery (《城鎮道路開挖、回填、恢復快速施工及驗收規程》) and Code for Construction and Acceptance of Urban Road Asphalt Pavement Hot In-place Recycling (《城鎮道路瀝青路面就地熱再生施工及驗收規程》). Both codes were promulgated and became effective in Jiangsu province in 2013. In 2010, we received the Jiangsu Province Science and Technology Award Second Class Honour for our Hot-In-Place recycling asphalt pavement maintenance equipment and technologies (瀝青路面就地熱再生成套設備和施工技術) from the Jiangsu provincial government. In November 2008, our research project on the production of road base materials using construction waste materials (利用建築廢料生產道路基層材料項目) was selected into the National Torch Plan (國家火炬計劃), a national programme for the development and promotion of high-and-new technology products (高新技術產品). Our urban road excavation and rapid filling restoration process (城市道路開挖快速回填恢復施工工藝) and asphalt pavement Hot-in-Place recycling process (瀝青混凝土路面就地熱再生施工工藝) were recognised as Jiangsu Provincial Construction Science and Technologies Achievement Projects by Jiangsu Provincial Construction Bureau (江蘇省建設廳) in 2007. In addition, ten types of our asphalt pavement maintenance vehicles were recognised as indigenous innovative products (自主創新產品) by the Nanjing Science and Technology Bureau (南京市科學技術局) and Nanjing Municipal Administration of Finance (南京市財政廳) in 2009. Eight types of our asphalt pavement maintenance vehicles were recognised as high-and-new technology products (高新技術產品) by the Jiangsu Department of Science and Technology between 2004 and 2011.

Our strong research and development capabilities help to ensure that we are able to adopt the most advanced technologies in our industry, provide customised solutions to our customers and maintain our competitive advantages over other asphalt pavement maintenance service providers in the PRC.

We offer high-quality and customised asphalt pavement maintenance services and asphalt pavement maintenance equipment, which also provides us with flexibility in expanding into new markets.

We design and manufacture a wide range of advanced asphalt pavement maintenance equipment. Our asphalt pavement maintenance equipment is categorised into the standard series and the modular series. Our standard series equipment is designed to perform routine, small-scale asphalt pavement maintenance services, such as repairing potholes, cracks and other localised defects. Among our standard series equipment, the PM series (修路王) consists of multi-functional vehicles with heating and paving functions, which enable it to perform the key maintenance work for small-scale asphalt pavement maintenance projects and regular road maintenance. Traditional asphalt pavement maintenance service providers may need many towing trucks and cranes to transport their maintenance equipment to a service site, our asphalt pavement maintenance equipment such as the PM series can perform various tasks that would require several machines to accomplish, thus reducing potential costs relating to labour and transportation of equipment. Two models of our PM series has been recommended by the Ministry of Transport as the standard for manufacturing Hot-in-Place asphalt pavement maintenance equipment in the PRC. The modular series of our asphalt pavement maintenance equipment is primarily used for large-scale asphalt pavement maintenance service projects. We manufacture equipment in the modular series by combining basic modules with various functionalities according to our customers' specific needs. The modules could be customised and adapted to repair different types of asphalt pavement damage and to overcome different site limitations. We configure modules to be used in each asphalt pavement maintenance service project based on the tasks to be performed and the service site conditions. Taking into account all the standalone equipment in our standard series and various combinations of modules in our modular series, we have a wide range of advanced equipment capable of performing a full spectrum of asphalt pavement maintenance services.

We believe that our equipment portfolio also enables us to broaden the range of asphalt pavement maintenance services we provide, which represents an important competitive advantage for us. As a result of our proprietary technologies, we have equipment with different functionalities designed to repair different types of asphalt pavement damage under a wide range of topographic, weather and work conditions, which we believe most service providers using traditional asphalt pavement maintenance processes are normally unable to do. There are 13 types of typical damage to asphalt pavement according to the *PRC industry standard for Technical Specifications for Maintenance of*

Highway Asphalt Pavement (公路瀝青路面養護技術規範) promulgated by the Ministry of Transport in 2001, such as cracks (裂縫), shoving (擁包) and depression (沉陷). With our advanced technology and versatile equipment, we are able to address these 13 types of damage by using different combinations of our asphalt pavement maintenance equipment. In recognition of our capabilities to provide high-quality and customised service solutions, we have been engaged to work on a number of high-profile asphalt pavement maintenance projects, including the Chang An Street (長安街) project in Beijing in advance of the 60th National Day processions, the Asian Games (亞運會) project in Guangzhou, Guangdong province and the Asian Bo Ao Forum (亞洲博鰲論壇) transportation improvement project in Hainan province.

Our ability to offer high-quality and customised asphalt pavement maintenance services and asphalt pavement maintenance equipment also provide us with flexibility in expanding into new markets. As local protectionism exists in many provinces in China, road owners often hire local service providers to perform road maintenance services. As we have strong capabilities in both asphalt pavement maintenance services and asphalt pavement maintenance equipment manufacturing, we have the flexibility to rely on one of these two segments to break into a new market, and then introduce the other after we have established our customer base and local sales networks. We believe that this flexibility helps us to expand into new markets and represents a significant advantage over our competitors who are only engaged in asphalt pavement maintenance services.

We have a capable and experienced management team with extensive industry knowledge.

We are led by a capable and experienced management team with extensive knowledge of the asphalt pavement maintenance industry. Our management team includes Mr. Sze Wai Pan (施偉斌), Ms. Sze Wan Nga (施韻雅), Mr. Zhang Yifu (張义甫), Mr. Chan Kai King (陳啟景), Mr. Jiang Yong He (蔣永河) and Mr. Huang Liang Zhong (黃良忠), each of whom has over ten years of experience in the asphalt pavement maintenance industry. Mr. Sze has over 15 years of experience in the asphalt pavement maintenance industry and is primarily responsible for our corporate strategies, planning and business development. Mr. Sze is also our chief engineer and oversees our research and development. Mr. Sze has been leading our management team and our company since our inception. Our business first expanded from the manufacturing of standard series equipment to modular series equipment, then to asphalt pavement maintenance services and research and development of asphalt pavement maintenance technologies. In May 2009, Mr. Sze received "Nanjing Science and Technology Achievement Award" (南京市科技功臣獎) from the Nanjing municipal government and was nominated as "Young to Middle-aged Expert with Outstanding Contributions in Jiangsu Province for 2012" (2012江蘇省有突出貢獻中青年專家) from the Nanjing Municipal Bureau of Human Resources and Social Security (南京市人力資源和社會保障局) in February 2013 in recognition of his achievements in the asphalt pavement maintenance industry. Our management team acquired management and industry expertise along with the expansion of our business. Our management team's vision and in-depth industry knowledge have enabled us to formulate and implement sound business strategies, evaluate and manage risks, anticipate changes in consumer preferences and capture significant market opportunities. Furthermore, our Directors and senior management have played a key role in fostering a distinct corporate culture that promotes responsibility, achievement and innovation, which in turn encourages the consistent delivery of high quality asphalt pavement maintenance services and equipment. Going forward, our capable and experienced management team is well-positioned to leverage their industry knowledge to implement our growth strategies and expand our market share in the PRC.

OUR BUSINESS STRATEGIES

We aim to strengthen our market position as a leading asphalt pavement maintenance service provider and asphalt pavement maintenance equipment producer in the PRC and to increase our market share by pursuing the following strategies:

Continue to increase our market penetration.

During the Track Record Period, we successfully expanded our sales coverage from Eastern China into Northern China, Northwestern China and Southwestern China. We have performed asphalt pavement maintenance services in certain strategic locations in over 20 provinces, autonomous regions and municipalities in the PRC and sold asphalt pavement maintenance equipment in the PRC and Hong Kong during the Track Record Period. We intend to further increase our market penetration in second and third tier cities in these and other geographic regions, where market penetration rates of asphalt pavement maintenance services and asphalt pavement maintenance equipment using the Hot-in-Place recycling technology are still relatively low and are of strategic importance to our future expansion. We believe we are well-positioned to gain significant market share in light of the growing market demand, low penetration rates of asphalt pavement maintenance services and equipment in those cities and our technological advantages over local service providers. We also plan to focus on regions where asphalt pavement maintenance technologies are relatively underdeveloped. For example, we currently plan to establish sales offices in Shaanxi Province, Sichuan Province and Yunnan Province by the end of 2013 mainly using cash generated from our operations.

At the same time, we intend to further strengthen our market position in certain developed markets in the PRC, such as Beijing and Nanjing. During the Track Record Period, we successfully completed over 12 asphalt pavement maintenance service projects in Beijing and Nanjing. We have demonstrated our capabilities, earned recognition from customers and established our presence in those markets. We believe that there are significant opportunities in those markets given the concentration of roads and their total mileage. By leveraging our past performance and our competitive strengths, we believe that we are well-positioned to maintain and grow our market shares in these developed markets even though competition is more intense.

Pursue strategic acquisitions and joint ventures.

Since 2011 and up to the Latest Practicable Date, we had established seven joint ventures with local asphalt pavement maintenance service providers and a third-party investor to provide asphalt pavement maintenance services in certain regional markets in the PRC. We intend to establish additional joint ventures with other asphalt pavement maintenance service providers or persons with local sales network who share our strategic goals and possess local industry expertise and customer networks in our target regions of expansion. We believe that by entering into strategic joint ventures with asphalt pavement maintenance service providers with extensive local coverage or persons with local sales network in certain strategic regions, we will be able to tap into new markets, broaden our customer base and increase our market shares in our target regions in the PRC in a more effective manner. Our joint ventures have been successful since their establishment and together contributed approximately 0.7% and 2.1%, respectively, of our profit after tax for the years ended 31 December 2011 and 2012. We believe that our Hot-in-Place recycling technology, strong research and development capabilities and business model should help to attract suitable joint venture partners, as we could bring significant synergies to the business relationship. We plan to assist our existing and future joint venture companies in identifying finance companies that are willing to provide finance lease arrangements to such joint venture company in purchasing our asphalt pavement maintenance equipment. Leveraging on financing opportunities in the market, we believe that we can further expedite our expansion strategy while minimising our financial exposure and liability. We do not intend to provide guarantee to finance companies for payment by our joint venture companies.

In addition, we will explore strategic acquisitions when there are suitable targets that are consistent with our growth strategy and geographic focus. Specifically, we will consider acquisitions of companies that are profitable, have good market shares but use traditional asphalt pavement maintenance processes. We believe that we could leverage on such companies' existing knowledge and connection in the market, customer base and management team, and we can transfer our Hot-in-Place recycling technology and equip such companies with Hot-in-Place asphalt pavement maintenance service capabilities. We believe that such acquisitions will help us grow our business, expand our geographic reach and broaden our customer base.

Further strengthen our research and development capabilities.

Our sustainable development depends upon our capabilities in technological innovation. We plan to invest our resources in additional equipment and qualified personnel to further strengthen our research and development capabilities. We commenced the construction of a new plant in Nanjing in February 2013, which will include a design institute and laboratory as well as a research centre. In particular, we intend to focus our efforts on overcoming certain technological limitations in the asphalt pavement maintenance service industry. For example, heating asphalt under low temperatures is currently a technological challenge. We plan to devote our resources to improving our heating technologies so that we can further enhance asphalt pavement maintenance services under low temperatures, which, in turn, would allow us to provide asphalt pavement maintenance services for a longer period of time during the year and expand our services to more geographic markets in the northern regions of the PRC. In addition, we plan to further enhance our city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝), which uses recycled materials from the excavated road or recycled construction materials to refill the road base, thus reducing raw material costs and the time required for road closures and traffic diversions. We believe that this service process will have great market potential as it is encouraged under the *Circular on Cyclic Economy* (循環經濟) jointly promulgated by the Economics and Trade Commission of Jiangsu Province (江蘇省經濟貿易委員會), the Bureau of Environmental Protection of Jiangsu Province (江蘇省環境保護廳) and the Bureau of Foreign Trade and Economic Cooperation of Jiangsu Province (江蘇省對外貿易經濟合作廳), which promotes environmentally friendly processes and technologies. We also plan to continue to improve the design, functionalities and technical features of our asphalt pavement maintenance equipment and the cost efficiency in our equipment production.

We intend to continue our collaboration with renowned universities to develop asphalt pavement maintenance technologies. We plan to strengthen our research and development team by recruiting additional qualified and experienced professionals from the industry. Furthermore, we plan to continue to provide scholarships in the area of transportation engineering to leading universities in those areas. We believe that these scholarships are likely to raise our profile and awareness among highly qualified students majoring in disciplines relating to asphalt pavement maintenance and may help us to recruit them in the future.

Increase our asphalt pavement maintenance equipment production and service capacities.

We plan to increase our asphalt pavement maintenance service capacity and equipment production capacity to meet the growing market demand for our services and equipment products. Under the PRC's Twelfth Five-Year Plan, which sets out some basic principles to guide the development of the road maintenance industry, the PRC government urges the industry to ensure that at least 17% of the highways, first-class and second-class roads undergo regular maintenance. It also encourages environmental protection by way of recycling asphalt in asphalt pavement maintenance services. For example, the *Twelfth Five-Year Plan for Transport* (交通運輸"十二五"發展規劃) issued by the Ministry of Transport in 2011 has proposed to actively promote the recycling asphalt pavement maintenance technologies to reduce the emission as well as the environmental impact in providing road maintenance services. Furthermore, the Ministry of Transport released the *Guidance on Promoting Road Pavement Material Recycling* (關於加快推進公路路面材料循環利用工作的指導意見) in 2012, targeting to achieve approximately "zero wastage" of damaged pavement materials in the PRC by the end of 2015. According to the Guideline, the average rate of recycling of the damaged pavement materials in the PRC should reach at least 50% by the end of 2015 and at least 90% by the end of 2020, while this rate of recycling was lower than 5% as of the end of 2010, according to CCID. We believe that this policy directive provides significant potential for further growth in asphalt pavement maintenance services where used asphalt is recycled, such as the asphalt pavement maintenance services we provide with our Hot-in-Place recycling technology. As a result, we believe that market demand for our asphalt pavement maintenance services and asphalt pavement maintenance equipment is likely to continue to grow and increasing our asphalt pavement maintenance service capacity and asphalt pavement maintenance equipment production capacity would allow us to capitalise on market opportunities and increase our market share.

We plan to add two sets of Hot-in-Place recycling equipment to our existing ten sets by the fourth quarter of 2013. In order to meet the growing market demand for our asphalt pavement maintenance equipment and to better support the expansion of our asphalt pavement maintenance services, we commenced the construction of another production facility in Nanjing in February 2013. We expect that the new production facility will become operational by late 2013.

Structure our asphalt pavement maintenance service consulting services into a separate business line to promote our reputation under "公路医生® (Road Doctor)" brand.

We have been providing consulting services under our "公路医生® (Road Doctor)" brand, where we examine damaged asphalt pavement surfaces, identify the type of damage and recommend a customised solution to repair the damage. During the Track Record Period, we provided such consulting services as a value-added service free of charge primarily to establish relationships with potential customers and help to secure asphalt pavement maintenance service projects. We intend to continue to use these capabilities as a marketing tool to support our asphalt pavement maintenance service and asphalt pavement maintenance equipment businesses, enhance the consulting services we provide, charge fees for providing such services going forward and structure it into a separate business line to promote our reputation under "公路医生® (Road Doctor)" brand.

In order to achieve and demonstrate our higher quality standard, we plan to obtain certification from Jiangsu Province Transportation Department Construction Quality Inspection Centre (江蘇省交通運輸廳工程質量監督局), and meet certain requirements including equipment in use, the size of the consulting centre and number of professionals, which we believe we should be able to meet. Given our industry expertise, years of experience and recognition by various PRC government authorities, while our Directors believe that it would be feasible for us to maintain a customer base for our consulting services and develop a significant percentage of these customers into our asphalt pavement maintenance service and/or asphalt pavement maintenance equipment customers, our Directors do not expect that this line of business will account for a substantial percentage of our revenue.

OUR BUSINESS MODEL

Our business primarily consists of two business segments: the asphalt pavement maintenance service segment, where we provide asphalt pavement maintenance services under our registered trademark "公路医生®" (Road Doctor) to repair damaged asphalt pavement surfaces, and the asphalt pavement maintenance equipment segment, where we manufacture and sell a wide range of asphalt pavement maintenance equipment. For our asphalt pavement maintenance service business segment, we provide asphalt pavement maintenance services using the Hot-in-Place recycling technology with asphalt pavement maintenance equipment designed and manufactured by ourselves. For our asphalt pavement maintenance equipment business segment, we design, manufacture and sell asphalt pavement maintenance equipment in two series: the standard series and the modular series. The standard series is designed to perform small-scale and routine asphalt pavement maintenance services, while the modular series is designed to perform asphalt pavement maintenance services under more complex work conditions according to specific needs of our customers. Our asphalt pavement maintenance service segment and asphalt pavement maintenance equipment segment are supported by our strong research and development team, who analyse field data from service sites, design new asphalt mixtures to be used in asphalt pavement maintenance service projects, and customise asphalt pavement maintenance equipment, techniques and processes for asphalt pavement maintenance service projects, which help us to provide customised solutions tailored for each customer.

The following table sets forth a breakdown of our revenue by business segment for the periods indicated:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Asphalt pavement maintenance service	195,307	83.8	203,759	72.4	288,399	59.3
Asphalt pavement maintenance equipment	37,838	16.2	77,520	27.6	197,604	40.7
Total	233,145	100.0	281,279	100.0	486,003	100.0

Our Directors believe that asphalt pavement maintenance services employing the Hot-in-Place recycling technology have significant growth potential as this technology is considered more environmentally friendly, efficient and cost effective as compared to those using traditional asphalt pavement maintenance technologies. For example, the Twelfth Five-Year Plan for Transport (交通運輸"十二五"發展規劃) issued by the Ministry of Transport in 2011 has proposed to actively promote the recycling asphalt pavement maintenance technologies to reduce the emission as well as the environmental impact in providing road maintenance services. Furthermore, the Ministry of Transport released the Guidance on Promoting Road Pavement Material Recycling (關於加快推進公

路路面材料循環利用工作的指導意見) in 2012, targeting to achieve approximately "zero wastage" of damaged pavement materials in the PRC by the end of 2015. According to the Guideline, the average rate of recycling of the damaged pavement materials in the PRC should reach at least 50% by the end of 2015 and at least 90% by the end of 2020, while this rate of recycling was lower than 5% as of the end of 2010, according to CCID. By completely recycling aged asphalt, the Hot-in-Place recycling technology we have adopted, reduces emissions of dust and carbon dioxide by approximately 96% and 44%, respectively, and reduces energy consumption by approximately 40% compared with traditional asphalt pavement maintenance technologies, according to CCID.

Our Directors are of the view that we are able to sustain its long-term growth, not only because of the growth prospects of the industry, but also because of the extensive experience we have. We are a leading service provider using the Hot-in-Place recycling technology in the asphalt pavement maintenance industry in the PRC. We have two business segments, namely the asphalt pavement maintenance service segment and the asphalt pavement maintenance equipment segment, which complement, support and collaborate extensively with each other. The asphalt pavement maintenance service and asphalt pavement maintenance equipment businesses are supported by our strong research and development capabilities. As a result of our capabilities encompassing asphalt pavement maintenance service, asphalt pavement maintenance equipment manufacturing and asphalt pavement maintenance solution design, we are able to generate significant synergies among these three areas, capture opportunities in each key link of the asphalt pavement maintenance value chain, and provide one-stop solutions for our customers.

ASPHALT PAVEMENT MAINTENANCE SERVICE SEGMENT

Our Asphalt Pavement Maintenance Services

We provide asphalt pavement maintenance services using the Hot-in-Place recycling technology with asphalt pavement maintenance equipment designed and manufactured by ourselves. We offer high-quality and customised asphalt pavement maintenance service solutions to address various types of damage to asphalt pavements, such as surface voids, net-shaped cracks, transverse cracks, irregular depression, potholes, rutting and bleeding. Our total serviced areas were approximately 1,850,000 sq.m., 1,950,000 sq.m. and 2,760,000 sq.m. for the years ended 31 December 2010, 2011 and 2012, respectively. During the Track Record Period, we had performed asphalt pavement maintenance services in certain locations in over 20 provinces, autonomous regions and municipalities in the PRC.

The following map illustrates (i) the geographic coverage of our completed asphalt pavement maintenance service projects and asphalt pavement maintenance service projects in progress, (ii) cities of our asphalt pavement maintenance servicing, (iii) locations of our sales offices, and (iv) location of our Nanjing headquarter during the Track Record Period and as of the Latest Practicable Date:

1. Baoding（保定）
2. **Beijing*（北京）**
3. Changle（長樂）
4. Changsha（長沙）
5. **Chongqing*（重慶）**
6. **Fuzhou*（福州）**
7. **Guangzhou*（廣州）**
8. Haikou（海口）
9. Handan（邯鄲）
10. Hohhot（呼和浩特）
11. Huai'an（淮安）
12. Jinan（濟南）
13. Kunming（昆明）
14. Lanzhou（蘭州）
15. Lianyungang（連雲港）
16. Longyan（龍岩）
17. Nanchang（南昌）
18. Nanchong（南充）
19. **Nanjing**（南京）**
20. Ningbo（寧波）
21. Ningde（寧德）
22. Ordos（鄂爾多斯）
23. Panzhihua（攀枝花）
24. Putian（莆田）
25. Quanzhou（泉州）
26. Sanming（三明）
27. Shenyang（沈陽）
28. Shijiazhuang（石家莊）
29. Suqian（宿遷）
30. Suzhou（蘇州）
31. Tongliao（通遼）
32. Turpan（吐魯番）
33. Urumqi（烏魯木齊）
34. Weihai（威海）
35. Wenzhou（溫州）
36. Wuxi（無錫）
37. Xi'an（西安）
38. Xiangtan（湘潭）
39. Xinyu（新餘）
40. Xuzhou（徐州）
41. Yangzhou（揚州）
42. Yanji（延吉）
43. Yantai（煙台）
44. Yiwu（義烏）
45. Yueyang（岳陽）
46. Yuncheng（運城）
47. Zhangjiagang（張家港）

Notes:

* Sales offices

** Headquarter

Revenue generated from our asphalt pavement maintenance service segment is affected by certain seasonal and weather conditions. For example, during the Track Record Period, our revenue derived from the asphalt pavement maintenance service segment was generally higher from May to October compared with other months of the year, primarily because the asphalt pavement maintenance service market is generally more active when the weather is warm, which is more amenable to performing outdoor services and heating up asphalt. The winter months are usually the off-season for our asphalt pavement maintenance service projects. Due to the nature of asphalt pavement maintenance service project, the time between when the contract for a project is entered into and when the project commences is typically short, often a few weeks. During the Track Record Period, the servicing periods for our projects ranged from days to months, and the average servicing period for most of our asphalt pavement maintenance service projects was approximately one to two months, which is much shorter than the construction period of infrastructure construction projects. As a result, we usually have a small number of projects that are in progress or signed but not yet commenced, in particular in the fourth quarter of the year when weather conditions are not conducive to our asphalt pavement maintenance services.

Completed projects

During the Track Record Period, we had completed 114 asphalt pavement maintenance service projects. The total contract value of these projects amounted to approximately HK$687.5 million. We completed 34 asphalt pavement maintenance service projects with an average servicing period of approximately one month during the year ended 31 December 2012. We completed one asphalt pavement maintenance service project with a contract value of approximately HK$18.1 million for the four months ended 30 April 2013. These projects primarily consisted of maintenance work for highways, national and provincial main roads and municipal roads in the PRC. The following table sets forth our major asphalt pavement maintenance service projects completed in the past and up to the Latest Practicable Date:

Geographical coverage	Name of the project, road or highway	Location	Date of completion	Pavement condition	Total area completed (sq.m.)
Guangdong	Jingzhu Highway Guangzhu section project (京珠高速公路廣珠段工程)	Guangzhu section of the Guangdong Province Jingzhu highway (廣東省京珠高速公路廣珠段)	October 2009	Irregular depression; cracks; potholes	54,330
Beijing	Chang An Street (長安街)	Beijing Chang An Street (北京長安街)	June 2009	Cracks; potholes; surface voids	8,641
Shandong	Eleventh National Sports Games of China Jinan Second Ring North Road project (第十一屆全國運動會濟南二環北路工程)	Jinan Second Ring North Road (濟南二環北路)	October 2009	Potholes; rutting; irregular depression	124,392
Xuzhou	Xuzhou Huaihai Road municipal project (徐州市淮海路暢通市政工程)	Xuzhou Huaihai Road (徐州淮海路)	June 2010	Net-shaped cracks; depression	135,806
Guangzhou	University Town Asian Games track upgrade project (大學城亞運賽道升級工程)	Guangzhou Panyu University town (廣州番禺大學城)	October 2010	Net-shaped cracks; depression; rutting	114,749
Hainan	Asian Bo Ao Forum transportation improvement project (亞洲博鰲論壇交通保障工程)	Hainan province G98 eastern line (海南省G98東線)	April 2011	Renewal	230,117
Xinjiang	Xinjiang Uygur Autonomous Region G30 Xiaocaohu to Urumqi section (新疆維吾爾自治區G30綫小草湖至烏魯木齊部分路段工程)	Xinjiang Uygur Autonomous Region G30 Xiaocaohu (新疆維吾爾自治區 G30 小草湖)	June 2012	Bleeding; rutting; transverse cracks; depression	508,239
Xinjiang	Xinjiang Uygur Autonomous Region Xiaocaohu to Heshuo section highway (新疆維吾爾自治區小草湖至和碩段公路工程)	Xinjiang Uygur Autonomous Region Xiaocaohu to Heshuo section highway (新疆維吾爾自治區小草湖至和碩段公路)	June 2012	Ravelling; bleeding; rutting	63,076

Geographical coverage	Name of the project, road or highway	Location	Date of completion	Pavement condition	Total area completed (sq.m.)
Jilin	Phase one and two of primary and secondary roadways in Yanji City (延吉市主次幹道一期、二期)	Yanji, Jilin Province (吉林省延吉市)	June 2012	Alligator cracks: net-shaped cracks; potholes	280,110
Inner Mongolia	Tongliao Minhang road, Binhe street project (通遼民航路、濱河大街工程)	Tongliao Minhang road, Binhe street (通遼民航路、濱河大街)	July 2012	Transverse cracks; vertical cracks; rutting	209,761
Xinjiang	Urumqi (Yanan road) project (烏魯木齊(延安路)工程)	Urumqi Yanan road (烏魯木齊延安路)	July 2012	Transverse cracks; vertical cracks; rutting	62,122
Inner Mongolia	Ordos S214 highway/Hohhot S103 highway (鄂爾多斯S214/呼和浩特S103)	Ordos/Hohhot of Inner Mongolia Autonomous Region (內蒙古自治區鄂爾多斯/呼和浩特)	August/October 2012	Rutting; alligator cracks	348,693
Jiangsu	Suzhou-Jiaxing-Hangzhou highway (蘇嘉杭高速)	Suzhou-Jiaxing-Hangzhou highway (蘇嘉杭高速)	December 2012	Rutting	84,549
Fujian[1]	Fujian Putian Yingbin main street (福建莆田迎賓大道)	Fujian Putian (福建莆田)	December 2012	Depression; alligator cracks	123,528
Fujian[1]	Fujian Putian bridge-ends bump (福建莆田橋頭跳)	Fujian Putian (福建莆田)	December 2012	Bridge-ends bumping	105,658
Jiangsu	Lianyungang Huaguoshan main street (連雲港花果山大道)	Lianyungang Huaguoshan main street (連雲港花果山大道)	January 2013	Alligator cracks; ravelling	198,355

Note:

(1) These two projects were entered into by us under one contract

Projects in progress

As of the Latest Practicable Date, we had four asphalt pavement maintenance service projects in progress with a total remaining contract value of approximately HK$100.6 million. The following table sets forth our major asphalt pavement maintenance service projects in progress as of the Latest Practicable Date:

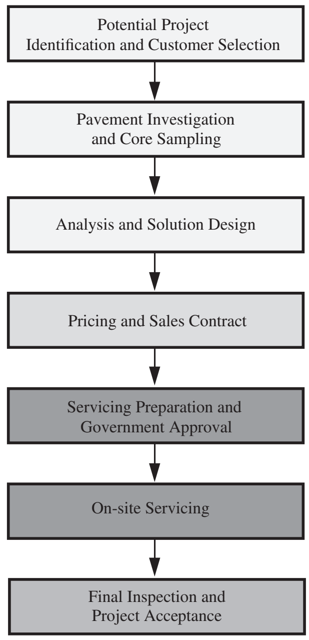
Geographical coverage	Name of the project, road or highway	Pavement condition	Project commencement	Anticipated completion date	Total area to be completed (sq.m.)
Inner Mongolia	Dongsheng District municipal road (東勝區市政道路)	Cracks; ravelling	June 2012	October 2013	563,400[1]
Jiangsu	Nanjing Economical & Technological Development Zone, Heng Da Road (南京經濟技術開發區恒達路)	Cracks; ravelling	March 2013	July 2013	23,406
Xinjiang	Xinjiang Urumqi Municipal project (新疆烏魯木齊市政工程)	Potholes; uneven surfaces	April 2013	July 2013	7,580
Xinjiang	Xinjiang Provincial Road 301 Sections K3 to K41 (新疆省道301綫K3至K41段)	Rutting	May 2013	September 2013	100,375

Note:

(1) The total contracted area for this project is approximately 924,730 sq.m.

Project Workflow

The following diagram illustrates the major steps in our asphalt pavement maintenance service project workflow:



Potential project identification and customer selection

We identify potential asphalt pavement maintenance service project from sources such as publications by government agencies as well as through our business development team and regional sales offices. We select our asphalt pavement maintenance service project by taking into account factors including the type and duration of repair that is needed to address the pavement damage, scale of operation, geographic location, customer type, profitability and availability of manpower and servicing machinery and equipment. We select customers based on their cash on hand, internal approval process and credit worthiness. According to CCID and based on our past experience, the internal approval process of PRC government agencies could last for several years before payments were paid, primarily due to, to the best knowledge of our Directors, the series of lengthy steps involved in PRC government agency's approval and auditing process and obtaining internal confirmations at each administrative level of a PRC government agency. Our chief executive officer or an authorised delegate approves the project.

Pavement investigation and core sampling

Due to the different degree of surface deterioration and loss of aggregates, a thorough analysis of the damaged asphalt mixture of the damaged pavement and its raw materials configuration is necessary prior to on-site servicing. Our research and development team examines the damaged asphalt pavement, takes samples of the original asphalt mixture and prepare an asphalt pavement maintenance proposal, which sets out our investigation of the damaged asphalt pavement, results of our core sampling of the original asphalt mixture, proposed recycling technological solution, including asphalt mixture design, proposed asphalt pavement maintenance equipment and results of recycled asphalt pavement's functional performance.

Analysis and solution design

Analysis and solution design is a key step in providing asphalt pavement maintenance services as it affects the quality of the repaired asphalt pavement. We believe our ability to provide our customers with high quality asphalt pavement maintenance services is attributable to our ability to identify the fundamental causes of road defects and design an asphalt pavement maintenance solutions that optimises the asphalt mixture design and restore their properties. During the asphalt mixture design process, we focus on three key aspects: aggregate gradation, asphalt content and asphalt mixture to determine the optimised mixture design.

The following table illustrates the process of our analysis and solution design step and the purpose of testing original asphalt mixture from the damaged pavements and designing the new asphalt mixture.

Core Step	Purpose
Pavement sampling	To understand the structure damage and performance of the pavement
↓	
Extract and screen test the original asphalt mixture	To determine the original asphalt content ratios
↓	
Test asphalt content in the original asphalt mixture	To determine the amount of new asphalt to be added to the original asphalt mixture
↓	
Asphalt recycling and performance testing	To determine the amount of rejuvenating agent to be added to the original asphalt mixture
↓	
Aging test	To analyse performance of new asphalt mixture using the secondary aging method

By analysing the properties of the original asphalt mixture and testing the ratios of the new asphalt mixture, we are able to design the suitable asphalt mixture for repairing the damaged pavements. We consider variables such as penetration rate, softening point, ductility and viscosity, in our design process. Our research and development team has in-depth knowledge in asphalt content ratio to ensure that the formulation and performance of the new asphalt mixture is suitable for the particular type of damaged pavement.

Pricing and service contract

We generally obtain our asphalt pavement maintenance service projects through (i) negotiation or mutual agreement for projects when we deal with privately-owned companies or main contractors for government infrastructure maintenance projects and (ii) bidding when we deal directly with government agencies.

We assemble a designated team to work on each asphalt pavement maintenance service project. The project team will work with our research and development team as well as our chief executive officer or an authorised delegate to estimate project cost according to the asphalt pavement maintenance proposal and depending on the type of customer, we prepare the term sheets for direct negotiation or proposal for bidding.

We undergo a stringent internal approval procedure before we decide whether or not to negotiate any term sheets or submit any bidding application. We will consider our overall business expansion strategies and carefully select asphalt pavement maintenance service projects in strategic geographical regions by taking into account a number of commercial considerations, including the geographical vicinity to our core established markets, the contract values of the available asphalt pavement maintenance service projects, the expected profitability of the available asphalt pavement maintenance service projects and the future economic growth prospect of the relevant market. If we decide to submit and are successful in our bid, our sales personnel would proceed to negotiate the terms of the service contract. A sales contract is executed with our customer upon mutual agreement of the terms and conditions. For geographic regions where we consider a part of our overall expansion plan and yet existing geographic barriers prevent us from entering easily, we will seek to establish joint venture companies with other asphalt pavement maintenance service providers or persons with local sales network who share our strategic goals and possess local industry expertise in those regions. For those geographical regions where we concluded are not economically justified for us to expand our asphalt pavement maintenance service business directly, we will neither negotiate nor bid for asphalt pavement maintenance service projects. Instead, we will sell our asphalt pavement maintenance equipment, primarily standard series equipment, to customers in those regions.

Pricing policy

We price our asphalt pavement maintenance projects based on a variety of factors including raw material costs, the location of the project, the distance and total area of the damaged pavement, the duration of the project, estimated equipment and labour cost, the technologies applied during the asphalt pavement maintenance process and various environmental conditions under which we provide our asphalt pavement maintenance services. We set our price on a project-by-project basis, after taking into account various factors, which primarily include the local price for the provision of asphalt pavement maintenance services using traditional technologies, level of competition, specific requirements by the customer, if any, and relevant costs, in particular, raw material costs. We estimate the raw material costs with reference to the prevailing market prices of raw materials, any recent or anticipated changes in raw material prices based on our extensive past service experience. For large-scale projects, we generally negotiate volume discounts with local asphalt mixture suppliers. We also negotiate with customers for them to be responsible for procuring raw materials from suppliers, especially for projects with longer servicing period, to protect ourselves against any significant increase in raw material prices. To further manage our raw material costs, we would negotiate with our customer to include a price adjustment clause in our service contracts in the event that the raw material prices increase beyond a certain level, which is determined on a case by case basis and taking into account the availability of raw materials in the local area as well as duration and time requirements of the project. During the Track Record Period, we set the level to trigger our price adjustment clause at around 5% to 10% of the estimated raw material price stipulated in service contract. From time to time, we also consider pricing guidelines set out by local governments, which set the price references for certain raw materials or machinery used in traditional asphalt pavement maintenance service projects in the local markets and are not mandatory. Although we do take into account the relevant costs and profit margins for conducting asphalt pavement maintenance services in a certain regional market, we do not price our asphalt pavement maintenance service projects on a cost-plus basis. Our Hot-in-Place recycling technology enables us to substantially reduce raw material costs through the use of recycled aged pavement materials while being able to maintain the same or a higher gross profit margin as compared with service projects using traditional asphalt pavement maintenance technologies. As a result, we have more flexibility in the pricing of asphalt pavement maintenance service projects, which allows us to set our prices lower than, equal to or higher than the reference price in the regional market and prices set by the local government pricing guidelines depending on the circumstances.

Payment and Credit Terms

Most of our asphalt pavement maintenance service contracts require an advance payment. We usually receive prepayment from our customers ranging from 20% to 30% of the overall contract amount. The remaining amount of the contract becomes due as our service provided reaches pre-determined benchmarks as specified by the service agreement, except for 5% to 10% of the overall contract amount which our client withhold as retention money, to be paid after the expiration of the warranty period. These payments are made in instalments. We have a supervision team that is responsible for recording the percentage of the project completed daily, to which we refer when setting the payment schedule. In addition, we also plan to offer a build-and-transfer arrangement for our government agency customers, under which we will require instalment payments guaranteed by the PRC government.

We grant credit periods to our customers on a project-by-project basis primarily based on customer type, the customer's payment records with its other suppliers and service providers, the availability of earmarked government funding for the relevant project, and the customer's payment history with us if it is a recurring customer, and subject to the period between our completion of project and commencement of customer's verification process as stipulated in service contracts. For PRC government agency customers who are able to provide us with payment guarantee letters from the local finance bureaus, we do not require any prepayments when the service contract is entered into. Such a customer is allowed to pay us 40% of the contract amount within 15 days after completion of the project, pay another 30% of the contract amount plus interest charged on this 30% amount based on the benchmark lending rate within one year after completion of the project and pay the remaining amount plus interest charged on the remaining amount based on the benchmark lending rate within two years after the completion of the project. We started to receive interest from PRC government agency customers with payment guarantee letters in early 2013 and the relevant interest amounted to approximately HK$0.3 million for the four months ended 30 April 2013. We have established a credit control department to minimise credit risk.

After-Sales Services and Warranty Period

We usually provide our asphalt pavement maintenance service customers with an one-year warranty period starting from the completion date of the asphalt pavement maintenance project.

Within the warranty period, we provide after-sales repair for the damaged pavement if it is understood by both our customers and us that the damage is caused by us during our asphalt pavement maintenance servicing process. In addition, our after-sales service teams also continue to communicate with our customers and pay visit to service sites to track our service outcomes and solicit feedbacks from our customers. We have established detailed written procedures to handle disputes or complaints relating to the service quality of our asphalt pavement maintenance projects. We carefully analyse the reasons for quality claims by examining our own service reports and records for the project, inspecting the serviced area and/or sampling the damaged pavements after we receive complaints from customers and determine if these claims are indeed related to our service quality. If not, we will submit a written report to customer to explain the reasons for the relevant quality issues with supporting evidence in detail. If the quality claims are directly or indirectly related to our services, we will establish a special team consisting of our head of quality assurance department and certain experienced technicians and experts to form a solution plan for the particular claim. We will further implement the solution plan once the customer agrees to it, which generally involves repairing the areas with problems.

During the Track Record Period, we were involved in one material dispute with customer relating to the service quality of our asphalt pavement maintenance service projects. Prior to our on-site servicing for this project, our research and development team examined the damaged asphalt pavement as we do with other asphalt pavement maintenance service projects, and recommended to the customer that certain pre-existing road base problems should be treated before the commencement of our asphalt pavement maintenance service to ensure that the road surface would be suitable for quality asphalt pavement maintenance servicing using our Hot-in-Place recycling technology. Notwithstanding our recommendation, the customer did not treat the road base problems but instead instructed us to proceed with our on-site servicing. In May 2011, which was eight months after the project completion, pavement damage started to emerge. The customer then claimed that the damage was primarily due to our service quality and refused to pay the full contract price as it was still within the warranty period of the project. We disagreed with this customer's claim after re-examining the serviced areas and concluded that the damages were actually due to the pre-existing road base problems we had previously notified the customer of and unrelated to the quality of our asphalt pavement maintenance service. The contract value of the project was RMB9.4 million. As of 31 December 2012, the total outstanding receivables for this project amounted to RMB4.6 million. We intend to continue to follow up and demand payment from this customer. In order to protect ourselves from any similar incident in the future, we plan to require that all of the service contracts with our customers to specifically stipulate that our liabilities in relation to service quality shall exclude any problems related to road base damages. During the Track Record Period, we completed more than 100 asphalt pavement maintenance service projects and except for one particular customer in Shandong province, we do not have any other customer disputes relating to service projects. Our Directors are of the view that our quality control measures are adequate in preventing future disputes.

Servicing preparation and government approval

After signing the sales contract with the customer, we usually prepare the necessary documentation for the customer to assess and approve our work plan, including detailed implementation plan and the safety work plan. Upon approval from our customers, we commence servicing preparation work, such as purchase of raw materials, allocation of the manpower and customisation of our asphalt pavement maintenance equipment. In order to customise our asphalt pavement maintenance equipment to repair the damaged asphalt pavement surface, according to our detailed implementation plan, we then configure particular asphalt pavement maintenance equipment which will comprise customised modules with specific functionality.

We are often required to obtain approvals from relevant local authorities, including road administration unit, supervising agencies and traffic police department for our asphalt pavement maintenance service projects prior to the commencement of our on-site work. After obtaining all the relevant approvals, we usually have a coordination meeting with relevant local authorities to discuss the implementation plan, work time, traffic control measures, safety precautions and emergency plans and allocate the responsibilities to relevant parties so as to minimise the traffic disturbance. The relevant authorities would irregularly inspect our work safety measures during our asphalt pavement maintenance service projects.

On-site servicing

When all the preparatory work has been completed, we will start our on-site asphalt pavement maintenance servicing by employing our Hot-in-Place recycling technology. The Hot-in-Place recycling technology provides a method to reuse aged asphalt directly on-site. The damaged asphalt surface is first heated then raked to loosen the aged asphalt, which is then mixed with a rejuvenating agent and blended with new asphalt to create a recycled mixture. Finally, the road is repaved with the recycled mixture. We use our self-designed and manufactured asphalt pavement maintenance equipment and our own servicing team to provide asphalt pavement maintenance services. We outsource non-asphalt pavement maintenance services such as line-marking to subcontractors.

The following diagram illustrates our on-site servicing process using our Hot-in-Place recycling technology and techniques:


Heat and soften the original pavement


Rake the softened pavement and apply rejuvenating agent to aged asphalt


Collect the original asphalt mixture into a single row


Add new asphalt mixture onto original asphalt mixture to create a recycled mixture


Collect and convey the recycled mixture into a mixer


Fully blend the recycled mixture and reheat the pavement surface using thermal bonding technique


Pave the fully blended recycled mixture


Compact the new pavement

During our provision of the asphalt pavement maintenance services, we may cause certain level of traffic disturbance. Asphalt pavement maintenance service using Hot-in-Place recycling technology does not require complete road closure, however, one to two road lanes will be barricaded. Subject to the location, weather, our communication with the relevant local authorities, such as the traffic control department and the implementation plan, as well as specific customer requests, we generally conduct asphalt pavement maintenance services either at the day time or night time, and restore the traffic after the surface temperature of asphalt pavement drops to 50 degrees Celsius or below after the completion of our services. Our average servicing period of asphalt pavement maintenance service projects during the Track Record Period was approximately one to two months, subject to the size and the complexity of each project, and increased gradually during and after the Track Record Period as our technologies gained wider recognition and we became better known in the asphalt pavement maintenance service industry. Our average contract value for asphalt pavement maintenance service projects was approximately HK$5.1 million, HK$4.9 million and HK$8.5 million for the years ended 31 December 2010, 2011 and 2012, respectively. To manage projects with a longer servicing period, a larger contract value or a tighter project completion schedule, we may assign a greater number of sets of asphalt pavement maintenance modular series equipment and deploy more servicing teams to such projects. Before entering into the contract for a large-scale project, we usually seek to evaluate the customers' capital resources and credit worthiness. We scrutinise the customers' past payment history with other project companies. We also conduct our own investigation into the customers' sales, business and finance, including making enquiries with certain local government authorities. In addition, we closely monitor the progress of the project and its collection of instalment payments. Asphalt mixture generally accounts for approximately one-third of the total cost for an asphalt pavement maintenance service project. For large-scale asphalt pavement maintenance service projects, we generally negotiate volume discounts with local asphalt mixture suppliers or negotiate with our customers for them to be responsible for procuring raw materials from suppliers. Our Directors confirm that changes in the contract size and duration of our asphalt pavement maintenance service projects would not had any material effect on our cash flows or revenue recognition, given that our asphalt pavement maintenance service contracts would require progress payments from our customers regardless of contract size and duration of our asphalt pavement maintenance service projects and while our revenue recognition policies would also remain the same.

Our technology

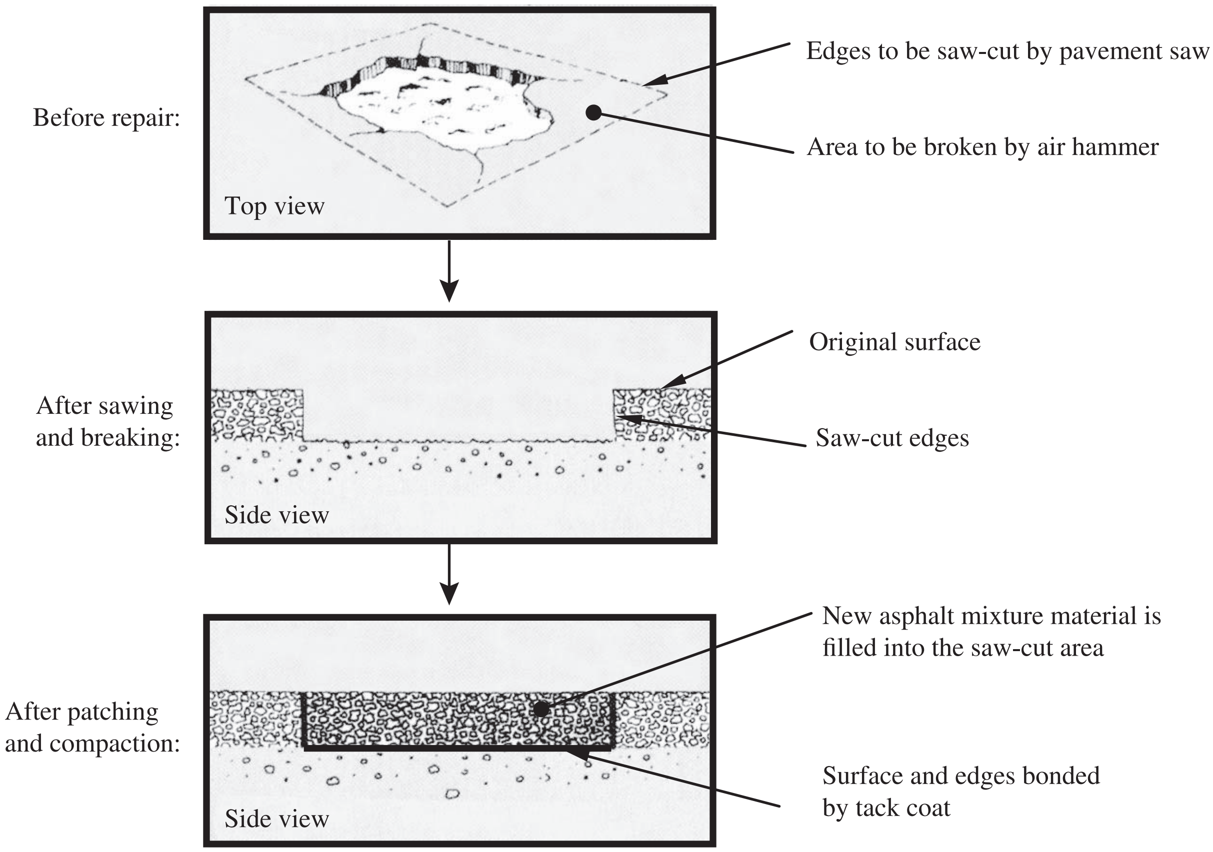
Our Hot-in-Place recycling technology uses the intermittent thermal-radiant heating technique (間歇式熱幅射加熱技術) and thermal bonding technique (熱粘結技術). The intermittent thermal-radiant heating technique utilises combustion technology to generate high intensity radiant heat which can be turned on and off as required. This technique significantly reduces overheating of the surface of the asphalt, which can generate odour and smoke and cause difficulty for heat to penetrate beneath the surface of the asphalt. This heating technique allows more of the aged asphalt to be softened and loosened during the heating process.

Our proprietary heating technique allows quick and in-depth heating for scarifying of asphalt pavement without breaking the aggregates in asphalt mixture. Due to this technology, we are able to maintain the structural integrity of the pavement, and we need less amount of new asphalt mixture in blending recycled asphalt mixture.

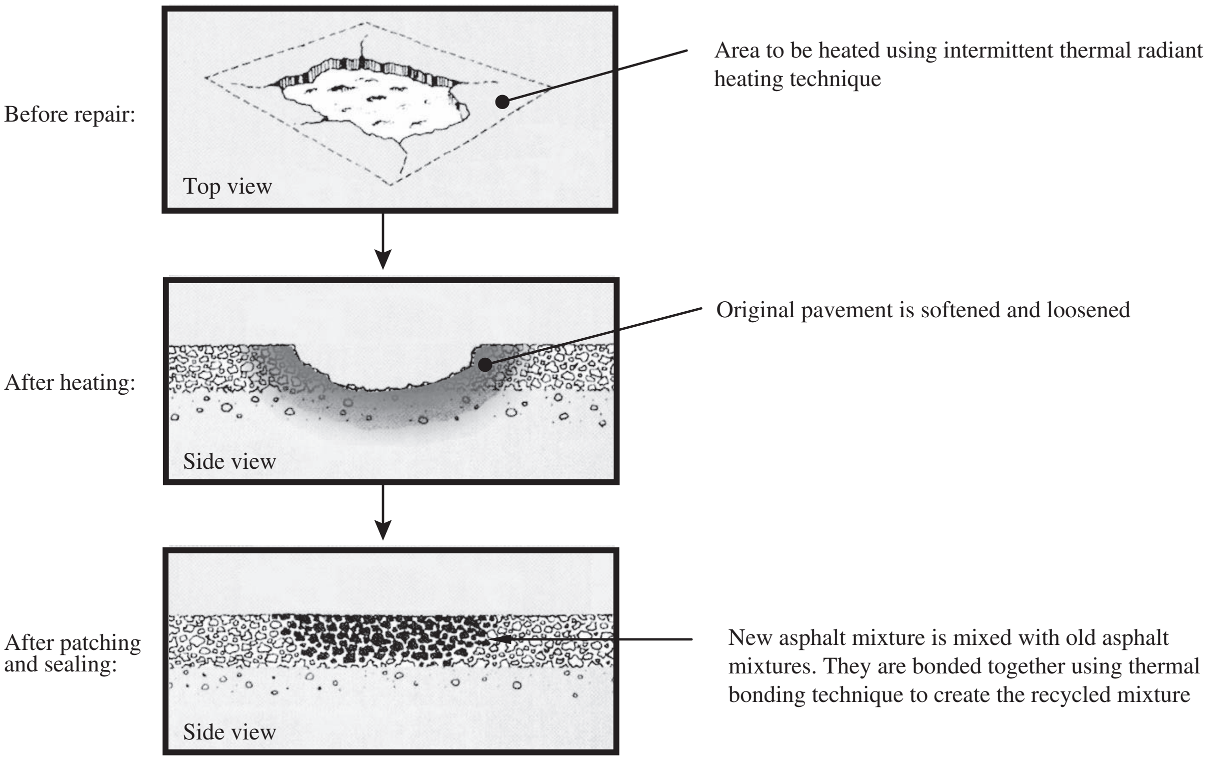
We also employ thermal bonding technique during paving of the recycled mixture. We reheat and soften the pavement surface before paving it with the recycled mixture. The original pavement and the recycled mixtures form a strong bond during compaction. According to CCID, we believe the use of thermal bonding technique in the Hot-in-Place recycling technology produces stronger pavements than using traditional asphalt pavement maintenance servicing processes.

The following diagram illustrates how our Hot-in-Place recycling technology functions during our on-site servicing compared to using traditional asphalt pavement maintenance servicing processes:

Small-scale On-site Servicing Using Traditional Asphalt Pavement Maintenance Services



Small-scale On-site Servicing Using Hot-in-Place Recycling Technology



We believe that some of the key advantages of our Hot-in-Place recycling technology compared to traditional asphalt pavement maintenance servicing processes are:

- *Time saving:* equipment from our PM series (修路王) enables us to complete repair of small-scale damaged asphalt pavements in approximately 20 to 30 minutes, compared with approximately 80 to 90 minutes using traditional processes.

- *Quality and long-life roads:* asphalt pavement repaired using our Hot-in-Place technology has a strange bandage with a life span of more than three years compared to a few months under traditional asphalt pavement maintenance servicing processes, which significantly extends the life span of repaired roads.

- *Low costs:* Hot-in-Place recycling technology uses recycled materials and does not require saw-cutting, hammering, post-service cleaning and treatment of old materials, which are required under the traditional asphalt pavement maintenance servicing processes, thus significantly reduces labour and material costs for our customers.

- *Less seasonal constraints:* heat is controlled and damaged asphalt area is sheltered by the asphalt patching machine, as a result we can carry out asphalt pavement maintenance services under various weather conditions throughout the year.

- *No asphalt mixing plant:* we are able to reheat cold asphalt mixture without the need to rely on asphalt mixing plants for the supply of hot asphalt mixture.

- *Environmentally friendly:* old asphalt mixture is recycled and dust, noise and wastage is minimal due to the exclusion of air hammers and cutting tools, which are used in traditional processes.

Quality Control

We have implemented strict quality control measures for our asphalt pavement maintenance service segment. We have developed two company-wide guidelines, namely Hot-in-Place recycling Asphalt Pavement Maintenance Service Procedures (瀝青路面就地熱再生施工工藝規程) and Hot-in-Place recycling Quality Control Manual (就地熱再生質量控制要素手冊), which all our on-site servicing teams are required to follow step by step to ensure service quality. We assign quality control personnel to supervise and inspect major steps of each asphalt pavement maintenance service project including pavement testing and asphalt mixture design. We closely monitor asphalt pavement maintenance equipment used during an asphalt pavement maintenance project to ensure its quality performance. We also inspect the specifications and quality of raw material to be used in asphalt pavement maintenance services upon their delivery from our suppliers. We value and recognise the importance of service quality. Our servicing teams are entitled to receive performance-based bonus if their service quality constantly meets a certain specified level.

Final inspection and project acceptance

After the completion of the asphalt pavement maintenance service project, we will perform preliminary inspection to evaluate whether the damaged asphalt pavement has been rectified and the quality of work meets the quality standard as stipulated in the contract. Once the work passes our preliminary inspection, we will invite our customer to conduct final inspection. Our customers would either directly perform or engage a qualified third party to perform the final inspection. A final inspection certificate will be issued to us if our customer is satisfied with our asphalt pavement maintenance servicing.

Servicing Capacity and Output

Our servicing output is mainly dependent on our servicing capacity. Our annual servicing capacity for asphalt pavement maintenance services, which is the area of road repaired, is determined by the number of equipment used, the number of working days per year and the service area per day. Our working days per year, in turn, are determined by, among others, transition time from one service site to the next, weather conditions and maintenance and repair time for equipment, which factors vary significantly from year to year. Currently, our Hot-in-Place recycling equipment is capable of servicing six to eight metres in length per minute, with a maximum width of 4.5 metres.

We plan to add two sets of modular series equipment to our existing ten sets by the fourth quarter of 2013.

ASPHALT PAVEMENT MAINTENANCE EQUIPMENT SEGMENT

Our Products

We design, manufacture and sell the asphalt pavement maintenance equipment through two series: standard series and modular series. The standard series is designed to perform small-scale and routine asphalt pavement maintenance services while the modular series is designed to perform medium to large-scale and non-routine asphalt pavement maintenance services in order to cater for different types of asphalt pavement damage under different work condition according to specific needs of our customers. Asphalt pavement maintenance equipment in our standard series and modular series can be customised into different models depending on our customers' needs.

We have sold equipment in 25 provinces, autonomous regions and municipalities in the PRC during the Track Record Period. For the years ended 31 December 2010, 2011 and 2012, revenue generated from our asphalt pavement maintenance equipment segment was approximately HK$37.8 million, HK$77.5 million and HK$197.6 million, respectively, accounting for approximately 16.2%, 27.6% and 40.7% of our total revenue generated during the same period, respectively.

The following diagram illustrates (i) the geographic sales coverage for our asphalt pavement maintenance equipment and (ii) cities of our asphalt pavement maintenance equipment sales during the Track Record Period and as of the Latest Practicable Date:

1. Anqing（安慶）
2. Baoding（保定）
3. Baojin（保津）
4. Changchun（長春）
5. Changsha（長沙）
6. Changzhou（常州）
7. Chengdu（成都）
8. Chongqing（重慶）
9. Chuzhou（滁州）
10. Dalian（大連）
11. Dezhou（德州）
12. Dongtai（東台）
13. Dongyang（東陽）
14. Fuyang（阜陽）
15. Fuzhou（撫州）
16. Guangzhou（廣州）
17. Handan（邯鄲）
18. Hangzhou（杭州）
19. Hefei（合肥）
20. Hengyang（衡陽）
21. Hohhot（呼和浩特）
22. Hong Kong（香港）
23. Huai'an（淮安）
24. Huangshan（黃山）
25. Huangshi（黃石）
26. Jiaozuo（焦作）
27. Yanji（延吉）
28. Jinan（濟南）
29. Jingjiang（靖江）
30. Jingmen（荊門）
31. Kunming（昆明）
32. Langfang（廊坊）
33. Lanzhou（蘭州）
34. Leshan（樂山）
35. Linyi（臨沂）
36. Longhai（龍海）
37. Mudanjiang（牡丹江）
38. Nanjing（南京）
39. Nantong（南通）
40. Ningbo（寧波）
41. Ordos（鄂爾多斯）
42. Putian（莆田）
43. Yueyang（岳陽）
44. Quanzhou（泉州）
45. Sanming（三明）
46. Shenyang（瀋陽）
47. Shenzhen（深圳）
48. Shijiazhuang（石家莊）
49. Shiyan（十堰）
50. Sihui（四會）
51. Suqian（宿遷）
52. Suzhou（蘇州）
53. Tai'an（泰安）
54. Taiyuan（太原）
55. Tongling（銅陵）
56. Urumqi（烏魯木齊）
57. Weihai（威海）
58. Wuxi（無錫）
59. Wuzhong（吳忠）
60. Wujiang（吳江）
61. Xi'an（西安）
62. Xiamen（廈門）
63. Xiaogan（孝感）
64. Xuzhou（徐州）
65. Yancheng（鹽城）
66. Yantai（煙台）
67. Yinchuan（銀川）
68. Yiwu（義烏）
69. Yixing（宜興）
70. Zhangjiakou（張家口）
71. Zhangzhou（漳州）
72. Zhenjiang（鎮江）
73. Zhongshan（中山）
74. Zhuzhou（株州）

Standard series

Our standard series asphalt pavement maintenance equipment is designed to perform small-scale and routine asphalt pavement maintenance services, such as repairing potholes, cracks and other localised defects repair. Our standard series asphalt pavement maintenance equipment include Hot-in-Place patching vehicles (PM series), traditional patching vehicles (TM series), asphalt recyclers (AR series), pavement pre-heaters (HM series), crack sealing equipment (C series) and walk-behind and hand-held vibratory roller (VR series). For the years ended 31 December 2010, 2011 and 2012, we sold 47 units, 45 units and 34 units of standard series asphalt pavement maintenance equipment, respectively. For the four months ended 30 April 2013, we sold 12 units of standard series asphalt pavement maintenance equipment with a total contract value of approximately HK$32.2 million.

The following table describes our key standard series and their applications:

Standard series	**Applications**
(i) Principal product series, or PM series, including PM640, PM500, PM400, PM300, PM220, PM200, and PM180 models	These models can be used on both municipal and highway pavements, suitable for small repair works and regular routine maintenance.
(ii) Traditional non-heating series, or TM series, including TM500	These models utilise traditional tools such as pavement saw and breaker to remove the defect area.

The PM series (修路王), is our principal product series and a sub-category of products under our standard series, includes multifunctional-vehicles with heating and paving functions, which is capable of performing the key maintenance work for small-scale projects and repairs by itself, particularly suitable for small asphalt pavement maintenance projects and regular routine maintenance. The PM400-48TRK and PM200-36TLR models of our standard series equipment are cited as industry standard Hot-in-Place equipment by the *PRC industry standard for Technical Specifications for Maintenance of Highway Asphalt Pavement* (公路瀝青路面養護技術規範) promulgated by the Ministry of Transport in 2001, which is currently in effect. Furthermore, specifications of our standard series equipment and our asphalt pavement maintenance process meet the specifications required by the Hong Kong government's bidding requirement for asphalt pavement maintenance services using Hot-in-Place technology and equipment.

Following are pictures of our PM series (修路王) models:

Standard Series - The PM series (修路王)

PM500

PM400

PM220

Modular series

Our modular series comprises various modules, which are usually used for large-scale asphalt pavement maintenance service projects and can be customised and adapted to address the specific needs of our customers in a particular asphalt pavement maintenance service project. We began selling the modular series in 2011. Our customers of modular series equipment are subject to, among others, territorial restrictions for their usage of the modular series purchased from us. We also include (i) non-competition clause that the purchaser would not compete with us and the relevant joint venture companies and (ii) restrict the purchaser to sell or transfer the equipment purchased from us directly or indirectly to our competitors in our sales contracts with these customers. As such, we do not expect any material competition with our modular series customers. For the years ended 31 December 2011 and 2012, we sold one set and eight sets of modular series equipment, respectively. For the four months ended 30 April 2013, we sold one set of modular series asphalt pavement maintenance equipment with a total contract value of approximately HK$12.5 million.

The asphalt pavement maintenance equipment illustrated below can be removed or added to the basic set to constitute a different module:

Name of the Module	Module number	Illustration	Functions
加熱王 (Pavement preheater)	HM16		Preheat to soften the pavement to prepare for asphalt recycling
加熱王 (Pavement preheater)	HM7		Preheat to soften the pavement to prepare for asphalt recycling and to melt the thin ice on frozen roads
公路王 (Pavement recycler)	RM6000		Heat, rake, rejuvenate and pave
公路王 (Pavement recycler)	RM6800		Heat, rake, rejuvenate and pave
履帶牽引機 (Tracked tractor)	TR168		Provide high traction power to tow pavement recycler
瀝青混合料加料機 (Admix feeder)	TR165		Add new asphalt mixture based on asphalt content ratio
瀝青混合料提升復拌機 (Elevator-mixer)	EM6500		Collect asphalt mixture and deliver it to the mixer for blending

The following table illustrates our typical module configurations:

Type	Module Configuration	Schematic Layout	Functions
Repave Hot-in-Place Recycling Train (整形補強就地熱再生機組)	*Preheater* : HM16(2~3 units) *Recycler* : RM6000 (1 unit) *Preheater* : HM7(1 unit)		Recycle, restore the shape of surface layer, and strengthen the surface layer by adding new layer on top
Hot-in-place Remix Recycling Train (複拌就地熱再生機組)	*Preheater* : HM16 (2~3 units) *Track tractor* : TR168(1 unit) *Recycler* : RM6800 (1 unit) *Admix tractor* : TR165(1 unit) *Elevator mixer* : EM6500(1 unit)		Recycle, and modify performance of the surface layer

With our innovative design and proprietary technology adopted, we believe our modular series equipment has strengthened our competitive advantages in the market in terms of our service quality. In particular, service speed of our modular series can reach six to eight metres per minute with minimal damage to original pavement materials.

The standard series equipment and modular series equipment are two distinct product lines with fundamental differences in their functionality, production costs, production time, technologies involved, target selling price and market condition. Modular series equipment, as compared with standard series equipment, generally employs more complex technologies in its production and requires much more labour work and production time than standard series equipment does. Furthermore, standard series equipment is measured in unit, while modular series is measured in set, meaning that modular series equipment can be customised by adding or removing modules at customer's specific requests and is generally used in large-scale asphalt pavement maintenance projects using Hot-in-Place recycling technology. On the other hand, standard series equipment conforms to standard designs and is applied to small scale repair work and regular road maintenance. The following table sets forth a comparison between our standard series equipment and modular series equipment during the Track Record Period:

Type of equipment	Servicing capacity	Target pavement damages	Selling price range[1]	Main target customers
Standard series equipment (PM series)	30-50 sq.m./day	Potholes and partial restoration	Approximately RMB0.8 million to RMB3.1 million per unit	PRC government agencies and privately-owned companies
Modular series equipment	3,000-5,000 sq.m./day	All types of complex pavement damages	Approximately RMB13.0 million to RMB27.0 million per set (depending on customer's specific requirements)	Our joint venture companies

Note:

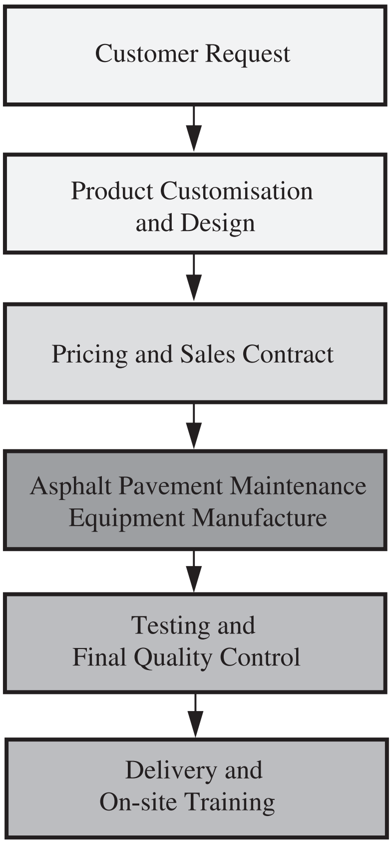
(1) Net of value-added tax.

We sell our standard series equipment to PRC government agencies and privately-owned companies who use our standard series equipment for small-scale repairs. On the other hand, we sell modular series equipment to customers who agreed to limit uses of these modular series equipment to perform asphalt pavement maintenance services in certain regional markets. The following table sets forth a breakdown by customer type of revenue from our asphalt pavement maintenance equipment segment during the Track Record Period:

Asphalt pavement maintenance equipment segment	Year ended 31 December 2010	2011	2012
	HK$'000	HK$'000	HK$'000
PRC government agencies	31,865	51,454	56,193
Privately-owned companies	5,973	13,315	35,327
Joint venture companies	—	12,751	106,084
Total	37,838	77,520	197,604

Production Process

The diagram below shows the typical process for the design and manufacturing of our asphalt pavement maintenance equipment:



Customer Request

We identify potential asphalt pavement maintenance equipment customers from our customer relationships through our sales team, previous customer referral and advertising. Our sales team engages our customers to understand their need. Our sales team recommends suitable series and modules of asphalt pavement maintenance equipment to our customers based on their particular requirements.

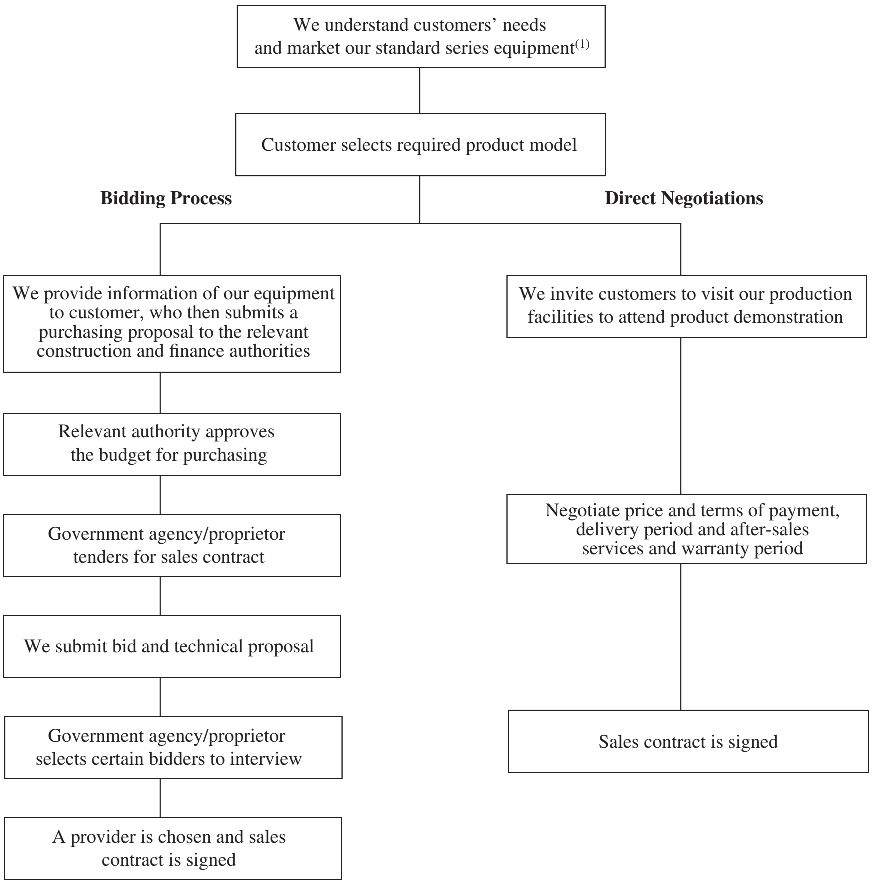
Product customisation and design

We analyse our customers' needs to customise or modify the design of asphalt pavement maintenance equipment to meet specific demands of certain customers. We then propose modified asphalt pavement maintenance equipment designs to our customers who will review and approve our design proposal.

Pricing and Sales Contract

While commercial terms of our sales contracts with our customers vary depending on the specific products sold, our contracts generally adopt a similar structure and provisions. We normally bear the cost of delivery of our products to an agreed location.

The process for obtaining sales contracts for our standard series equipment depends on the type of customer we sell to. We sell standard series equipment to PRC government agencies and privately-owned companies. We generally obtain our sales contract from PRC government agencies for municipal projects through a bidding process. We generally obtain our sales contract from PRC government agencies for highway maintenance projects through either a bidding process or direct negotiations. Sales contract with privately-owned companies are generally obtained through direct negotiations. The following chart sets forth the major steps to securing sales contract for our standard series equipment through either the bidding process or direct negotiations:



Note:

(1) Through our customer relationships with PRC government agency, road authorities and highway administration, our sales team becomes aware of our customers' needs.

We generally obtain sale contracts for modular series equipment through direct negotiation. The negotiation process is similar to the direct negotiation process for selling standard series equipment mentioned above.

Privately-owned companies also approach us through customer referral or our advertising efforts.

Pricing policy

Our products are sold with reference to the prevailing market prices. Although we take into account various factors when pricing our asphalt pavement maintenance equipment, including market conditions, level of competition, cost of raw materials and components sales volumes as well as transportation and insurance costs involved, we do not adopt a cost-plus method in determining the selling prices of our asphalt pavement maintenance equipment. The selling price of our modular series equipment is determined after arm's length negotiations between us and the customer depending on the configurations of the modules required and is generally set with reference to the market price for modular series equipment comprising the similar modules produced by other manufacturers. According to CCID, our selling prices of modular series equipment are within the market price range in the PRC, which generally ranged between approximately RMB10 million and RMB35 million during the Track Record Period. In order to manage our raw material costs, we generally let the customers choose from several types of chassis, the prices of which tend not to fluctuate substantially during the period from the signing of the contract and the delivery of the ordered equipment. As a result, we are able to pass through the cost of chassis, which is the single largest cost component for our asphalt pavement maintenance equipment, to customers. The prices of other raw materials we use in manufacturing asphalt pavement maintenance equipment, such as liquefied petroleum gas and hydraulic components, do not tend to fluctuate significantly during the production period for each unit or set of asphalt pavement maintenance equipment. As a result, we generally do not include price adjustment clause in our sales contracts to customers of our asphalt pavement maintenance equipment. Our management will regularly review whether our prices are competitive in the market to ensure we maintain our market position and profit margin.

Payment and credit terms

Payment method and credit terms of our asphalt pavement maintenance equipment sales contracts depends on the type and payment history of the customer. We generally grant a credit period of 15 days to our PRC government agency customers who directly negotiate the sales contracts with us and require prepayment of up to 50% of the contract value. We also generally grant a credit period of 30 days to PRC government agency customers who purchase through bidding and require no prepayment. For privately-owned companies, we require prepayments ranging from 30% to 70% of the contract value and grant credit periods ranging from three days to 15 days, depending on the customer's payment history with us. We generally grant a credit period of 15 days to our joint venture companies and require no prepayment. Overall, the credit period stipulated in our asphalt pavement maintenance equipment sales contracts ranged from three days to 30 days during the Track Record Period. Our equipment customers usually retain 5% to 10% of the contract price as retention money payable which will be collected after expiration of the warranty period.

After-sales services and warranty period

We have a well-developed after-sales service programme for customers of our asphalt pavement maintenance equipment. We have established an equipment maintenance and training centre that provides product demonstration and training for our customers to ensure their safe operations of different asphalt pavement maintenance equipment. Our equipment maintenance and training centre is also responsible for handling all customer complaints and resolving customer disputes relating to equipment quality. We have set up standard written procedures to ensure responsible and prompt response to a customer's complaint. According to our written procedures, our staff at the equipment maintenance and training centre are required to immediately fill out the customer complaint form upon receiving a complaint from a customer, they then verify the details of complaint with other relevant department (e.g., sales department) and respond to the customer. According to the written procedures, we should keep a record of every customer complaint and our responses and at every year-end we summarise all complaints we have received in the year and report to the senior management. Our after-sales services team also continues to provide consultation to our customers by way of maintaining close contact with them, tracking their user experience. We strive to ensure that our customers will get a response from us within 24 hours of making any service requests. We will send a team to the designated equipment location within the fixed number of days specified in each customer contract to repair the equipment if required. Our customers can reach us by dialling our 24-hour hotline. In addition to the standard customer services, we also provide a one-year to two-year warranty period for most of our products starting from the date when our equipment passes the customer's inspection. If the asphalt pavement maintenance equipment purchased by our customers contains defects which are caused during our production process, we provide repair services free of charge within the warranty period. Our Directors confirm that there was no dispute relating to our asphalt pavement maintenance service equipment or any return of our asphalt pavement maintenance equipment from customers during the Track Record Period.

Asphalt pavement maintenance equipment production

Our production team formulates the production plan for a certain product according to market forecast and specifications stipulated in the sales contracts we enter into. Our procurement department then formulates the purchase proposal and purchases the required raw materials and components to satisfy the production schedule. We prepare certain amounts of additional raw materials and semi-equipped products in our inventory which require long purchasing lead time. The procurement process for each of our orders normally takes approximately seven days to three months, depending on the requirement of our customers.

Various components are assembled during the production process. This process includes welding, painting, assembling and testing. Raw materials and components processing and assembling take approximately two weeks for the standard series and two months for the modular series.

Testing and final quality control

We have obtained the ISO9001 Certification in respect of our quality management system for the manufacture of asphalt pavement maintenance equipment. We have also received equipment manufacturing quality control certifications such as Certificate for China Compulsory Product Certification (中國強制性產品認証證書) from China Quality Certification Centre (中國質量認証中心). We have implemented strict quality control standards to identify and solve potential quality problems at the key steps of our production chain. Our senior management oversees our quality control team of our asphalt pavement maintenance equipment segment and is actively involved in setting internal quality control policies. Our quality control personnel inspect key stages of the asphalt pavement maintenance equipment production process. In addition, our quality control team perform final calibration and testing on each of our products upon their completion of production.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced any product recall that adversely impacted our reputation, business operations or financial condition. We also provide training to our employees to enhance their knowledge of our quality control system. Our quality control team has published quality control instructions entailing the standards for every type of asphalt pavement maintenance equipment. We have also created production process record forms in which each step of the assembling process needs to be signed off.

Delivery and on-site training

Finished products will either be delivered to a designated location as requested by our customer or our customer will arrange self-pick-up. Pursuant to our sales contracts, we generally bear delivery cost for our finished products.

Production Facilities

Our plant is located in Nanjing, Jiangsu Province, with an aggregate site area of approximately 26,600 sq.m. and a total gross floor area of approximately 9,700 sq.m. Below are some picture illustrations of our production facilities at our current production plant:

Our production plant was originally constructed according to the production requirements and specifications for standard series equipment. However, as we began to manufacture modular series equipment, the production of which is more complicated and requires more space and specific adjustments to the production facilities than the production of standard series equipment, we experienced production capacity constraints on our asphalt pavement maintenance equipment. We also recognise potential safety concerns that may arise during production at our currently crowded production plant. Furthermore, we foresee an increased demand for asphalt pavement maintenance equipment to be used in our own asphalt pavement maintenance service projects as we continue to expand our asphalt pavement maintenance service operations to capitalise on market opportunities in the PRC. We also anticipate an increase in sales of modular series equipment to our joint ventures in the near future as we intend to set up more joint venture companies, to which we may sell modular series equipment, and as our existing joint venture companies may demand more modular series equipment if their business operations continue to expand. As a result, we plan to construct a new plant partially on the same parcel of land with our existing plant and partially on a parcel of land adjacent to our existing plant, which has a site area of approximately 13,500 sq.m. We have acquired the land use rights to build this new plant. We have also acquired the construction commencement permit (施工許可證) to commence construction of the new plant. For further information on the permits of our new plant, please refer to the section headed " — Properties — Leased properties — Approvals and permits" in this prospectus. We commenced the construction of our new plant in February 2013 and expect to complete the construction in 2014. The new plant will include a production facility of a gross floor area of approximately 13,400 sq.m. and two new buildings for our design institute, research centre and auxiliary purpose. We expect that the new production facility will become operational by late 2013 upon partial completion of the construction and will double our production output by the end of 2014 when the construction is completed. We have obtained the title certificate to the land and will apply for the title certificate for our new production plant upon final inspection and acceptance (竣工驗收) of the new plant. The total investment cost of the new plant is expected to be approximately HK$62.5 million, of which approximately HK$12.7 million has been invested as of the Latest Practicable Date. We intend to use a portion of the proceeds from the Global Offering, internally generated funds and bank borrowings to finance the investment cost of the new plant.

Production Capacity and Output

Due to the nature of our business, our current production capacity for asphalt pavement maintenance equipment cannot be reliably expressed as the number of units of equipment we are able to produce. The difficulty in assessing our current production capacity in terms of units of equipment is primarily due to the substantial difference in production time of our standard series equipment and modular series equipment, which is, in turn, affected by the time and number of staff we allocate to the production of each type of equipment. As we started to manufacture modular series equipment, we did not separate the production areas or production team for standard series equipment and modular series equipment. Therefore, we cannot readily estimate our current production capacity for each of our equipment type.

During the Track Record Period, our designed total asphalt pavement maintenance equipment production capacity was calculated as being equal to manufacturing 100 units of standard series asphalt pavement maintenance equipment per year at our existing Nanjing production facility. On this basis that the production time required for each unit of PM series equipment (standard series) takes, on average, approximately 1,500 to 2,000 man-hours, the designed capacity of our existing Nanjing production facility is approximately 175,000 man-hours. Our actual man-hours, which represent the man-hours we used for the production of asphalt pavement maintenance equipment for sale to customers, were approximately 149,900 man-hours, 171,800 man-hours and 196,400 man-hours for the years ended 31 December 2010, 2011 and 2012, respectively. We manufactured 57 units, 47 units and 48 units of standard series equipment for the years ended 31 December 2010, 2011 and 2012, respectively, and two sets, three sets and eight sets of modular series equipment for the same periods, respectively.

We outsource certain tasks to subcontractors for specific finishing or treatment that we do not currently carry out in-house or require special equipment which we do not own. Sometimes, we also subcontract the structural welding when our in-house capacity is fully occupied.

Inventory Control

We actively monitor our inventories including raw materials and components, work-in-progress and finished products to ensure cost efficiency, quality control and timely delivery of products. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements to finance our inventories.

We set inventory targets to guide our procurement plan for our asphalt pavement maintenance equipment segment and we closely monitor the inventory levels. Our enterprise resource planning system, the ERP system, provides up-to-date inventory information on our products. Based on this, our senior management regularly evaluates our procurement plan. They also propose strategic suggestions on the improvement of inventory turnover.

CUSTOMERS

We provide asphalt pavement maintenance services and sell asphalt pavement maintenance equipment in the PRC and Hong Kong. During the Track Record Period, our customers in both our asphalt pavement maintenance service segment and asphalt pavement maintenance equipment segment primarily included PRC government agencies at various levels, which, in turn, primarily comprised: (i) municipal government agencies that generally oversee the construction and maintenance of infrastructure and public facilities in a city, (ii) road authorities that generally oversee the maintenance of road networks in a particular geographical region, and (iii) highway administrations that generally oversee the construction and maintenance of highways in a particular geographical region, and privately-owned companies. In addition to PRC government agencies and privately-owned companies, our customers in the asphalt pavement maintenance equipment segment also include joint venture companies we established with local asphalt pavement maintenance service providers or person with local sales networks.

In our asphalt pavement maintenance service projects during the Track Record Period, we had three different categories of contracts based on our role and contractual relationship with the project owners. In the first category, we entered into contracts for asphalt pavement maintenance services directly with customers, who, to the best knowledge of our Directors, are project owners. In the second category where asphalt pavement maintenance services were part of a large infrastructure maintenance project, we acted as a subcontractor responsible for asphalt pavement maintenance services under a main contractor responsible for the entire project, and we entered into subcontracting contracts for asphalt pavement maintenance services with the main contractors. In the third category, we acted as the main contractor for an infrastructure maintenance project, and we performed the asphalt pavement maintenance services ourselves and outsourced non-asphalt pavement maintenance work to third-party subcontractors. During the Track Record Period, we only acted as the main contractor in one project in 2010, where we entered into a contract with the project owner for the project and separate contracts with subcontractors for the non-asphalt pavement maintenance-related work we outsourced to them.

The table below sets forth a breakdown of our revenue from the asphalt pavement maintenance service segment by the three categories of contracts as discussed above:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Contract with project owners directly for asphalt pavement maintenance services	85,360	43.7	108,869	53.4	233,563	81.0
Contract with main contractor to act as subcontractor for asphalt pavement maintenance services	58,390	29.9	94,890	46.6	54,836	19.0
Contract with project owner to act as main contractor in an infrastructure maintenance project	51,557	26.4	N/A	N/A	N/A	N/A
Total:	195,307	100.0	203,759	100.0	288,399	100.0

The table below sets forth a breakdown of our revenue by customer type for the periods indicated:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
PRC government agencies	199,616	228,697	307,911
Privately-owned companies	33,529	39,831	69,494
Joint venture companies[1]	—	12,751	108,598
Total	233,145	281,279	486,003

Notes:

(1) Since 2011, we have established seven joint venture companies, Freetech Ordos, Freetech Yueyang, Hengtong Suqian, Futech Road Recycling, Jianda Urumqi, Lujie Nanjing and Suitong Guangzhou, with local asphalt pavement maintenance service providers in certain regional markets in the PRC and a third-party investor. In June 2012, we acquired a controlling interest in Freetech Ordos and it became our subsidiary. We derived revenue from sales of asphalt pavement maintenance equipment to these joint venture companies.

In 2010, we acted as the main contractor in the Xuzhou Huaihai Road municipal project, where we performed the Hot-in-Place asphalt pavement maintenance services ourselves and outsourced other non-asphalt pavement maintenance service related work in this project, such as repairing manhole covers, treating road base and removing road median dividers, to third-party subcontractors.

During the Track Record Period and up to the Latest Practicable Date, we had only acted as the main contractor in one project. We do not expect to act as the main contractor in the foreseeable future.

Revenue generated from our five largest customers accounted for approximately 46.3%, 35.1% and 38.1% of our revenue for the years ended 31 December 2010, 2011 and 2012, respectively. Revenue generated from our largest customer accounted for approximately 22.2%, 16.0% and 9.3% of our revenue for the years ended 31 December 2010, 2011 and 2012, respectively. We have maintained business relationship with our five largest customers during the Track Record Period for a period ranging between approximately one to three years. We commenced business relationship with PRC government agencies more than 12 years ago.

For the year ended 31 December 2011, we sold one set of our modular series equipment to Freetech Ordos, which was one of our joint venture companies at the time of the transaction. Due to such transaction, Freetech Ordos became one of our five largest customers during the Track Record Period. None of our Directors, their associates, or any Shareholders, who, to the knowledge of our Directors owns more than 5% of our issued share capital (without taking into account of any exercise of the Over-allotment option), had any interest in the remaining four of the top five customers during the years ended 31 December 2010, 2011 and 2012.

PROCUREMENT, SUPPLIERS AND SUBCONTRACTORS

The principal raw materials used in our asphalt pavement maintenance service are bitumen, asphalt mixture and rejuvenating agents, which are readily available with abundant supply. During the Track Record Period, our average purchase price for asphalt mixture, our major pavement material used for asphalt pavement maintenance services, was approximately RMB660 per tonne, RMB550 per tonne and RMB560 per tonne for the years ended 31 December 2010, 2011 and 2012, respectively. Asphalt is the major component of asphalt mixture, which includes other low-priced components such as stones and sand. Therefore, according to CCID, the average purchase price of asphalt mixture per tonne is much lower than the average purchase price of asphalt per tonne. According to CCID, the market price of asphalt continued to increase from approximately RMB3,800 per tonne in January 2010 to approximately RMB4,750 per tonne in December 2012. The increase, according to CCID, was primarily due to the increase in asphalt consumption as a result of China's economic growth. We have entered into project-based non-binding framework agreements with some of our suppliers for the provision of asphalt mixture. The major terms of the framework agreements usually address the specifications, unit price and delivery arrangements of the asphalt.

The principal raw material and components for our asphalt pavement maintenance equipment production are chassis, liquefied petroleum gas components and hydraulic components, which are readily available in the market. We purchase our raw materials and components for our asphalt pavement maintenance equipment segment in accordance with our production requirements with certain buffer to ensure that we have sufficient amount to meet our production schedule. We generally do not enter into any framework agreements with our suppliers of raw material and components for our asphalt pavement maintenance equipment segment.

We generally source our raw materials used in our asphalt pavement maintenance services from suppliers who operate in close proximity to our service site. We primarily source our raw materials and components used in our asphalt pavement maintenance equipment production from dealers and manufacturers offering various machinery components in the PRC. We provide our suppliers with detailed specifications of raw materials and components we need and have stringent incoming quality control standards in place for major raw materials and key components to ensure the raw materials and components delivered meet the specifications and quality standards we demand.

We have established good and long-term relationships with our major suppliers, some of which have been our suppliers for over seven years. When selecting our suppliers, we take into consideration various factors including reputation, marketing position and prior experience. We undergo a stringent process in approving a new supplier and keep record for all of our suppliers as they providing raw materials to us. We perform annual review on and conduct onsite visit to our suppliers in determining whether to maintain their position as our preapproved suppliers.

Our suppliers for asphalt pavement maintenance service projects generally grant us a credit period of seven days to 90 days depending on the duration of project and quantity of raw materials we need. Our suppliers for asphalt pavement maintenance equipment generally grant us a credit period of 30 days to 90 days. Our suppliers usually accept payments in cash, bank cheque or bank transfer.

Cost of raw materials for our asphalt pavement maintenance service segment accounted for approximately 39.8%, 50.8% and 57.0% of our cost of sales for our asphalt pavement maintenance service segment for the years ended 31 December 2010, 2011 and 2012, respectively, while our outsourcing cost accounted for approximately 31.6%, 6.0% and 4.8% of our cost of sales for our asphalt pavement maintenance service segment for the same period, respectively. Our large percentage of outsourcing cost incurred in the year ended 31 December 2010 was primarily due to the Xuzhou Huaihai Road municipal project, where we acted as a main contractor and outsourced the non-asphalt pavement maintenance services, such as repairing manhole covers, treating road base and removing road median dividers, to subcontractors.

Cost of raw materials and components for our asphalt pavement maintenance equipment segment accounted for approximately 76.7%, 79.5% and 81.4% of our cost of sales for our asphalt pavement maintenance equipment segment for the years ended 31 December 2010, 2011 and 2012, respectively.

Our five largest suppliers accounted for approximately 41.9%, 25.2% and 26.8% of our total purchases for the years ended 31 December 2010, 2011 and 2012, respectively. Our largest supplier accounted for approximately 28.8%, 12.7% and 6.5% of our total purchases for the years ended 31 December 2010, 2011 and 2012, respectively. None of our Directors, their associates, or any Shareholders, who, to the knowledge of our Directors owns more than 5% of our issued share capital (without taking into account of any exercise of the Over-allotment Option), had any interest in our five largest suppliers during the years ended 31 December 2010, 2011 and 2012.

DESIGN, RESEARCH AND DEVELOPMENT

We believe our strong design, research and development capability has been one of the key factors contributed to our success. Mr. Sze, the founder of our Group and one of our executive Directors, has over 15 years of experience in the asphalt pavement maintenance industry. He is an inventor of our Hot-in-Place technology and also our chief engineer and oversees our overall research and development activities. In May 2009, Mr. Sze received "The Ninth Nanjing Science and Technology Achievement Award" (第九屆南京市科技功臣獎) from the Nanjing municipal government and was nominated as "Young to Middle-aged Expert with Outstanding Contributions in Jiangsu Province for 2012" (2012江蘇省有突出貢獻中青年專家) from the Nanjing Municipal Bureau of Human Resources and Social Security (南京市人力資源和社會保障局) in February 2013 in recognition of his achievement in the asphalt pavement maintenance industry. Under Mr. Sze's leadership, our business expanded from the manufacturing of standard series equipment to modular series equipment, then to asphalt pavement maintenance services and research and development of asphalt pavement maintenance technologies.

Each of our asphalt pavement maintenance equipment segment and our asphalt pavement maintenance service segment is supported by a dedicated in-house research and development team. Mr. Chan Kai King (陳啟景), who has a master's degree in mechanical engineering and a bachelor's degree in manufacturing engineering, leads our asphalt pavement maintenance equipment research and development team. Mr. Zhang Yifu (張义甫), who has a bachelor's degree in Mechanical Engineer, leads our asphalt pavement maintenance service research and development team. Under their leadership, our research and development department has obtained a number of patents and won many awards and recognitions. For example, our three core technologies in Hot-in-Place recycling were certified by the Ministry of Transport in the PRC in March 2009 as internationally leading (國際領先).

Our two research and development teams collaborate closely with each other in developing the latest asphalt pavement maintenance technologies and product designs. Leveraging on our asphalt pavement maintenance service capabilities and our expertise in asphalt pavement maintenance equipment design, we believe we have a competitive advantage to secure our existing customers and attract more potential customers as we are able to use field data and information gathered from our asphalt pavement maintenance services and asphalt pavement maintenance equipment sales to further develop our products and services. Moreover, each research and development team is structured with focused groups that are dedicated to specific research areas. For example, we have an asphalt mixture focused group that analyses our field data relating to asphalt mixture from damaged pavements. With in-depth knowledge in pavement materials and latest technologies relating to asphalt pavement maintenance, this group also oversees the development of our rejuvenating agent, a vital component of the design process that helps to increase pavement load capability. Furthermore, we have performed in-depth research primarily focused on the heating of asphalt pavement and blending of asphalt mixture to improve our Hot-in-Place recycling technology and the functionality of our asphalt pavement maintenance equipment. As a result of our on-going research efforts, we have distinguished our Hot-in-Place recycling technology from that of our peers in that (i) our servicing speed is faster than our competitors; and (ii) we adopt a modular design in our service equipment, which allows us to perform asphalt pavement maintenance services in a wide range of territories and requires less time to transport our service equipment and deploy them on the work site.

As of the Latest Practicable Date, we had registered 82 patents with relevant PRC patent authority, of which, seven are invention patents, 67 are utility model patents and eight are design patents. In addition, we had filed 16 patents, including 13 invention patents and one utility model patents, with relevant PRC patent authority which were still pending as of 31 December 2012.

Our research and development capabilities have been recognised by various government authorities in the PRC. In October 2012, we were granted the Jiangsu Province Science and Technology Achievement Project Fund (江蘇省科技成果轉換項目基金) of RMB8.0 million by the Jiangsu Science and Technology Bureau (江蘇省科學技術廳) in recognition of the technical contributions of our Hot-in-Place recycling technology to the development of the asphalt pavement maintenance industry. Our asphalt pavement maintenance equipment research institute has been designated by the Jiangsu Development and Reform Commission (江蘇省發展和改革委員會) as Jiangsu Province Road Maintenance Equipment Engineering Laboratory (江蘇省公路養護裝備工程實驗室) and our asphalt pavement maintenance service technology research centre has been designated by the Jiangsu Science and Technology Bureau (江蘇省科學技術廳) as the Research Centre for Asphalt Pavement Surface Hot-in-Place Recycling Technology (江蘇省瀝青路面熱再生技術研究中心). In March 2009, the core technologies in Hot-in-Place recycling intermittent thermal-radiant heating technique (間歇式熱輻射加熱技術), which is a heat transferring technique, multi-set scarifying process (多組多排疏鬆耙原路面疏鬆工藝), which is a raking process, and spinning-cup rejuvenating agent spreading system (盤式再生劑撒布系統), which is a rejuvenating agent distribution system, were certified by the Ministry of Transport to be internationally leading (國際領先). We have developed the urban road excavation and rapid filling restoration process (城市道路開挖快速回填恢復施工工藝), which uses recycled materials from the excavated road or recycled construction materials to refill the road base. Compared with the traditional excavation process that uses new sand and aggregates as filling materials and requires weeks of road closures, this process is more environmentally friendly, lowers cost of raw materials and lessen time required for road closures and traffic diversions. In recognition of our urban road excavation and rapid filling restoration process, we were appointed by the Jiangsu Provincial Bureau for Housing and Urban-rural Construction (江蘇省住房和城鄉建設廳) to help draft the Code for Construction and Acceptance of Urban Road Excavation and Quick Recovery (《城鎮道路開挖、回填、恢復快速施工及驗收規程》) and Code for Construction and Acceptance of Urban Road Asphalt Pavement Hot In-place Recycling (《城鎮道路瀝青路面就地熱再生施工及驗收規程》). Both codes were promulgated and became effective in Jiangsu province in 2013. In 2010, we received the Jiangsu Province Science and Technology Award Second Class Honour for our Hot-In-Place recycling and asphalt pavement maintenance equipment and technologies (瀝青路面就地熱再生成套設備和施工技術) from the Jiangsu provincial government. In November 2008, our research project on the production of road base materials using construction waste materials (利用建築廢料生產道路基層材料項目) was selected into the National Torch Plan (國家火炬計劃), a national programme for the development and promotion of high-and-new technology products. Our urban road excavation and rapid filling restoration process (城市道路開挖快速回填恢復施工工藝) and asphalt pavement Hot-in-Place recycling process (瀝青混凝土路面就地熱再生施工工藝) were recognised as Jiangsu Provincial Construction Science and Technologies Achievement Projects by Jiangsu Provincial Construction Bureau (江蘇省建設廳) in 2007. In addition, ten types of our asphalt pavement maintenance vehicles were recognised as indigenous innovative products (自主創新產品) by the Nanjing Science and Technology Bureau (南京市科學技術局) and Nanjing Municipal Administration of Finance (南京市財政廳) in 2009. Eight types of our asphalt pavement maintenance vehicles were recognised as high-and-new technology products (高新技術產品) by the Jiangsu Department of Science and Technology between 2004 and 2011.

In order to maintain our strong design, research and development capability, we also entered into a research cooperation agreement with Tongji University (同濟大學) on 6 March 2012, and such an agreement will be effective for ten years. This will further our research and development on asphalt pavement maintenance technologies and equipment design. The major terms of the cooperation agreement include that (i) we will establish a research centre with Tongji University, (ii) we will provide a total value of RMB3 million for our research in the first three consecutive years starting from the effective date of the agreement, (iii) Tongji University will provide us with research personnel, research lab as well as certain testing equipment and technical support in conducting collaborative research projects and will assist us with applying the research results or projects for commercial use and (iv) Tongji University has agreed not to enter into any cooperation agreement with other asphalt pavement maintenance service providers while our partnership is still effective. Upon the establishment of the research centre, the ownership over our collaborative research results will be determined on a case-by-case basis in separate agreements.

The table below lists some of the awards and recognitions we received for our strong design, research and development capabilities:

Year	Name of the award or recognition	Reasons for recognition	Awarding authority
2012	Jiangsu Province Science and Technology Achievement Project Fund (江蘇省科技成果轉化專項資金)	to recognise our technological achievements and ability to promote and implement Hot-in-Place asphalt pavement maintenance services	Jiangsu Science and Technology Bureau (江蘇省科學技術廳)
2004-2012	Jiangsu Province high-and-new technology enterprise (江蘇省高新技術企業)	our innovation and research and development capabilities	Jiangsu Science and Technology Bureau (江蘇省科學技術廳); Jiangsu Province Department of Finance (江蘇省財政廳); Jiangsu Local Taxation Bureau (江蘇省地方稅務局); Jiangsu State Administration of Taxation (江蘇省國家稅局)
2011-2012	GB/T28001-2001 Occupational Health and Safety Management System Certification (GB/T28001-2001 職業健康安全管理體系認證)	granted for our quality labour safety measures	Jiangsu Jiuzhou Certification Co., Ltd. (江蘇九州認証有限公司)
2011	Jiangsu province road maintenance equipment engineering laboratory (江蘇省公路養護裝備工程實驗室)	asphalt pavement maintenance equipment research and development capabilities	Jiangsu Development and Reform Commission (江蘇省發展和改革委員會)
2010	2010 Jiangsu Province Science Technologies Awards Second Class Honour (2010年度江蘇省科學技術獎二等獎)	awarded to Asphalt Pavement Hot-In-Place Recycling Train and Hot-In-Place Recycling Technology (瀝青路面就地熱再生成套設備和施工技術)	Jiangsu Provincial Government (江蘇省人民政府)
2010	Cyclic Economy Pilot Enterprise (循環經濟示範企業)	we produce asphalt pavement maintenance equipment and provide asphalt pavement maintenance services in an environmentally friendly manner	Economic Commission of Jiangsu Province (江蘇省經濟委員會); and Bureau of Environmental Protection of Jiangsu Province (江蘇省環境保護局)
2009	internationally leading (國際領先)	certification for our three core technologies in Hot-in-Place recycling	Ministry of Transport (交通運輸部)

Year	Name of the award or recognition	Reasons for recognition	Awarding authority
2009	Jiangsu province asphalt pavement Hot-in-Place engineering technologies research centre (江蘇省瀝青路面熱再生工程技術研究中心)	our achievements in researching and developing our Hot-in-Place Recycling technology	Jiangsu Province Department Science and Technology (江蘇省科學技術廳); Jiangsu Province Department of Finance (江蘇省財政廳)
2008-2012	ISO 14000 Environmental Management System Certification (ISO14000環境管理體系認證書)	asphalt pavement maintenance equipment segment meets environmental system standard	Jiangsu Jiuzhou Certification Co., Ltd. (江蘇九州認証有限公司)
2007, 2010	first place for two consecutive terms in Hot-in-Place recycling category of customer satisfaction award for road construction and maintenance equipment (Hot-in-Place recycling category) (用戶滿意的築養路機械企業(就地熱再生類別)第一名)	high customer recognition for our quality asphalt pavement maintenance equipment and after-sales services	China Transportation Newspaper (中國交通報)
2003-2012	ISO9001 Quality Management System Certification (ISO9001質量管理體系認證)	our high quality asphalt pavement maintenance equipment production, design and quality control meet international standard	Beijing New Century Certification Co., Ltd 北京新世紀認証有限公司; Jiangsu Jiuzhou Certification Co., Ltd. (江蘇九州認證有限公司)
2001	recommended asphalt pavement maintenance equipment by the PRC industry standard for Technical Specifications	PM400-48TRK, PM200-36TLR under the PM series (修路王) cited as the industry standard	Ministry of Transport (交通運輸部)

We believe our awards and recognitions evidence our leading Hot-in-Place recycling technology, our influence in the asphalt pavement maintenance industry and our provision of high-quality and customised asphalt pavement maintenance services and asphalt pavement maintenance equipment to our customers.

MARKETING

We believe our success depends in part on our ability to maintain and enhance the market recognition of our services and equipment. Accordingly, in addition to identify our asphalt pavement maintenance equipment with different model names and brand names such as "修路王", we also brand our services under the registered trademark "公路医生®" (Road Doctor). We believe our ability to provide tailored solutions for damaged asphalt pavements by customising asphalt mixture design and service techniques is similar to how medical doctors curing diseases.

As of 31 December 2012, our marketing and sales team comprised 54 personnel. Our marketing and sales team is responsible for carrying out our overall marketing strategies and organising promotional events. All personnel of our marketing and sales team are highly knowledgeable about our products and services and have extensive sales experience. We also require our marketing and sales personnel to keep abreast of the latest market trend and developments within the industry. We mainly focus our marketing efforts on national and provincial highways as well as municipal roads as we believe these are the major markets for our services and equipment. We leverage the quality of our services and products in our marketing efforts. We sponsor seminars and training sessions to showcase our services and products and demonstrate our capabilities to our customers. In addition, we also distribute monthly newsletters and product brochures to potential customers to update them our product information and technology development. In addition, we also work closely with our joint venture partners to conduct customised advertising, marketing and promotional activities within a specific region.

In addition to expanding customer base by attracting new customers, we believe it is equally important to maintain our relationship with existing customers. We conduct surveys from time to time to obtain feedback from our existing customers on our services and products, and communicate such feedback with our research and development teams for further improvement of our services and products to better suit the needs of our customers.

JOINT VENTURES

We have been conducting some of our asphalt pavement maintenance service business through our joint ventures since 2011. Since 2011 and up to the Latest Practicable Date, we had established seven joint ventures, Freetech Ordos, Freetech Yueyang, Hengtong Suqian, Futech Road Recycling, Jianda Urumqi, Lujie Nanjing and Suitong Guangzhou, with local asphalt pavement maintenance service providers in certain regional markets in the PRC and a third-party investor. The revenue of Freetech Ordos has increased significantly since its establishment in 2011 and we expect a great growth potential in Ordos region. In order to better control and manage our operations in Ordos region, we acquired a controlling interest in Freetech Ordos in June 2012 and it then became our subsidiary.

We decided to establish joint ventures to explore asphalt pavement maintenance service opportunities in the local markets together with our joint venture partners, capitalising on synergies created by our advanced technology and service expertise and their local knowledge and networks. According to CCID, geographic barriers for providing asphalt pavement maintenance services exist between different regions in the PRC. Asphalt pavement maintenance service providers, especially those focusing on traditional asphalt pavement maintenance technologies, normally do not expand their service coverage beyond the geographic region where they are based. According to CCID, road owners usually rely on local engineering companies to provide solutions for their asphalt pavement maintenance service requirements, unless a project requires asphalt pavement maintenance service project design capabilities and advanced technology, which local traditional asphalt pavement maintenance service providers do not usually possess. As mentioned in the paragraph headed "asphalt pavement maintenance equipment segment" in this section and the section headed "Industry Overview", our modular series equipment is capable of repairing all types of complex pavement damages at a relatively fast servicing speed and with lower raw material cost as well as transportation cost. As a result, unlike traditional asphalt pavement maintenance service providers who have significant geographic limitations, we do not have such limitations due to our advanced design and technological expertise. As a result of the *Twelfth Five-Year Plan for Transport* (交通運輸"十二五"發

展規劃) and the *Guidance on Promoting Road Pavement Material Recycling* (關於加快推進公路路面材料循環利用工作的指導意見), which set the target recycling rates for road pavement in the PRC and timelines that local governments and private companies are required to abide and introduce specific funding and/or tax treatment incentives to accelerate the process, local governments and private project owners have become more receptive to the Hot-in-Place recycling technology, which, in turn, has created business opportunities for us to enter into certain selected new markets. In recent years, local regulatory authorities have established specific departments to monitor the road maintenance activities and requirements and placed more emphasis on road maintenance with recycling technology, which would stimulate the demand for non-traditional asphalt pavement maintenance technologies, including Hot-in-Place recycling technology, according to CCID. Capitalising on the local market expertise that our joint venture partners and potential joint venture partners possess and available funding by investors, we believe that we are able to introduce our Hot-in-Place recycling technology in certain selected markets to further expand our business and geographical presence in a more effective manner.

The commercial terms of our joint venture contracts vary depending on the particular joint venture partners, but the contracts have a similar structure and provisions. Some of the key terms of our joint venture contracts are set out below:

- *Territorial restrictions*: each joint venture company can only operate in a designated territory, normally within a city or a province/region where the joint venture company is located for their operation; without prior consent of the other party, neither we nor the joint venture partner may engage in any large-scale Hot-in-Place asphalt pavement maintenance services or cooperate with a third party to carry out Hot-in-Place asphalt pavement maintenance services in the region. Further, we cannot sell our modular series into such region without the consent of the joint venture partner in such respective region. We do not need prior consent from our joint venture partner for the sale of our standard series asphalt pavement maintenance equipment in such respective region, primarily because our joint venture companies mainly focus on asphalt pavement maintenance service projects that require the use of modular series equipment, which cannot be performed by standard series equipment due to the differences in their, among others, functionality and technology involved. Revenue derived from the provisions of asphalt pavement maintenance services using standard series equipment accounted for less than 10% of our total revenue for asphalt pavement maintenance service segment during the Track Record Period. Our Directors are of the view that we do not face any material competition with customers of standard series equipment and our competitiveness will not be adversely affected by the sales of standard series equipment to our customers.

- *Non-competition*: without our prior consent, each joint venture partner and its related parties are not allowed to engage in any Hot-in-Place recycling asphalt pavement maintenance service projects, use third parties' Hot-in-Place asphalt pavement maintenance equipment, or work with third parties to perform Hot-in-Place recycling asphalt pavement maintenance services in the regional market where the respective joint venture company is established.

- *Obligation to purchase or lease*: each joint venture company has an obligation to purchase or lease Hot-in-Place asphalt pavement maintenance equipment from qualified asphalt pavement maintenance equipment suppliers designated by us.

- *Performance requirement*: we have the right to modify the territory where a joint venture operates in if such joint venture cannot meet operational target set out by its board of directors for two consecutive years.

We carefully select our joint venture partners to establish joint ventures primarily with other local asphalt pavement maintenance service providers or individuals who possess local industry expertise and customer networks in our target regions of expansion, share our strategic goals and would help us to establish our presence in those selected markets. Our selection criteria also include the potential partner's history of business dealings with us, relationship with our customers and level of local reputation. Some of our joint venture partners had been our customers for asphalt pavement maintenance services or are related to our customers for asphalt pavement maintenance services in the past. We do not consider the strategy of conducting business through joint venture companies a significant change in our current business model. Instead, we believe that by entering into strategic joint ventures with asphalt pavement maintenance service providers with extensive local coverage or individuals with local sales networks in certain regions, we will be able to tap into new markets, broaden our customer base and increase our market shares in the PRC in a more effective manner. During the Track Record Period, our core business activities with our joint venture companies were to conduct asphalt pavement maintenance service projects through joint venture companies and to sell asphalt pavement maintenance equipment to the joint venture companies, both of which fall under the two business segments that make up our current business model, namely the provision of asphalt pavement maintenance services and manufacturing and sales of asphalt pavement maintenance equipment. We do not expect any material changes in our income stream as well as our cost structure in the near future, as the provision of asphalt pavement maintenance service and manufacturing and sales of asphalt pavement maintenance equipment will remain our core business activities. For details of the relevant risks relating to the joint ventures, please refer to the paragraphs headed "We conduct some of our business through our joint ventures and intend to establish additional joint ventures with other local asphalt pavement maintenance service providers, which involves certain levels of risks and may adversely affect our own business reputations and results of operations" and "Our customers may improperly use our modular series asphalt pavement maintenance equipment, which may materially and adversely affect our business, financial condition and results of operations" under the section headed "Risk Factors" in this prospectus.

To ensure cooperation from our joint venture partners and that the joint venture companies will carry out our planned business expansion, we are directly involved in the management of our joint venture companies. We have the rights to nominate directors for some of our joint ventures (details of which are set out in the sub-paragraph headed "Major terms of our joint venture contracts with, articles of association and corporate information of our joint venture companies" under the same section below) as well as key operational personnel of the joint venture companies, such as the head of finance department, the head of technology department and the head of production department. These personnel nominated by us will report directly to us on a regular basis and assist us in daily operation of the joint venture companies as well as ensuring our joint venture companies and joint venture partners abide by the terms of our joint venture contracts, including but not limited to, the terms to require the joint venture partners to protect our brand names, business reputation and trade secrets. To the best knowledge of our Directors, our joint venture partners had complied with all these contractual terms stated in the joint venture agreements during the Track Record Period. In order to protect our interests, in most of our joint ventures in the PRC, we have the right to nominate majority of the directors to the board of directors. For those joint ventures in the PRC where we could not nominate majority of the directors to the board of directors, two directors from our Group representing over one-third of the board of directors have been nominated to these joint ventures and we have ensured that our interests are protected through the relevant articles of association. In general, these articles of association provide that the resolutions of the board of directors could only be passed by two-third majority, unless the relevant resolutions are reserved for unanimous consent of the board of directors or reserved for the general meetings or shareholder of the relevant joint venture. For the joint venture in Hong Kong, one director from our Group has been nominated to the board of directors, which comprises a total of two directors. The articles of association of this joint venture require two directors to form a quorum for board of directors meetings and resolutions must be passed by at least majority votes. Hence, with two directors on the board of directors, the consent from both directors would be required to pass any resolutions for the joint venture in Hong Kong. As such, we believe the above measures would provide sufficient safeguards to our interests in the joint ventures and our Group as a whole.

According to the agreements entered into between us and our joint venture partners for the establishment of the joint venture companies, each major business decision made by the joint venture companies needs to be approved by both parties. To prevent our joint venture partners from misusing our asphalt pavement maintenance equipment or technologies and ensure that service quality meet our standards, we usually assign our own staff to supervise the on-site servicing team for each project that the joint venture companies are engaged in. We also assign employees from our quality department to conduct pavement examinations during and after the servicing of our joint venture companies from time to time. To the best knowledge of our Directors, our joint venture companies have strictly adhered to the service procedures and quality standards set by us and have passed all of our inspections during the Track Record Period and up to the Latest Practicable Date. We track the movement of the asphalt pavement maintenance equipment that our joint venture companies use through GPS systems that are installed or being installed in the equipment. The joint venture companies that we established with such joint venture partners would then purchase the modular series equipment designed and manufactured by us for application in their local asphalt pavement maintenance service projects for only certain types of roads. As the joint venture companies and joint venture partners may only be experienced in traditional asphalt pavement maintenance technologies, they may lack the capabilities of analysing field data from service sites, designing new asphalt mixtures to be used in asphalt pavement maintenance service projects or customising asphalt pavement maintenance equipment, techniques and processes for asphalt pavement maintenance service projects and thus may rely on us for the provision of pavement damage analysis and solution design using the Hot-in-Place recycling technology, which we consider one of our core trade secrets and are carried out solely by our experienced technicians and research and development team. Our Directors believe that the restrictions and measures mentioned above are effective in minimising our exposure to competitions arising from our customers for modular series equipment. As most of our core Hot-in-Place recycling technologies are patented and protected under the PRC laws and regulations, we may take legal actions against any potential infringement of our intellectual properties and demand compensation accordingly. We do not expect any material competition with our customers for modular series equipment and our competitiveness will not be adversely affected by the sales of our asphalt pavement maintenance equipment, including both standard series and modular series equipment, to our customers, which include our joint venture companies.

For the years ended 31 December 2011 and 2012, our joint venture companies contributed approximately HK$0.4 million (or 0.7%) and HK$3.1 million (or 2.1%) as shares of profits and losses of jointly-controlled entities and associates to our total profit after tax, respectively. In particular, for the years ended 31 December 2011 and 2012, Freetech Ordos contributed profit after tax of HK$0.5 million and HK$9.4 million, respectively, and Freetech Yueyang incurred losses after tax of HK$0.1 million and contributed profit after tax of HK$2.4 million, respectively, in the same periods. Our transactions with our joint venture companies are conducted on normal commercial terms and terms comparable with third party customers. We have not entered into any long-term sales agreement with our joint venture companies. As of 30 April 2013, Freetech Ordos, Freetech Yueyang and Hengtong Suqian had commenced providing asphalt pavement maintenance services, while Futech Road

Recycling, Jianda Urumqi, Lujie Nanjing and Suitong Guangzhou have started their day-to-day business operation, but have not yet commenced any asphalt pavement maintenance service project, primarily because, due to the seasoned nature of our business, the winter months are usually the off-season for our asphalt pavement maintenance service projects. We expect that the proportion of our revenue and total profit after tax contributed by the joint venture companies will continue to increase in the near future as more joint venture companies will commence service projects and we intend to establish more joint venture companies.

The following table sets forth the major asphalt pavement maintenance service projects of our joint venture companies, both completed and work-in-progress, during the Track Record Period and up to the Latest Practicable Date:

Geographical coverage	Name of the project, road or highway	Location	Date of completion	Pavement condition	Total area completed (sq.m.)
Inner Mongolia	Dongsheng District municipal road project (東勝區市政道路項目)	Inner Mongolia, Dongsheng District	In progress	Cracks; ravelling	108,031[(1)]
Hunan	Hunan Linchang highway (湖南臨長高速)	Hunan Linchang highway	November 2012	Cracks; ravelling; rutting	160,000
Hunan	Hunan Tanshao highway (湖南潭邵高速)	Hunan Tanshao highway	October 2012	Rutting	206,000

Note:

(1) Represented the serviced area that was completed before our acquisition of a controlling stake in Freetech Ordos in June 2012.

The following table sets forth the details of our joint venture partners and our partnerships.

Joint venture names	Joint venture location	Our interests in the joint venture as of the Latest Practicable Date	Joint venture partners background	Relationship with the joint venture partners before forming the partnership	Establishment of the joint venture partnership
Freetech Ordos	Ordos, Inner Mongolia	53%	At the time of incorporation, Freetech Ordos was owned as to 49% by Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司) and was an Independent Third Party. Its main business includes bridge and road maintenance services. It has over two years of experience in providing asphalt pavement maintenance services using traditional asphalt pavement maintenance technology in the local Ordos market. Since Freetech Ordos became a non-wholly owned subsidiary of our Company in June 2012, Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司) has become a connected person of our Company pursuant to Chapter 14A of the Listing Rules.	Our asphalt pavement maintenance service customer	June 2011
Freetech Yueyang	Yueyang, Hunan	55%	Owned as to 45% by Yueyang Tongqu Prosper Road Co.* (岳陽市通衢興路公司), a state-owned national highway construction enterprise with a registered capital of RMB72.0 million at the time of incorporation. Its main business includes road and bridge construction and road pavement maintenance. It is a National Highway Construction General Contracting Grade A Enterprise* (國家公路工程施工總承包一級施工企業) and has over 20 years of experience in providing asphalt pavement maintenance services using traditional asphalt pavement maintenance technology in Yueyang city. It is an Independent Third Party.	Related party of asphalt pavement maintenance service customer	April 2011

Joint venture names	Joint venture location	Our interests in the joint venture as of the Latest Practicable Date	Joint venture partners background	Relationship with the joint venture partners before forming the partnership	Establishment of the joint venture partnership
Hengtong Suqian	Suqian, Jiangsu	35%	Owned as to 51% by (i) Suqian Traffic Investments Co., Ltd.* (宿遷市交通投資有限公司), an Independent Third Party whose main business is road construction and real estate property development with over 14 years of experience in the respective industry; and 14% by (ii) City Investment, which is wholly owned by CCIG Capital Management Limited, a company owned as to 98% by Mr. Yang Gaocai (楊高才) and 2% by Mr. Suen San Man (孫新民), both are Independent Third Parties and experienced in private equity fund investment.	(i) Related party of asphalt pavement maintenance service customer (ii) Third-party investor	May 2012
Futech Road Recycling (1)	Quanzhou, Fujian	50%	Owned as to 50% by Freetech BVI and 50% by New Bester Group Limited, which is wholly owned by Mr. Wong Yik Chor (黃溢初), an Independent Third Party and one of the shareholders of Best Venture. Mr. Wong is mainly experienced in retail business and has established business network in Fujian province. We became to know Mr. Wong through a mutual friend in 1990. Futech Quanzhou is a wholly-owned subsidiary of Futech Road Recycling, a company owned as to 50% by Freetech BVI and as to 50% ultimately by an Independent Third Party	Third-party investor	May 2012
Jianda Urumqi	Urumqi, Xinjiang	49%	Owned as to 40% by (i) Urumqi Northern Hongsheng Technology Maintenance Co., Ltd.* (烏魯木齊北方宏升科技養護有限公司), whose main business includes road and bridge construction services and infrastructure maintenance services with over seven years of experience in the respective industry, and 11% by (ii) Ms. Xu Shaoyu, who is an Independent Third Party with experience in the textile industry.	(i) Third party local asphalt pavement maintenance service provider (ii) Third-party investor	December 2012
Lujie Nanjing	Nanjing, Jiangsu	45%	Owned as to 55% by Nanjing Road and Bridge Construction Company* (南京市路橋工程總公司), who is a state-owned road construction enterprise with 20 years of experience in road construction and maintenance services using traditional asphalt pavement maintenance technologies and an Independent Third Party.	Supplier of asphalt mixture	December 2012
Suitong Guangzhou	Guangzhou, Guangdong	51%	Owned as to 49% by Guangzhou Municipal Engineering and Maintenance Bureau* (廣州市市政工程維修處), who is a state-owned enterprise and also an Independent Third Party. Its main business includes infrastructure maintenance services in Guangzhou. It has over 30 years of experience in the respective industry.	Third party local asphalt pavement maintenance service provider	January 2013

Note:

(1) On 6 June 2012, Futech Quanzhou, a jointly-controlled entity of our Group, was established in the PRC as a wholly-owned foreign enterprise by Futech Road Recycling. Futech Quanzhou is also a jointly-controlled entity of our Group and is not accounted for as a subsidiary of the Company.

Major terms of our joint venture contracts with, articles of association and corporate information of our joint venture companies

(1) Freetech Ordos

Registered capital:	RMB30.0 million
Our total capital contribution:	RMB15.3 million (or 51% of the registered capital) (when the joint venture contract was entered into)
Payment terms:	20% of our total capital contribution paid within ten business days after the articles of association was signed; the remaining 80% was paid by 31 July 2011
Sources of funding:	Self-generated cash and advance from Freetech Cayman using proceeds from the pre-IPO investments of Smart Firm and Future Blossom
Duration:	30 years
Accounting treatment:	Treated as a jointly-controlled entity using equity method of accounting from establishment to June 2012. In June 2012, we acquired a controlling interest in Freetech Ordos and it has been treated as a subsidiary since then
Off-balance sheet commitments and obligations:	No
Decision-making process agreed upon:	1/2 shareholders' approval needed to approve major business decisions, such as to change the overall business strategy and to approve annual budget
Board representation:	Five directors in total; three directors nominated by us and two directors nominated by the joint venture partner
Voting power at general meetings:	Proportional to the capital contributions made by us and the joint venture partners
Termination clause:	No
Our major rights and responsibilities under the agreement:	To adjust the joint venture's operational region if performance of the joint venture is not satisfactory; To provide proper training in relation to the operations of Hot-in-Place recycling asphalt pavement maintenance equipment and the use of Hot-in-Place recycling asphalt pavement maintenance technologies; To assist in the purchases of raw materials and other equipment used in asphalt pavement maintenance service projects;

	To provide pavement damage analysis and solution design; and
	To provide necessary marketing materials to promote Hot-in-Place recycling asphalt pavement maintenance technologies
Our joint venture partner's major rights and responsibilities under the agreement:	To assist in obtaining the relevant business licences and operational permits after the joint venture is established;
	To ensure the asphalt pavement maintenance service quality and protect our brand name and business reputation; and
	To protect the trade secrets of our Hot-in-Place recycling asphalt pavement maintenance equipment and technologies

(2) Freetech Yueyang

Registered capital:	RMB35.0 million
Our total capital contribution:	RMB19.25 million (or 55% of the registered capital)
Payment terms:	20% of our total capital contribution paid within ten business days after the articles of association was signed; the remaining 80% was paid by 20 March 2012
Sources of funding:	Advance from Freetech Cayman using proceeds from the pre-IPO investments of Smart Firm and Future Blossom
Duration:	30 years
Accounting treatment:	Treated as a jointly-controlled entity, in which our equity interests are stated in the consolidated statements of financial position at the share of net assets of our Group under the equity method of accounting, less any impairment losses. The share of the results and reserves of our equity interests were included in our consolidated income statement and consolidated reserves, respectively
Off-balance sheet commitments and obligations:	No
Decision-making process agreed upon:	2/3 shareholders' approval needed to approve all major business decisions, such as to change the overall business strategy and to approve annual budget
Board representation:	Five directors in total; three directors nominated by us and two directors nominated by the joint venture partner
Voting power at general meetings:	Proportional to the capital contributions made by us and the joint venture partner
Termination clause:	No

Our major rights and responsibilities under the agreement:	To adjust the joint venture's operational region if performance of the joint venture is not satisfactory; To provide proper training in relation to the operations of Hot-in-Place recycling asphalt pavement maintenance equipment and the use of Hot-in-Place recycling asphalt pavement maintenance technologies; To assist in the purchases of raw materials and other equipment used in asphalt pavement maintenance service projects; To provide pavement damage analysis and solution design; and To provide necessary marketing materials to promote Hot-in-Place recycling asphalt pavement maintenance technologies
Our joint venture partner's major rights and responsibilities under the agreement:	To assist in obtaining the relevant business licences and operational permits after the joint venture is established; To ensure the asphalt pavement maintenance service quality and protect our brand name and business reputation; and To protect the trade secrets of our Hot-in-Place recycling asphalt pavement maintenance equipment and technologies

(3) Hengtong Suqian

Registered capital:	RMB35.0 million
Our total capital contribution:	RMB12.25 million (or 35% of the registered capital)
Payment terms:	Full capital contribution within 15 days after the articles of association was signed
Sources of funding:	Advance from Freetech Cayman using proceeds from the pre-IPO investments of Smart Firm and Future Blossom
Duration:	30 years
Accounting treatment:	Treated as an associate, in which our equity interests are stated in the consolidated statements of financial position at the share of net assets of our Group under the equity method of accounting, less any impairment losses. The share of the results and reserves of our equity interests were included in our consolidated income statement and consolidated reserves, respectively
Off-balance sheet commitments and obligations:	No

Decision-making process agreed upon:	2/3 shareholders' approval needed to approve major business decisions, such as to change the overall business strategy and to approve annual budget
Board representation:	Five directors in total; two directors nominated by us and three directors nominated by the joint venture partners
Voting power at general meetings:	Proportional to the capital contributions made by us and the joint venture partners
Termination clause:	No
Our major rights and responsibilities under the agreement:	To provide proper training in relation to the operations of Hot-in-Place recycling asphalt pavement maintenance equipment and the use of Hot-in-Place recycling asphalt pavement maintenance technologies; To assist in the purchases of raw materials and other equipment used in asphalt pavement maintenance service projects; To provide pavement damage analysis and solution design; and To provide necessary marketing materials to promote Hot-in-Place recycling asphalt pavement maintenance technologies
Our joint venture partners' major rights and responsibilities under the agreement:	To assist in obtaining the relevant business licences and operational permits after the joint venture is established; To ensure the asphalt pavement maintenance service quality; and To protect the trade secrets of our Hot-in-Place recycling asphalt pavement maintenance equipment and technologies

(4) Futech Road Recycling

Authorised share capital:	HK$100.0 million divided into 100 million shares with par value of HK$1.00 each
Issued share capital held by us:	31,500,000 shares with par value of HK$1.00 each (or 50% of the issued share capital)
Sources of funding:	Working capital

Accounting treatment:	Treated as a jointly-controlled entity, in which our equity interests are stated in the consolidated statements of financial position at the share of net assets of our Group under the equity method of accounting, less any impairment losses. The share of the results and reserves of our equity interests were included in our consolidated income statement and consolidated reserves, respectively
Off-balance sheet commitments and obligations:	No
Decision-making process agreed upon:	Approval from the majority of shareholders for all major business decisions
Board representation:	Two directors in total; one director nominated by us and one director nominated by the joint venture partner
Voting power at general meetings:	Proportional to the capital contributions made by us and the joint venture partner
Termination clause:	No

(5) Jianda Urumqi

Registered capital:	RMB20.0 million
Our total capital contribution:	RMB9.8 million (or 49% of the registered capital)
Payment terms:	50% of our total capital contribution paid on 18 December 2012; the remaining 50% to be paid by 18 December 2014
Sources of funding:	Self-generated cash
Duration:	30 years
Accounting treatment:	Treated as an associate, in which our equity interests are stated in the consolidated statements of financial position at the share of net assets of our Group under the equity method of accounting, less any impairment losses. The share of the results and reserves of our equity interests were included in our consolidated income statement and consolidated reserves, respectively
Off-balance sheet commitments and obligations:	No
Decision-making process agreed upon:	1/2 shareholders' approval needed to approve major business decisions, such to approve the overall business strategy and annual budget
Board representation:	Five directors in total; three directors nominated by us and two directors nominated by the joint venture partner

Voting power at general meetings:	Proportional to the capital contributions made by us and the joint venture partners
Termination clause:	No
Our major rights and responsibilities under the agreement:	To provide proper training in relation to the operations of Hot-in-Place recycling asphalt pavement maintenance equipment and the use of Hot-in-Place recycling asphalt pavement maintenance technologies; To assist in the purchases of raw materials and other equipment used in asphalt pavement maintenance service projects; To provide pavement damage analysis and solution design; and To provide necessary marketing materials to promote Hot-in-Place recycling asphalt pavement maintenance technologies
Our joint venture partner's major rights and responsibilities under the agreement:	To assist in obtaining the relevant business licences and operational permits after the joint venture is established; To assist in obtaining preferential tax treatment for the joint venture; To ensure the asphalt pavement maintenance service quality; and To protect the trade secrets of our Hot-in-Place recycling asphalt pavement maintenance equipment and technologies

(6) Lujie Nanjing

Registered capital:	RMB40.0 million
Our total capital contribution:	RMB18.0 million (or 45% of the registered capital)
Payment terms:	RMB12.0 million paid on 18 December 2012; RMB6.0 million paid on 26 March 2013
Sources of funding:	Self-generated cash
Duration:	30 years
Accounting treatment:	Treated as a jointly-controlled entity, in which our equity interests are stated in the consolidated statements of financial position at the share of net assets of our Group under the equity method of accounting, less any impairment losses. The share of the results and reserves of our equity interests were included in our consolidated income statement and consolidated reserves, respectively

Off-balance sheet commitments and obligations:	No
Decision-making process agreed upon:	2/3 shareholders' approval needed to approve all major business decisions, such as to change the overall business strategy and to approve annual budget
Board representation:	Five directors in total; two directors nominated by us and three directors nominated by the joint venture partner
Voting power at general meetings:	Proportional to the capital contributions made by us and the joint venture partner
Termination clause:	No
Our major rights and responsibilities under the agreement:	To provide proper training in relation to the operations of Hot-in-Place recycling asphalt pavement maintenance equipment and the use of Hot-in-Place recycling asphalt pavement maintenance technologies; To assist in the purchases of raw materials and other equipment used in asphalt pavement maintenance service projects; To provide pavement damage analysis and solution design; and To provide necessary marketing materials to promote Hot-in-Place recycling asphalt pavement maintenance technologies
Our joint venture partner's major rights and responsibilities under the agreement:	To assist in securing Hot-in-Place recycling asphalt pavement maintenance service projects; To assist in obtaining the relevant business licences and operational permits after the joint venture is established; To ensure the asphalt pavement maintenance service quality; and To protect the trade secrets of our Hot-in-Place recycling asphalt pavement maintenance equipment and technologies

(7) Suitong Guangzhou

Registered capital:	RMB15.0 million
Our capital contribution:	RMB7.65 million (or 51% of the registered capital)
Payment terms:	20% of our total capital contribution paid on 21 December 2012; the remaining 80% to be paid by 20 March 2014

Sources of funding:	Self-generated cash
Duration:	30 years
Accounting treatment:	Treated as a jointly-controlled entity, in which our equity interests are stated in the consolidated statements of financial position at the share of net assets of our Group under the equity method of accounting, less any impairment losses. The share of the results and reserves of our equity interests were included in our consolidated income statement and consolidated reserves, respectively
Off-balance sheet commitments and obligations:	No
Decision-making process agreed upon:	2/3 shareholders' approval needed to approve all major business decisions, such as to change the overall business strategy and to approve annual budget
Board representation:	Five directors in total; three directors nominated by us and two directors nominated by the joint venture partner
Voting power at general meetings:	Proportional to the capital contributions made by us and the joint venture partner
Termination clause:	No
Our major rights and responsibilities under the agreement:	To adjust the joint venture's scope of cooperation if performance of the joint venture is not satisfactory; To provide proper training in relation to the operations of Hot-in-Place recycling asphalt pavement maintenance equipment and the use of Hot-in-Place recycling asphalt pavement maintenance technologies; To assist in the purchases of raw materials and other equipment used in asphalt pavement maintenance service projects; To provide research results for the joint venture to use for certain fees; To provide pavement damage analysis and solution design; and To provide necessary marketing materials to promote Hot-in-Place recycling asphalt pavement maintenance technologies
Our joint venture partner's major rights and responsibilities under the agreement:	To assist in obtaining the relevant business licences and operational permits after the joint venture is established; To assist in obtaining preferential tax treatment for the joint venture;

To ensure the asphalt pavement maintenance service quality; and

To protect the trade secrets of our Hot-in-Place recycling asphalt pavement maintenance equipment and technologies

INFORMATION SYSTEM

We believe that our information technology system plays a particularly important role in our asphalt pavement maintenance equipment manufacturing operations. We have successfully implemented an enterprise resource planning, or ERP system, which integrates the functions of merchandising, stock replenishment, inventory distribution and quality control, to support our operations and administrations. Our ERP system supports various functional sets, including procurement and production. We are constantly upgrading our information systems to enhance our operations and increase our sales. In addition, we have also installed Global Positioning System, or GPS, on over 100 of our asphalt pavement maintenance and ancillary equipment to ensure that relevant equipment management department of our asphalt pavement maintenance service segment can remotely monitor the positions, speed and driving directions of those asphalt pavement maintenance equipment which are also vehicles to be driven on the road. Installing GPS also effectively helps us monitor and manage fuel consumption of our asphalt pavement maintenance equipment or vehicle and ensure that we can oversee compliance with all relevant traffic regulations. Moreover, we can effectively organise and mobilise our servicing project teams to different locations accordingly.

We use the customer relationship management system or MyCRM system, to manage our sales, marketing and customer information. The MyCRM system has five key management systems: (i) sales activities management system, which manages sales and marketing activities and customer result feedback; (ii) customer/contact information management system, which categorises customer information for follow-up; (iii) sales opportunity management system, which manages potential project opportunities and leads; (iv) sales process management system, which tracks the progress of sales; and (v) sales personnel management system, which records sales activities conducted by relevant sales personnel. This MyCRM system is tailored to our business and reflects the characteristics and needs of our industry. This MyCRM system keeps detailed records of sales and marketing activities, such as the dates and frequency sales and marketing personnel visit customers, and maintains customers' information for long periods of time. Given that asphalt pavement maintenance service projects are characterised by long project cycle, this MyCRM is particularly useful in helping our management to effectively keep track of each project.

COMPETITION

We operate in the PRC asphalt pavement maintenance service sector and the PRC asphalt pavement maintenance equipment sector, both are becoming increasingly competitive according to CCID.

We believe that the principal competitive factors for the PRC asphalt pavement maintenance service sector include: (i) technology capability, (ii) service capacity, (iii) cost competitiveness; and (iv) sales and marketing network. We believe our competitors in the PRC asphalt pavement maintenance service sector are cross-region asphalt pavement maintenance service providers and state-owned enterprises and local government agencies. We believe that our continued development and upgrade of our technology and service capacities will enable us to provide quality service in a timely and cost-effective manner. In addition, our strengths as an experienced asphalt pavement maintenance service provider and asphalt pavement maintenance equipment manufacturer can also help to reduce our overall cost as well.

We believe that the principal competitive factors for the PRC asphalt pavement maintenance equipment sector include: (i) technology capability, (ii) production capacity and (iii) brand recognition. We believe our competitors in the PRC asphalt pavement maintenance equipment sector are professional PRC pavement maintenance equipment manufacturers and overseas asphalt pavement maintenance equipment manufacturers. We believe our in-depth knowledge of inter-disciplinary studies and understanding of downstream industry due to our asphalt pavement maintenance service operations have provided us with a strong competitive edge over our competitors. In addition, we believe our plan to increase our production capacity will further enhance our competitiveness.

We believe our plan to increase our market penetration will further increase our name recognition in new markets and strengthen our brand loyalty among our existing customers, and thus, provide us better access to market information, customers and resources which will improve our responsiveness to the market and our competitive position.

We also believe that our strong research and development capabilities and our large patent portfolio and our pending patent applications provide us with a competitive advantage against competitors in both the asphalt pavement maintenance services and asphalt pavement maintenance equipment sectors.

For risks relating to the competition we face, please refer to section headed "Risk Factors — We may face competition from asphalt pavement maintenance equipment manufacturers and asphalt pavement maintenance service providers with traditional or recycling asphalt pavement maintenance process."

EMPLOYEES

As of 31 December 2010, 2011 and 2012, we had a total of 380, 428 and 506 full-time employees, respectively. From time to time, we also engage some part-time employees through labour service companies for ancillary tasks, such as security personnel and movers, at the particular project. As of 31 December 2012, we had 506 full-time employees and 89 employees, who were subcontracted from labour service companies. We enter into separate labour contracts with each of our employees. Our PRC legal advisers, King & Wood Mallesons, have confirmed that the terms and conditions of the labour contracts are in compliance with the relevant PRC labour laws.

The following table sets forth the number of our full-time employees by department as of 31 December 2012:

Functions	Number of Employees
Management	7
Finance and Accounting	23
Research and Development	81
Asphalt Pavement Maintenance Servicing	162
Asphalt Pavement Maintenance Equipment Manufacturing	154
Sales and Marketing	54
Quality Control	14
Administration and Human Resources	11
Total	506

We believe it is crucial for us to retain and employ technical staff equipped with the necessary technical skills for our production and asphalt pavement maintenance services. The technical labour market in the PRC is very competitive, therefore, in order to better secure the recruitment of suitable technical staff to sustain our production and operation, we have entered into joint training programmes with vocational schools. For example, we established the "Freetech Road Doctor Green Asphalt Pavement Maintenance Training Class" (英達公路醫生綠色養護班) with Nanjing Communications Institute of Technology (南京交通職業技術學院) to teach and promote our technologies and management philosophy and corporate culture, increasing our social impact on future talents of this industry. We also provide on-site training programmes to the students. Upon completion and passing of the courses, we employ some of the graduates according to our operation needs and conditions.

Our employees' remuneration generally includes salary and performance-based bonuses except for our sales personnel who are compensated by salary and project-based sales commissions. We make contributions for our employees in relation to the mandatory social security funds including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance in accordance with applicable laws and regulations of the PRC. The total amount of contributions we made for the social security funds for the years ended 31 December 2010, 2011 and 2012 was approximately HK$2.0 million, HK$3.0 million and HK$3.9 million, respectively. We also provide full coverage of housing provident fund contributions to our employees as required by local regulations.

LABOUR SAFETY

We are subject to various production safety rules and regulations in the PRC. For further details, please refer to the section headed "Regulations" of this prospectus. We have implemented various labour safety measure for the provision of our asphalt pavement maintenance services and the production of our asphalt pavement maintenance equipment. In addition to regular physical examinations scheduled for our employees, we have also established procedure to ensure the work-place safety of our employees. We implement safety guidelines and operating procedures for our production process and conduct regular and thorough worksite inspection to eliminate potential hazardous work environment. In addition, we also, from time to time, provide our employees with occupational safety education and training to enhance their awareness of safety issues. Our labour safety measures have been recognised by professional community as evidenced by the GB/T 28001 Occupational Health and Safety Management System Certification (GB/T 28001 職業健康安全管理體系認證書) we received in 2011. We have not experienced any material work-place accident during the Track Record Period, and our PRC legal advisers, King & Wood Mallesons, have confirmed that we are in compliance in all material respects with applicable laws relating to labour safety matter in the PRC.

INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights. We rely on various intellectual property laws, especially trademark laws, to protect our proprietary rights. Details of our intellectual property rights are more particularly set out under the paragraph headed "Further Information about Our Business — Intellectual property rights of our Group" in Appendix IV to this prospectus.

As of the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights. Our Directors confirm that we have not infringed any other third-parties' intellectual property rights during the Track Record Period that would have a material and adverse impact to our operation and financial position and, as of the Latest Practicable Date, we did not have any pending or threatened claims against us or any of our subsidiaries relating to the infringement of any intellectual property rights owned by third parties.

PROPERTIES

As of the Latest Practicable Date, we owned three parcels of land in China. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. We use our land for our production facilities and employee accommodation. According to the investigation of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, as of the Latest Practicable Date, no single property interest that forms part of non-property activities has a carrying amount of 15% or more of our total assets. As a result, this prospectus is exempted from compliance with the requirements of Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, both of which require a valuation report with respect to all Group's interests in land or buildings.

Owned properties

As of the Latest Practicable Date, we owned land use rights for three parcels of land with a total site area of 41,327.2 sq.m. with a total gross floor area of 10,046.2 sq.m.

We own land use rights for a parcel of land located at No. 9 Hengfei Road, Nanjing Economic Technology Development Zone, Qixia District, Nanjing, Jiangsu Province, the PRC with a site area of 26,569.6 sq.m. We have obtained land use rights for this parcel of land for industrial use for a term expiring on 4 December 2047. We use this land as a factory complex for our asphalt pavement maintenance equipment production and our office building with a gross floor area of approximately 9,724.3 sq.m. We have obtained the relevant building ownership certificates.

We own land use rights for a parcel of land located at Block 21, Wenlan Garden, Qinlanyazhu, Qixia District, Nanjing, Jiangsu Province, the PRC with a total site area of 1,225.4 sq.m. We have obtained land use rights for this parcel of land for residential use for a term expiring on 7 July 2064. We use this land for our employee's accommodation with a gross floor area of approximately 321.9 sq.m. We have obtained the relevant building ownership certificates.

We own land use rights for a parcel of land located at No. B-4-5 Nanjing Economic Development Zone, Qixia District, Nanjing, Jiangsu Province, the PRC with a total site area of 13,532.2 sq.m. We have obtained land use rights for this parcel of land for industrial use for a term expiring on 4 December 2047. We plan to construct our new production facility on this parcel of land. Please refer to the section headed "Business — Asphalt Pavement Maintenance Equipment Segment — Production Facilities" of this prospectus.

Leased properties

As of the Latest Practicable Date, we leased one industrial property with a gross floor area of 5,708.5 sq.m. in Nanjing and seven properties with an aggregate gross floor area of approximately 868.0 sq.m. which are primarily used as offices in Jilin, Nanjing, Chongqing, Beijing, Xinjiang and

Guangzhou. As of the Latest Practicable Date, we also leased 12 residential properties in Chongqing and Nanjing as employee accommodation with an aggregate gross floor area of approximately 1,488.6 sq.m. and two properties in Inner Mongolia with a total leased area of approximately 3,180 sq.m., which are primarily used for equipment storage, employee accommodation and office purposes. As of the Latest Practicable Date, our landlords had not obtained or delivered to us the building ownership certificates for our 13 leased properties. As advised by our PRC legal advisers, King & Wood Mallesons, landlords who do not have ownership certificates for the relevant properties will not materially and adversely affect our business operations. Please refer to the section headed "Risk Factor — Risks Relating to Our Business — Some of the properties leased by us are subject to irregularities".

As of the Latest Practicable Date, our lease agreements have not been registered with the relevant PRC authorities by the lessors. As advised by our PRC legal advisers, King & Wood Mallesons, the non-registration of the lease agreements would not affect the possession and use of the leased properties by us according to the lease agreements and PRC laws and regulations.

Approvals and permits

We have acquired the land use rights and construction works planning permit (建設工程規劃許可證) to build the new plant. We have also acquired the construction commencement permit (施工許可證) in January 2013.

ENVIRONMENTAL MATTERS

We are subject to national and local environmental laws and regulations in the PRC on environmental matters, including air pollution, noise emissions and water and waste discharge. For further details, please refer to the section headed "Regulations" in this prospectus.

In providing our asphalt pavement maintenance services, we make effort to minimise negative impact on the environment. Our asphalt pavement maintenance equipment is designed to serve the purpose of environmental protection and high efficiency. Our Freetech Manufacturing which manufactures our asphalt pavement maintenance equipment, was granted the ISO 14001: 2004 Environmental Management System Certification (ISO14001:2004 環境管理體系認證書) on 30 December 2008 by Jiang Su Jiuzhou Certification Co., Ltd. (江蘇九州認證有限公司).

We do not discharge industrial waste water during our production process. We produce gas emission from our painting process of the asphalt pavement maintenance equipment but the gas is filtered by the adsorption device before being released into the atmosphere. The solid waste which we produce includes packaging materials and waste from raw materials among which, only a small amount of these wastes poses potential danger namely waste mineral oil and residual oil paint, which are collected by qualified recyclers. Our expenditure in respect of compliance with applicable environmental protection requirements during the years ended 31 December 2010, 2011 and 2012 amounted to approximately HK$27,000, HK$71,000 and HK$127,000, respectively. We expect the annual cost of compliance to range between HK$105,000 and HK$167,000 for the years ending 31 December 2013 and 2014. Our Directors believe that the chances of encountering potential future environmental risks are minimal and therefore do not plan to undertake any additional measures to address the environmental risks.

During the Track Record Period and as of the Latest Practicable Date, we have not been fined for breaching the relevant environmental laws and regulations. Our Directors confirm that we have obtained all the required environmental approvals for our production facilities. Our PRC legal advisers, King & Wood Mallesons, have confirmed that we are in compliance with laws and regulations related to environmental protection in the PRC.

INSURANCE

We maintain insurance underwritten by national insurance carriers in the PRC which covers certain of our fixed assets including our plant and asphalt pavement maintenance equipment in our factory from losses arising from fires, explosions and falling objects. Our insurance policies covered assets of a total value of HK$51.5 million as of 31 December 2012. We also maintain health insurance for key management personnel in connection with work-related accidents. In addition, we do not maintain any business interruption insurance or any third-party liability insurance to cover claims in respect of personal injury, property or environmental damage arising from accidents on our properties or relating to our operations, other than third-party liability insurance with respect to vehicles and insurance as required under the Labour Law of the PRC (《中華人民共和國勞動法》). Furthermore, we do not maintain product liability insurance, which is consistent with what we believe to be the industry practice in China. We believe that it is not the normal industry practice in China to maintain such insurance, hence our insurance coverage is adequate for our operations. Our PRC legal adviser, King & Wood Mallesons, after having made reasonable enquiries, advise that there is no mandatory industry standard for insurance cover in the PRC. Our Directors confirm that as of the Latest Practicable Date, we had not made nor been the subject of any material insurance claims.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

As of the Latest Practicable Date, we were involved in a legal proceeding. Nanyang Expressway Co. Ltd. (南陽市高速公路有限公司) filed a lawsuit with Nanyang City Wancheng District People's Court (南陽市宛城區人民法院) against our Freetech Road Recycling on 28 October 2008, whereby Nanyang Expressway Co. Ltd. alleged that the asphalt pavement maintenance service test section performed by Freetech Road Recycling under a asphalt pavement maintenance service contract dated 25 August 2008 has not met the quality requirements under the said contract pursuant to the relevant industry standards. Nanyang Expressway Co. Ltd. requested the contract be terminated and that we, the defendant, return the prepayment of RMB727,000 in addition to interests to it, damages for the breach of contract and undertake all relevant litigation costs. The asphalt pavement maintenance service contract was entered into between Nanyang Expressway Co. Ltd. (南陽市高速公路有限公司) as contractor and Freetech Road Recycling as subcontractor dated 25 August 2008 regarding the Nanyang expressway pavement improvement project* (南陽高速公路省段路面改善工程) with 30.8 kilometre in length and an estimated contract amount of RMB7,274,910 and as the asphalt pavement maintenance services for this project were commenced though not completed, a total cost of approximately RMB1.5 million was incurred on this project. Due to this litigation, we have not recognised any revenue on this project and thus no provision was made.

In response to such an allegation, we have filed a defence and counterclaim with Nanyang City Wancheng District People's Court (南陽市宛城區人民法院). In the defence, we defended that based on the relevant industry standards, the quality tests used by Nanyang Expressway Co. Ltd. were not consistent with the relevant industry standards, and that as the asphalt pavement maintenance service were not completed, it had not reached the stage of carrying out quality tests on the asphalt pavement maintenance service performed. In the counterclaim, we requested Nanyang Expressway Co. Ltd to continue to fulfil its contractual obligations, pay us an indemnity of approximately RMB3.1 million and undertake relevant litigation costs. The case was heard by the Henan Wancheng District People's Court No. 2 (河南省宛城區人民法庭民二庭) on 23 December 2008.

As advised by the litigation counsel to our lawsuit with Nanyang Expressway Co. Ltd. (the "Litigation Counsel"), the judge who presided at the hearing of the case commented that the claim from the plaintiff, Nanyang Expressway Co. Ltd., was not meritorious due to the lack of evidence and reasoning; on the other hand, the counterclaim from Freetech Road Recycling was supported by numerous evidence and part of the counterclaim was meritorious.

As advised by the Litigation Counsel, under the relevant laws and regulations of the PRC and depending on the situation, the longest period from the commencement to the conclusion of a litigation is 15 months and the litigants do not have any right to dictate the time as to when the judgement will be handed down. On the other hand, the Litigation Counsel, advised that the judge presiding over the hearing of the lawsuit has not provided the expected date of when the judgement will be handed down. Based on the above, the Litigation Counsel further advised that we will not be able to estimate as to when the judgement will be handed down by the judge. As at the Latest Practicable Date, no judgement has been handed down by the judge for the case. As advised by our PRC legal adviser, King & Wood Mallesons, for our lawsuit with Nanyang Expressway Co. Ltd., assuming the judge rules in favour of Nanyang Expressway Co. Ltd. and dismisses our entire counterclaim, the maximum exposure of our Group will be RMB727,000 plus interest and the relevant litigation cost of Nanyang Expressway Co. Ltd. Based on the above, our Directors confirm that our lawsuit with Nanyang Expressway Co. Ltd. will not have any material impact on our Group's operations and financial position. Other than the case disclosed above, we were not engaged in any other litigation, arbitration or claim of material importance, and no other litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would have a material and adverse effect on our results of operations or financial condition.

Production Safety Licence and the Certificate of Qualification for Construction Enterprises

The following table sets forth the non-compliance of our joint venture companies with the requirements of Production Safety Licence and the Certificate of Qualification for Construction Enterprises under the relevant PRC laws and regulations:

Name of our joint venture companies	Non-compliance incidents and reasons	Remedial actions	Legal consequences and maximum potential penalty	Director / senior management in charge of rectification	Measures in place to prevent recurrence of the non-compliance incidents
Freetech Ordos, Freetech Yueyang and Hengtong Suqian	Failed to obtain the Production Safety Licence and the Certificate of Qualification for Construction Enterprises prior to commencement of asphalt pavement maintenance services. Pursuant to the Administrative Regulation of Construction Enterprises Qualification (《建築業企業資質管理規定》), it is stated that to apply for the Certificate of Qualification for Construction Enterprises, the applicant must possess, including but not limited to, technicians, equipment and track record. As such, we believed at the time that these joint ventures must have accumulated some track record before they would be eligible to apply for the certificate. Also, it was our understanding that the Certificate of Qualification of Construction Enterprises must be applied before the Production Safety License. Further, our asphalt pavement maintenance service customers of Freetech Ordos, Freetech Yueyang and Hengtong Suqian at the material time, which included local government or government authorities such as the local highway department and the local people's government, were aware that only a shareholder of the relevant joint venture possessed the Production Safety License and Certificate of Qualification for Construction Enterprises whereas the joint ventures do not possess such license and certificate and no objection was raised. Thus, we were not aware that our understanding of the prerequisites for a track record in order to apply for the said certificate and license was inaccurate. During the preparation of the Listing, our PRC legal adviser, King & Wood Mallesons, advised us that we may apply for the Certificate of Qualification for Construction Enterprises and Production Safety License for these joint ventures without any track record.	Subsequent to the advice we obtained from our PRC legal adviser, we submitted applications for the Production Safety Licence and the Certificate of Qualification for Construction Enterprises to the government authority in Ordos, Yueyang and Suqian, respectively. As advised by our PRC legal adviser, King & Wood Mallesons, these government authorities are the competent government authority for regulating the construction production safety and construction qualification of Freetech Ordos, Freetech Yueyang and Heng Fong Suqian, respectively. Our PRC legal adviser, King & Wood Mallesons, also advised that the issuing authority of the said licenses and certificates is the relevant construction administrative department. Further, for each of Freetech Ordos, Freetech Yueyang and Hengtong Suqian, we have obtained a confirmation from the competent government authority in Ordos, Yueyang and Suqian, the PRC, respectively, where the relevant authority acknowledged that it is aware that Freetech Ordos, Freetech Yueyang and Hengtong Suqian carried out asphalt pavement maintenance services in Ordos, Yueyang and Suqian, respectively, without any Production Safety Certificate and Certificate of Qualification for Construction Enterprises.	May be ordered to cease operations, have the illegal income forfeited, and pay penalties between 2% to 4% of the contract price for the failure to possess the Certificate of Qualification for Construction Enterprises and between RMB100,000 to RMB500,000 for the failure to possess the Production Safety License. Based on the confirmation from the competent government authority (i) in Ordos, Inner Mongolia, the PRC that the asphalt pavement maintenance services carried out by Freetech Ordos in 2012 were Hot-in-Place asphalt pavement maintenance services, being new asphalt pavement maintenance technology, and thus the Production Safety License and the Certificate of Qualification for Construction Enterprises would not be required; (ii) in Yueyang, Hunan province, the PRC, among other things, that the asphalt pavement maintenance services carried out by Freetech Yueyang were government projects, no safety incidents have occurred during the projects and the owners of the pavement approved that the shareholder of Freetech Yueyang is in possession of the Production Safety License and the Certificate of Qualification for Construction Enterprises; and (iii) in Suqian, Jiangsu province, the PRC, among other things, that the asphalt pavement maintenance services carried out by Hengtong Suqian were government projects, no safety incidents have occurred during the projects, the owners of the pavement approved that the shareholder of Hengtong Suqian is in possession of the Production Safety License and the Certificate of Qualification for Construction Enterprises, and no penalty will be imposed; and that the relevant competent government authority is aware of the non-compliance of each of Freetech Yueyang and Hengtong Suqian for not possessing of the Production Safety License and the Certificate of Qualification for Construction Enterprises prior to the commencement of the asphalt pavement maintenance service projects and no notice has been received relating to these non-compliances, our PRC legal adviser, King & Wood Mallesons, is of the view that (a) Freetech Yueyang, Hengtong Suqian and Freetech Ordos operating without the Production Safety Licence and the Certificate of Qualification for Construction Enterprises is not a material violation of the PRC laws and regulations, and (b) Freetech Yueyang, Hengtong Suqian and Freetech Ordos will not be penalised by the relevant authorities for the provision of asphalt pavement maintenance services without such license and certificate.	Mr. Zhang Yifu, our executive Director	1. Established internal guidelines for the procedures in setting up joint venture companies and new subsidiaries in the PRC for asphalt pavement maintenance services, which includes the procedures in establishing a new company, the application procedures requirements and deadlines for the Production Safety License and the Certificate of Qualification for Construction Enterprises and our internal reporting procedures. 2. Our Asphalt Pavement Maintenance Servicing Administration Department, which directly reports to Mr. Jiang Yong He, will supervise the setting up of joint venture companies and new subsidiaries in the PRC for asphalt pavement maintenance services, and monitor the adherence to the internal guidelines. Mr. Jiang as the head of the asphalt pavement maintenance service projects business department of Freetech Road Recycling is the competent person for such supervision and monitoring as he is responsible for all our asphalt pavement maintenance service projects and possesses knowledge in the relevant certificates that would be required to carry out our asphalt pavement maintenance services. Further, Mr. Jiang will report to Mr. Zhang Yifu, our executive Director, in relation to overall setting up of the joint venture companies and new subsidiary in the PRC. Mr. Zhang is ultimately responsible for supervising and monitoring of the compliance. 3. We intend to engage PRC legal advisers to continue to provide legal advice and training on various compliance matters from time to time, as and when needed. 4. We expect that each of Freetech Ordos, Freetech Yueyang and Hengtong Suqian will obtain the Production Safety License and the Certificate of Qualification for Construction Enterprises around the second half of 2013.

As Freetech Ordos, Freetech Yueyang and Hengtong Suqian has respectively submitted the applications to the relevant authorities for the Production Safety Licence and the Certificate of Qualification for Construction Enterprises, and the relevant authorities have issued the receipts for such applications, our PRC legal adviser, King & Wood Mallesons, has advised that after going through the standard review process by the relevant authorities, there are no legal impediments for Freetech Ordos, Freetech Yueyang and Hengtong Suqian in obtaining the Production Safety Licence and the Certificate of Qualification for Construction Enterprises.

Save as disclosed in this paragraph headed "Production Safety License and the Certificate of Qualification for Construction Enterprises", as advised by our PRC legal adviser, King & Wood Mallesons, we have obtained all requisite certificates, permits and licenses from the relevant regulatory authorities in relation to our business operations, and have complied with the relevant laws and regulations of the PRC in relation our business operations in all material respects.

Non-compliance with Section 122 of the Companies Ordinance

During the preparation for the Listing, it has been uncovered that two of the subsidiaries of our Company, Freetech Hong Kong and BS Hong Kong, were not in compliance with the requirements under section 122 of the Companies Ordinance to lay the annual audited accounts before its respective shareholder in its annual general meeting. We set out below a summary of the non-compliance incidents:

Name of our subsidiaries	Non-compliance incidents	Cause of non-compliance	Remedial actions	Legal consequences and maximum potential penalty	Director / senior management in charge of the rectification	Measures in place to prevent recurrence of the non-compliant incidents
Freetech Hong Kong	Freetech Hong Kong failed to lay the annual audited accounts before its shareholders at its annual general meeting since incorporation on 17 August 2001 up to the financial year ended 31 March 2011.	During the material times, (i) Freetech Hong Kong has retained company secretarial companies in Hong Kong to assist with on-going compliance obligations and the directors of Freetech Hong Kong at the material time have trusted the services of these company secretarial companies, and (ii) Mr. Sze was not aware of the legal requirements under the Companies Ordinance that annual audited accounts must be laid before the annual general meeting of Freetech Hong Kong even if it has no trading or business of its own, or as an investment holding company.	On 12 December 2012, Freetech Hong Kong has applied to the High Court of Hong Kong for an order to adopt the audited accounts for the period from its date of incorporation to 31 March 2011 out of time. Freetech Hong Kong obtained a court order on 31 January 2013 that the date to lay the audited accounts from 17 August 2001 to 31 March 2011 be extended to 17 August 2011, being the date of the sole shareholder resolutions approving such accounts. Thus, the non-compliance incidents have been ratified.	Pursuant to section 122 of the Companies Ordinance, if a director of a company fails to take all reasonable steps to comply with the requirements under the section, such person is liable to a maximum fine of HK$300,000. Further, if it is proven that the breach was wilfully committed, such director could be sentenced to imprisonment for up to 12 months.	Ms. Irene Sze, our executive Director, and Mr. Lim Eng Sun, our chief financial officer and company secretary.	1. Mr. Lim Eng Sun will assist Freetech Hong Kong to ensure compliance with section 122 of the Companies Ordinance. 2. Our audit committee will oversee our financial reporting and internal control procedures. 3. Our Directors have attended trainings as to the relevant requirements of the Companies Ordinance on 29 May 2013, 30 May 2013 or 7 June 2013 provided by the Hong Kong legal advisers to our Company. 4. We intend to engage Hong Kong legal advisers to continue to provide legal advice and training on various compliance matters from time to time, as and when needed.

Name of our subsidiaries	Non-compliance incidents	Cause of non-compliance	Remedial actions	Legal consequences and maximum potential penalty	Director / senior management in charge of the rectification	Measures in place to prevent recurrence of the non-compliant incidents
BS Hong Kong	BS Hong Kong failed to lay the annual audited accounts before its shareholders at its annual general meeting since its incorporation on 18 August 2004 up to the financial year ended 31 March 2011.	During the material times, (i) BS Hong Kong has retained company secretarial companies in Hong Kong to assist with on-going compliance obligations and the director of BS Hong Kong at the material time has trusted the services of these company secretarial companies, and (ii) Mr. Sze was not aware of the legal requirements under the Companies Ordinance that annual audited accounts must be laid before the annual general meeting of BS Hong Kong even if it has no trading or business of its own, or as an investment holding company.	On 12 December 2012, BS Hong Kong has applied to the High Court of Hong Kong for an order to adopt the audited accounts for the period from its date of incorporation to 31 March 2011 out of time. BS Hong Kong obtained a court order on 31 January 2013 that the date to lay the audited accounts from 18 August 2004 to 31 March 2011 be extended to 18 August 2011, being the date of the sole shareholder resolutions approving such accounts. Thus, the non-compliance incidents have been ratified.	Same as above.	Same as above.	Same as measures to be implemented by Freetech Hong Kong.

Our executive Directors consider that the competence and suitability of Mr. Sze and Ms. Irene Sze in properly discharging the duties as a director of a listed issuer will not be adversely affected notwithstanding the above-mentioned non-compliance with section 122 of the Companies Ordinance, in view that at the relevant time of committing such breach, (i) each of Freetech Hong Kong and BS Hong Kong was only an investment holding company with no business activities in Hong Kong, and it is not uncommon for lesser attention to be paid to the affairs and the local legal requirements for such entities; (ii) the non-compliance did not prejudice the interests of any creditors, customers or suppliers of our Group; (iii) Mr. Sze and Ms. Irene Sze have delegated the management of secretarial matters of both Freetech Hong Kong and BS Hong Kong to company secretarial companies in Hong Kong.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalisation Issue, our Controlling Shareholders will control the exercise of voting rights of approximately 50.13% of our Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised). Except for their respective interests in our Company, our Controlling Shareholders and any of their respective associates have no interest in any other companies as at the Latest Practicable Date which (i) held interests in our business during the Track Record Period and ceased to hold such interests after the Corporate Reorganisation; or (ii) may, directly or indirectly, compete with the business of our Group.

NON-COMPETITION UNDERTAKING OF OUR CONTROLLING SHAREHOLDERS

Non-competition Undertaking

Each of our Controlling Shareholders has entered into a Deed of Non-Competition in favour of our Company, pursuant to which each of our Controlling Shareholders has undertaken to our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "Restricted Business"). Such non-competition undertaking does not apply where:

(a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with each of our Controlling Shareholders and/or its or his associates, and our Company, after review and approval by the independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the each of our Controlling Shareholders and/or its or his associates, provided that the principal terms by which each of our Controlling Shareholders (or its or his relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or

(b) having interests in the shares of a company which shares are listed on a recognised stock exchange provided that the total number of the shares held by the our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed and traded on the Stock Exchange; and (ii) in relation to the each of our Controlling Shareholders, it or he or its or his associate holds an equity interest in our Company and (iii) the relevant Controlling Shareholders and/or their respective associates are entitled to jointly or severally exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of our Company.

Directors

Each of our Directors confirms that he or she does not have any competing business with our Group. Moreover, pursuant to their respective service agreements, our executive Directors will not at any time during their terms of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company or any other member of our Group) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders:

(a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by the our Controlling Shareholders under the Deed of Non-competition;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(c) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company;

(d) our Company will disclose, with basis, in our annual and interim reports of all rejection by our Company of new opportunities in the Restricted Business that have been referred from any of our Controlling Shareholders under the Deed of Non-competition; and

(e) our Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual reports of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after completion of the Global Offering:

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Sze, one of our Controlling Shareholders, is one of our executive Directors, the chief executive officer of our Company and the chairman of the Board. No other Controlling Shareholder holds any directorship in our Company.

Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following completion of the Global Offering.

Operational Independence

Our Directors consider that our operations do not depend on the operation of our Controlling Shareholders for the following reasons:

(i) there is no competing business between our Group and any of our Controlling Shareholders; and

(ii) we have independent access to sources of supplies or raw materials, as well as independent access to our customers. Our Directors confirm that we are able to operate independently. We have also established a set of internal controls to facilitate the effective operation of our business. Our Group has our own registered trademarks for which we are able to utilise in marketing our products and services.

On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective associates. Our Group, our Controlling Shareholders and their associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders. During the Track Record Period, (i) Mr. Sze and Sze BVI have provided us with the guarantees as disclosed in note 37(a) of Appendix I to this prospectus, and (ii) the amount due to Sze BVI is unsecured and interest-free as disclosed in note 1 of Appendix I to this prospectus. The guarantees will be released and the amount due to Sze BVI will be repaid prior to the Listing. Upon Listing, we will not be relying on any guarantee in respect of bank borrowings or loan provided by any of our Controlling Shareholders nor will we be given any guarantee for the benefit of any of our Controlling Shareholders. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Global Offering.

CONNECTED TRANSACTIONS

Following Listing, Freetech Road Recycling, one of our wholly-owned subsidiaries, which is principally engaged in the provision of asphalt pavement maintenance services, and its subsidiaries, will continue to have certain transactions with entities which are regarded as connected persons of our Company on an ongoing basis. Such transactions will be regarded as continuing connected transactions of our Company under the Listing Rules after Listing.

CONNECTED PERSONS

The relevant connected persons, with whom our Group have and will continue to have transactions with are as follows:

(i) *Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司)* ("Lutong Ordos"): Lutong Ordos is a company established in the PRC and is interested in 47% of the equity interest of Freetech Ordos, a non-wholly owned subsidiary of our Company. It is thus a substantial shareholder of a subsidiary of our Company and a connected person of our Company under Rule 14A.11 of the Listing Rules; and

(ii) *Ordos Dongfang Road & Bridge Group Co., Ltd.* (鄂爾多斯市東方路橋集團股份有限公司)* ("Dongfang Ordos"): To the best knowledge, information and belief of our Directors, Dongfang Ordos is a holding company of a connected person of the Company, Lutong Ordos. Our Directors therefore consider it appropriate to treat Dongfang Ordos as an associate of Lutong Ordos and hence a connected person of our Company under Rule 14A.11 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Provision of asphalt pavement maintenance services

Nature of transactions

Freetech Road Recycling and its subsidiaries are principally engaged in the provision of asphalt pavement maintenance services. Dongfang Ordos is principally engaged in the investment and operation of road infrastructures, road and bridge construction, transportation, energy and domestic trading businesses. Based on the businesses that Dongfang Ordos is principally engaged in, to the best knowledge, information and belief of our Directors, Dongfang Ordos does not and is unlikely to compete, directly or indirectly, with our business.

During the Track Record Period, Freetech Road Recycling and its subsidiary, Freetech Ordos, provided asphalt pavement maintenance services to Dongfang Ordos and its subsidiaries ("Dongfang Group").

On 7 June 2013, Freetech Road Recycling has entered into a master asphalt pavement maintenance servicing agreement with Dongfang Ordos pursuant to which Freetech Road Recycling has agreed to provide, subject to Listing, asphalt pavement maintenance services through Freetech Road Recycling or any of its subsidiaries to Dongfang Group for a period of three years from 1 January 2013 to 31 December 2015.

The pricing and specific details of the asphalt pavement maintenance services to be provided by our Group to the Dongfang Group will be determined pursuant to specific contracts to be entered into by the relevant parties. Settlement may be effected by cash or as may be agreed between parties from time to time.

Historical transaction amounts

The following table sets forth the amount of asphalt pavement maintenance services that we provided to Dongfang Group for the year ended 31 December 2010, 2011 and 2012:

	for the years ended 31 December					
	2010		2011		2012	
	RMB'000	HK$'000 (approx.)	RMB'000	HK$'000 (approx.)	RMB'000	HK$'000 (approx.)
Asphalt pavement maintenance services provided to Dongfang Group by						
Our Group	18,123	22,352	21,107	26,032	25,970	32,030
Freetech Ordos(1)	—	—	1,913	2,359	—	—
Total	18,123	22,352	23,020	28,391	25,970	32,030
% of our revenue(2)		9.6		10.1		6.6

Notes:

(1) The revenue generated from asphalt pavement maintenance services provided to Dongfang Group by Freetech Ordos for the year ended 31 December 2011 was the entire revenue generated from such asphalt pavement maintenance services and was not adjusted based on our Group's share in the revenue of Freetech Ordos, a jointly-controlled entity of our Group at the time.

(2) The revenue generated from asphalt pavement maintenance services provided to Dongfang Group as a percentage of the revenue of our Group for the year ended 31 December 2011 included the entire revenue generated from asphalt pavement maintenance services provided to Dongfang Group by Freetech Ordos without any adjustment of our Group's share in the revenue of Freetech Ordos, a jointly-controlled entity of our Group at the time.

Annual caps

Our Directors estimate that the annual caps for the provision of asphalt pavement maintenance services by Freetech Road Recycling and/or its subsidiaries to Dongfang Group will be:

	Proposed annual cap for the years ending 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Asphalt pavement maintenance services to be provided to			
Dongfang Group	30,000	33,000	37,000
Total	30,000	33,000	37,000

The above annual caps for the provision of asphalt pavement maintenance services have been determined based on (i) the transaction amounts recognised for the provision of asphalt pavement maintenance services to Dongfang Group for the years ended 31 December 2010, 2011 and 2012; (ii) the expected increase in demand for asphalt pavement maintenance services to be provided to Dongfang Group as estimated by our management team; and (iii) a reasonable increase of servicing fees to be charged by our Group taking into account the potential inflation for the years ending 31 December 2013, 2014 and 2015.

Reasons for the transaction and Directors' view

Our Directors believe that the provision of asphalt pavement maintenance services to Dongfang Group is beneficial to our Group as a whole as they will provide our Group with an additional source of revenue and help develop our asphalt pavement maintenance service segment in general.

Given the rates to be charged are no less favourable than those to be offered by the Independent Third Parties, our Directors, including independent non-executive Directors, are of the view that the transactions contemplated under the master asphalt pavement maintenance servicing agreement (i) are on arm's length and on normal commercial terms which are no less favourable to our Group than the term available from the Independent Third Parties, (ii) in the ordinary and usual course of business of our Group, (iii) are fair and reasonable and in the interests of our Group and our Shareholders as a whole, and (iv) the annual cap amounts set out above are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Implication under the Listing Rules

The transactions contemplated under the said asphalt pavement maintenance servicing agreement will constitute continuing connected transactions for our Group subject to reporting, annual review, announcement and independent Shareholders' approval requirements stipulated under the Listing Rules pursuant to Rule 14A.35 as one or more of the applicable percentage ratios (other than the profits ratio of the annual caps) is or are more than 5% on an annual basis.

2. Purchase of asphalt

Nature of transaction

Freetech Road Recycling and its subsidiaries are principally engaged in the provision of asphalt pavement maintenance services. To the best knowledge, information and belief of our Directors, Dongfang Group is principally engaged in the investment and operation of road infrastructures, road and bridge construction, road and bridge maintenance, transportation, energy, road landscaping and domestic trading businesses. As part of its support services, Dongfang Group manufactures asphalt. During the Track Record Period, Freetech Ordos purchased asphalt from Dongfang Group.

On 7 June 2013, Freetech Road Recycling has entered into a master agreement on purchase of asphalt with Dongfang Ordos pursuant to which Dongfang Ordos has agreed, subject to Listing, to provide asphalt through Dongfang Group to Freetech Road Recycling and/or its subsidiaries for a period of three years from 1 January 2013 to 31 December 2015.

The pricing and specific details of the asphalt to be purchased by our Group from Dongfang Group will be determined pursuant to specific contracts to be entered into by the relevant parties. Settlement may be effected by cash or as may be agreed between parties from time to time.

Historical transaction amounts

The following table sets forth the amount of asphalt that Freetech Ordos purchased from Dongfang Group for the year ended 31 December 2010, 2011 and 2012:

	for the years ended 31 December					
	2010		2011		2012	
	RMB'000	HK$'000 (approx.)	RMB'000	HK$'000 (approx.)	RMB'000	HK$'000 (approx.)
Purchase of asphalt from Dongfang Group[1]	—	—	—	—	12,394	15,286
Total	—	—	—	—	12,394	15,286
% of our cost of sales[2]		—		—		6.9

Notes:

(1) The purchase of asphalt from Dongfang Group by Freetech Ordos for the year ended 31 December 2012 was the entire cost of such purchase and was not adjusted based on our Group's share in the expenses of Freetech Ordos, a jointly-controlled entity of our Group up to 20 June 2012. Effective from 21 June 2012, Freetech Ordos became a subsidiary of our Company.

(2) The purchase of asphalt from Dongfang Group by Freetech Ordos as a percentage of the cost of sales of our Group for the year ended 31 December 2012 included the entire cost of the purchase of asphalt from Dongfang Group by Freetech Ordos without any adjustment of our Group's share in the expenses of Freetech Ordos, a jointly-controlled entity of our Group up to 20 June 2012. Effective from 21 June 2012, Freetech Ordos became a subsidiary of our Company.

Annual caps

Our Directors estimate that the annual caps for the purchase of asphalt by Freetech Road Recycling and/or its subsidiaries from Dongfang Group will be:

	Proposed Annual Cap for the years ending 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Purchase of asphalt from Dongfang Group	31,000	35,000	39,000
Total	31,000	35,000	39,000

The purchase of asphalt by Freetech Road Recycling and/or its subsidiaries from Dongfang Group is estimated to be approximately 47% to 49% of the cost of sales of Freetech Ordos for each of the years ending 31 December 2013, 2014 and 2015, while the historical figure for the year ended 31 December 2012 was 43%. The cost of sales of Freetech Ordos is used to estimate the above annual caps instead of the cost of sales of our Group as the purchase of asphalt from Dongfang Group will only be made by Freetech Ordos for its asphalt pavement maintenance services in Ordos, Inner Mongolia, the PRC. The above annual caps for the purchase of asphalt have been determined based on (i) the transaction amounts for the purchase of asphalt by Freetech Ordos from Dongfang Group for the year ended 31 December 2012; (ii) an estimated amount of asphalt required in order to complete the asphalt pavement maintenance services that Freetech Ordos has contracted to provide for the period from January 2013 to December 2014; (iii) the estimated contract amount of Freetech Ordos for asphalt pavement maintenance services estimated by our management team, which is expected to double and reach its optimal operating level for the year ending 31 December 2013 and onwards up to 31 December 2015 based on the current asphalt pavement maintenance equipment it owns and the asphalt to be procured is expected to proportionally increase as a result; and (iv) a reasonable increase of the price of asphalt to be charged by Dongfang Group taking into account the potential inflations during the years ending 31 December 2013, 2014 and 2015, during which, the servicing quantity will remain stable as the optimal operating level has been reached.

Reasons for the transaction and Directors' view

Given the price to be paid are expected to be no less favourable than those to be offered by the Independent Third Parties, our Directors, including independent non-executive Directors, are of the view that transactions contemplated under the master agreement on purchase of asphalt (i) are on arm's length and on normal commercial terms which are no less favourable to our Group than the term available from the Independent Third Parties, (ii) in the ordinary and usual course of business of our Group, (iii) are fair and reasonable and in the interests of our Group and our Shareholders as a whole, and (iv) the annual cap amounts as set out above are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Implications under the Listing Rules

The transactions contemplated under the said master agreement on purchase of asphalt will constitute continuing connected transactions for our Group subject to reporting, annual review, announcement and independent Shareholders' approval requirements stipulated under the Listing Rules pursuant to Rule 14A.35 as one or more of the applicable percentage ratios (other than the profits ratio) is or are on an annual basis more than 5%.

Application for waiver

As the said non-exempt continuing connected transactions will continue after the Listing on a recurring basis, our Directors consider that strict compliance with the announcement and/or independent Shareholders' approval requirements under the Listing Rules would be unduly burdensome and impractical. As such, we have applied for, and have received from, the Stock Exchange a waiver from strict compliance with the announcement and independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules for the said non-exempt continuing connected transactions. In addition, we will comply with all applicable rules as prescribed under Chapter 14A of the Listing Rules unless they are specifically exempted.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that the non-exempt continuing connected transactions stated above (i) have been and shall be entered into in our ordinary and usual course of business and on normal commercial terms; and (ii) the terms and the annual caps are fair and reasonable as far as our Shareholders are concerned and in the interests of our Shareholders as a whole.

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding members of the Board.

Name	Age	Position in our Company	Date of appointment	Responsibilities in our Group	Relationship with other Directors
Mr. Sze Wai Pan (施偉斌)	47	Chairman, chief executive officer and executive Director	8 June 2011	Responsible for overall corporate strategies, planning and business development of our Group, and chairman of nomination committee	Brother of Ms. Irene Sze
Ms. Sze Wan Nga (施韻雅)	39	Executive Director	8 June 2011	Responsible for finance, human resources, administration and commercial departments of our Group, and member of remuneration committee	Sister of Mr. Sze
Mr. Zhang Yifu (張义甫)	59	Executive Director	16 August 2011	Responsible for research and development of our products and technology	None
Mr. Chan Kai King (陳啟景)	45	Executive Director	16 August 2011	Responsible for quality control, and research and development of our products and technology	None
Mr. Yeung Chin Chiu (楊展釗)	49	Non-executive Director	16 August 2011	Non-executive director	None
Ms. Chen Shirley Shiyou (陳十游)	47	Non-executive Director	16 August 2011	Non-executive director	None
Ms. Yeung Sum (楊琛)	39	Independent non-executive Director	10 August 2012	Independent non-executive director, chairman of audit committee and member of remuneration committee	None
Mr. Tang Koon Yiu Thomas (鄧觀瑤)	65	Independent non-executive Director	10 August 2012	Independent non-executive director, chairman of remuneration committee, member of audit committee and nomination committee, respectively	None
Mr. Lau Ching Kwong (劉正光)	70	Independent non-executive Director	10 August 2012	Independent non-executive director, member of audit committee and member nomination committee, respectively	None

Executive Directors

Mr. Sze Wai Pan (施偉斌), aged 47, is the founder of our Group and one of our executive Directors. He is the chairman of our Board, the chief executive officer of our Company and our chief engineer. Mr. Sze was appointed as a Director of our Company on 8 June 2011. Mr. Sze has over 20 years of experience in engineering and is primarily responsible for our overall research and development activities, overall corporate strategies, planning and business development of our Group. He has been a director of all our major PRC operating subsidiaries of our Group, namely, Freetech Road Recycling, Nanjing Maintenance Machinery, Freetech Manufacturing and Freetech Ordos since the date of their respective establishments, respectively. He is also the president of Freetech Road Recycling and Freetech Manufacturing since the date of each of its establishment. Further, Mr. Sze is an inventor of all our 82 registered patents and an inventor of our Hot-in-Place technology. On the other hand, he has been a non-executive director of Hong Kong East China Non-ferrous International Mineral Development Co., Limited* (香港華東有色國際礦業發展有限公司) since 29 December 2008, a company engaged in mining activities. Prior to his establishment of our Group in September 2000, he founded Freetech Technology in September 1993, the holding company of Freetech Hong Kong prior to the Corporate Reorganisation, and has since then been a director of Freetech Hong Kong, supervising its overall management. Mr. Sze worked as a lecturer in the Department of Manufacturing Engineering on a part-time basis during the academic year 1992 to 1993 in City Polytechnic of Hong Kong (currently known as City University of Hong Kong). Mr. Sze obtained a master of science degree (with distinction) from University of Warwick, United Kingdom in July 1991, and a master of arts degree from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in December 1994. He has been a member of Nanjing Political Consultative Conference (南京市政治協商會議) since January 2008. Mr. Sze was awarded as a Nanjing Science and Technology Achievement Award (南京市科技功臣獎) from the Nanjing Municipal Government in May 2009 in recognition of his achievement in the asphalt pavement maintenance industry and was nominated for the Young to Middle-aged Expert with Outstanding Contributions in Jiangsu Province for 2012* (2012江蘇省有突出貢獻中青年專家) from the Nanjing Municipal Bureau of Human Resources and Social Security*（南京市人力資源和社會保障局）in February 2013. Mr. Sze is the brother of Ms. Irene Sze, one of our executive Directors.

Mr. Sze has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Sze has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Ms. Sze Wan Nga (施韻雅), aged 39, and is one of our executive Directors. She was appointed as a Director of our Company on 8 June 2011. She joined our Group in September 2000. She has been a director of each of Freetech Road Recycling, Nanjing Maintenance Machinery and Freetech Manufacturing since the date of each of their establishments. Further, Ms. Sze is the vice president of Freetech Road Recycling and Freetech Manufacturing since September 2000 and June 2005, respectively. She has over 16 years of experience in executive management and is primarily responsible for finance, human resources, administration and commercial departments of our Group. Prior to joining our Group, she has been a director of Freetech Technology since December 1998, mainly responsible for finance, human resources, administration and commercial departments. Ms. Sze obtained a master of business administration degree from Hong Kong Baptist University in November 2004, and a bachelor of combined science degree from Hong Kong Baptist University in November 1995, majoring in applied physics. Ms. Sze is the sister of Mr. Sze.

Ms. Sze has not been a director of any company listed in Hong Kong or overseas for the last three years. Ms. Sze has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Mr. Zhang Yifu (張义甫), aged 59, is one of our executive Directors. Mr. Zhang was appointed as a Director on 16 August 2011. He joined our Group in October 2001 as assistant general manager of Freetech Road Recycling and became vice president of Freetech Road Recycling and the deputy general manager of Freetech Manufacturing in January 2005. He is also a director of Freetech Ordos and a director of Freetech Yueyang since their respective dates of establishment. Mr. Zhang has become the head of the asphalt pavement maintenance service quality department, asphalt pavement maintenance service project business department and research centre of Freetech Road Recycling since January 2011, May 2005 and February 2009, respectively. Mr. Zhang has over 30 years of experience in the mechanical engineering and is primarily responsible for the quality control and research and development relating to our asphalt pavement maintenance services. Prior to joining our Group, he worked as an engineer at Load Lifter Manufacturing Ltd., mainly responsible for making and assembling lifters since February 2000. Between April 1997 and March 1999, Mr. Zhang was the vice general manager and the chief engineer of Kaiser Machinery Trading Inc.* (凱順機械貿易有限公司), mainly responsible for the management works in the construction machinery division, building, adjusting and testing of the construction machineries as well as training operations. Between April 1995 to April 1997, Mr. Zhang was the chief engineer in the after sales service centre of HLK Services Ltd., Beijing, mainly responsible for product services, department management and providing training for new customers in the PRC. Between December 1977 and April 1995, Mr. Zhang worked at Xi'an Highway Transportation University (西安公路交通大學) (now known as Chang An University (長安大學)) as an engineer of the Faculty of Highway Construction and Mechanical Engineering, mainly responsible for teaching college students and project research work. Mr. Zhang was recognised as a senior engineer by Personnel Department of Shaanxi Province (陝西省人事廳) in 1998. Mr. Zhang obtained his bachelor's degree in 1977 from Xi'an Road College (西安公路學院) (now known as Chang An University (長安大學)) in highway construction and mechanical engineering.

Mr. Zhang has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Zhang has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Mr. Chan Kai King (陳啟景), aged 45, is one of our executive Directors. Mr. Chan was appointed as a Director on 16 August 2011. He joined our Group in September 2000 as a project manager of Freetech Road Recycling and has become technical controller of Freetech Road Recycling and Freetech Manufacturing since December 2005. Further, Mr. Chan is also the vice president of Freetech Road Recycling and Freetech Manufacturing since January 2011. Mr. Chan has become the head of the engineering and mechanical design institute of Freetech Manufacturing since May 2005. Mr. Chan has over 10 years of experience in the mechanical engineering industry and is primarily responsible for the research and development of products and technology of our Group. Prior to joining our Group, between September 1999 and September 2000, he was a project manager in Freetech Technology, a company wholly owned by Mr. Sze which principally engaged in trading and manufacturing at the time, mainly responsible for technical support. Between July 1994 and September 1999, he was a mechanical engineer in product development and realisation department and then a group leader in the industrial operations department in Philips Hong Kong Limited, mainly responsible for product development and industrial operations. Mr. Chan received a master's degree in mechanical engineering in October 2011 from Hong Kong Polytechnic University and a bachelor's degree in manufacturing engineering in December 1994 from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong).

Mr. Chan has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Chan has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Non-executive Directors

Mr. Yeung Chin Chiu (楊展釗), aged 49, is one of our non-executive Directors. Mr. Yeung was appointed as a Director on 16 August 2011. Mr. Yeung has over 25 years of extensive financial reporting and management experience. Mr. Yeung has worked in CITIC Securities International Company Limited since September 2008, initially as a director (strategic planning) and was then promoted to executive director (strategic planning), mainly responsible for assisting the management with strategic planning work and related projects, including merger and acquisition initiatives. Prior to CITIC Securities International Company Limited, he worked in Lehman Brothers Asia Holdings Limited as a senior vice president in financial control division from March 2008 to August 2008. Between September 2002 and May 2006, he worked in CITIC Capital Markets Holdings Limited until the transfer of the equity business of CITIC Capital Markets Holdings Limited to CITIC Securities International Company Limited, and his last position held was a director (strategic planning) in the chief executive officer office when he left in March 2008. Prior to joining CITIC Capital Markets Holdings Limited, Mr. Yeung was the chief financial officer of a listed local bank in Hong Kong for three years, and before that he was an audit professional focusing on clients in the financial services industries for 13 years with an international accountant firm. He has been a member of the Hong Kong Institute of Certified Public Accountants since 1990. Mr. Yeung graduated from the Hong Kong Polytechnic University in 1986 with a professional diploma in accountancy.

Mr. Yeung has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Yeung has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Ms. Chen Shirley Shiyou (陳十游), aged 47, is one of our non-executive Directors. Ms. Chen was appointed as a Director on 16 August 2011. Ms. Chen has over 18 years of experience in investment banking. She has been working with China International Capital Corporation Limited (中國國際金融有限公司) since February 2003 and is now a managing director mainly responsible for strategy, business development and investment decisions of its private equity business. Meanwhile, she is the chairwoman of CICC Jia Cheng Investment Management Co. Ltd. (中金佳成投資管理有限公司), a wholly-owned subsidiary of China International Capital Corporation Limited. Prior to joining China International Capital Corporation Limited, she was a director in the investment banking department of Credit Suisse First Boston in New York and Hong Kong from August 1995 to March 2002. Ms. Chen obtained a master of business administration degree in 1995 from Yale University.

Further, for the past three years, Ms. Chen has been a director for two companies listed on the Shenzhen Stock Exchange. From August 2009 to September 2012, Ms. Chen has been a director of Zhejiang Beingmate Scientific Industrial Trade Share Co., Ltd.* (浙江貝因美科工貿股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002570). Since October 2010, Ms. Chen has been a director of GI Technologies (Beijing) Co., Ltd* (吉艾科技(北京)股份公司), a company listed on the growth enterprises market of Shenzhen Stock Exchange (stock code: 300309). Ms. Chen has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Independent Non-executive Directors

Ms. Yeung Sum (楊琛), aged 39, is one of our independent non-executive Directors. Ms. Yeung was appointed as a Director on 10 August 2012. Ms. Yeung has around 18 years of experience in finance and risk management. She is the chief financial officer of Lorenzo Crystal Limited since July 2012, mainly responsible for the finance, legal affairs, human resources and internal controls. Prior to joining Lorenzo Crystal Limited, Ms. Yeung worked in Ernst & Young between January 1995 and April 2012 where she was subsequently promoted as a partner in January 2006, mainly responsible for risk management and internal control services. Ms. Yeung obtained a bachelor of commerce majoring in finance and accounting from University of Auckland in May 1995. She has been a certified public accountant certified by the American Institute of Certified Public Accountants since April 2006, and a certified internal auditor awarded by the Institute of Internal Auditors since November 2002.

Ms. Yeung has not been a director of any company listed in Hong Kong or overseas for the last three years. Ms. Yeung has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Mr. Tang Koon Yiu Thomas (鄧觀瑤), aged 65, is one of our independent non-executive Directors. Mr. Tang was appointed as a Director on 10 August 2012. Mr. Tang has extensive experience in technologies and various industries. Since March 2006, he has been vice chairman of Greater China Leapfrog Teaching Foundation Limited, mainly responsible for the development of strategic initiatives, partnerships in the promotion of innovative technologies and methodologies for the improvement of teaching efficiency in schools. Between March 2003 to February 2005, Mr. Tang was the chairman and managing director of Elec & Eltek International Holdings Limited (依利安達國際控股集團) (a company previously listed on the Stock Exchange, where such listing had been withdrawn in March 2005) and Elec & Eltek International Company Limited (a company listed on the mainboard of the Singapore Exchange Securities Trading Limited), mainly responsible for its overall management and strategic planning. Elec & Eltek International Company Limited is a manufacturer of high density interconnects, backplanes and printed circuit boards. Between January 1997 and March 2003, Mr. Tang was the chief executive of Hong Kong Productivity Council (香港生產力促進局). Mr. Tang obtained a master of science degree, majoring in industrial engineering and administration from Cranfield Institute of Technology (currently known as Cranfield University) in May 1976. Mr. Tang is currently a member of the Nanjing Political Consultative Conference (南京市政治協商會議).

Mr. Tang has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Tang has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Mr. Lau Ching Kwong (劉正光), aged 70, is one of our independent non-executive Directors. Mr. Lau appointed as a Director on 10 August 2012. Mr. Lau has over 40 years of experience in civil engineering. He is an executive director of transportation of AECOM Asia Co. Ltd (艾奕康有限公司) since June 2003, mainly focusing on consulting work for infrastructure constructions in the PRC. Meanwhile, he has been appointed as the part-time professor of Tsinghua University (清華大學) from October 2004 to September 2007. Mr. Lau worked in the Hong Kong Government for over thirty years, mainly responsible for the design and construction of public works, and he served many roles including the chief engineer of Tsing Ma Bridge, the deputy director of Highways Department (路政署), the director of Civil Engineering and Development Department (土木工程署), respectively. Mr. Lau obtained a doctorate degree in engineering from Tsinghua University (清華大學) in June 1998, a master's degree majoring in bridge engineering in December 1970 from University of Surrey, and a diploma in building in July 1963 from Hong Kong Technical College (now known as Hong Kong Polytechnic University). Mr. Lau is a first class registered structural engineer recognised by the National Administration Board of Engineering Registration (Structural) of the PRC (全國注冊工程師管理委員會(結構)) in March 2002. He is a council member of China Civil Engineering Society (中國土木工程學會) since 2002 and a standing committee member since December 2008. He was a council member of China Highway and Transportation Society (中國公路學會) from November 2004 to December 2010. He has been a corresponding member of the Pan American Academy of Engineering since July 2002, a fellow member of the Institution of Civil Engineers since June 1993, a fellow member of the Institution of Structural Engineers since October 1990, a fellow member of the Hong Kong Institution of Engineers since November 1994, a fellow member of the Hong Kong Academy of Engineering Sciences since September 2003, and a fellow member of the Hong Kong Institution of Highways and Transportation since April 1999. He received Mao Yisheng Bridge Construction Grand Award (茅以升橋樑工程特別獎), which was issued by China Science and Technology Development Foundation Mao Yisheng Science and Technology Education Fund (中國科學技術發展基金會茅以升科技教育基金) in April 1999.

Mr. Lau has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Lau has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Jiang Yong He (蔣永河), aged 53, joined our Group in September 2000 as technical manager of Freetech Road Recycling. He has been a director of Freetech Ordos since its establishment. Mr. Jiang has been the assistant president of Freetech Road Recycling and Freetech Manufacturing since January 2011 and the head of service projects business department of Freetech Road Recycling since January 2011. During the Track Record Period, Mr. Jiang was the technical manager of the asphalt pavement maintenance service and mechanical design institute of Freetech Manufacturing until January 2011, where he was appointed as the head of asphalt pavement maintenance service project business department of Freetech Road Recycling. He has over 20 years of experience in mechanical engineering and is primarily responsible for the management of asphalt pavement maintenance service projects, and also responsible for formulating in the asphalt pavement maintenance service business strategy of our Group. Prior to joining our Group, between August 1982 and November 1997, Mr. Jiang worked in Nanjing Construction Mechanical Factory (南京工程機械廠) as a mechanical design engineer and head of design department and head of mechanical research institute, mainly responsible for research and development of drilling machine. Mr. Jiang graduated from Central South Mining and Metallurgy College (中南礦冶學院), which is now known as Central South University (中南大學), with a bachelor degree in July 1982, majoring in mining equipment. Mr. Jiang is a senior engineer recognised by the Leading Team of Qualification Reform of Nanjing (南京市職稱改革領導小組) in March 1996.

Mr. Huang Liang Zhong (黃良忠), aged 50, joined our Group in September 2000 as production manager of Freetech Road Recycling. Mr. Huang Liang Zhong has been appointed as the assistant president of Freetech Road Recycling and Freetech Manufacturing since January 2011. He has over

20 years of experience in mechanical engineering and is primarily responsible for manufacturing and human resources of our Group. Prior to joining our Group, between August 1984 and April 1988, Mr. Huang worked in Nanjing Construction Mechanical Factory (南京工程機械廠) as technician, engineer, deputy engineer, assistant chief engineer, and chief engineer, mainly responsible for research and development of drilling machine. Mr. Huang graduated from Xi'an Road College (西安公路學院) (now known as Chang An University (長安大學)) with a bachelor's degree in July 1984, majoring in road construction equipment. Mr. Huang is a senior engineer recognised by Personnel Department of Jiangsu Province (江蘇省人事廳) in November 2000.

Mr. Lim Eng Sun (林恩善), aged 36, is the chief financial officer and company secretary of our Company. Mr. Lim joined our Group in December 2011 as financial controller of our Group and is primarily responsible for the finance and accounting affairs of our Group. He has over nine years of experience in finance and accounting. Prior to joining our Group, between October 2006 and May 2011, Mr. Lim worked in Ernst & Young as a senior accountant and then a manager, mainly responsible for providing supervision of audit engagement. He has worked as a senior auditor in CCIF CPA Limited (陳葉馮會計師事務所) from February 2004 to October 2006, and between June 2002 to February 2004, Mr. Lim worked in Baker Tilly Hong Kong (正風會計師事務所) where he was a tax staff accountant upon his departure. Mr. Lim received a bachelor of business degree in November 2001 and a master's of business law in November 2005 from Monash University. Since July 2006, Mr. Lim is an associated member of Hong Kong Institute of Certified Public Accountants.

COMPANY SECRETARY

Mr. Lim Eng Sun (林恩善) is the chief financial officer and company secretary of our Company. Please refer the paragraph headed "Senior Management" above for the biography of Mr. Lim.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 7 June 2013 in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendation to the Board on the appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting and oversight of internal control procedures of our Company. At present, the audit committee of our Company consists of three members, namely, Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong. Ms. Yeung Sum is the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee on 7 June 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. Tang Koon Yiu Thomas, Ms. Yeung Sum and Ms. Irene Sze. Mr. Tang Koon Yiu Thomas is the chairman of the remuneration committee.

Nomination Committee

Our Company has established a nomination committee on 7 June 2013 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendation to the Board regarding candidates to fill vacancies on our Board. The nomination committee consists of three members, namely Mr. Sze, Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong. Mr. Sze is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During the years ended 31 December 2010, 2011 and 2012, the aggregate amount of compensation paid (including basic salary, share-based compensation and retirement based contribution) by our Company to its five highest paid individuals were approximately HK$2,214,000, HK$3,455,000 and HK$5,512,000, respectively.

The executive Directors are also employees of our Company and receive, in their capacity as employees of our Company, compensation in the form of salaries and other allowances and benefits in kind. Our Company reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to the operations of our Company.

During the years ended 31 December 2010, 2011 and 2012, the aggregate amount of compensation paid (including basic salary, share-based compensation and retirement based contribution) by our Company to our Directors were approximately HK$625,000, HK$2,405,000 and HK$4,742,000, respectively.

Our Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of our Group. In addition to the fees, salaries, housing allowances, other allowances, benefits in kind or bonuses, our Company has conditionally adopted the Share Option Scheme, pursuant to which our Directors' remuneration shall include the options to be granted under the Share Option Scheme.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Group.

None of our Directors waived any emoluments for any of the last three years. Save as disclosed in this paragraph headed "Compensation of Directors and senior management", no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

COMPLIANCE ADVISER

Our Company will appoint Guotai Junan Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Our authorised share capital as of the date of this prospectus is as follows:

		HK$
Authorised share capital:		
10,000,000,000	Shares	1,000,000,000

Without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised):

Shares		HK$	Approximate percentage of issued share capital (%)
100,000,000	Shares in issue as at the date of this Prospectus	10,000,000	9.62
680,000,000	Shares to be issued under the Capitalisation Issue	68,000,000	65.38
260,000,000	Shares to be issued under the Global Offering	26,000,000	25.00
1,040,000,000	Total	104,000,000	100.00

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is exercised in full):

Shares		HK$	Approximate percentage of issued share capital (%)
100,000,000	Shares in issue as at the date of this Prospectus	10,000,000	9.27
680,000,000	Shares to be issued under the Capitalisation Issue	68,000,000	63.02
299,000,000	Shares to be issued under the Global Offering	29,900,000	27.71
1,079,000,000	Total	107,900,000	100.00

ASSUMPTIONS

The above tables do not take into account (i) any Shares issued upon exercise of options that may be granted under the Share Option Scheme, or (ii) any Shares which may be issued or repurchased by our Company under the general mandates given to our Directors to issue and repurchase Shares.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this Prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and

(b) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, see the paragraph headed "Written resolutions of our Shareholders passed on 7 June 2013" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchase of our shares" in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company is required by law or Articles of Association to hold its next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this repurchase mandate, see the paragraph headed "Written resolutions of our Shareholders passed on 7 June 2013" in Appendix IV to this prospectus.

Immediately following completion of the Global Offering and the Capitalisation Issue, but without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option, options which may be granted under the Share Option Scheme or the stock borrowing arrangements set out under the paragraph headed "Structure of the Global Offering — Over-allotment Option and Stabilising" in this prospectus, the following persons:

- will have interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or

- will be, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group and are therefore regarded as substantial shareholders under the Listing Rules:

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Sze[1,2]	Interest in controlled corporation	521,365,260	50.13%
Freetech Technology[2]	Interest in controlled corporation	521,365,260	50.13%
Sze BVI[2]	Interest in controlled corporation	521,365,260	50.13%
Freetech Cayman[2]	Beneficial owner	521,365,260	50.13%
CITIC Securities Company Limited[3]	Interest in controlled corporation	58,219,200	5.60%
CSI Direct Investments Limited[3]	Interest in controlled corporation	58,219,200	5.60%
Smart Firm[3]	Beneficial owner	58,219,200	5.60%
China International Capital Corporation Limited[4]	Interest in controlled corporation	58,219,200	5.60%
CICC Growth Capital Fund GP L.P. [4]	Interest in controlled corporation	58,219,200	5.60%
CICC Growth Capital Fund I, L.P. [4]	Interest in controlled corporation	58,219,200	5.60%
Future Blossom[4]	Beneficial owner	58,219,200	5.60%
Ms. Anna Sze[5]	Interest in controlled corporation	56,420,520	5.43%
Smart Executive[5]	Beneficial owner	56,420,520	5.43%

Notes:

(1) The shares of Freetech Technology held by each of Ms. Hui Lai Ying and Mr. Sze Man Chong are held on trust for the benefit of Mr. Sze pursuant to a declaration of trust entered into between Ms. Hui Lai Ying and Mr. Sze dated 25 February 1994 and a declaration of trust entered into between Mr. Sze Man Chong and Mr. Sze dated 25 February 1994, respectively.

(2) Freetech Cayman will be wholly owned by Sze BVI immediately following the completion of the Global Offering. Sze BVI is wholly owned and controlled by Freetech Technology and Freetech Technology is entirely beneficially owned by Mr. Sze. Each of Mr. Sze, Freetech Technology and Sze BVI is therefore deemed to be interested in the Shares held by Freetech Cayman.

(3) Smart Firm is wholly owned by CSI Direct Investments Limited, a wholly-owned subsidiary of CITIC Securities Company Limited. Hence, each of CSI Direct Investments Limited and CITIC Securities Company Limited is deemed to be interested in the Shares held by Smart Firm.

(4) Future Blossom is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited. Hence, each of CICC Growth Capital Fund I, L.P., CICC Growth Capital Fund GP, L.P. and China International Capital Corporation Limited is deemed to be interested in the Shares held by Future Blossom.

(5) Smart Executive is wholly owned and controlled by Ms. Anna Sze and Ms. Anna Sze is therefore deemed to be interested in the Shares held by Smart Executive.

Direct or indirect interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of subsidiary	Name of shareholder	Percentage of interest
Freetech Ordos	Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路護養有限責任公司)	47%

Save as disclosed in this section, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option, or options which may be granted under the Share Option Scheme or the stock borrowing arrangements set out under the paragraph headed "Structure of the Global Offering — Over-allotment Option and Stabilising" in this prospectus, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group.

For details of the lock-up arrangements restriction some of our Shareholder from selling or otherwise disposing of our Shares, please refer to the section headed "Underwriting" in this prospectus.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as of and for the years ended 31 December 2010, 2011 and 2012 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRS. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading and fast-growing service provider using the Hot-in-Place recycling technology in the asphalt pavement maintenance industry in the PRC. We held a leading market share in the PRC in terms of the sales volume of our standard series equipment using the Hot-in-Place recycling technology as of 31 December 2012, according to CCID, an independent market research institution. We owned and used ten of the total of 50 sets of modular series equipment using the Hot-in-Place recycling technology in service in the PRC as at 31 December 2012, while none of the other asphalt pavement maintenance service providers in the PRC owned or used more than three sets of modular series equipment using the Hot-in-Place recycling technology to provide asphalt pavement maintenance services in the PRC, according to CCID. The Hot-in-Place recycling technology is a method to reuse aged asphalt directly on-site and is relatively cost-efficient and environmentally friendly. We believe that the Hot-in-Place recycling technology has significant growth potential compared with traditional asphalt pavement maintenance technologies as the use of recycling technologies is encouraged by recent policies issued by the PRC government.

We have two business segments: the asphalt pavement maintenance service segment, where we provide asphalt pavement maintenance services under our registered trademark "公路医生®" (Road Doctor) to repair damaged asphalt pavement surfaces, and the asphalt pavement maintenance equipment segment, where we manufacture and sell a wide range of asphalt pavement maintenance service equipment. During the Track Record Period, we derived approximately 83.8%, 72.4% and 59.3% of our revenue from our asphalt pavement maintenance service business segment and approximately 16.2%, 27.6%, and 40.7% of our revenue from our asphalt pavement maintenance equipment segment for the years ended 31 December 2010, 2011 and 2012, respectively. Our asphalt pavement maintenance service segment and asphalt pavement maintenance equipment segment collaborate extensively within our business platform to provide customised solutions to our customers.

We provide asphalt pavement maintenance services and sell asphalt pavement maintenance equipment in the PRC and Hong Kong. During the Track Record Period, our customers in both our asphalt pavement maintenance service segment and asphalt pavement maintenance equipment segment primarily included PRC government agencies at various levels, which, in turn, primarily comprised: (i) municipal government agencies that generally oversee the construction and maintenance of infrastructure and public facilities in a city, (ii) road authorities that generally oversee the maintenance of road networks in a particular geographical region, and (iii) highway administrations that generally oversee the construction and maintenance of highways in a particular geographical region, and privately-owned companies. In addition to PRC government agencies and privately-owned companies, our customers in the asphalt pavement maintenance equipment segment also include joint venture companies we established with local asphalt pavement maintenance service providers or person with local sales networks.

We obtain contracts for asphalt pavement maintenance service projects and asphalt pavement maintenance equipment sales by way of direct negotiation or bidding depending on the type of customer. We generally obtain our asphalt pavement maintenance service projects (i) through negotiations or mutual agreement where our customers are privately-owned companies or main contractors for government infrastructure maintenance projects and (ii) through bidding where our customers are government agency project owners. We generally obtain our asphalt pavement maintenance equipment sales contracts (i) from PRC government agencies for municipal projects through a bidding process, (ii) from PRC government agencies for highway maintenance projects through either a bidding process or through direct negotiations and (iii) from privately-owned companies and joint venture companies through direct negotiations.

In our asphalt pavement maintenance service projects during the Track Record Period, we had three different categories of contracts based on our role and contractual relationship with the project owner. In the first category, we entered into contracts for asphalt pavement maintenance services directly with customers, who, to the best knowledge of our Directors, were project owners. In the second category where asphalt pavement maintenance services were part of a large infrastructure maintenance project, we acted as a subcontractor responsible for asphalt pavement maintenance services under a main contractor responsible for the entire project, and we entered into subcontracting contracts for asphalt pavement maintenance services with the main contractors. In the third category, we acted as the main contractor for an infrastructure maintenance project, and we performed the asphalt pavement maintenance services ourselves and outsourced non-asphalt pavement maintenance work to third-party subcontractors. During the Track Record Period, we only acted as the main contractor in one project in 2010, where we entered into a contract with the project owner for the project and separate contracts with subcontractors for the non-asphalt pavement maintenance related work we outsourced to them.

The table below sets forth a breakdown of our revenue from the asphalt pavement maintenance service segment by the three categories of contracts as discussed above:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Contract with project owners directly for asphalt pavement maintenance services	85,360	43.7	108,869	53.4	233,563	81.0
Contract with main contractor to act as subcontractor for asphalt pavement maintenance services	58,390	29.9	94,890	46.6	54,836	19.0
Contract with project owner to act as main contractor in an infrastructure maintenance project	51,557	26.4	N/A	N/A	N/A	N/A
Total:	195,307	100.0	203,759	100	288,399	100.0

We have achieved significant growth in revenue and net profit during the Track Record Period. Our revenue increased from approximately HK$233.1 million for the year ended 31 December 2010 to approximately HK$281.3 million for the year ended 31 December 2011 and further to approximately HK$486.0 million for the year ended 31 December 2012, representing a CAGR of 44.4%. Our profit for the year increased from approximately HK$26.8 million for the year ended 31 December 2010 to approximately HK$62.2 million for the year ended 31 December 2011 and further to approximately HK$150.4 million for the year ended 31 December 2012, representing a CAGR of 136.9%.

BASIS OF PRESENTATION

On 8 June 2011, our Company was incorporated under the laws of the Cayman Islands. Pursuant to the Corporate Reorganisation as described in the section headed "History and Corporate Structure" in this prospectus, our Company became the holding company of the companies now comprising our Group on 12 August 2011. These companies now comprising our Group were under the common control of Mr. Sze before and after the Corporate Reorganisation. Accordingly, our financial information has been prepared by applying the principles of merger accounting as if the Corporate Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when such companies first came under the common control of Mr. Sze, where this is a shorter period. The consolidated statements of financial position of our Group as of 31 December 2010, 2011 and 2012 have been prepared to present the assets and liabilities of the companies comprising our Group using the existing book values from the perspective of Mr. Sze. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Corporate Reorganisation.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Demand for asphalt pavement maintenance services and equipment utilising recycling technology

Our financial condition and results of operations are affected by the demand for asphalt pavement maintenance services and equipment using recycling technology and recycled asphalt mixture. We believe that our Hot-in-Place recycling technology is an effective and environmentally friendly technology. In the past, our business has benefited significantly from increasing demand in the asphalt pavement maintenance industry mainly due to the PRC government's increasing investments in road infrastructure maintenance and the rapid growth of the total road mileage in China. Over the past few years, the PRC government has encouraged the use of recycling technology in road maintenance by implementing laws and policy directives on energy conservation and environmental protection, which has also driven the demand for our services and equipment. Furthermore, the Ministry of Transport released the *Guidance on Promoting Road Pavement Material Recycling* (關於加快推進公路路路面材料循環利用工作的指導意見) ("**Guideline**") in 2012, targeting to achieve approximately "zero wastage" of damaged pavement materials in the PRC by the end of 2015. According to the Guideline, the average rate of recycling of the damaged pavement materials in the PRC should reach at least 50% by the end of 2015 and at least 90% by the end of 2020, while this rate of recycling was lower than 5% as of the end of 2010, according to CCID. We believe that this policy directive provides significant potential for further growth in asphalt pavement maintenance services where used asphalt is recycled, such as the asphalt pavement maintenance services we provide with our Hot-in-Place recycling technology.

We expect that our results of operations will continue to be affected by the growth in the PRC government's investment in road infrastructure maintenance and the continuing implementation of laws and policies favouring environmentally friendly recycling technology and recycled asphalt mixture.

Asphalt pavement maintenance service capacity and Asphalt pavement maintenance equipment production capacity

As we increased the number of our asphalt pavement maintenance equipment used in our asphalt pavement maintenance services during the Track Record Period, we were able to increase our total serviced area and expand our business into new markets, such as Yunnan Province and Xinjiang Autonomous Region, where contract prices for asphalt pavement maintenance services are generally higher than in the Eastern China and Central China markets primarily due to higher reference prices of asphalt pavement maintenance services using traditional technologies and higher raw material prices in the new regions. As a result, our revenue from the asphalt pavement maintenance service segment increased from HK$195.3 million to HK$203.8 million and further to HK$288.4 million for the years ended 31 December 2010, 2011 and 2012, respectively.

Our results of operations are also affected by our production capacity of asphalt pavement maintenance equipment. Due to the increasing demand for our asphalt pavement maintenance equipment, we believe that an increase in our asphalt pavement maintenance equipment production capacity will help to increase our sales volume and revenue. As of the Latest Practicable Date, we had one asphalt pavement maintenance equipment production facility in operation in Nanjing. In order to meet the increasing market demand, we commenced the construction of another production facility in Nanjing in early 2013. We currently expect the new production facility to become operational by late 2013 upon partial completion of the construction and double our asphalt pavement maintenance equipment production output by the end of 2014 when the construction is completed.

Expansion of our sales coverage in China

Our ability to increase sales is affected by the expansion of our sales coverage in China. As of the Latest Practicable Date, we had performed asphalt pavement maintenance services or sold asphalt pavement maintenance equipment in certain locations in 25 provinces, autonomous regions and municipalities in the PRC and Hong Kong. During the Track Record Period, our total serviced areas amounted to approximately 6,560,000 sq.m. We intend to further increase our market penetration in second and third tier cities in these and other geographic regions, where market penetration rates of asphalt pavement maintenance services and asphalt pavement maintenance equipment using the Hot-in-Place recycling technology are still relatively low. In the expansion of our market penetration, we also plan to focus on regions where asphalt pavement maintenance service technologies are relatively underdeveloped. In addition, by entering into joint ventures with selected asphalt pavement maintenance service providers and persons with broad local connections in our industry, we believe that their extensive sales networks in certain regions will help us to tap into new markets, broaden our customer base nationwide and increase our existing market share in the PRC. We plan to continue to establish joint ventures with other asphalt pavement maintenance service providers or persons who are strategically aligned with us, possess local expertise in the industry and have established local customer networks in our target regions. Our ability to further increase our sales coverage will continue to affect our results of operations.

Product and revenue mix

We are a service provider using the Hot-in-Place recycling technology in the asphalt pavement maintenance industry in the PRC. Most of our revenue during the Track Record Period was generated from provision of asphalt pavement maintenance services and sales of asphalt pavement maintenance equipment. During the Track Record Period, our revenue contributed by our asphalt pavement maintenance service segment ranged from approximately 59.3% to 83.8% and our revenue contributed by our asphalt pavement maintenance equipment segment ranged from 16.2% to 40.7%. The mix of products and services we provide directly affects our results of operations and profitability as different products or services may have different profit margins. Changes in our product mix may affect our overall gross margin and other aspects of our business performance.

In addition, there are significant differences between the gross profit margin for our asphalt pavement maintenance service segment and that for the asphalt pavement maintenance equipment segment. During the Track Record Period, the gross profit margin for our asphalt pavement maintenance service segment ranged from approximately 34.0% to 45.6% and the gross profit margin for our asphalt pavement maintenance equipment segment ranged from approximately 42.9% to 68.7%. The differences in gross profit margins for our two business segments are primarily due to the fundamental differences in the nature of each business segment, which in general include nature of business operations, cost structure, technologies involved, service/product life cycle and market competition. As a result, the relative weight our asphalt pavement maintenance service segment and asphalt pavement maintenance equipment segment represent in our business could also have a significant impact on our results of operations.

Prices of raw materials and subcontracting costs

We manufacture asphalt pavement maintenance equipment at our own production facilities. The raw materials and components for our asphalt pavement maintenance equipment segment mainly include chassis, liquefied petroleum gas components and hydraulic components. The raw materials used in our asphalt pavement maintenance service segment are primarily asphalt mixture, bitumen and rejuvenating agent. In our asphalt pavement maintenance service segment, we outsource peripheral services such as line-marking to third-party subcontractors. In the Xuzhou Huaihai Road municipal project where we acted as the main contractor, we outsourced to third-party subcontractors in non-asphalt pavement maintenance services, such as repairing manhole covers and treating road base.

Our business and profitability depend in part on our ability to obtain necessary raw materials from suppliers and outsource certain services to subcontractors at commercially acceptable prices and in a timely manner. Any increase in prices that we are required to pay for raw materials or outsourced services may result in higher cost of sales for us and reduce our profitability, particularly if we are unable to pass on the additional costs to consumers.

Seasonality

During the Track Record Period, our revenue from the asphalt pavement maintenance service segment was generally higher from May to October compared with other months of the year as warm weather is more amenable to performing outdoor services and heating up asphalt. In addition, projects are often on hold during the Chinese New Year's holiday season, which generally falls in January or February of each year. As a result of these seasonal fluctuations, comparisons of our operating results between different periods within a financial year, or between the same periods in different financial years, may not be meaningful and should not be relied upon as indicators of our future performance. We expect that our results of operations to continue to fluctuate from period to period as they may be affected by weather conditions and other seasonal factors. Please refer to the section headed "Risk Factors — Risks Relating to Our Industry — Our sales may be affected by seasonality and a number of other factors".

Income Tax

Our income tax expense for the years ended 31 December 2010, 2011 and 2012 was approximately HK$10.7 million, HK$20.9 million and HK$42.6 million, respectively. All of our subsidiaries incorporated in the PRC were taxed at the applicable statutory EIT rate of 25% of a company's taxable income except for Freetech Road Recycling and Freetech Manufacturing throughout the Track Record Period.

Freetech Road Recycling was approved by local tax authority as a high-and-new technology enterprise (高新技術企業) on 9 September 2011 and is entitled to a preferential corporate income tax rate of 15% on its assessable profits for a three-year period commencing 9 September 2011. During the years ended 31 December 2010 and 2011, Freetech Manufacturing was granted a preferential PRC EIT rate of 22% and 24%, respectively, and was taxed at half of the applicable rate for the years ended 31 December 2010 and 2011. On 6 August 2012, Freetech Manufacturing was also approved by the local tax authority as a high-and-new technology enterprise and is entitled to a preferential corporate income tax rate of 15% on its assessable profits for a three-year period commencing on 6 August 2012.

As a result, our effective tax rate was 28.6%, 25.2% and 22.1% for the years ended 31 December 2010, 2011 and 2012, respectively. Any increase in our effective income tax rate will increase our income tax expense and our business, financial condition and results of operations will be materially and adversely affected.

SELECTED FINANCIAL INFORMATION

The following table sets forth our consolidated income statement information for the periods indicated:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Revenue	233,145	281,279	486,003
Cost of sales	(150,494)	(140,366)	(222,964)
Gross profit	82,651	140,913	263,039
Other income and gains	1,210	1,786	10,272
Selling and distribution costs	(11,417)	(16,446)	(20,344)
Administrative expenses	(20,225)	(24,949)	(44,675)
Other expenses	(10,271)	(12,658)	(14,411)
Finance costs	(4,409)	(6,000)	(4,025)
Share of profits and losses of:			
Jointly-controlled entities	—	419	3,573
Associates	—	—	(426)
Profit before tax	37,539	83,065	193,003
Income tax expense	(10,725)	(20,915)	(42,630)
Profit for the year	26,814	62,150	150,373

The following table sets forth our consolidated statement of financial position information as of the dates indicated:

	As of 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	93,632	100,567	128,108
Prepaid land lease payments	4,213	6,738	6,788
Goodwill	—	—	731
Other intangible assets	314	305	182
Prepayments	—	—	3,157
Investments in jointly-controlled entities	—	14,318	26,832
Investments in associates	—	—	3,447
Deferred tax assets	—	—	9,277
Total non-current assets	98,159	121,928	178,522
CURRENT ASSETS			
Inventories	19,260	34,316	41,057
Trade and bills receivables	86,031	137,390	268,208
Prepayments, deposits and other receivables	5,875	8,579	17,341
Due from a related person	259	—	—
Due from directors	2,685	3,651	—
Pledged deposits	328	394	448
Cash and bank balances	18,255	135,263	130,862
Total current assets	132,693	319,593	457,916
CURRENT LIABILITIES			
Trade payables	32,678	41,169	73,739
Other payables and accruals	29,870	38,384	44,671
Dividends payable	6,334	52,299	4,964
Due to the ultimate holding company	11,703	14,895	4,350
Interest-bearing bank borrowings	77,357	58,775	78,270
Tax payable	5,624	4,393	9,218
Total current liabilities	163,566	209,915	215,212
NET CURRENT ASSETS (LIABILITIES)	(30,873)	109,678	242,704
TOTAL ASSETS LESS CURRENT LIABILITIES	67,286	231,606	421,226
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	—	—	7,463
Deferred tax liabilities	5,238	7,548	17,476
Due to the immediate holding company	—	154,748	153,538
Total non-current liabilities	5,238	162,296	178,477
NET ASSETS	62,048	69,310	242,749

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 3 to the Accountants' Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires judgements of our management based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgement and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following critical accounting policies, estimates and judgements involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be reliably measured, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the rights of the shareholders to receive payment have been established.

Withholding Tax Arising from the Distribution of Dividends

The determination of our Group, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

PRC EIT

Our Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies in the PRC are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

Impairment of Receivables

The policy for impairment assessment for receivables of our Group is based on the evaluation of collectability and ageing analysis of receivables and on the judgement of our management. We recognise specific impairment under several scenarios, which in general include: (i) customer has large amounts of unsettled receivables aged over a long period within five years with other parties involved in the overall project, under which our asphalt pavement maintenance service is only a part; (ii) customer has experienced certain financial uncertainties; and (iii) other factors that are beyond our control, such as unexpected disputes with customers in respect of the quality of asphalt pavement maintenance service project. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Write-down of Inventories to Net Realisable Value

Our management reviews the ageing analysis of inventories of our Group and makes provision for obsolete and slow-moving inventory items identified as no longer suitable for sale. Our management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. A considerate amount of judgement is required in assessing the ultimate realisation of these inventories. If the market conditions were to change, resulting in a change of provision for obsolete items, the difference will be recorded in the period it is identified.

Impairment of Property, Plant and Equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in Note 3 to the Accountants' Report included in Appendix I to this prospectus. The recoverable amount of the property, plant and equipment is the greater of the fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

DESCRIPTION OF SELECTED CONSOLIDATED INCOME STATEMENT LINE ITEMS

Revenue

We derive our revenue from asphalt pavement maintenance services and asphalt pavement maintenance equipment sales. Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and the value of services provided. All of our revenue is derived from our operations in the PRC except a small portion of revenue is derived from sales of our asphalt pavement maintenance equipment in Hong Kong. We have the following two reportable operating segments: (i) the asphalt pavement maintenance service segment and (ii) the asphalt pavement maintenance equipment segment. The following table sets forth a breakdown of our revenue by operating segment for the periods indicated:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Operating Segment						
Asphalt pavement maintenance services . . .	195,307	83.8	203,759	72.4	288,399	59.3
Asphalt pavement maintenance equipment . .	37,838	16.2	77,520	27.6	197,604	40.7
Total	233,145	100.0	281,279	100.0	486,003	100.0

Our asphalt pavement maintenance service segment accounted for approximately 83.8%, 72.4% and 59.3% of our revenue for the years ended 31 December 2010, 2011 and 2012, respectively. The remaining portion of our revenue during the Track Record Period was generated from our asphalt pavement maintenance equipment segment. We generated a higher percentage of revenue from our asphalt pavement maintenance service segment for the year ended 31 December 2010 compared with the years ended 31 December 2011 and 2012, primarily because in 2010 we acted as the main contractor for a large asphalt pavement maintenance service project, the Xuzhou Huaihai Road municipal project, where we outsourced the non-asphalt pavement maintenance related services to subcontractors. We believe that this was an one-off event and do not expect it to recur in the foreseeable future. We had established seven joint ventures since 2011 and up to the Latest Practicable Date. We generated a higher percentage of our revenue from the asphalt pavement maintenance equipment segment in 2012 as we sold eight sets of modular series equipment to our customers in 2012 compared with one set sold to Freetech Ordos in 2011.

The following table sets forth the approximate area serviced by our asphalt pavement maintenance service segment during the periods indicated:

	Year ended 31 December		
	2010	2011	2012
	sq.m.	sq.m.	sq.m.
Asphalt pavement maintenance area serviced	1,850,000	1,950,000	2,760,000

The following table sets forth a breakdown by product category of our revenue from the asphalt pavement maintenance equipment segment during the periods indicated:

	Year ended 31 December								
	2010			2011			2012		
	Unit or Set	HK$'000	%	Unit or Set	HK$'000	%	Unit or Set	HK$'000	%
Equipment sales									
Standard series[1]	47	35,831	94.7	45	61,024	78.7	34	59,141	29.9
PM series	22	29,671	78.4	34	57,247	73.8	27	57,653	29.2
Non-PM series	25	6,160	16.3	11	3,777	4.9	7	1,488	0.7
Modular series[2]	—	—	—	1	12,751	16.5	8	133,761	67.7
Total	47	35,831	94.7	46	73,775	95.2	42	192,902	97.6
Other									
Equipment repair and maintenance	N/A	2,007	5.3	N/A	3,745	4.8	N/A	4,702	2.4
Total	N/A	37,838	100.0	N/A	77,520	100.0	N/A	197,604	100.0

The following table sets forth the average selling price for our asphalt pavement maintenance equipment during the Track Record Period:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Standard series equipment			
PM series[1]	1,349	1,684	2,135
Non-PM series[2]	246	343	213
Modular series equipment (calculated based on the amount of sales revenue attributable to our Group)	—	12,751	16,720

Notes:

(1) Standard series (in terms of units) includes the following asphalt pavement maintenance equipment: Hot-in-Place patching vehicles (PM series) which is the main category of our standard series equipment, traditional patching vehicles (TM series), asphalt recyclers (AR series) and walk-behind and hand-held vibratory roller (VR series).

(2) Modular series (in terms of sets) includes various modules used for large-scale asphalt pavement maintenance service projects that can be customised and adapted to address the specific needs of our asphalt pavement maintenance service customers.

We began to sell our self-manufactured modular series equipment in 2011. We sell our modular series equipment primarily to our joint venture companies. The selling price of our modular series equipment ranged from approximately RMB13.0 million per set (net of value-added tax) to RMB27.0 million per set (net of value-added tax) during the Track Record Period. The selling price of our modular series equipment generally depends on the configurations of the modules required and is subject to our direct negotiation with the customers. The following table sets forth the sales volume of modular series equipment, the revenue and gross profit we derived from sales of modular series equipment and the respective amounts derived from joint venture companies for the periods indicated:

	Year ended 31 December					
	2010	% of total	2011	% of total	2012	% of total
Modular Series Equipment						
Sales volume *(unit(s))*	—	—	1	100.0%	8	100.0%
To joint venture companies	—	—	1	100.0%	7	87.5%
Revenue *(HK$'000)*	—	—	12,751	100.0%	133,761	100.0%
From joint venture companies	—	—	12,751	100.0%	104,634	78.2%
Gross profit *(HK$'000)*	—	—	9,135	100.0%	97,975	100.0%
From joint venture companies	—	—	9,135	100.0%	72,717	74.2%

We derive revenue from customers in different geographic markets. Our business originated in Eastern China, in particular, Jiangsu Province, where our PRC corporate headquarters are located. During the Track Record Period, we continuously diversified and expanded our geographic coverage to other parts of China, such as Northern China, Northwestern China and Southwestern China, where growth potential was significant due to the rapid development in infrastructure maintenance and the relatively low penetration rates for asphalt pavement maintenance services and asphalt pavement maintenance equipment. The following table sets forth a breakdown of our revenue by geographic region for our asphalt pavement maintenance service segment during the Track Record Period:

	Year ended 31 December					
Asphalt pavement maintenance service segment	**2010**		**2011**		**2012**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Eastern China(1)	132,389	67.8	38,473	18.9	59,003	20.5
Southern China(2)	9,684	5.0	18,365	9.0	—	—
Central China(3)	12,308	6.3	17,299	8.5	2,735	0.9
Northern China(4)	22,527	11.5	26,379	12.9	96,304	33.4
Northwestern China(5)	6,831	3.5	89,426	43.9	94,092	32.6
Southwestern China(6)	11,568	5.9	13,817	6.8	49	—
Northeastern China(7)	—	—	—	—	36,216	12.6
Total	195,307	100.0	203,759	100.0	288,399	100.0

Notes:

(1) Eastern China includes Shandong Province, Jiangsu Province, Anhui Province, Zhejiang Province and Fujian Province.

(2) Southern China includes Guangdong Province and Hainan Province.

(3) Central China includes Hubei Province, Hunan Province, Jiangxi Province and Henan Province.

(4) Northern China includes Beijing Municipality, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region.

(5) Northwestern China includes Ningxia Autonomous Region, Xinjiang Autonomous Region, Shaanxi Province and Gansu Province.

(6) Southwestern China includes Sichuan Province, Yunnan Province and Chongqing Municipality.

(7) Northeastern China includes Jilin Province, Heilongjiang Province and Liaoning Province.

The amount of revenue for our asphalt pavement maintenance service segment generated in Eastern China was higher in 2010 compared with that in 2011, primarily because we had been successful in securing asphalt pavement maintenance service projects with certain key customers in Nanjing and Fuzhou, where we based our asphalt pavement maintenance service operations for Eastern China region. However, we experienced a decrease in such revenue in 2011, primarily because it is the industry nature that major repairs do not take place every year and, to the best knowledge and belief of our Directors, some of our customers in Nanjing and Fuzhou devoted their funding to expanding their existing road networks, which reduced the available funding for road maintenance and, in turn, reduced the demand for our asphalt pavement maintenance services. In response to such reduction in the demand for our asphalt pavement maintenance services in those regions, we utilised our service capacity to capture opportunities and performed asphalt pavement maintenance services in other regions in the same year, which included projects located in Northern China and Northwestern China. Despite the fluctuations in our revenue by geographical region, our total revenue increased during the Track Record Period.

The decrease in the amount or proportion of our asphalt pavement maintenance services revenue derived from Eastern China from 2010 to 2011 has no correlation with the increase in our asphalt pavement maintenance equipment sales in the same region. The asphalt pavement maintenance service projects we performed in Eastern China in 2010 and 2011 required the use of our modular series equipment, whereas we only sold standard series equipment to our customers in this region. The percentage of revenue for our asphalt pavement maintenance service segment generated in Eastern China increased slightly to 20.5% in 2012, primarily because we commenced a new project in Putian, Fujian Province, with a total contract value of HK$25.8 million in the second half of 2012.

The percentage of revenue for our asphalt pavement maintenance service segment generated in Northwestern China and Northern China increased significantly in 2011 and 2012, respectively, primarily because we strategically devoted service resources and capacities into these new markets. As a result, the percentages of revenue for our asphalt pavement maintenance service segment generated in Southern China, Central China and Southwestern China decreased correspondingly in 2012. When entering into new markets, we generally incur start-up costs such as travelling and accommodation costs for pavement investigation and sampling, as well as transportation costs to transport our asphalt pavement maintenance equipment from established markets nearby.

The following table sets forth a breakdown of our revenue by geographic region for our asphalt pavement maintenance equipment segment during the Track Record Period:

	Year ended 31 December					
Asphalt pavement maintenance equipment segment	**2010**		**2011**		**2012**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Equipment sales						
Eastern China(1)	14,239	37.6	18,189	23.4	107,048	54.2
Southern China(2)	2,378	6.3	—	—	—	—
Central China(3)	3,090	8.2	1,153	1.5	26,099	13.2
Northern China(4)	2,462	6.5	25,544	33.0	31,817	16.1
Northwestern China(5)	932	2.4	12,256	15.8	15,339	7.8
Southwestern China(6)	9,071	24.0	11,361	14.7	—	—
Northeastern China(7)	3,257	8.6	4,796	6.2	7,973	4.0
Hong Kong	402	1.1	476	0.6	4,626	2.3
	35,831	94.7	73,775	95.2	192,902	97.6
Other						
Equipment repair and maintenance	2,007	5.3	3,745	4.8	4,702	2.4
Total	37,838	100.0	77,520	100.0	197,604	100.0

Notes:

(1) Eastern China includes Shandong Province, Jiangsu Province, Anhui Province, Zhejiang Province and Fujian Province.

(2) Southern China includes Guangdong Province and Hainan Province.

(3) Central China includes Hubei Province, Hunan Province, Jiangxi Province and Henan Province.

(4) Northern China includes Beijing Municipality, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region.

(5) Northwestern China includes Ningxia Autonomous Region, Xinjiang Autonomous Region, Shaanxi Province and Gansu Province.

(6) Southwestern China includes Sichuan Province, Yunnan Province and Chongqing Municipality.

(7) Northeastern China includes Jilin Province, Heilongjiang Province and Liaoning Province.

We generated a lower percentage of revenue for our asphalt pavement maintenance equipment segment in Eastern China in 2011 as compared with that in 2010, primarily due to our strategy to focus on new markets, such as Northern China. The percentage of revenue for our asphalt pavement maintenance equipment segment generated in Eastern China increased in 2012, primarily due to the sales of modular series equipment to our newly-established joint venture companies. We generated a higher percentage of revenue for our asphalt pavement maintenance equipment segment in Northern China and Central China in 2011 and 2012, respectively, primarily due to the sales of modular series equipment to our joint venture companies established there.

Cost of Sales

Our cost of sales primarily consists of (i) raw materials and components, (ii) employee salaries and benefits, (iii) transportation expenses, (iv) outsourcing and subcontracting costs, (v) rental expenses, (vi) utility cost, (vii) depreciation and (viii) other costs. The principal raw materials used in our asphalt pavement maintenance services are bitumen, asphalt mixture and rejuvenating agents. The principal raw materials and components used in our asphalt pavement maintenance equipment production are chassis, liquefied petroleum gas components and hydraulic components. The following table sets forth a breakdown of our cost of sales by category during the Track Record Period:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Asphalt pavement maintenance services						
Raw materials	51,345	34.1	56,226	40.1	91,791	41.2
Employee salaries and benefits	8,277	5.5	16,529	11.8	29,220	13.1
Depreciation	9,102	6.0	9,699	6.9	9,176	4.1
Transportation	6,106	4.1	8,301	5.9	7,621	3.4
Outsourcing and subcontracting	40,729	27.1	6,688	4.7	7,757	3.5
Rental expenses	7,494	5.0	5,640	4.0	8,485	3.8
Others(1)	5,841	3.8	7,695	5.5	7,011	3.2
	128,894	85.6	110,778	78.9	161,061	72.3
Asphalt pavement maintenance equipment						
Raw materials and components	16,563	11.0	23,534	16.8	50,407	22.6
Employee salaries and benefits	3,337	2.2	3,886	2.8	7,754	3.5
Depreciation	202	0.1	626	0.4	2,006	0.9
Utility cost	244	0.2	194	0.1	454	0.2
Rental expenses	248	0.2	369	0.3	515	0.2
Others(2)	1,006	0.7	979	0.7	767	0.3
	21,600	14.4	29,588	21.1	61,903	27.7
Total	150,494	100.0	140,366	100.0	222,964	100.0

Notes:

(1) Other costs for asphalt pavement maintenance services provided primarily included travelling, inspection and consumables expenses.

(2) Other costs for asphalt pavement maintenance equipment sold primarily included travelling and telecommunication expenses.

The increase in our employee salaries and benefits for our asphalt pavement maintenance service segment from 2011 to 2012 was primarily as a result of an increase in both the total number of our employees and the workers who were subcontracted to us to perform asphalt pavement maintenance services as we expanded our operations and an increase in the base salaries for our staff and part-time workers. The increase in our employee salaries and benefits for our asphalt pavement maintenance equipment segment from 2011 to 2012 was primarily due to an increase in both the base salaries and number of our employees and overtime charges incurred for the production of asphalt pavement maintenance equipment.

The table below sets forth the potential impact on our net profit if the price of asphalt mixture, our single largest raw material component, increased by 10% and 20% during the Track Record Period:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Profit for the year	26,814	62,150	150,373
Assuming 10% increase	(3,793)	(4,076)	(7,290)
Assuming 20% increase	(7,585)	(8,151)	(14,580)

Gross Profit and Gross Profit Margin

Our gross profit was approximately HK$82.7 million, HK$140.9 million and HK$263.0 million for the years ended 31 December 2010, 2011 and 2012, respectively. We began to sell the modular series equipment, which generally has a higher gross profit margin, in 2011. Our gross profit contributed by the sales of modular series equipment amounted to HK$9.1 million and HK$98.0 million in 2011 and 2012, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by business segment during the Track Record Period:

	Year ended 31 December					
	2010		2011		2012	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	HK$'000	%	HK$'000	%	HK$'000	%
Operating Segment						
Asphalt pavement maintenance service	66,413	34.0	92,981	45.6	127,338	44.2
Asphalt pavement maintenance equipment	16,238	42.9	47,932	61.8	135,701	68.7
Standard series	15,495	43.2	35,905	58.8	34,929	59.1
Modular series	—	—	9,135	71.6	97,975	73.2
Equipment repair and maintenance	743	37.0	2,892	77.2	2,797	59.5
Total	82,651	35.5	140,913	50.1	263,039	54.1

Our gross profit margin for the asphalt pavement maintenance service segment for 2010 was lower compared with 2011 and 2012, primarily as a result of the Xuzhou Huaihai Road municipal project, where we acted as the main contractor and outsourced the non-asphalt pavement maintenance services to subcontractors. We incurred significant subcontracting costs for the Xuzhou Huaihai Road municipal project, primarily relating to repairing manhole covers and treating road base. The gross profit margin of the Xuzhou Huaihai Road municipal project was approximately 11.3%, which was lower than the approximately 34.0% gross profit margin for our asphalt pavement maintenance services during the same period.

The gross profit margin for the asphalt pavement maintenance equipment segment for 2011 and 2012 compared with 2010 was higher as we sold more higher-margin equipment, such as a certain model of our standard series equipment, which is capable of performing the key maintenance work for small-scale project or for regular road maintenance by itself, and modular series equipment, which is used for large-scale asphalt pavement maintenance service projects and can be customised according to customers' specific requirements. We are able to command high profit margins for this particular model of standard series equipment and modular series equipment, primarily because such equipment is in demand due to its functionality and technologies involved and there is a limited number of comparable products available in the PRC. In addition, the gross profit margin of our modular series equipment was consistently higher than that of our standard series equipment during the Track Record Period. Such difference was primarily due to the sales of our standard series equipment, excluding the certain model with a higher gross profit margin mentioned above. Sales of our standard series equipment, excluding that certain model, accounted for approximately 23.4% of our total sales of standard series equipment during the Track Record Period. These models of our standard series equipment had a lower gross profit margin during the Track Record Period, primarily due to the difference in functionality, production costs, production time and technologies involved as compared with that certain model of our standard series equipment and modular series equipment. Our gross profit margin for the asphalt pavement maintenance equipment segment for 2010 was lower compared with 2011, also as a result of our trial use of higher-priced imported raw materials and components in 2010 to manufacture our equipment. We began the trial use of the higher-priced imported raw materials in an effort to improve our equipment quality and increase our gross profit by raising the selling price of certain standard series equipment that used the imported raw materials. In our trial use in 2011, however, we did not see significant advantages of imported raw materials and components over domestic raw materials and, to the best knowledge of our Directors, our customers did not believe that the proposed increase in selling price was justified by the improvements in the equipment using the imported materials. As a result, we discontinued our use of the imported raw materials and components in 2011.

We were generally able to transfer the increases in our major cost components to customers during the Track Record Period. We possess industrial expertise and technological advantages using the Hot-in-Place recycling technology, which we accumulated over years of operations and we believe are very difficult for our competitors to imitate. Furthermore, our Hot-in-Place recycling technology allows us to recycle approximately 100% of the aged asphalt as surface material to use in our asphalt pavement maintenance services, thus reducing the use of new asphalt mixture and lowering our raw material costs. As a result, our Directors believe that we would not have much difficulty in maintaining our current gross profit margins in the near future.

Other Income and Gains

Other income and gains primarily consists of government grants, interest income, net foreign exchange differences and fair value gain from re-measurement of equity interest previously held in an acquired subsidiary to fair value. Government grants represent grants from PRC government authorities. Interest income represents interest earned on our bank deposits. Other income and gains was approximately HK$1.2 million, HK$1.8 million and HK$10.3 million, representing approximately 0.5%, 0.6% and 2.1% of our revenue for the years ended 31 December 2010, 2011 and 2012, respectively. The following table sets forth a breakdown of our other income and gains during the Track Record Period:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Other income and gains			
Government grants	932	393	932
Interest income	72	496	505
Net foreign exchange difference	175	603	15
Fair value gain from re-measurement of equity interest previously held in an acquired subsidiary to fair value	—	—	8,757
Others	31	294	63
	1,210	1,786	10,272

We received approximately HK$0.9 million, HK$0.4 million and HK$0.9 million in government grants from PRC government authorities for the years ended 31 December 2010, 2011 and 2012, respectively, which were given on a non-recurring basis to encourage our research and development efforts in asphalt pavement maintenance services and asphalt pavement maintenance equipment design and manufacturing. Although there are no published standards for the grants, we believe the relevant PRC government authorities generally consider the candidates' market position and research and development capabilities in determining the recipient for the grants.

For the year ended 31 December 2012, we recorded approximately HK$8.8 million in fair value gain from re-measurement of equity interest previously held in an acquired subsidiary to fair value as a result of our purchase of an additional 2% interest in Freetech Ordos, which increased our total interest from 51% to 53% and changed Freetech Ordos from a jointly-controlled entity to our subsidiary. Under relevant accounting standards, we were deemed to have first disposed of our 51% interest and then acquired a 53% interest in Freetech Ordos. Fair value gain from re-measurement of equity interest previously held by us in an acquired subsidiary to fair value was recognised upon our deemed disposal of the 51% interest.

As a result of the acquisition of Freetech Ordos, we recognised total identifiable net assets of approximately HK$38.7 million, which primarily consisted of property, plant and equipment of HK$23.2 million, trade receivables of HK$19.2 million and cash and bank balances of HK$8.4 million, and partially offset by trade payables of HK$10.1 million and other payables and accruals of HK$2.0 million. After the acquisition, Freetech Ordos contributed approximately HK$36.8 million to our total revenue and HK$10.7 million to our consolidated profit before tax for the year ended 31 December 2012.

Our functional and presentation currencies are both the Hong Kong dollar, while the functional currency for our PRC subsidiaries is the RMB. We recognised net foreign exchange gains in the amount of approximately HK$175,000, HK$603,000 and HK$15,000 for the years ended 31 December 2010, 2011 and 2012, respectively, primarily because (i) our PRC subsidiaries imported raw materials priced in the Hong Kong dollar and obtained loans denominated in the Hong Kong dollar and (ii) the RMB appreciated against the Hong Kong dollar during the Track Record Period.

Selling and Distribution Costs

Our selling and distribution costs primarily comprise (i) marketing expenses, including fees and expenses associated with travelling, transportation, meetings, communications and other marketing and promotional activities for our products and services; (ii) staff costs, including salaries and employee benefit expenses for our sales and marketing personnel; (iii) rental expenses; (iv) warranty expenses; (v) depreciation and amortisation; and (vi) other selling and distribution costs. Our selling and distribution costs represented approximately 4.9%, 5.8% and 4.2% of our revenue for the years ended 31 December 2010, 2011 and 2012, respectively. The following table sets forth a breakdown of our selling and distribution costs by category during the Track Record Period:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Selling and distribution costs						
Marketing expenses	7,449	65.2	10,326	62.8	12,708	62.5
Staff costs	2,051	18.0	3,605	21.9	3,878	19.1
Rental expenses	748	6.6	1,110	6.7	1,549	7.6
Warranty expenses	449	3.9	816	5.0	1,572	7.7
Depreciation and amortisation	206	1.8	148	0.9	198	1.0
Others	514	4.5	441	2.7	439	2.1
Total	11,417	100.0	16,446	100.0	20,344	100.0

Administrative Expenses

Our administrative expenses primarily comprise (i) staff costs, including salaries and employee benefit expenses for administrative and management personnel; (ii) office expenses, including office, communication and travelling expenses incurred by our administrative and management personnel; (iii) professional fees including auditing fees and other expenses incurred for professional services; (iv) depreciation and amortisation; (v) taxation, which primarily includes education surcharges, urban construction tax and individual income tax we pay on behalf of our employees for services performed outside their city of domicile for tax purpose. When our employees perform asphalt pavement maintenance services in locations other than their home jurisdiction, they are required under PRC law to pay income tax in those other locations for personal income deemed to have been generated in connection with the services they performed; (vi) insurance; (vii) bank charges; and (viii) other administrative expenses. Our administrative expenses represented approximately 8.7%, 8.9% and 9.2% of our revenue for the years ended 31 December 2010, 2011 and 2012, respectively. The following table sets out a breakdown of our administrative expenses by category during the Track Record Period:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Administrative expenses						
Staff costs	8,597	42.5	10,349	41.5	15,342	34.3
Office expenses	5,910	29.2	7,366	29.5	9,929	22.2
Depreciation and amortisation	2,254	11.1	2,666	10.7	3,128	7.0
Taxation	1,204	6.0	2,427	9.7	3,747	8.4
Professional expenses	416	2.1	845	3.4	9,824	22.0
Insurance	473	2.3	458	1.8	714	1.6
Bank charges	649	3.2	643	2.6	249	0.6
Others	722	3.6	195	0.8	1,742	3.9
Total	20,225	100.0	24,949	100.0	44,675	100.0

The increase in our administrative expenses for the year ended 31 December 2012 was primarily due to increases in our staff costs and office expenses as well as an increase in professional expenses of HK$9.1 million in relation to the Global Offering. Our staff costs increased in 2012, as the number of our staff as well as the base salaries and bonus for our staff increased. Our office expenses increased in 2012, primarily as result of the inclusion of certain office rental fees in Hong Kong. Our professional expenses amounted to HK$9.8 million for the year ended 31 December 2012, primarily due to the Global Offering.

Other Expenses

Other expenses primarily include impairment of trade receivables, research and development costs, taxes and surcharges, donations, loss on disposal of property, plant and equipment, impairment or reversal of impairment of other receivables and penalties. Other expenses were approximately HK$10.3 million, HK$12.7 million and HK$14.4 million, representing approximately 4.4%, 4.5% and 3.0% of our revenue for the years ended 31 December 2010, 2011 and 2012, respectively. The table below sets forth a breakdown of our other expenses by category for the periods indicated:

	Year ended 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Other expenses						
Impairment of trade receivables	5,861	57.1	8,399	66.4	8,208	57.0
Research and development cost	2,597	25.3	3,711	29.3	5,989	41.6
Taxes and surcharges	56	0.5	205	1.6	43	0.3
Donations	46	0.5	138	1.1	178	1.2
Loss on disposal of property, plant and equipment	1,540	15.0	126	1.0	65	0.5
Impairment/(reversal of impairment) of other receivables	126	1.2	46	0.4	(110)	(0.8)
Penalties	45	0.4	33	0.2	38	0.2
Total	10,271	100.0	12,658	100.0	14,411	100.0

We recognised specific provision of HK$5.9 million in 2010, which was related to our receivables for an asphalt pavement maintenance service project we completed for a PRC government agency customer in Shandong province in September 2010. Prior to our on-site servicing for this project, our research and development team examined the damaged asphalt pavement as we do with other asphalt pavement maintenance service projects, and recommended to the customer that certain pre-existing road base problems should be treated before the commencement of our asphalt pavement maintenance service to ensure that the road surface would be suitable for quality asphalt pavement maintenance servicing using our Hot-in-Place recycling technology. Notwithstanding our recommendation, the customer did not treat the road base problems but instead instructed us to proceed with our on-site servicing. In May 2011, which was eight months after the project completion, pavement damage started to emerge. The customer then claimed that the damage was primarily due to our service quality and refused to pay the full contract price as it was still within the warranty period of the project. We disagreed with this customer's claim after re-examining the serviced areas and concluded that the damage was actually due to the pre-existing road base problems we had previously notified the customer of and unrelated to the quality of our asphalt pavement maintenance service. The contract value of the project was RMB9.4 million. As of 31 December 2012, the total outstanding receivables for this project amounted to RMB4.6 million. We intend to continue to follow up and demand payment from this customer. In order to protect ourselves from any similar incident in the future, we plan to require that all of the service contracts with our customers specifically stipulate that our liabilities in relation to service quality shall exclude any pre-existing conditions related to road base damages.

The increase in our impairment of trade receivables for the year ended 31 December 2011 primarily reflected (i) the approximately HK$5.2 million specific provision relating to our receivables from one asphalt pavement maintenance service project in Shaanxi province, where the PRC government agency customer, to the best knowledge of our Directors, incurred a large amount of unexpected repair costs for its overall project and the total incurred cost for this project significantly exceeded its original budget. Our asphalt pavement maintenance services represented a relatively small part of the overall project. As a result, we believed that the customer is unlikely to make payment to us; and (ii) the further ageing of our outstanding receivables primarily as a result of customers' continuing internal approval procedures, which resulted in an increase of HK$3.2 million in our impairment from collective assessment. Our impairment of trade receivables amounted to approximately HK$8.2 million for the year ended 31 December 2012, comprising specific impairment of HK$3.6 million made and impairment from collective assessment of HK$4.6 million.

Finance Costs

Our finance costs consist of interest on bank loans. As of 31 December 2010, 2011 and 2012, our bank borrowings amounted to approximately HK$77.4 million, HK$58.8 million and HK$85.7 million, respectively.

Share of Profits and Losses of Jointly-controlled Entities and Associates

Share of profits and losses of jointly-controlled entities and associates consists of our share of the profits and losses of our joint ventures.

Since April 2011 and up to the Latest Practicable Date, we had established seven joint ventures companies, Freetech Ordos, Freetech Yueyang, Hengtong Suqian, Futech Road Recycling, Jianda Urumqi, Lujie Nanjing and Suitong Guangzhou. Freetech Ordos, Freetech Yueyang, Futech Road Recycling, Lujie Nanjing and Suitong Guangzhou were treated as jointly-controlled entities of our Group upon establishment. Hengtong Suqian and Jianda Urumqi were treated as associates of our Group upon establishment. Our equity interests in these jointly-controlled entities and associates were stated in the consolidated statements of financial position at the share of net assets of our Group under the equity method of accounting, less any impairment losses. The share of the results and reserves of our equity interests in these jointly-controlled entities and associates were included in our consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between us and each of these jointly-controlled entities and associates were eliminated to the extent of the investment in these jointly-controlled entities and associates by us, except where unrealised losses provide evidence of an impairment of the asset transferred.

In June 2012, we acquired a controlling interest in Freetech Ordos to better control and manage our operations in Ordos region after we saw a great growth potential in the Ordos region and it became our subsidiary, after which its results of operations were consolidated into ours. As of the Latest Practicable Date, we had a 55% equity interest in Freetech Yueyang, a 35% equity interest in Hengtong Suqian, a 50% equity interest in Futech Road Recycling, a 49% equity interest in Jianda Urumqi, a 45% equity interest in Lujie Nanjing and a 51% equity interest in Suitong Guangzhou. Freetech Yueyang's constitutional documents require us to obtain approval from our joint venture partner for all major operating decisions, which means we do not have control even though we own a 55% equity interest in it. As a result, Freetech Yueyang is deemed a jointly-controlled entity instead of a subsidiary.

Tax

Cayman Islands

Pursuant to Section 6 of the Tax Concession Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Council of the Cayman Islands that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to our Company or its operations.

BVI

The subsidiaries of our Company incorporated in the BVI are not subject to income tax as such subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

Hong Kong

The subsidiaries of our Company incorporated in Hong Kong were subject to a profits tax at the rates of 16.5% for the years ended 2010, 2011 and 2012. No provision for Hong Kong profits tax has been made for the years ended 31 December 2010 and 2011 as we have not generated any assessable profits arising in Hong Kong during these years. For the year ended 31 December 2012, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

PRC

We derive substantially all of our revenue through our subsidiaries and joint venture companies in the PRC. The *EIT Law* imposes a uniform tax rate of 25.0% on all PRC enterprises, including foreign-invested enterprises, unless they qualify under certain limited exceptions. In general, our subsidiaries are subject to an enterprise income tax, or EIT, rate in the PRC of 25.0% except for certain subsidiaries, which were entitled to preferential tax rates during the Track Record Period. Further, under the *EIT Law* and its implementation rules, a 10.0% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. Please refer to the section headed "Risk Factors — Risks Relating to Conducting Business in the PRC — We will be required to record a deferred PRC withholding tax liability if we intend to distribute dividends from our PRC subsidiaries to our offshore holding companies, which will adversely impact our financial results" in this prospectus.

During the Track Record Period, Freetech Road Recycling, which was registered as a high-and-new technology enterprise in the PRC, was subject to PRC EIT at a rate of 15.0% on its assessable profits.

For the years ended 31 December 2010, 2011 and 2012, Freetech Manufacturing, a Sino-foreign joint venture established under the laws of the PRC, was granted a preferential PRC EIT at a rate of 22.0%, 24.0% and 15.0%, respectively. In addition to such preferential PRC EIT rate granted, tax holidays were granted by the relevant PRC authorities. Freetech Manufacturing was exempted for EIT for the years ended 31 December 2007 and 2008, and was entitled to a 50.0% tax reduction for the years ended 31 December 2009, 2010 and 2011. Accordingly, Freetech Manufacturing was taxed EIT at a reduced rate of 11.0% and 12.0% for the years ended 31 December 2010 and 2011, respectively. For the year ended 31 December 2012, Freetech Manufacturing, which was registered as a high-and-new technology enterprise in the PRC, was subject to PRC EIT at a rate of 15% on its assessable profits.

Our income tax expenses for the years ended 31 December 2010, 2011 and 2012 was HK$10.7 million, HK$20.9 million and HK$42.6 million, respectively. Our effective tax rate for the same periods was 28.6%, 25.2% and 22.1%, respectively. Our effective tax rates were higher than the prevailing statutory tax rate for the years ended 31 December 2010, 2011 and 2012 primarily due to deferred tax liabilities accrued as a result of the withholding tax on the distribution of profits of our PRC subsidiaries. Pursuant to the *EIT Law* and the *Implementing Rules* which are effective as of January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise to its foreign investors will be subject to a 10.0% withholding tax if the foreign investors are considered as non-resident enterprises. Please refer to the sections headed "Risk Factors — Risks Relating to Conducting Business in the PRC — We will be required to record a deferred PRC withholding tax liability if we intend to distribute dividends from our PRC subsidiaries to our offshore holding companies, which will adversely impact our financial results".

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Revenue

Our revenue increased by approximately HK$204.7 million, or approximately 72.8%, from approximately HK$281.3 million for the year ended 31 December 2011 to approximately HK$486.0 million for the year ended 31 December 2012.

Asphalt pavement maintenance service segment

Revenue from our asphalt pavement maintenance services increased by approximately HK$84.6 million, or approximately 41.5%, from approximately HK$203.8 million for the year ended 31 December 2011 to approximately HK$288.4 million for the year ended 31 December 2012, primarily because we expanded into new markets in 2012, such as Jilin province. In addition, serviced area in our existing markets, such as Xinjiang and Inner Mongolia, also increased in 2012 compared with 2011. Our total serviced area increased from approximately 1,950,000 sq.m. in 2011 to approximately 2,760,000 sq.m. in 2012.

Asphalt pavement maintenance equipment segment

Revenue from our asphalt pavement maintenance equipment segment increased by approximately HK$120.1 million, or approximately 155.0%, from approximately HK$77.5 million for the year ended 31 December 2011 to approximately HK$197.6 million for the year ended 31 December 2012, primarily as a result of the increase in our sales of modular series equipment. We sold eight sets of modular series equipment to our customers, which mainly consisted of our joint venture companies, in 2012, compared with one set sold to Freetech Ordos in 2011.

Cost of sales

Our cost of sales increased by approximately HK$82.6 million, or approximately 58.8%, from approximately HK$140.4 million for the year ended 31 December 2011 to HK$223.0 million for the year ended 31 December 2012.

Asphalt pavement maintenance service segment

Cost of our asphalt pavement maintenance services increased by approximately HK$50.3 million, or approximately 45.4%, from approximately HK$110.8 million for the year ended 31 December 2011 to approximately HK$161.1 million for the year ended 31 December 2012, primarily as a result of (i) our consolidation of the asphalt pavement maintenance service-related costs of Freetech Ordos after we acquired a controlling interest in June 2012 and it became our subsidiary and (ii) increases in our raw material costs and employee salaries and benefits. Our raw material costs increased from approximately HK$56.2 million for the year ended 31 December 2011 to approximately HK$91.8 million primarily because (a) the number of asphalt pavement maintenance service projects where we were responsible for the provision of raw materials increased in 2012 and (b) we used extra layers of asphalt mixture in several projects according to customers' specifications. Our employee salaries and benefits increased from approximately HK$16.5 million for 2011 to approximately HK$29.2 million for 2012 as a result of an increase in the total number of our employees and workers who were subcontracted to us to perform asphalt pavement maintenance services as our total serviced area increased in 2012 and increase in base salaries for our staff and part-time workers.

Asphalt pavement maintenance equipment segment

Cost of sales for our asphalt pavement maintenance equipment increased by approximately HK$32.3 million, or approximately 109.1%, from approximately HK$29.6 million for the year ended 31 December 2011 to approximately HK$61.9 million for the year ended 31 December 2012, primarily as a result of increases in our raw material and component costs, employee salaries and benefits and depreciation, which were in line with the increase in the number of asphalt pavement maintenance equipment we manufactured and sold.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$122.1 million, or approximately 86.7%, from approximately HK$140.9 million for the year ended 31 December 2011 to approximately HK$263.0 million for the year ended 31 December 2012. Our gross profit margin increased from approximately 50.1% for the year ended 31 December 2011 to approximately 54.1% for the year ended 31 December 2012.

Asphalt pavement maintenance service segment

Gross profit for our asphalt pavement maintenance service segment increased by approximately HK$34.3 million, or approximately 36.9%, from approximately HK$93.0 million for the year ended 31 December 2011 to approximately HK$127.3 million for the year ended 31 December 2012. The gross profit margin for our asphalt pavement maintenance service segment decreased slightly from

45.6% for 2011 to 44.2% for 2012, primarily due to an increase in the number of asphalt pavement maintenance service projects with lower gross profit margin where we were responsible for the provision of raw materials and/or used extra layers of asphalt mixture according to customers' specifications.

Asphalt pavement maintenance equipment segment

Gross profit for our asphalt pavement maintenance equipment segment increased by approximately HK$87.8 million, or approximately 183.3%, from approximately HK$47.9 million for the year ended 31 December 2011 to approximately HK$135.7 million for the year ended 31 December 2012. The gross profit margin for our asphalt pavement maintenance equipment segment increased from approximately 61.8% for the year ended 31 December 2011 to approximately 68.7% for the year ended 31 December 2012, primarily because in 2012 we sold more sets of modular series equipment, which have higher profit margins than our standard series equipment.

Other income and gains

Other income and gains increased significantly from approximately HK$1.8 million for the year ended 31 December 2011 to approximately HK$10.3 million for the year ended 31 December 2012, primarily due to our recognition in June 2012 of approximately HK$8.8 million in fair value gain from re-measurement of the assets and liabilities of Freetech Ordos on the date it changed from a jointly-controlled entity to our subsidiary. We purchased an additional 2% equity interest in Freetech Ordos, which increased our total equity interest to 53% and changed Freetech Ordos from our jointly-controlled entity to our subsidiary as a result. Under relevant accounting standards we were deemed to have first disposed of our 51% equity interest and then acquired a 53% equity interest. Fair value gain from re-measurement of equity interest previously held in an acquired subsidiary to fair value was recognised upon our deemed disposal of the 51% equity interest.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK$3.9 million, or approximately 23.8%, from approximately HK$16.4 million for the year ended 31 December 2011 to approximately HK$20.3 million for the year ended 31 December 2012, primarily due to increases in our advertising and entertainment expenses as a result of our expansion into new markets and our growing customer base. Our warranty expenses increased from HK$0.8 million in 2011 to HK$1.6 million in 2012, primarily due to increased repair and maintenance requests during warranty period, which was in line with the increase in our asphalt pavement maintenance equipment sales.

Administrative expenses

Our administrative expenses increased by approximately HK$19.8 million, or approximately 79.5%, from approximately HK$24.9 million for the year ended 31 December 2011 to approximately HK$44.7 million for the year ended 31 December 2012, primarily due to increases in our staff costs and office expenses as well as an increase in professional expenses of HK$9.1 million in relation to the Global Offering. Our staff costs increased in 2012, as the number of our staff as well as the base salaries and bonus for our staff increased. Our office expenses increased in 2012, primarily as result of the inclusion of certain office rental fees in Hong Kong. Our professional expenses amounted to HK$9.8 million in 2012, primarily due to the Global Offering.

Other expenses

Our other expenses increased by approximately HK$1.7 million, or approximately 13.4%, from approximately HK$12.7 million for the year ended 31 December 2011 to approximately HK$14.4 million for the year ended 31 December 2012, primarily as a result of research and development cost incurred for the development of certain new products in 2012.

Finance costs

Our finance costs decreased by approximately HK$2.0 million, or approximately 33.3%, from approximately HK$6.0 million for the year ended 31 December 2011 to approximately HK$4.0 million for the year ended 31 December 2012, primarily because we incurred interest expenses on outstanding bank loans for 2011, which were partially repaid in August 2011 by advance from Freetech Cayman using proceeds from the pre-IPO investments of Smart Firm and Future Blossom, and as a result we incurred less interest expenses in 2012 compared with 2011.

Share of profits and losses of jointly-controlled entities and associates

Our share of profits and losses of our joint ventures increased significantly from approximately HK$0.4 million for the year ended 31 December 2011 to approximately HK$3.1 million for the year ended 31 December 2012, primarily because two of our joint ventures, Freetech Yueyang and Freetech Ordos, were in operation for a longer period during 2012 compared with 2011. Freetech Yueyang and Freetech Ordos were established in April 2011 and June 2011, respectively, and as a result they were in operation for only part of 2011 but the full year in 2012.

Profit before taxation

Profit before taxation increased by approximately HK$109.9 million, or approximately 132.3%, from approximately HK$83.1 million for the year ended 31 December 2011 to approximately HK$193.0 million for the year ended 31 December 2012, primarily as a result of the factors described above.

Income tax expense

Income tax expense increased by approximately HK$21.7 million, or approximately 103.8%, from approximately HK$20.9 million for the year ended 31 December 2011 to approximately HK$42.6 million for the year ended 31 December 2012, primarily as a result of the higher profit before tax for 2012, and partially offset by a decrease in the withholding tax rate for Freetech Road Recycling in 2012.

Profit for the year

Profit for the year increased by approximately HK$88.2 million, or approximately 141.8%, from approximately HK$62.2 million for the year ended 31 December 2011 to approximately HK$150.4 million for the year ended 31 December 2012, primarily as a result of the factors described above.

Year ended 31 December 2011 Compared to Year ended 31 December 2010

Revenue

Our revenue increased by approximately HK$48.2 million, or approximately 20.7%, from approximately HK$233.1 million for the year ended 31 December 2010 to approximately HK$281.3 million for the year ended 31 December 2011.

Asphalt pavement maintenance service segment

Revenue from our asphalt pavement maintenance services increased by approximately HK$8.5 million, or approximately 4.4%, from approximately HK$195.3 million for the year ended 31 December 2010 to approximately HK$203.8 million for the year ended 31 December 2011, primarily as a result of the increase in our average contract price as we expanded our business into new markets, where contract prices for asphalt pavement maintenance services are generally higher than the markets we served before. In addition, our total serviced area also increased from approximately 1,850,000 sq.m. in 2010 to approximately 1,950,000 sq.m. in 2011.

Asphalt pavement maintenance equipment segment

Revenue from our asphalt pavement maintenance equipment segment increased by approximately HK$39.7 million, or approximately 105.0%, from approximately HK$37.8 million for the year ended 31 December 2010 to approximately HK$77.5 million for the year ended 31 December 2011, primarily as a result of an increase in sales of our higher priced asphalt pavement maintenance equipment, in particular, a certain model of our standard series equipment, which is capable of performing the key maintenance work for small-scale projects or for regular road maintenance by itself, and the modular series due to the successful demonstrations of those models we performed at various locations in 2010. We sold one set of modular series equipment in 2011 (nil in 2010) and 15 units of this particular model of standard series equipment as compared to only four units of this model of standard series equipment sold in 2010.

Cost of sales

Our cost of sales decreased by approximately HK$10.1 million, or approximately 6.7%, from HK$150.5 million for the year ended 31 December 2010 to HK$140.4 million for the year ended 31 December 2011.

Asphalt pavement maintenance service segment

Cost of our asphalt pavement maintenance services decreased by approximately HK$18.1 million, or approximately 14.0%, from approximately HK$128.9 million for the year ended 31 December 2010 to approximately HK$110.8 million for the year ended 31 December 2011, primarily as a result of the approximately HK$34.0 million decrease in our subcontracting cost following the completion of the Xuzhou Huaihai Road municipal project, where we acted as the main contractor and outsourced non-asphalt pavement maintenance services amounting to approximately HK$39.4 million to subcontractors. Such decrease in the cost of our asphalt pavement maintenance services was partially offset by an increase in raw material costs as we purchased more asphalt and an increase in labour cost due to the increase of our total asphalt pavement maintenance services and rising wages in China.

Asphalt pavement maintenance equipment segment

Cost of sales for our asphalt pavement maintenance equipment segment increased by approximately HK$8.0 million, or approximately 37.0%, from approximately HK$21.6 million for the year ended 31 December 2010 to approximately HK$29.6 million for the year ended 31 December 2011, primarily as a result of the increase in raw materials purchased for manufacturing asphalt pavement maintenance equipment due to the increase in our sales.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$58.2 million, or approximately 70.4%, from approximately HK$82.7 million for the year ended 31 December 2010 to approximately HK$140.9 million for the year ended 31 December 2011, primarily as a result of the above factors. Our gross profit margin increased from approximately 35.5% for the year ended 31 December 2010 to approximately 50.1% for the year ended 31 December 2011.

Asphalt pavement maintenance service segment

Gross profit for our asphalt pavement maintenance service segment increased by approximately HK$26.6 million, or approximately 40.1%, from approximately HK$66.4 million for the year ended 31 December 2010 to approximately HK$93.0 million for the year ended 31 December 2011. The gross profit margin for our asphalt pavement maintenance service segment increased from approximately 34.0% for the year ended 31 December 2010 to approximately 45.6% for the year ended 31 December 2011, primarily due to our expansion into new markets where average gross profit margin for asphalt pavement maintenance projects was higher than that in our other existing markets and the completion of the Xuzhou Huaihai Road municipal project in 2010, which had a relatively low gross profit margin of approximately 11.3% compared to the approximately 34.0% gross profit margin for overall asphalt pavement maintenance service segment in the same period as we acted as the main contractor and therefore incurred subcontracting costs for outsourcing the non-asphalt pavement maintenance related services.

Asphalt pavement maintenance equipment segment

Gross profit for our asphalt pavement maintenance equipment segment increased by approximately HK$31.7 million, or approximately 195.7%, from approximately HK$16.2 million for the year ended 31 December 2010 to approximately HK$47.9 million for the year ended 31 December 2011. The gross profit margin for our asphalt pavement maintenance equipment segment increased from approximately 42.9% for the year ended 31 December 2010 to approximately 61.8% for the year ended 31 December 2011, primarily due to the increase in sales of our asphalt pavement maintenance equipment with higher gross profit margin, in particular, a certain model of our standard series equipment, which is capable of performing the key maintenance work for small-scale projects or for regular road maintenance by itself, and modular series equipment. Our gross profit margin for the asphalt pavement maintenance equipment segment for 2010 was lower compared with 2011, also as a result of our trial use of higher-priced imported raw materials and components in 2010 to manufacture our equipment. We began the trial use of the higher-priced imported raw materials in an effort to improve our equipment quality and increase our gross profit by raising the selling price of certain standard series equipment that used the imported raw materials. In our trial use in 2011, however, we did not see significant advantages of imported raw materials and components over domestic raw materials and, to the best knowledge of our Directors, our customers did not believe that the proposed increase in selling price was justified by the improvements in the equipment using the imported materials. As a result, we discontinued our use of the imported raw materials and components in 2011.

Other income and gains

Other income and gains increased by HK$0.6 million, or approximately 50.0%, from approximately HK$1.2 million for the year ended 31 December 2010 to approximately HK$1.8 million for the year ended 31 December 2011, primarily due to an increase in our interest income from fixed deposits with banks mainly attributable to advance from Freetech Cayman using proceeds from the pre-IPO investments of Smart Firm and Future Blossom and the net foreign exchange difference we recorded primarily reflecting the impact of currency fluctuation on our imported raw materials and on loans we received from overseas shareholders.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK$5.0 million, or approximately 43.9%, from approximately HK$11.4 million for the year ended 31 December 2010 to approximately HK$16.4 million for the year ended 31 December 2011 primarily due to the increase in our staff costs as we hired additional personnel around the end of 2010 to staff our sales offices, office expenses and travelling expenses resulting from the increase of our sales and marketing personnel, which was in line with our business growth and increase in the total amount of our asphalt pavement maintenance services and total sales of asphalt pavement maintenance equipment.

Administrative expenses

Our administrative expenses increased by approximately HK$4.7 million, or approximately 23.3%, from approximately HK$20.2 million for the year ended 31 December 2010 to approximately HK$24.9 million for the year ended 31 December 2011, primarily as a result of the increases in salaries and benefits of our administrative and management staff, travelling expenses for our administrative and management staff, and taxation, all of which were in line with our business expansions. The increase in our staff costs was primarily due to promotion of certain staff members, an increase in our total performance-based bonus amount and the increased number of our administrative staff. The increase in travelling for our administrative and management staff correspond to our business expansions. The increase in taxation was mainly due to the payment of urban construction tax and local education surcharge of Freetech Road Recycling and Freetech Manufacturing which were exempted before December 2010.

Other expenses

Other expenses increased by approximately HK$2.4 million, or approximately 23.3%, from approximately HK$10.3 million for the year ended 31 December 2010 to approximately HK$12.7 million for the year ended 31 December 2011, primarily as a result of an approximately HK$2.5

million increase in impairment of trade and bills receivables. The increase in our other expenses was also attributable to the increase in our research and development costs, which was in line with our business strategy to develop new technologies to enhance our competitiveness and our continuous efforts to strengthen our research and development capabilities.

Finance costs

Our finance costs increased by approximately HK$1.6 million, or approximately 36.4%, from approximately HK$4.4 million for the year ended 31 December 2010 to approximately HK$6.0 million for the year ended 31 December 2011 primarily due to an increased amount of outstanding bank loans during the year in 2011 to meet our working capital needs as a result of the expansion of our business operations and a higher effective contractual interest rate on the outstanding bank loans during 2011.

Share of profits and losses of jointly-controlled entities and associates

Our share of profits and losses of our joint ventures, Freetech Yueyang and Freetech Ordos, for the year ended 31 December 2011 was approximately HK$0.4 million. As Freetech Yueyang and Freetech Ordos were both established in the PRC in 2011, no share of profits and losses was recorded from these two joint ventures, prior to 2011.

Profit before taxation

Profit before taxation increased by approximately HK$45.6 million, or approximately 121.6%, from approximately HK$37.5 million for the year ended 31 December 2010 to approximately HK$83.1 million for the year ended 31 December 2011, primarily as a result of the factors described above.

Income tax expense

Income tax expense increased by approximately HK$10.2 million, or approximately 95.3%, from HK$10.7 million for the year ended 31 December 2010 to approximately HK$20.9 million for the year ended 31 December 2011, primarily as a result of the higher profit before tax for the year ended 31 December 2011.

Profit for the year

Profit for the year from operations increased by approximately HK$35.4 million, or approximately 132.1%, from approximately HK$26.8 million for the year ended 31 December 2010 to approximately HK$62.2 million for the year ended 31 December 2011, primarily as a result of the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. Since our establishment, our working capital needs and capital expenditure requirements have been financed through a combination of shareholders' equity, cash generated from operations, internal resources, bank borrowings and advances from our immediate holding company.

The following table is a condensed summary of our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Cash and bank balances at beginning of year	7,946	18,255	135,263
Net cash from operating activities	29,576	36,422	117,138
Net cash used in investing activities	(17,148)	(40,854)	(100,083)
Net cash from/(used in) financing activities	(2,639)	119,277	(22,367)
Net increase/(decrease) in cash and bank balances	9,789	114,845	(5,312)
Effect of foreign exchange rate changes, net	520	2,163	911
Cash and bank balances at end of year	18,255	135,263	130,862

Cash Flows from Operating Activities

For the year ended 31 December 2012, our net cash generated from operating activities was approximately HK$117.1 million, primarily reflecting our profit before tax of approximately HK$193.0 million, which was positively adjusted primarily for (i) increase in deferred income of approximately HK$63.7 million derived from unrealised profit resulting from our sales of modular series equipment to joint venture companies during the period, which was recognised as deferred income and realised as share of profits and losses of jointly-controlled entities and associates over the useful life of the modular series equipment sold, (ii) increase in trade payables of approximately HK$22.5 million due to our increased purchases of raw materials as we expanded our business operations, (iii) depreciation of approximately HK$13.4 million and (iv) impairment of trade receivables of approximately HK$8.2 million, as partially offset by (i) increase in trade and bills receivables of approximately HK$120.0 million as a result of an increased in revenue derived from asphalt pavement maintenance service performed and modular series equipment sold towards the end of 2012, which were yet to be settled, and our overall business expansion, (ii) increase in prepayments, deposits and other receivables of approximately HK$11.3 million, (iii) decrease in an amount due to the ultimate holding company of HK$10.5 million and (iv) fair value gain from re-measurements of equity interest previously held in Freetech Ordos to fair value of approximately HK$8.8 million recognised in our acquisition of Freetech Ordos in June 2012.

For the year ended 31 December 2011, our net cash generated from operating activities was approximately HK$36.4 million, primarily reflecting our profit before tax of approximately HK$83.1 million, which was positively adjusted primarily for (i) depreciation of approximately HK$12.4 million, (ii) increase in deferred income of approximately HK$9.5 million derived from unrealised profit resulting from our sales of modular series equipment to joint venture companies during the period, which was recognised as deferred income and realised as share of profits and losses of jointly-controlled entities over the useful life of the modular series equipment sold, (iii) increase in other payables and accruals of approximately HK$8.5 million, (iv) increase in trade payables of approximately HK$8.5 million due to our increased purchases of raw materials as we expanded our operations and (v) impairment of trade receivables of approximately HK$8.4 million primarily reflecting approximately HK$5.2 million specific provision relating to our receivables from one asphalt pavement maintenance service project in Shaanxi province and the further ageing of our outstanding receivables due to customers' continuing internal approval procedures, as partially offset by (i) increase in trade and bills receivables of approximately HK$60.6 million as a result of the delay in settlement of trade and bills receivables from certain of our government agency customers for asphalt pavement maintenance services provided in 2010 due to these customers' lengthy internal approval process, (ii) income tax paid of approximately HK$20.1 million as our taxable profit increased due to our expansions, (iii) increase in inventories of approximately HK$15.1 million and (iv) interest paid of approximately HK$6.0 million.

For the year ended 31 December 2010, our net cash generated from operating activities was approximately HK$29.6 million, primarily reflecting our profit before tax of approximately HK$37.5 million, which was positively adjusted primarily for (i) increase in trade payables of approximately HK$21.5 million due to the increase in our subcontracting cost incurred for the Xuzhou Huaihai Road municipal project, (ii) increase in other payables and accruals of approximately HK$11.9 million, (iii) depreciation of approximately HK$10.3 million and (iv) impairment of trade receivables of approximately HK$5.9 million relating to our receivables for an asphalt pavement maintenance service project we completed in Shandong province in September 2010, as partially offset by (i) increase in trade and bills receivables of approximately HK$49.8 million as we expanded our operations, (ii) income tax paid of approximately HK$5.1 million, (iii) interest paid of approximately HK$4.5 million and (iv) increase in inventories of approximately HK$4.3 million.

Cash Flows Used in Investing Activities

For the year ended 31 December 2012, our net cash used in investing activities was approximately HK$100.1 million. This was primarily due to (i) the HK$65.1 million investments in our jointly-controlled entities, (ii) the HK$21.2 million investments in our associates and (iii) the HK$20.4 million used in the purchases of equipment for our asphalt pavement maintenance service segment and production machineries for our asphalt pavement maintenance equipment segment and prepaid land lease payment for our new production facility in Nanjing, as partially offset by the HK$6.9 million acquisition of 2% equity interest in Freetech Ordos, net of cash acquired in June 2012.

For the year ended 31 December 2011, our net cash used in investing activities was approximately HK$40.9 million. This was primarily due to the approximately HK$23.6 million we invested in jointly-controlled entities, the approximately HK$14.6 million used in purchases of property, plant and equipment relating to the purchases of equipment for our asphalt pavement maintenance service segment and production machineries for our asphalt pavement maintenance equipment segment and the approximately HK$2.4 million in addition of prepaid land lease payment relating to the land for the development of our new production facility in Nanjing.

For the year ended 31 December 2010, our net cash used in investing activities was approximately HK$17.1 million. This was primarily due to the approximately HK$16.9 million used in purchases of property, plant and equipment relating to the purchases of equipment for our asphalt pavement maintenance service segment and production machineries for our asphalt pavement maintenance equipment segment.

Cash Flows from/(used in) Financing Activities

For the year ended 31 December 2012, our net cash used in financing activities was approximately HK$22.4 million, primarily reflecting approximately HK$47.3 million in dividend paid to Freetech Technology, the ultimate holding company of our Company and approximately HK$54.1 million in repayment of bank loans, as partially offset by approximately HK$80.3 million in draw down of new bank loans as we continued to expand our operations.

For the year ended 31 December 2011, our net cash generated from financing activities was approximately HK$119.3 million, primarily reflecting an increase of approximately HK$154.7 million in amount due to Freetech Cayman reflecting advance from Freetech Cayman using proceeds from the pre-IPO investments of Smart Firm and Future Blossom and approximately HK$68.0 million in drawdown of new bank loans as we continued to expand our operations, as partially offset by approximately HK$89.7 million in repayment of bank loans and approximately HK$13.9 million in dividends paid to Freetech Technology.

For the year ended 31 December 2010, our net cash used in financing activities was approximately HK$2.6 million, primarily reflecting approximately HK$81.0 million in repayment of bank loans and approximately HK$9.7 million in dividends paid to Freetech Technology, as partially offset by approximately HK$88.1 million in drawdown of new bank loans as we continued to expand our operations.

CAPITAL EXPENDITURES

Our capital expenditures have principally consisted of expenditures on property, plant and equipment, land use rights and other intangible assets. For the years ended 31 December 2010, 2011 and 2012, we incurred capital expenditures in the amounts of approximately HK$31.2 million, HK$17.2 million and HK$20.6 million, respectively. The following table sets out our historical capital expenditures during the Track Record Period:

	Year ended 31 December		
Historical capital expenditures	**2010**	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Property, plant and equipment			
Buildings, plant and machinery	28,955	11,852	3,116
Furniture, fixtures and office equipment	981	525	688
Motor vehicles	1,250	2,021	7,141
Construction in progress	—	223	9,469
	31,186	14,621	20,414
Land use rights	—	2,444	217
Other intangible assets	—	94	7
Total	31,186	17,159	20,638

Our capital expenditures incurred during the Track Record Period were primarily related to the manufacturing and purchase of equipment for our asphalt pavement maintenance service segment and production machineries for our asphalt pavement maintenance equipment segment. Our capital expenditures incurred for the years ended 31 December 2011 and 2012 also included prepaid land lease payments in connection with the land use rights for our new plant in Nanjing. Our capital expenditures for construction in progress increased from HK$0.2 million in 2011 to HK$9.5 million in 2012, primarily due to an increase in the capital expenditures for the manufacturing of asphalt pavement maintenance equipment that will be used in our asphalt pavement maintenance service projects upon completion, as our business operations continued to expand and we decided to expand our servicing capacity in anticipation of an increased demand for our asphalt pavement maintenance services using the Hot-in-Place recycling technologies in the near future.

The following table sets forth our projected capital expenditures for the years ending 31 December 2013 and 2014:

	Year ending 31 December	
	2013	**2014**
	HK$'000	**HK$'000**
Property, plant and equipment	102,208	52,062
Land use rights	—	62,693
Total	102,208	114,755

CAPITAL AND OPERATING LEASE COMMITMENTS

Our capital commitments primarily relate to land use rights, property, plant and equipment, and capital contributions payable to jointly-controlled entities and associates. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of 31 December		
	2010	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Contracted, but not provided for:			
Land use rights	2,330	—	—
Property, plant and equipment	—	733	43,673
Capital contributions payable to jointly-controlled entities	—	18,546	7,613
Capital contributions payable to an associate	—	—	6,095
	2,330	19,279	57,381
Authorised, but not contracted for:			
Property, plant and equipment	—	—	18,742
	2,330	19,279	76,123

We lease certain properties as office and employee accommodation under operating lease arrangements, which typically run for an initial period ranging from one to two years, with an option to renew the relevant leases when all the terms are renegotiated. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of 31 December 2010, 2011 and 2012:

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Within one year	1,633	1,687	1,319
In the second to fifth years, inclusive	1,860	647	43
Total	3,493	2,334	1,362

NET CURRENT ASSETS/LIABILITIES

Details of our current assets and liabilities at each of the financial position dates are as follows:

	As of 31 December			As of 30 April
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
CURRENT ASSETS				
Inventories	19,260	34,316	41,057	52,246
Trade and bills receivables	86,031	137,390	268,208	249,582
Prepayments, deposits and other receivables	5,875	8,579	17,341	23,917
Due from a related person	259	—	—	—
Due from directors	2,685	3,651	—	—
Pledged deposits	328	394	448	431
Cash and bank balances	18,255	135,263	130,862	102,727
Total current assets	132,693	319,593	457,916	428,903
CURRENT LIABILITIES				
Trade payables	32,678	41,169	73,739	65,443
Other payables and accruals	29,870	38,384	44,671	29,714
Dividends payable	6,334	52,299	4,964	4,964
Due to the ultimate holding company	11,703	14,895	4,350	—
Interest-bearing bank borrowings	77,357	58,775	78,270	68,729
Tax payable	5,624	4,393	9,218	369
Total current liabilities	163,566	209,915	215,212	169,219
NET CURRENT ASSETS/ (LIABILITIES)	(30,873)	109,678	242,704	259,684

Our net current assets increased from approximately HK$242.7 million as of 31 December 2012 to approximately HK$259.7 million as of 30 April 2013, primarily due to increase in inventories and prepayments, deposits and other receivables and decrease in other payables and accruals, trade payables, bank borrowings and tax payables, and partially offset by decrease in cash and bank balances and trade and bills receivables. Our inventories increased primarily due to the expansion of our production of asphalt pavement maintenance equipment for sale to our customers. Our trade and bills receivables decreased primarily as a result of our enhanced credit control measures implemented since August 2012.

Our net current assets increased from approximately HK$109.7 million as of 31 December 2011 to approximately HK$242.7 million as of 31 December 2012, primarily as a result of increases in our trade and bills receivables and decrease in dividends payable, and partially offset by increases in trade payables and bank borrowings. Our trade and bills receivables (net of provision) increased from approximately HK$137.4 million as of 31 December 2011 to approximately HK$268.2 million as of 31 December 2012, primarily because (i) our revenue derived from asphalt pavement maintenance service performed and modular series equipment sold towards the end of 2012, which were yet to be settled, increased as of 31 December 2012, (ii) our revenue increased significantly for the year ended 31 December 2012 compared with 2011 and (iii) we consolidated approximately HK$32.8 million trade and bills receivables of Freetech Ordos after we acquired a controlling interest in June 2012. Our trade payables increased as of 31 December 2012, primarily due to our increased raw material purchases as our business continued to expand. Our bank borrowings increased as of 31 December 2012, primarily due to our increased working capital needs to fund the construction of our new plant and our overall business expansion.

Our net working capital improved for the year ended 31 December 2011. We recorded a net current assets position of approximately HK$109.7 million as of 31 December 2011, compared to a net current liabilities position of approximately HK$30.9 million as of 31 December 2010. This improvement was primarily due to the net effect of increase in our cash and bank balances mainly resulting from advance from Freetech Cayman using proceeds from pre-IPO investments of Smart Firm and Future Blossom we received in 2011 and an increase in our trade and bills receivables.

We recorded a net current liabilities position of approximately HK$30.9 million as of 31 December 2010 primarily due to the classification of approximately HK$19.8 million of long-term loans as current liability as of 31 December 2010 because our loan facility agreement contained a clause that the lender had a right to require us to repay the loan on demand. Our net current liabilities position as of 31 December 2010 was also due in part to an increase of our trade payables as a result of the increase in our subcontracting cost incurred for the Xuzhou Huaihai Road municipal project as we acted as the main contractor and outsourced non-asphalt pavement maintenance services to subcontractors.

INVENTORY ANALYSIS

Our inventories consist of raw materials, work-in-progress and finished products. The raw materials we use mainly include asphalt mixture, bitumen and rejuvenating agents for asphalt pavement maintenance services and chassis, liquefied petroleum gas components and hydraulic components for manufacturing of asphalt pavement maintenance equipment. The value of our inventories accounted for approximately 14.5%, 10.7% and 9.0% of our total current assets as of 31 December 2010, 2011 and 2012, respectively.

Our inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of the overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. As of 31 December 2010, 2011 and 2012, our inventory levels were approximately HK$19.3 million, HK$34.3 million and HK$41.1 million, respectively. The following table sets forth a summary of our balance of inventories as of the dates indicated:

	As of 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Raw materials	8,821	11,795	13,453
Work-in-progress	7,302	16,473	27,045
Finished goods	3,137	6,048	559
Total	19,260	34,316	41,057

Our inventories increased by approximately HK$6.8 million, or approximately 19.8%, from approximately HK$34.3 million as of 31 December 2011 to approximately HK$41.1 million as of 31 December 2012, primarily as the result of increases in work-in-progress from HK$16.5 million as of 31 December 2011 to HK$27.0 million as of 31 December 2012 and in our raw materials, as partially offset by a decrease in our finished goods from approximately HK$6.0 million as of 31 December 2011 to approximately HK$0.6 million as of 31 December 2012. Our work-in-progress primarily represents equipment being manufactured for sale to our customers. Our work-in-progress increased as of 31 December 2012 compared with that as of 31 December 2011, as we had more sets of modular series equipment being manufactured as of 31 December 2012, which would be sold to our joint venture companies in the beginning of 2013. Our raw materials as of 31 December 2012 increased slightly from that as of 31 December 2011, which was in line with the expansion of our business. Our finished goods decreased as of 31 December 2012, primarily because we had delivered most of our completed asphalt pavement maintenance equipment as of 31 December 2012, while as of 31 December 2011, we yet had several units of completed asphalt pavement maintenance equipment to be delivered in early 2012. As of 30 April 2013, approximately 49% of our raw materials as of 31 December 2012 had been utilised, approximately 47% of our work-in-progress as of 31 December 2012 had been completed, and approximately 100% of our finished goods as of 31 December 2012 had been delivered.

Our inventories increased by approximately HK$15.0 million, or approximately 77.7% from approximately HK$19.3 million as of 31 December 2010 to approximately HK$34.3 million as of 31 December 2011 primarily due to the increase in our raw materials, in particular, asphalt mixture, purchased and equipment produced, which was in line with the growth of our business operations.

The adequacy of our inventories is reviewed by our management on a semi-annual basis. Our policy on obsolete or damaged inventories is to write off such inventories when our management considers the obsolete or damaged inventories to have no residual value. In addition, specific provisions are made on the diminution in market value of the inventories should our management decide that the current level of provision is inadequate.

We did not make any provision for nor write down any inventories for damage or obsolescence during the Track Record Period, as we did not experience any significant obsolete or damaged or slow-moving inventories throughout the Track Record Period.

The following table sets out our average inventory turnover days for the Track Record Period:

	Year ended 31 December		
	2010	**2011**	**2012**
Average inventory turnover days(1)	58.9	69.7	61.7

Note:

(1) Average inventory turnover days equals to the average of the starting and ending inventory balances as of the year end divided by costs of sales for the year and multiplied by 365 days.

Our average inventory turnover days increased from approximately 58.9 days for 2010 to approximately 69.7 days for 2011 primarily as a result of the increase in asphalt pavement maintenance equipment that we manufactured towards the end of 2011 but was not delivered to our customers until 2012. Our average inventory turnover days decreased from approximately 69.7 days for 2011 to approximately 61.7 days for the year ended 31 December 2012 primarily because we had more units of asphalt pavement maintenance equipment to be delivered at the end of 2011 than the end of 2012.

TRADE AND BILLS RECEIVABLES ANALYSIS

Our trade and bills receivables primarily represent our trade receivables and bank accepted bills receivables from customers for asphalt pavement maintenance services provided or asphalt pavement maintenance equipment sold, less impairment provision. Our trade and bills receivables are initially recognised at fair value and subsequently measured at amortised costs, using the effective interest method, less any identified impairment losses. Our trade and bills receivables represented approximately 64.8%, 43.0% and 58.6% of our total current assets as of 31 December 2010, 2011 and 2012, respectively.

The following table sets forth breakdowns of our trade and bills receivables before impairment and impairment by operating segment as of the dates indicated:

	As of 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Trade and bills receivables before impairment						
Asphalt pavement maintenance service	93,898	95.0	150,450	94.4	236,451	79.2
Asphalt pavement maintenance equipment	4,901	5.0	8,936	5.6	62,217	20.8
Subtotal:	98,799	100.0	159,386	100.0	298,668	100.0
Impairment						
Asphalt pavement maintenance service	(12,731)	99.7	(21,625)	98.3	(29,828)	97.9
Asphalt pavement maintenance equipment	(37)	0.3	(371)	1.7	(632)	2.1
Subtotal:	(12,768)	100.0	(21,996)	100.0	(30,460)	100.0
Net						
Asphalt pavement maintenance service	81,167	94.3	128,825	93.8	206,623	77.0
Asphalt pavement maintenance equipment	4,864	5.7	8,565	6.2	61,585	23.0
Subtotal:	86,031	100.0	137,390	100.0	268,208	100.0

The following table sets forth breakdowns of our trade and bills receivables before impairment and impairment by customer type as of the dates indicated:

	As of 31 December					
	2010		2011		2012	
	HK$'000	%	HK$'000	%	HK$'000	%
Trade and bills receivables before impairment						
PRC government agencies	83,246	84.2	142,444	89.4	222,236	74.4
Privately-owned companies	9,670	9.8	15,017	9.4	46,857	15.7
Joint venture companies	—	—	864	0.5	29,575	9.9
Bills receivables	5,883	6.0	1,061	0.7	—	—
Subtotal:	98,799	100.0	159,386	100.0	298,668	100.0
Impairment						
PRC government agencies	(12,768)	100.0	(21,515)	97.8	(29,480)	96.8
Privately-owned companies	—	—	(481)	2.2	(980)	3.2
Subtotal:	(12,768)	100.0	(21,996)	100.0	(30,460)	100.0
Net						
PRC government agencies	70,478	81.9	120,929	88.0	192,756	71.9
Privately-owned companies	9,670	11.2	14,536	10.6	45,877	17.1
Joint venture companies	—	—	864	0.6	29,575	11.0
Bills receivables	5,883	6.9	1,061	0.8	—	—
Subtotal:	86,031	100.0	137,390	100.0	268,208	100.0

Our trade terms with our asphalt pavement maintenance service customers are mainly on credit. However, when dealing with new asphalt pavement maintenance service customers, we typically require deposits in advance. We grant credit periods to customers on a project-by-project basis primarily based on customer type, the customer's payment record with other suppliers and service providers, the availability of earmarked specific government funding for the respective project, and the customer's payment history with us if it is a recurring customer, and subject to the period between our completion of project and commencement of customer's verification process as stipulated in the service contracts with our customers. We seek to maintain control over our outstanding receivables and have established a credit control department to minimise credit risk. Our senior management review overdue balances regularly to ensure that we maintain a healthy liquidity position. In view of our credit control and the fact that our accounts receivable relate to a large number of diversified customers, we do not believe there is significant concentration of credit risk. We do not hold any collateral or other credit enhancements over accounts receivable balances. Our accounts receivables are non-interest bearing.

Our customers primarily include PRC government agencies at various levels and privately-owned companies. Our revenue from asphalt pavement maintenance service projects is recognised in the period when services are rendered, which complies with the relevant accounting policies on the basis that when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised in the accounting periods in which the services are rendered. After we have entered into the service contract with our customer setting out the contract price, the scope of work and the payment arrangements, we commence providing our services within the timeframe as stipulated in the contract and begin to incur costs for our work. We generally do not stipulate a specific credit period in the asphalt pavement maintenance service contracts with our customers. Instead, our asphalt pavement maintenance service customers are required to pay us upon completion of certain milestones specified in the contracts, such as date of signing contract, commencement of service, stage completion, project completion, audit completion and issuance of invoice. Normally an amount equal to 5% of the total payment to us under the service contract is retained by our customer as quality warranty and will be released after the warranty period expires. We strive to include a specific clause in the contract to require compensation equal to 0.1% to 0.5% of or charge the benchmark lending rate on the outstanding payment per day, or/and plus any indemnity, from customer in the event of the customer's default or delay in payment to us. During the Track Record Period, approximately 48% of our asphalt pavement maintenance service contract contained such a clause.

According to CCID, it is a general industry practice that PRC government agencies often do not strictly adhere to payment terms stipulated in the service contracts they have entered into, primarily as a result of their lengthy internal approval process before payments may be made, which is, in turn, primarily due to that there are several stages typically involved in the PRC government agency's internal approval process. These stages generally include: (i) settlement stage, where we submit the records detailing: (a) total service area, and (b) costs incurred for purchases of raw materials, where the service contract does not specify the unit purchase price for raw materials and the customer has previously agreed to pay for such costs, to the main contractor for a project, for its initial review upon the completion of a project. The main contractor reviews the detailed records collected from all subcontractors. If one or several subcontractors delay their submission to the main contractor, or if the main contractor disagrees with the amounts of work submitted by the subcontractors and has further queries, the internal approval process is further delayed; (ii) audit stage, where PRC government agencies engage qualified third-party auditors to verify the total service area, amount of service performed per unit of service area and aggregate amount of all work performed for a project; and (iii) fund allocation stage, where PRC government agencies submit the audit report prepared by the third-party auditor to the relevant government agencies or bureaus that oversee the allocation of government funds for their approval. Each stage can vary significantly in its duration depending on the size of the project as well as co-ordination between different administrative levels of a PRC government agency. In addition, some of our privately-owned company customers also did not strictly adhere to the payment terms stipulated in the service contracts during the Track Record Period. To the best knowledge of our Directors, these privately-owned customers primarily acted as main contractors for PRC government agencies, and these privately-owned companies often delay their payments to us until they were paid by the PRC government agencies after the PRC government agencies complete their internal approval process. In order to maintain business relationship with our customers, particularly PRC government agency customers, we may not strictly enforce the progress payment terms stipulated in contracts on all our customers or the compensation clause once delay in payments takes place. As a result, the actual payment patterns are sometimes different from what our contracts stipulate. The period between May and October each year is our peak season for asphalt pavement maintenance services and asphalt pavement maintenance equipment sales, and customers usually pay shortly after services are rendered and equipment is sold. As a result, we in general received more payments from our customers for asphalt pavement maintenance services and asphalt pavement maintenance equipment in the second half of the year. For asphalt pavement maintenance equipment segment, we normally grant our customers a credit period ranging between three to 30 days during the Track Record Period. We have been following up with our customers to settle outstanding receivables. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — If we fail to collect our trade and bills receivables in a timely manner, we would have to record impairment and our financial condition and results of operations would be negatively affected" in this prospectus.

For the asphalt pavement maintenance service segment, we recognise trade receivables when services are rendered. For the asphalt pavement maintenance equipment segment, we recognise trade receivables when risks and benefits of ownership of goods are transferred to the purchaser. Our trade and bills receivables increased from approximately HK$98.8 million as of 31 December 2010 to approximately HK$159.4 million as of 31 December 2011, and then to approximately HK$298.7 million as of 31 December 2012 primarily because (i) our revenue increased significantly during these periods and (ii) our PRC government agency customers need to go through a lengthy internal approval process before payments may be made. The approximately HK$60.6 million increase in our trade and bills receivables from 2010 to 2011 was primarily as a result of the delay in settlement of trade and bills receivables from certain of our government agency customers for asphalt pavement maintenance services provided in 2010. This delay in settlement, in turn, was primarily because PRC government agencies need to go through a lengthy internal approval process before payments may be made. In addition, PRC government agencies typically review project documentation and make payment in the order that projects are completed. To the extent there are projects ahead of us in the payment backlog, payment to us is further delayed. In 2010, we acted as the main contractor in the Xuzhou Huaihai Road municipal project. Our trade receivables from this project as of 31 December 2012 were approximately HK$18.5 million, which also included subcontractors' fees and costs. As of 31 December 2011, an amount of approximately HK$0.9 million due from a joint venture was included in our trade and bills receivables. This amount was repayable on credit terms similar to those offered to the major customers of ours. Our trade and bills receivables increased from approximately HK$159.4 million as of 31 December 2011 to approximately HK$298.7 million as of 31 December 2012 primarily because (i) our revenue derived from asphalt pavement maintenance service performed and modular series equipment sold towards the end of 2012, which were yet to be settled, increased as of 31 December 2012 and (ii) our revenue increased significantly for the year ended 31 December 2012 compared with the same period in 2011. Our Directors confirm that except for the asphalt pavement maintenance service projects for Nanyang Expressway Co. Ltd. and a customer in Shandong province, the details of which are disclosed in the section headed "Business — Legal proceedings and compliance" and "Financial Information — Other expenses" in the prospectus, respectively, there were no material disputes relating the amount of trade and bills receivables balances with our customers and that our customers had all agreed to the amount of trade and bills receivables balances stated in our invoices issued to them during the Track Record Period.

A portion of our trade receivables are due to warranty deposits we are required to place with project owners and equipment purchasers generally for one year after the project completion date or the equipment sale date as quality guarantee. This warranty amount will be returned to us after the warranty period expires. In June 2012, we acquired a controlling interest in Freetech Ordos and it changed from a jointly-controlled entity to our subsidiary, and all of its outstanding trade receivables were consolidated into ours as of 31 December 2012. In June 2012, Freetech Ordos commenced an asphalt pavement maintenance project with a contract value of approximately HK$136.9 million. As of 31 December 2012, this project was still in progress. Value for services it had provided up to 31 December 2012 was recorded as trade receivables.

The following table sets out the ageing analysis of our trade and bills receivables after impairment as of the dates indicated:

	As of 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Within 3 months	31,037	45,489	113,726
PRC government agencies	16,113	42,587	65,955
Municipal government agencies(1)	6,218	16,394	48,520
Road authorities(2)	7,015	19,177	11,075
Highway administrations(3)	2,880	7,016	6,360
Privately-owned companies	9,041	977	28,159
Joint venture companies	—	864	19,612
Bills receivables	5,883	1,061	—
3 to 12 months	39,080	38,264	89,436
PRC government agencies	38,451	30,037	72,924
Municipal government agencies(1)	28,429	9,534	68,690
Road authorities(2)	7,079	16,189	4,100
Highway administrations(3)	2,943	4,314	134
Privately-owned companies	629	8,227	6,549
Joint venture companies	—	—	9,963
Bills receivables	—	—	—
1 to 2 years	14,920	46,830	24,520
PRC government agencies	14,920	41,498	16,391
Municipal government agencies(1)	14,565	36,507	4,750
Road authorities(2)	3	3,688	9,731
Highway administrations(3)	352	1,303	1,910
Privately-owned companies	—	5,332	8,129
Joint venture companies	—	—	—
Bills receivables	—	—	—
Over 2 years	994	6,807	40,526
PRC government agencies	994	6,807	37,486
Municipal government agencies(1)	599	6,578	33,568
Road authorities(2)	—	23	3,918
Highway administrations(3)	395	206	—
Privately-owned companies	—	—	3,040
Joint venture companies	—	—	—
Bills receivables	—	—	—
Total	86,031	137,390	268,208
Less: Warranty	(15,251)	(21,660)	(34,516)
Less: Accounts receivable for Freetech Ordos	—	—	(29,953)
Trade and bills receivables after impairment less warranty and accounts receivables for Freetech Ordos	70,780	115,730	203,739

Notes:

(1) Municipal government agencies are generally engaged in the construction and maintenance of municipal infrastructure and public facilities. During the Track Record Period, we have provided asphalt pavement maintenance services and sold asphalt pavement maintenance equipment to municipal government agencies.

(2) Road authorities are generally engaged in the maintenance of road network in a particular geographical region. During the Track Record Period, we have provided asphalt pavement maintenance services and sold asphalt pavement maintenance equipment to road authorities.

(3) Highway administrations are engaged in the construction and maintenance of highways in a particular geographical region. During the Track Record Period, we have provided asphalt pavement maintenance services and sold asphalt pavement maintenance equipment to highway administrations.

The following tables set forth the subsequent settlement of our trade and bills receivables before impairment as of 31 December 2010, 2011 and 2012 by customer type and by ageing:

For the year ended 31 December 2010	**< Three months**	**Three to 12 months**	**One to two years**	**> Two years**	**Subsequent settlement as of 30 April 2013**
PRC government agencies	81.2%	31.0%	42.1%	6.6%	41.2%
Privately-owned companies	44.5%	90.6%	—	—	47.5%
Joint venture companies	—	—	—	—	—
Bills receivables	100.0%	—	—	—	100.0%
Total	74.1%	31.9%	42.1%	6.6%	45.3%

Overall settlement as of 30 April 2013: **HK$44.7 million**

For the year ended 31 December 2011	**< Three months**	**Three to 12 months**	**One to two years**	**> Two years**	**Subsequent settlement as of 30 April 2013**
PRC government agencies	88.0%	85.8%	12.7%	18.4%	51.4%
Privately-owned companies	61.9%	32.2%	27.2%	—	32.2%
Joint venture companies	100.0%	—	—	—	100.0%
Bills receivables	100.0%	—	—	—	100.0%
Total	88.0%	74.3%	14.2%	18.3%	50.2%

Overall settlement as of 30 April 2013: **HK$80.0 million**

For the year ended 31 December 2012	< Three months	Three to 12 months	One to two years	> Two years	Subsequent settlement as of 30 April 2013
PRC government agencies	38.3%	12.8%	40.3%	7.8%	21.0%
Privately-owned companies	72.2%	63.0%	31.5%	10.1%	58.7%
Joint venture companies	25.4%	—	—	—	16.8%
Bills receivables	—	—	—	—	—
Total	44.4%	15.1%	37.4%	7.9%	26.5%

Overall settlement as of 30 April 2013: **HK$79.2 million**

Our receivables aged within three months are generally settled faster than receivables aged over two years. The difference in settlement speed is primarily because receivables aged within three months mainly comprise the outstanding balances of (i) progress payments that are generally settled during the servicing period of a project, most of which ranged between one to two months during the Track Record Period and (ii) sales of asphalt pavement maintenance equipment, which were generally settled around 30 days during the Track Record Period. On the other hand, receivables aged over two years primarily comprise the (i) outstanding balances that will be paid to us after our customers, in particular PRC government agency customers, complete their lengthy internal approval process; and (ii) payments that are delayed due to dispute, uncertainty in customers' internal fund management and that the overall project, of which our asphalt pavement maintenance service performed was a small part, went significantly over the budget. We have made provisions as specific impairment on all of the receivables relating to such circumstances.

We have further enhanced our credit control measures and customer selection criteria to manage our trade and bills receivables. We intend to focus on customers with sufficient cash on hand and relatively short internal audit period for payment approval. For large-scale projects that meet the following criteria: (i) over RMB10 million in contract value, (ii) relatively long estimated payment periods, and (iii) sponsored by PRC government agencies with uncertain financial condition, we would not, starting from August 2012, enter into service contracts until we are provided with payment guarantees from local finance bureaus, which oversee allocation of funding for all government agencies under their respective administration. In November 2012, we received a payment guarantee letter from the Putian Finance Bureau (莆田財政局) in relation to our Yingbin Road asphalt pavement maintenance service project in Putian City, which has a contract value of approximately HK$25.8 million. The Putian Finance Bureau pledged that funding in this amount will be allocated to the project on time. As of the Latest Practicable Date, we do not intend to impose any similar requirements for large-scale projects with privately-owned companies, as unlike PRC government agencies, it may not be possible for privately-owned companies to obtain payment guarantees from local financial bureaus. For privately-owned company customers, we conduct regular credit checks, both before we enter into contracts with them and before the due dates of instalment payments, to ensure that they have adequate resources to meet their payment obligations to us. We typically make verbal enquiries with contractors that have worked with the customer recently, check the sizes of projects recently completed by the customer and review publicly available financial information of the customer and its parent holding company, if any. We strive to require more prepayment in advance if we deem a customer's creditworthiness is not satisfactory to us.

Since the implementation of our enhanced credit control measures and stringent customer selection criteria in August 2012, we have closely monitored the financial conditions of our customers. For potential PRC government agencies who intended to engage us for their asphalt pavement maintenance service projects and yet to meet our new customer selection criteria, we have, since August 2012, delayed signing of service contracts with them until their financial conditions have improved to our standard. Since August 2012, we have postponed the signing of three service contracts of a total contract value of approximately RMB56 million due to customers' financial uncertainty. We have established a collections department dedicated to collecting accounts receivables in late December 2012. This newly-established collections department is led by our PRC financial controller and includes three other members from our finance department who have extensive experience in corporate finance and working capital management. One of the members is a qualified public accountant in the PRC. We also plan to hire a new department head and additional employees exclusively for our collections department in the second quarter of 2013. Members of our collections department call customers to follow up on the outstanding receivables every week and regularly report updates to our senior management. Members of our senior management will hold regular meetings with our sales team to follow up on outstanding receivables and visit customers with long overdue receivables to facilitate the settlement. Since August 2012, our senior management were able to collect a portion of the total receivable amount during their visits to customers with long overdue receivables. We have also accelerated our preliminary inspection and our own internal audit process upon completion of a project, which allows us to speed up our billing process and hence enable our client to start their internal approval process in a more timely manner. We have conducted frequent follow-ups with customers regarding the progress of their internal approval process. To the extent that their request is reasonable, we will provide any necessary information to them so that they can speed up their internal approval process. As of 30 April 2013, approximately 45.3%, 50.2% and 26.5% of our trade and bills receivables outstanding as of 31 December 2010, 2011 and 2012, respectively, had been settled, and approximately 52.0%, 58.2% and 29.5% of our trade and bills receivables outstanding (net of provision) as of 31 December 2010, 2011 and 2012, respectively, had been settled. PRC government agencies represented approximately 71.9% of our trade and bills receivables outstanding (net of provision) as of 31 December 2012. Furthermore, among the trade and receivables due within three months as of 31 December 2012, approximately 44.4% had been settled as of 30 April 2013. As a result of the implementations of our enhanced credit control measures, our trade and bills receivables decreased from HK$268.2 million as of 31 December 2012 to HK$249.6 million as of 30 April 2013, based on our unaudited financial statements prepared by our management for the four months ended 30 April 2013. During the same period, our business operations continued to expand. In view of the above, we believe that our enhanced credit control measures and customer selection criteria to manage our trade and bills receivables are effective. Our Directors believe that the implementation of our enhanced credit control measures, in particular our requirement for payment guarantee for selected customers, will not adversely affect our operation, financial conditions and competitiveness, or reduce our bargaining power with customers, as the Hot-in-Place recycling technology is encouraged by recent policies issued by the PRC government and our Directors believe that it has significant growth potential.

The following table sets out our average trade and bills receivables turnover days and average trade and bills receivables turnover days by customer type for the Track Record Period:

	Year ended 31 December		
	2010	**2011**	**2012**
Average trade and bills receivables turnover days[(1)]	115.7	167.5	172.0
PRC government agencies[(1)]	120.3	180.1	216.1
Privately-owned companies[(1)]	55.4	113.1	162.5
Joint venture companies[(1)]	—	12.4	51.2

Note:

(1) Average trade and bills receivables turnover days equals to the average of the starting and ending trade and bills receivables balances (before impairment) as of the year end divided by revenue for the year and multiplied by 365 days.

Our average trade and bills receivables turnover days increased from approximately 115.7 days for the year ended 31 December 2010 to approximately 167.5 days for the year ended 31 December 2011 primarily as a result of the delay in settlement of trade and bills receivables from certain of our customers relating to asphalt pavement maintenance services performed in 2010 and the delay in settlements by the relevant PRC government agency for the total work performed under the Xuzhou Huaihai Road municipal project in 2010, where we acted as the main contractor and outsourced the non-asphalt pavement maintenance service related work to third-party subcontractors. Our average trade and bills receivables turnover days increased from approximately 167.5 days for the year ended 31 December 2011 to approximately 172.0 days for the year ended 31 December 2012 primarily as a result of an increased in revenue derived from asphalt pavement maintenance service performed and modular series equipment sold towards the end of 2012, which were yet to be settled as of 31 December 2012 and further ageing of our outstanding receivables. Our average trade and bills receivables turnover days, excluding the receivables relating to the Xuzhou Huaihai Road municipal project, were approximately 142.4 days and 158.1 days for the years ended 31 December 2011 and 2012, respectively.

Our average trade and bills receivables turnover days with PRC government agencies increased during the Track Record Period, primarily due to the further ageing of receivables from certain PRC government agencies for asphalt pavement maintenance services that we performed prior to 2011, in particular, the Xuzhou Huaihai Road municipal project in 2010. Our average trade and bills receivables turnover days with joint venture companies increased significantly from 2011 to 2012, primarily because as of 31 December 2012, certain joint venture companies had not settled payments for the two sets of modular series equipment sold to them towards the end of 2012. Our average trade and bills receivables turnover days with privately-owned companies increased during the Track Record Period, primarily due to our extension or granting of credit period to a number of companies which, to our knowledge, are related to a joint venture partner of Freetech Ordos, and the increase in the proportion of our revenue earned from privately-owned companies that acted as main contractors for government authorities. We extended or granted the credit period to a number of companies which are related to a joint venture partner of Freetech Ordos, primarily because, to our knowledge, their financial position is good and we did not expect them to default payment to us based on their past payment records with us and their relationship with this joint venture partner of Freetech Ordos. The total revenue earned from such companies amounted to approximately HK$112.7 million during the Track Record Period. Our trade and bills receivables balances related to such companies accounted for approximately 11.0%, 52.2% and 86.5% of our trade and bills receivables balances with privately-owned companies as of 31 December 2010, 2011 and 2012, respectively. All of our trade and bills receivables balances with such companies was related to provisions of asphalt pavement maintenance services in 2010 and 2011, while in 2012, 31.5% of our trade and bills receivables balances with such companies was related to provisions of asphalt pavement maintenance services and the remaining 68.5% was related to sales of asphalt pavement maintenance equipment. The length of our business relationship with such companies ranged between approximately two to three years.

For the determination of allowance for impairment provision, we consider factors such as the significant financial difficulties of the debtors, the probability that the debtor will file for bankruptcy or be subject to a financial reorganisation, and the possibility of default or delinquent payments. Impairment of our trade and bills receivables is further divided into specific impairment and impairment from collective assessment. We recognise specific impairment when we examine the specific circumstances of our receivables from a certain customer and determine that the receivables are unlikely to be recovered. Such circumstances generally include (i) customer has large amounts of unsettled receivables aged over a long period within five years with other parties involved in the overall project, under which our asphalt pavement maintenance service is only a part; (ii) customer has experienced certain financial uncertainties; and (iii) other factors that are beyond our control, such as unexpected disputes with customers in respect of the quality of asphalt pavement maintenance service project. Based on the past payment pattern of our customers, in particular our PRC government agency customers, and our understanding of the time required for the PRC government agencies to go through its internal approval process during the Track Record Period, receivables aged over five years, receivables for projects with internal approval process extending beyond four years or receivables from customers with financial difficulties that are aged over three years were mostly unrecoverable. Our Directors, taking into account our extensive experience in the asphalt pavement maintenance service industry and past collections records, are of the view that our specific impairment policies, together with the relevant assumptions made under the policies, are fair and reasonable. During the Track Record Period, approximately 64.9% of our impairment of trade receivables from PRC government agencies was recognised as specific impairment, which primarily reflects the impairment we made on the (i) entire outstanding receivables relating to our asphalt pavement maintenance service performed for two PRC government agency customers in Shandong and Shaanxi provinces, the details of which are discussed in "Financial Information - Other expenses" in this prospectus, and (ii) receivables with several PRC government agency customers for asphalt pavement maintenance services we performed prior to the Track Record Period and in 2009. Time required for the settlement of such receivables with these PRC government agency customers cannot be reasonably estimated due to, to the best knowledge of our Directors, additional time required for their internal fund arrangement. Our Directors confirm that except for such receivables, we did not experience any non-recoverability on our receivables with PRC government agencies during the Track Record Period. The remaining impairment of trade receivables from PRC government agencies was recognised as impairment from collective assessment based on their ageing for the sake of prudence. We recognise impairment from collective assessment primarily based on the ageing of trade and bills receivables. For receivables relating to asphalt pavement maintenance services, we recognise a 100% impairment against receivables aged five years or more, primarily based on our past collection experience and the lengthy internal approval process that our PRC government agency customers need to go through before payments may be made. For receivables relating to asphalt pavement maintenance equipment sales, we recognise a 100% impairment against receivables aged three years or more. During the Track

Record Period, we were able to collect full payment from most of our asphalt pavement maintenance equipment customers within three years after sales contract was entered into. Details of our impairment recognition policy based on collective assessment are set out below:

Ageing of receivables	Less than 3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Percentage of receivables recognised as impaired							
Asphalt pavement maintenance Service .	0%	0%	5%	15%	35%	65%	100%
Asphalt pavement maintenance Equipment.	0%	0%	25%	50%	100%	100%	100%

As of 31 December 2010, 2011 and 2012, we had provided for impairment for trade and bills receivables of HK$12.8 million, HK$22.0 million and HK$30.5 million, respectively. The following table is the analysis of the movements in provision for impairment of trade receivables:

	As of 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
At 1 January	6,526	12,768	21,996
Impairment losses recognised	5,861	8,399	8,208
Exchange realignment	381	829	256
Total	12,768	21,996	30,460

Our impairment losses recognised increased from approximately HK$5.9 million for the year ended 31 December 2010 to approximately HK$8.4 million for the year ended 31 December 2011, and then decreased to approximately HK$8.2 million for the year ended 31 December 2012.

Our impairment losses recognised for 2010 primarily reflected the HK$5.9 million specific provision we recognised in 2010, which was related to our receivables for an asphalt pavement maintenance service project we completed for a customer in Shandong province in September 2010. Prior to our on-site servicing for this project, our research and development team examined the damaged asphalt pavement, as with other asphalt pavement maintenance service projects, and reported that certain pre-existing road base problems should be treated before the commencement of our asphalt pavement maintenance service to ensure that the road surface would be suitable for quality asphalt pavement maintenance servicing using our Hot-in-Place recycling technology. Notwithstanding our recommendation to treat the pre-existing road base problems, the customer did not treat the road base problems but instead orally instructed us to proceed with our on-site servicing. In May 2011, which was eight months after the project completion, pavement damages started to emerge. The customer then claimed that these damages were primarily due to our poor service quality and refused to pay the full contract price as it was still within the warranty period of the project. We disagreed with this customer's claim after re-examining the serviced area and concluded that the damages were actually due to pre-existing road base conditions and therefore unrelated to the quality of our asphalt pavement maintenance service. The contract value of the project was RMB9.4 million. As of 31 December 2012, the total outstanding receivables for this project amounted to RMB4.6 million. We intend to continue to follow up and demand payment from this customer even though specific provision was made.

Our impairment losses recognised as of 31 December 2011 primarily reflected (i) the approximately HK$5.2 million specific provision relating to our receivables from one asphalt pavement maintenance service project, where the customer, to the best knowledge of our Directors, incurred a large amount of unexpected repair costs for its overall project and the total incurred cost of the project significantly exceeded its original budget. Our asphalt pavement maintenance services represented a relatively small part of the overall project. As a result, we believed that the customer was unlikely to make payment to us; and (ii) the further ageing of our outstanding receivables primarily as a result of customers' continuing internal approval procedures, which resulted in an increase of HK$3.2 million in our impairment from collective assessment. Our impairment losses recognised amounted to approximately HK$8.2 million as of 31 December 2012, comprising specific impairment of HK$3.6 million and impairment from collective assessment of HK$4.6 million.

Our Directors consider that the provision made in relation to the trade and bills receivables was adequate during the Track Record Period after assessing the length in time of overdue trade and bills receivables as well as its recoverability. We have individually assessed the recoverability of each long outstanding receivable item by way of visiting the related customer or telephone follow-up. The primary reason for our long outstanding receivables is the internal approval process of PRC government agency customers. The completion of this internal approval process also depends on factors such as allocation of funding by the local finance bureau and provision of proper documentation by other contractors in the same infrastructure maintenance project as us. We have received no indication that these customers will not pay us after the completion of their internal approval process. As such, we believe that we made adequate provision relating to trade and bills receivables during the Track Record Period.

The table below is an aged analysis of the trade and bills receivables that are not considered to be impaired:

	As of 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	41,813	17,234	146,781
Less than one month past due	899	28,056	22,206
One to three months past due	12,096	10,847	6,257
More than three months but less than 12 months past due	14,484	26,610	27,918
Total	69,292	82,747	203,162

TRADE PAYABLES ANALYSIS

Our trade payables primarily relate to our purchases of raw materials for our asphalt pavement maintenance services and asphalt pavement maintenance equipment production and our subcontracting costs. Our suppliers for asphalt pavement maintenance service projects generally grant us a credit period of seven days to 90 days depending on the duration of project and quantity of raw materials we need. Our suppliers for asphalt pavement maintenance equipment generally grant us a credit period of 30 days to 90 days. Our suppliers usually accept payments in cash, bank cheque or bank transfer. Our trade payables was approximately HK$32.7 million, HK$41.2 million and HK$73.7 million as of 31 December 2010, 2011 and 2012, respectively. Our trade payables as of 31 December 2010 was higher than that as of 31 December 2011, primarily due to the increase in our subcontracting cost incurred for the Xuzhou Huaihai Road municipal project, which certain contracts with the subcontractors representing the majority amount of subcontracting for this project had stated that our payment schedule could be adjusted to match our receipts of our trade receivables under the project. The increase in our trade payables during the Track Record Period was also attributable to the expansion of our business and the growth of our sales which resulted in corresponding increases in purchases from our suppliers.

The following table sets forth the ageing analysis of our trade payables as of the dates indicated:

	As of 31 December		
	2010	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Within three months	26,249	18,238	24,965
Three to 12 months	5,304	2,641	26,631
One to two years	1,125	19,681	2,282
Over two years	—	609	19,861
Total trade payables	32,678	41,169	73,739

Between 31 December 2010 and 31 December 2012, our trade payables aged over one year increased significantly. In order to properly manage our liquidity, we delayed our payment to certain suppliers to match our trade receivables and trade payables. We also had approximately HK$16.9 million in trade payables relating to the Xuzhou Huaihai Road municipal project in 2010, where we acted as the main contractor and incurred substantial subcontracting costs, which contributed to our large amount of trade payables as of 31 December 2010, which certain contracts with the subcontractors representing the majority amount of subcontracting for this project had stated that our payment schedule could be adjusted to match our receipts of trade receivables under the project. As of 31 December 2012, the outstanding payables for Xuzhou Huaihai Road municipal project amounted to approximately HK$14.9 million. We delayed payments to certain subcontractors in this project as we needed to take time to verify the actual costs incurred on them. These subcontractors claimed that their actual costs well exceeded the original contract amounts. Our Directors confirm that we did not receive any claims for breach of contracts from suppliers or subcontractors for delays in making payments to them during the Track Record Period. As of 31 December 2012, we had approximately HK$18.5 million in trade receivables relating to this project.

Our trade payables aged between three months to 12 months increased significantly from HK$2.6 million as of 31 December 2011 to HK$26.6 million as of 31 December 2012, primarily due to our delay in payments to certain suppliers towards the end of 2012 to match our receivables and our consolidation of accounts payables from Freetech Ordos.

As of 30 April 2013, approximately 35% of our trade payables outstanding as of 31 December 2012 had been settled.

The following table sets forth our average trade payables turnover days for the Track Record Period:

	Year ended 31 December		
	2010	**2011**	**2012**
Average trade payables turnover days[(1)]	53.2	96.0	94.1

Note:

(1) Average trade payables turnover days equals to the average of the starting and ending trade payables balance as of the year divided by the costs of sales for the year and multiplied by 365 days.

Our average trade payables turnover days increased from approximately 53.2 days for 2010 to approximately 96.0 days for 2011 primarily as a result of our delay in settlement of certain payments for raw materials and subcontracting costs for the reasons discussed above. Our average trade payables turnover days decreased from approximately 96.0 days for 2011 to approximately 94.1 days for the year ended 31 December 2012, primarily as a result of the proportion of our total purchases for asphalt pavement maintenance equipment segment increased in 2012, which has a shorter payables turnover, as partially offset by the further ageing of our trade payables relating to the Xuzhou Huaihai Road municipal project. We further delayed certain payments to subcontractors for the non-asphalt pavement maintenance services related work performed for the Xuzhou Huaihai Road municipal project as the customer had not fully settled the outstanding receivables with us as of 31 December 2012.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments primarily represent prepayment for purchase of raw materials and other consumables. Deposits primarily represent rental deposits for our leases of sales offices. Other receivables primarily represent guarantee for performance, or bid bonds, for our bidding of our asphalt pavement maintenance service projects where certain banks require a deposit for such bid bonds. As of 31 December 2010, 2011 and 2012, our prepayments, deposits and other receivables were HK$5.9 million, HK$8.6 million and HK$20.5 million, respectively. The table below sets forth our prepayments, deposits and other receivables at the balance sheet dates:

	As of 31 December		
	2010	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Prepayments	1,851	2,450	11,165
Deposits and other receivables	4,024	6,129	9,333
	5,875	8,579	20,498

Our deposits and other receivables increased from approximately HK$4.0 million as of 31 December 2010 to approximately HK$6.1 million as of 31 December 2011 primarily due the increase in bid bonds deposited as a result of the increase in our asphalt pavement maintenance service projects and the increase in cash advanced to our asphalt pavement maintenance service teams as more asphalt pavement maintenance service projects were conducted in locations relatively far from Nanjing, where our PRC headquarters are based. Our prepayments increased significantly from approximately HK$2.5 million as of 31 December 2011 to approximately HK$11.2 million as of 31 December 2012 primarily due to an increase in prepayments for raw materials as our service projects performed increased during the second half of 2012, prepayments for the construction of our new plant of HK$3.2 million, and capitalised expenses relating to professional fees incurred for the Listing of HK$3.0 million. Our deposits and other receivables increased from approximately HK$6.1 million as of 31 December 2011 to approximately HK$9.3 million as of 31 December 2012 primarily due to our cash advance to Suitong Guangzhou, which was yet to be established as of 31 December 2012, in 2012 compared with nil in 2011, and increase in our bid bonds deposited for asphalt pavement maintenance service projects and asphalt pavement maintenance equipment sales contracts during the same period, which was in line with our business expansion. Upon the establishment of Suitong Guangzhou in January 2013, our cash advance has been capitalised and recognised as investment in jointly-controlled entities.

OTHER PAYABLES AND ACCRUALS

Other payables and accruals principally consist of salaries and benefits payables to our employees, tax payables other than income tax, equipment deposits payable, accrued project cost and advances from customers.

As of 31 December 2010, 2011 and 2012, our other payables and accruals were HK$29.9 million, HK$38.4 million and HK$44.7 million, respectively. The increase in our other payables and accruals from 2010 to 2011 was primarily due to the increase in advance from our customers and the increase in salaries and benefits payables to our employees which was in line with our business growth and increase in the total amount of our asphalt pavement maintenance services and total sales of asphalt pavement maintenance equipment. Our other payables and accruals further increased from 31 December 2011 to 31 December 2012, primarily as a result of an increase in other tax payables of HK$5.5 million, increase in IPO expenses payables of HK$3.6 million and increase in staff payroll and benefits payables of HK$3.3 million, as partially offset by a decrease in advances from customers of HK$5.8 million. The increase in other tax payables and staff payroll and welfare payables were in line with the increase in revenue.

OTHER KEY FINANCIAL RATIOS

	As of/for the year ended 31 December		
	2010	2011	2012
Net profit margin(1)	11.5%	22.1%	30.9%
Current ratio(2)	0.8	1.5	2.1
Quick ratio(3)	0.7	1.4	1.9
Return on assets(4)	11.6%	14.1%	23.6%
Return on equity(5)	43.2%	89.7%	61.9%
Debt to equity(6)	2.3	3.2	1.0
Interest coverage ratio(7)	9.5	14.8	49.0
Gearing ratio(8)	69.2%	76.5%	51.7%

Notes:

(1) Net profit margin equals our profit for the year divided by revenue for the year.

(2) Current ratio equals our current assets divided by current liabilities as of the end of the year.

(3) Quick ratio equals our current assets less inventories divided by current liabilities as of the end of the year.

(4) Return on assets equals profit for the year divided by total assets as of the end of the year.

(5) Return on equity equals profit for the year divided by total equity as of the end of the year.

(6) Debt to equity equals net debt divided by total equity as of the end of the year. Net debt includes interest-bearing bank borrowings, trade payables, other payables and accruals, dividends payable and an amount due to the ultimate holding company and the immediate holding company less cash and bank balances.

(7) Interest coverage ratio equals profit before finance costs and tax of the year divided by finance costs of the same year.

(8) Gearing ratio equals net debt divided by equity attributable to owners of the parent plus net debt.

Net Profit Margin

Our net profit margin increased from 11.5% in 2010 to 22.1% in 2011, and further to 30.9% in 2012, primarily as a result of an increase in the number of asphalt pavement maintenance equipment with higher profit margin that we sold and decrease in withholding tax rate on dividend declared by Freetech Road Recycling from 10% to 5% in 2012. We derived higher profit margin from the sales of a certain model of our standard series equipment, which is capable of performing the key maintenance work for small-scale projects or for regular road maintenance by itself, and modular series equipment, which is used for large-scale asphalt pavement maintenance service projects and can be customised according to customers' specific requirements. We are able to command high profit margins for this particular model of standard series equipment and modular series equipment, primarily because such equipment is in demand due to its functionality and technologies involved and there is a limited number of comparable products available in the PRC.

Current Ratio

Our current ratio increased from 0.8 as of 31 December 2010 to 1.5 as of 31 December 2011, primarily due to an increase in cash and bank balances as a result of advance from Freetech Cayman using proceeds from pre-IPO investments of Smart Firm and Future Blossom we received in 2011. Our current ratio further increased to 2.1 as of 31 December 2012, primarily due to an increase in trade and bills receivables as our sales continued to increase.

Quick Ratio

Our quick ratio increased during the Track Record Period, primarily due to the increase in our current assets during the relevant periods.

Return on Assets

Our return on assets increased during the Track Record Period, primarily due to the increase in our utilisation of production facilities, sales of higher margin asphalt pavement maintenance equipment and decrease in withholding tax rate on dividend declared by Freetech Road Recycling from 10% to 5% in 2012.

Return on Equity

Our return on equity increased from 2010 to 2011, primarily as a result of increase in net profit during the relevant periods, primarily because we began to sell modular series equipment with higher net profit and we declared dividend of HK$59.9 million in 2011, which resulted in a decrease in our total equity. Our return on equity decreased to 61.9% in 2012, primarily due to a HK$173.4 million increase in our total equity, as in 2012 we acquired an additional interest in a former jointly-controlled entity and it became our subsidiary and was consolidated into our balance sheet as a result, as well as we did not declare any dividend in 2012, which led to an increase in our capital reserve.

Debt to Equity Ratio

Our debt to equity ratio increased from 2.3 as of 31 December 2010 to 3.2 as of 31 December 2011, primarily as a result of a cash advance of HK$154.7 million from our immediate holding company in 2011 to help to fund our business expansion. Our debt to equity ratio decreased to 1.0 as of 31 December 2012, primarily because we did not declare any dividend in 2012 to reserve cash for working capital purposes.

Interest Coverage Ratio

Our interest coverage ratio increased during the Track Record Period, primarily due to an increase in our profit before interest and tax at a faster rate than the increase in our interest-bearing bank borrowings.

Gearing Ratio

Our gearing ratio increased from 69.2% as of 31 December 2010 to 76.5% as of 31 December 2011, primarily as a result of a cash advance of HK$154.7 million from our immediate holding company in 2011 to help to fund our business expansion. Our gearing ratio decreased to 51.7% as of 31 December 2012, primarily because we did not declare any dividend in 2012 to reserve cash for working capital purposes. If only interest-bearing bank borrowings less cash and bank balances are considered when calculating net debt, the gearing ratio would be 48.8% as of 31 December 2010, and we would be in a net cash position as of 31 December 2011 and 31 December 2012.

WORKING CAPITAL

Our Directors believe that after taking into account the financial resources presently available to us, including cash flow from operations, banking facilities, other internal resources and the estimated net proceeds from the Global Offering, we have sufficient working capital for our working capital requirements for at least the next 12 months from the date of this prospectus.

During the Track Record Period, our working capital position improved from a net current liabilities position as of 31 December 2010 to a net current assets position as of 31 December 2011 and 31 December 2012. See "— Net Current Assets/Liabilities" for a detailed discussion. Our gearing ratio was 69.2%, 76.5% and 51.7% as of 31 December 2010, 2011 and 2012, respectively. We plan to capitalise the HK$153.5 million amount due to Freetech Cayman, our immediate holding company, prior to the Listing. See "History and Corporate Structure — Corporate Reorganisation — Capitalisation of an amount due to Freetech Cayman" for details. We expect our gearing ratio to decrease upon capitalisation of this amount due to immediate holding company, as it will be deducted from our outstanding liabilities. On 30 November 2012, we obtained a credit line of RMB25 million from Bank of Nanjing, which is valid until 30 November 2014 and renewable with the lender's consent. We plan to use this loan to fund our working capital needs. In early 2013, we also obtained written confirmations from local commercial banks in Nanjing to grant us additional credit lines of a total of approximately RMB30 million and confirmations from our principal bankers to extend our short term bank borrowings of a total of approximately RMB22.5 million when these borrowings become due.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Other than operating lease commitments and capital commitments, we do not entered into any other balance sheet commitments and arrangements.

INDEBTEDNESS

Bank loans and other borrowings

Our outstanding balance of bank borrowings as of 31 December 2010, 2011 and 2012 was HK$77.4 million, HK$58.8 million and HK$85.7 million, respectively. Our balance of bank loans as of 31 December 2011 decreased as compared to the balance as of 31 December 2010 as we had received advance from Freetech Cayman using proceeds from the pre-IPO investments of Smart Firm and Future Blossom in 2011, which increased the funds available to us for the growth of our operations and to repay part of our bank borrowings. Our bank loans as of 31 December 2012 increased as compared to the balance as of 31 December 2011, primarily as result of additional amounts we drew down to fund our business expansion and working capital requirements. As of 30 April 2013, we had total banking facilities of approximately HK$135.8 million, of which approximately HK$106.5 million was utilised.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of 31 December									As of 30 April 2013		
	2010			2011			2012					
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current												
Bank loans, secured	5.59-6.97	2011-2017 or on demand	77,357	5.76-6.97	2012-2017 or on demand	58,775	6.00-8.20	2013-2017 or on demand	73,295	6.00-7.80	2013-2017 or on demand	63,695
Current portion of long-term bank loans, secured			—			—	6.15	2013	4,975	6.15	2013-2014	5,034
			77,357			58,775			78,270			68,729
Non-current												
Bank loans, secured			—			—	6.15	2014	7,463	6.15	2014	25,172
			77,357			58,775			85,733			93,901

The following table sets forth the maturity profile of our borrowings as of the dates indicated:

	As of 31 December			As of 30 April
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year or on demand	77,357	58,775	78,270	68,729
In the second year	—	—	7,463	25,172
	77,357	58,775	85,733	93,901

Below is an analysis of the assets we pledged as security for our bank borrowings as of the dates indicated:

	As of 31 December			As of 30 April
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	45,195	47,400	47,784	48,348
Buildings and plant and machinery	32,694	32,499	39,491	37,725
Leasehold land	4,331	4,419	4,331	7,003
Inventories	—	—	—	949

As of 31 December 2010, 2011 and 2012, approximately HK$77.4 million, HK$58.8 million and HK$80.1 million of our secured bank loans, respectively, were guaranteed by Mr. Sze, one of our Controlling Shareholders.

As of 31 December 2010, 2011 and 2012, approximately HK$33.2 million, HK$17.5 million and HK$26.6 million of our secured bank loans, respectively, were guaranteed by Freetech Technology.

The guarantees provided by Mr. Sze will be released prior to the Listing.

Statement of indebtedness

As of 30 April 2013, being the latest practicable date for the purpose of this indebtedness statement, total indebtedness of our Group was HK$93.9 million.

Except as disclosed in the section headed "— Indebtedness" in this prospectus, our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

Our Directors confirm that there has not been any material change in our indebtedness position since 30 April 2013.

Contingent liabilities

During the Track Record Period and as of the Latest Practicable Date, we did not maintain any outstanding loan capital or bank overdraft, or carry any liabilities under acceptance or other similar indebtedness, debenture, mortgage, charges or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities. Further, we are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Our Directors confirm that there had not been any material change in the contingent liabilities of our Company since 31 December 2012.

LISTING EXPENSES

Approximately HK$9.1 million of our listing expenses have been charged to our administrative expenses and reflected in our financial information for the Track Record Period. We expect to incur approximately an additional HK$20.0 million in listing expenses in connection with the Global Offering and the Listing after the Track Record Period, which will be reflected in our administrative expenses for the year ending 31 December 2013. We do not expect such listing expenses to have a material impact on our results of operations for the year ending 31 December 2013.

DIVIDEND AND DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The Company was incorporated in the Cayman Islands. Companies now comprising our Group had declared dividends of approximately HK$12.9 million and HK$59.9 million for the years ended 31 December 2010 and 2011, respectively. We have also declared a dividend of HK$60.0 million in the first half of 2013. All declared and unpaid dividends will be fully settled prior to the Listing through our internal funds and a bank loan of HK$60.0 million, which is used primarily to settle the declared dividend for 2012. This loan has a term of three months and bears an interest rate equal to the one-month HIBOR (Hong Kong Interbank Offer Rate) plus 2% per annum. This loan is secured by our bank deposit of approximately HK$51 million. Freetech Technology and Mr. Sze, one of our controlling shareholders, have provided full guarantee for this loan. Such guarantees will be released upon the Listing. After the Listing, the declaration of dividends will be subject to the approvals of our Board after considering the above factors and by our then Shareholders.

DISTRIBUTABLE RESERVES

As of 31 December 2012, our Company had distributable reserves of HK$1,238.4 million available for distribution to our shareholders.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Foreign Exchange Risk

We conduct our business primarily in Renminbi. The Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies, which could result in an appreciation of the Renminbi against the US dollar. The PRC Government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC. In addition, a depreciation of the Renminbi would result in an increase in the cost of sales with imported components for the manufacturing of our asphalt pavement maintenance equipment sourced from outside of the PRC. An appreciation of the Renminbi would adversely affect the value of proceeds we receive from the Global Offering if they are not converted into Renminbi in a timely manner. We currently do not engage in hedging activities designed or intended to manage such currency risk. For further details of the sensitivity of our profit before tax to a reasonably possible change in the HK$ exchange rate against RMB and US$, please see Note 40 in Appendix I to this prospectus.

Interest Rate Risk

We are exposed to interest rate risks resulting from fluctuations in interest rates on our debt. Increases in interest rates could result in an increase in our cost of borrowing. If this occurs, it could adversely affect our revenue, profit and other financial condition. The interest rate on bank loans and overdrafts in the PRC depends on PRC regulations. We do not currently use any interest rate swaps to hedge our interest rate risk. For further details of the sensitivity of our profit before tax to a reasonably possible change in the interest rates, please see Note 40 in Appendix I to this prospectus.

Credit Risk

We have policies in place to evaluate credit risk when accepting new business and to limit our credit exposure to individual customers. The credit risk of our other financial assets, which comprise cash and bank balances, amounts due from related person and a director and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and the continuous financial support from our Shareholders. For further details of the maturity dates of our financial liabilities as of the end of the Track Record Period, please see Note 40 in Appendix I to this prospectus.

Capital Management

The primary objective of our capital management is to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximise shareholder value.

We manage our capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

We monitor our capital using a gearing ratio, which is the net debt divided by equity attributable to equity owners of the parent plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables, accruals, amount due to related companies, dividends payable less cash and bank equivalents. As of 31 December 2010, 2011 and 2012, our gearing ratio was approximately 69.2%, 76.5% and 51.7%, respectively.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 31 December 2012 and there is no event since 31 December 2012 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2012 and based on the audited consolidated net assets attributable to owners of the Company as at 31 December 2012 as shown in the Accountants' Report in Appendix I to this prospectus and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purpose only and, because of its nature, it may not give a true and fair picture of the financial position of our Group after the completion of the Global Offering or at any future dates.

	Audited consolidated net tangible assets attributable to owners of our Company as at 31 December 2012	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK$'000	HK$'000	HK$'000	HK$
	note 1	note 2		note 3
Based on an Offer Price of HK$2.43 per Share	219,672	574,036	793,708	0.76
Based on an Offer Price of HK$3.32 per Share	219,672	798,494	1,018,166	0.98

Notes:

1. The audited consolidated net tangible assets attributable to owners of our Company as at 31 December 2012 is extracted from the Accountants' Report set out in Appendix I which is equal to the audited consolidated net assets attributable to owners of our Company of HK$220,585,000 as at 31 December 2012 less other intangible assets of HK$182,000 and goodwill of HK$731,000 as at the same date.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$2.43 to HK$3.32 per Share, being the lower end to higher end of the stated offer price range, after deduction of the estimated underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,040,000,000 Shares are in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 31 December 2012 but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2012.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered transactions with our jointly-controlled entities, associates and companies controlled by Mr. Sze for sales of asphalt pavement maintenance equipment.

For the year ended 31 December 2010, 2011 and 2012, we sold approximately HK$0.4 million, HK$0.5 million and nil of asphalt pavement maintenance equipment to companies controlled by Mr. Sze, respectively, and purchased approximately HK$5.2 million, HK$1.1 million and HK$0.2 million of equipment components from companies controlled by Mr. Sze.

In addition, for the years ended 31 December 2011 and 2012, we sold approximately HK$12.8 million and HK$50.7 million of asphalt pavement maintenance equipment, respectively, to our jointly-controlled entities. For the years ended 31 December 2011 and 2012, we sold approximately nil and HK$55.3 million of asphalt pavement maintenance equipment, respectively, to our associates. We established four additional joint ventures in the year ended 31 December 2012.

With respect to the related party transactions set forth in note 37 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that each transaction set forth therein were concluded on normal commercial terms and/or such terms were no less favourable to us than terms available to the Independent Third Parties and were fair reasonable and in the interest of our Shareholders as a whole.

USE OF PROCEEDS

We estimate that net proceeds from the Global Offering will be approximately HK$686.2 million, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the Offer Price of HK$2.875 per Share, being the mid-point of the indicative Offer Price range.

We intend to use the proceeds from the Global Offering for the proposes and in the amounts set out below:

- approximately 20%, or HK$137.3 million, for investment in research and development activities including the research and development of asphalt pavement maintenance services and equipment (e.g. recruiting additional personnel and research equipment), collaboration with universities and establishment of research centres and training centres;

- approximately 20%, or HK$137.3 million, for establishing joint ventures in select provinces in the PRC and expanding asphalt pavement maintenance service teams of our joint ventures;

- approximately 15%, or HK$102.9 million, for manufacturing asphalt pavement maintenance equipment for our asphalt pavement maintenance service business and expanding our asphalt pavement maintenance service teams;

- approximately 15%, or HK$102.9 million, for acquisitions of other asphalt pavement maintenance service providers. We have not yet identified any acquisition target;

- approximately 10%, or HK$68.6 million, for constructing our new production facility and expanding our current production facility;

- approximately 10%, or HK$68.6 million, for establishing sales offices in new markets and marketing expenses; and

- approximately 10%, or HK$68.6 million, for general corporate purposes and working capital requirements, such as purchasing raw materials and hiring qualified personnel.

If the Offer Price is set at HK$3.32 per Share (being the high-end of the proposed Offer Price range) and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will increase by approximately HK$112.2 million. If the Offer Price is set at HK$2.43 per Share (being the low-end of the proposed Offer Price range) and assuming the Over-allotment Option is not exercised, the net proceeds from the Global Offering will decrease by approximately HK$112.2 million. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase by approximately HK$108.8 million, assuming an Offer Price of HK$2.875 per Share, being the mid-point of the proposed Offer Price range. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

The Cornerstone Placing

We have entered into a cornerstone investment agreement with an investor (the "**Cornerstone Investor**"), who has agreed to subscribe at the Offer Price for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with an amount of HK$50 million. Assuming an Offer Price of HK$2.875, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investor would be 17,391,000 Shares (the "**Placing Shares**"), representing approximately 6.69% of the total Offer Shares initially available under the Global Offering and approximately 1.67% of our Company's enlarged share capital immediately after the Global Offering (assuming that the Over-allotment Option is not exercised).

The Cornerstone Investor and its beneficial owners are independent from our Company. The Cornerstone Investor will not subscribe for any Shares under the Global Offering other than pursuant to the relevant cornerstone investment agreement. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of our Company. The shareholdings of the Cornerstone Investor will be counted towards the public float of our Shares.

The cornerstone investment forms part of the International Offering. The Shares to be purchased by the Cornerstone Investor will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus. Details of the allocations to the Cornerstone Investor will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on 25 June 2013.

Our Cornerstone Investor

A brief description of the Cornerstone Investor is set out below:

Increase Capital Limited

Increase Capital Limited is a limited company incorporated in the British Virgin Islands whose registered office is located at 263 Main Street, Road Town, Tortola, British Virgin Islands. Mr. Ning Zhi Ping (寧智平) is the sole shareholder and director of Increase Capital Limited. Mr. Ning Zhi Ping received a doctoral degree in economics in June 2006 from Xi'an Jiaotong University* (西安交通大學) and currently the dean of Shenzhen Ju Chuang Small Medium Enterprise Research Center* (深圳市聚創中小企業研究院). Mr. Ning Zhi Ping was the independent director of Shanghai Chengtou Holding Co., Ltd* (上海城投控股股份有限公司) (stock code: 600649.SH) between 2009 and 2011, and the director of EVE Energy Co., Ltd.* (惠州億緯鋰能股份有限公司) (stock code: 300014.SZ) between 2009 and 2010, and the independent director of Shenzhen Woer Heat-Shrinkable Material Co., Ltd.* (深圳市沃爾核材股份有限公司) (stock code: 002130.SZ) from 2007 to 2010.

Conditions Precedent

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the respective times and dates specified therein;

(ii) the Offer Price having been agreed upon between our Company and CITIC Securities and CICC (for themselves and on behalf of the Hong Kong Underwriters and the International Underwriters);

(iii) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;

(iv) the Listing Committee having granted the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering;

(v) no statute, rule or regulation shall have been enacted or promulgated by any governmental authority of any relevant jurisdiction which prohibits the consummation of the investment and there shall be no order or injunction of a court of competent and relevant jurisdiction in effect precluding or prohibiting consummation of the investment; and

(vi) the representations, warranties, undertakings and confirmations of the Cornerstone Investor as set out in the cornerstone investment agreement remain accurate, true and not misleading, and there is no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor.

Restrictions on Disposals by the Cornerstone Investor

The Cornerstone Investor has agreed that without the prior written consent of our Company and the Joint Bookrunners, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Shares subscribed for by it pursuant to its cornerstone investment agreement or any interest in any company or entity holding (directly or indirectly) any of such Shares, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that:

(a) prior written notice of such transfer of not less than two Business Days is provided to our Company and the Joint Bookrunners, such written notice shall contain the identity of such wholly-owned subsidiary, its relationship with the Cornerstone Investor and the business of the proposed wholly-owned subsidiary;

(b) such wholly-owned subsidiary shall first give a deed of undertaking to our Company and the Joint Bookrunners to the effect that it will strictly abide by the terms and restrictions in the cornerstone investment agreement imposed on the Cornerstone Investor as if the wholly-owned subsidiary were the Cornerstone Investor subject to such terms and restrictions and give the same acknowledgements, representations and warranties under the cornerstone investment agreement, and the Cornerstone Investor irrevocably undertakes to procure that such wholly-owned subsidiary to provide such deed of undertaking prior to any such transfer;

(c) the Cornerstone Investor and such wholly-owned subsidiary shall be treated as being the Cornerstone Investor in respect of all the Shares held by them and shall jointly and severally bear all liabilities and obligations imposed by the cornerstone investment agreement; and

(d) if any such wholly-owned subsidiary holding the Shares is about to or will cease to be a wholly-owned subsidiary of the Cornerstone Investor, the Cornerstone Investor shall procure that such entity transfers any such Shares to the Cornerstone Investor or another wholly-owned subsidiary before the previous wholly-owned subsidiary ceasing to be so wholly-owned by the Cornerstone Investor, and the new wholly-owned subsidiary will also first give a deed of undertaking to our Company and the Joint Bookrunners prior to the previous wholly-owned subsidiary ceasing to be so wholly-owned by the Cornerstone Investor to the effect that it will strictly abide by the terms and restrictions in the cornerstone investment agreement imposed on the Cornerstone Investor as if such new wholly-owned subsidiary were the Cornerstone Investor subject to such terms and restrictions and give the same acknowledgements, representations and warranties under the cornerstone investment agreement.

The Cornerstone Investor agrees that, save with the prior written consent of our Company and the Joint Bookrunners, the aggregate holding (direct and indirect) of the Cornerstone Investor and its associates in the total issued share capital of our Company shall be less than 10% of our Company's entire issued share capital from time to time, and, further, that the aggregate holding (direct and indirect) of the Cornerstone Investor and its associates in the total issued share capital of our Company shall not be such as to cause the total securities of our Company held by the public (as contemplated in the Listing Rules and interpreted by the Hong Kong Stock Exchange) to fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as may be approved by the Hong Kong Stock Exchange and applicable to our Company from time to time.

Pursuant to the cornerstone investment agreement, the Cornerstone Investor shall not, and shall procure that none of its associates, controlling shareholders, associates of its controlling shareholders or beneficial owners shall, apply for or place an order through the book building process for Shares in the Global Offering (other than the Placing Shares) or otherwise apply for Shares as part of the Hong Kong Public Offering.

HONG KONG UNDERWRITERS

Sole Global Coordinator

CITIC Securities Corporate Finance (HK) Limited

Joint Bookrunners and Joint Lead Managers

CITIC Securities Corporate Finance (HK) Limited
China International Capital Corporation Hong Kong Securities Limited
Guotai Junan Securities (Hong Kong) Limited

Co-Managers

KGI Asia Limited
Phillip Securities (Hong Kong) Limited
Shenyin Wanguo Capital (H.K.) Limited
South China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 26,000,000 Hong Kong Public Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares, up to 10% of the Shares in issue as at the Listing Date, to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Bookrunners (for themselves and on behalf of the other Hong Kong Underwriters) shall be entitled by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement jointly if prior to 8:00 a.m. on the Listing Date (the "**Termination Time**"):

(1) there has come to the notice of the Joint Bookrunners:

(a) that any statement contained in any of the Application Forms, the formal notice published by the Company on the date of this prospectus in relation to the Global Offering, this prospectus and any other document used in connection with the contemplated subscription or sale of the Offer Shares including without limitation any roadshow materials relating to the Offer Shares and, in each case, all amendments or supplements thereto (the "**Offering Documents**") and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation contained in such documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions when taken as a whole; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the documents referred to in paragraph (a) above; or

(c) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement once entered into (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or

(e) any adverse change or development involving a prospective change in the assets, liabilities, conditions (financial or otherwise), business, general affairs, management, prospects, profits, losses, results of operations, shareholders' equity or financial or trading position or performance of any member of our Group; or

(f) any breach of, or any event rendering untrue or incorrect or misleading in any respect, any of the warranties in the Hong Kong Underwriting Agreement; or

(g) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) the Company withdraws this prospectus (and/or any other documents used in connection with the Global Offering) or the Global Offering; or

(i) any person (other than the Joint Sponsors) has withdrawn or is subject to withdraw its consent to being named in the Offering Documents or to the issue of any of the Offering Documents; or

(2) there shall develop, occur, exist or come into effect:

(a) any event, or series of events, or circumstance in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemics, pandemics, outbreaks of diseases, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union, Japan, British Virgin Islands or Cayman Islands (collectively, the "**Relevant Jurisdictions**"); or

(b) any change or development involving a prospective change, or any event or series of events or circumstance likely to result in any change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency credit or market conditions (including, without limitation, conditions in the stock and bond markets money and foreign exchange markets, investment markets, interbank markets and credit markets), in or affecting any Relevant Jurisdiction or elsewhere; or

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NYSE Euronext Stock Exchange, the London Stock Exchange, the NASDAQ Global Market or the Tokyo Stock Exchange; or

(d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the European Union (or any member thereof), Japan, Cayman Islands, the PRC or any other Relevant Jurisdiction, or there is a disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in any of those places; or

(e) any new law or regulation or any change or development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in existing laws or regulations or in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(f) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions on the PRC; or

(g) a change or development involving a prospective change or amendment in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including without limitation a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control in Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or any other Relevant Jurisdictions; or

(h) any litigation or action or claim or proceeding of any third party being threatened or instigated against any member of our Group not disclosed in the Application Forms, the formal notice published by the Company on the date of this prospectus in relation to the Global Offering and this prospectus; or

(i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(j) the chairman or chief executive officer of the Company vacating his or her office; or

(k) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any investigation or other action against a Director or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(l) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(m) a prohibition on the Company for whatever reason from allotting or selling the Shares (including such additional Offer Shares to be issued if the Over-allotment Option is being exercised) pursuant to the terms of the Global Offering; or

(n) non-compliance by any of the Company, the executive Directors and the covenantors as defined in the Hong Kong Underwriting Agreement (the "**Covenantors**") of this prospectus (or any other documents used in connection with the Global Offering) or of any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(o) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(p) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(q) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(r) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Bookrunners,

(A) is or will or may have an adverse effect on the assets, liabilities, conditions (financial or otherwise), business, affairs, management, prospects, profits, losses, results of operations, shareholders' equity or financial or trading position or performance of our Group as a whole; or

(B) has or will have or may have an adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the Global Offering; or

(C) makes it or will make it or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(D) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or in any way delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(a) *Undertaking by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to options which may be granted under the Share Option Scheme, any capitalisation issue, capital reduction or consolidation or sub-division of Shares of our Company and for Shares which may be issued in connection with the Global Offering.

(b) *Undertaking by our Controlling Shareholder*

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders, namely Sze BVI, Freetech Technology, Freetech Cayman and Mr. Sze has undertaken to us and the Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, our Controlling Shareholders shall not without the prior consent of the Company and the Stock Exchange or save as otherwise permitted under the Listing Rules, and shall procure that its nominees who are registered holders of its holding of shares of our Company shall not:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in the securities of our Company first commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which any of our Controlling Shareholders is shown by this prospectus to be the beneficial owner; or

(b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined under the Listing Rules) of our Company.

Our Controlling Shareholders have further undertaken to the Stock Exchange and us that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the date on which dealings in the securities of our Company first commence on the Stock Exchange, our Controlling Shareholders will and will procure its nominees who are registered holders of its holding of shares of our Company to:

(i) when it pledges or charges any securities in our Company beneficially owned by our Controlling Shareholders (or its nominees) in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities of our Company so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company beneficially owned by our Controlling Shareholders (or its nominees) will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of matters referred to in paragraphs (i) and (ii) above by our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(a) *Undertaking by our Company*

Pursuant to the Hong Kong Underwriting Agreement, we hereby undertake to each of the Sole Global Coordinator, Joint Sponsors, Joint Bookrunners, Joint Lead Managers and the Hong Kong Underwriters that and each of the Covenantors and the executive Directors hereby undertakes to procure that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Capitalisation Issue), the Reorganisation and exercise of the options to be granted under the Share Option Scheme during the period commencing on the date of this Agreement and ending on the date which is six months after the Listing Date (the "**First Six-Month Period**"), the Company will not and will procure any of our subsidiaries not to without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) offer, accept subscription for, pledge, allot, issue, sell, mortgage, assign, charge, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any of its or their share capital or other securities thereof or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive or purchase such share capital or other securities or any interests therein), or deposit any such share capital or other securities with a depositary in connection with the issue of depositary receipts); or

(b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any of its or their share capital or other securities thereof or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to sell or transfer such share capital or other securities or any interests therein); or

(c) enter into any transaction with the same economic effect as any of the foregoing; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of such share capital or other securities, in cash or otherwise (whether or not any issue of such share capital or other securities will be completed within the First Six-Month Period); provided that the foregoing restriction shall not apply to any of our subsidiary unless immediately after completion of such issue that any of our subsidiary will cease to be a subsidiary of our Company.

During the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company shall not enter into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any of Controlling Shareholders, directly or indirectly, would cease to be a Controlling Shareholder of our Company without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed). In the event of our Company doing any of the foregoing, our Company will take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

(b) *Undertaking by Controlling Shareholders*

Each of our Controlling Shareholders hereby undertakes to each of the Company, Sole Global Coordinator, Joint Sponsors, Joint Bookrunners, Joint Lead Managers and the Hong Kong Underwriters that except as disclosed in this prospectus it will not, save as provided under the Stock Borrowing Agreement, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) at any time during the First Six-Month Period:

(i) offer, pledge, sell, mortgage, assign, charge, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, or purchase such share capital or other securities or any interests therein), or deposit any such share capital or other securities with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any of the share capital or other securities of our Company or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive or purchase such share capital or other securities or any interests therein); or

(iii) enter into any transaction with the same economic effect as any of the foregoing; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so; or

(b) at any time during the Second Six-month Period enter into any of the transactions specified in paragraph (a) above, or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction, it would cease to be a Controlling Shareholder of our Company; and

(c) in the event of it doing any of the foregoing it will take all steps to ensure that such act will not create a disorderly or false market for the Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to the Company, Sole Global Coordinator, Joint Sponsors, Joint Bookrunners, Joint Lead Managers and the Hong Kong Underwriters that it will, at any time within the First Six-Month Period and the Second Six-Month Period:

(a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or other securities of the Company or any interests therein beneficially owned by it for a bona fide commercial loan, immediately inform the Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and

(b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of the Company will be disposed of, immediately inform the Company and the Joint Bookrunners in writing of such indications.

We agree and undertake to the Sole Global Coordinator, Joint Sponsors, Joint Bookrunners, Joint Lead Managers and the Hong Kong Underwriters, that, upon receiving such information in writing from our Controlling Shareholders, it shall, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information by way of an announcement in accordance with the Listing Rules.

International Offering

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally agree to subscribe for the International Offer Shares or procure subscribers for the International Offer Shares. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Under the International Underwriting Agreement, our Company expects to grant the Over-allotment Option to the International Underwriters, exercisable by CITIC Securities (for itself and on behalf of the other International Underwriters), with the prior written consent of the Company, at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of the Application Forms under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 39,000,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued at the Offer Price and used to cover over-allocation, if any, in the International Offering.

Underwriting Commission And Expenses

The Joint Bookrunners will receive a commission of 3% of the aggregate Offer Price of all the Offer Shares (including any Shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission or fees to the other Underwriters. Including the commission payable to the International Underwriters and the Hong Kong Underwriters, the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be about HK$61.3 million in aggregate (based on an Offer Price of HK$2.875 per Share, being the mid-point of the indicative range of the Offer Price between HK$2.43 and HK$3.32 per Share, and on the assumption that the Over-allotment Option is not exercised), which is to be borne by our Company.

In addition, our Company may, at our sole discretion, pay an incentive fee of up to 1% of the proceeds derived from the Offer Shares offered by our Company under the Global Offering to the Joint Bookrunners.

INDEMNITY

Our Company and our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement.

SPONSORS' INDEPENDENCE

Guotai Junan Capital satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

As disclosed in the section headed "History and Corporate Structure — Pre-IPO Investments Through Freetech Cayman" and in the paragraph headed "Disclosure of Interests" in Appendix IV in this prospectus, Smart Firm holds 58,219,200 Shares, representing approximately 5.60% of the issued share capital of our Company immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised). As Smart Firm is an associate of CITIC Securities, CITIC Securities does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in the section headed "History and Corporate Structure — Pre-IPO Investments Through Freetech Cayman" in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for security.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 26,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of initially 234,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for the Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after the Capitalisation Issue and the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after the Capitalisation Issue, and the completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" below.

THE HONG KONG PUBLIC OFFERING

Number Of Offer Shares Initially Offered

We are initially offering 26,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The total number of Offer Shares initially available under the Hong Kong Public Offering will represent approximately 2.5% of our Company's total share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, SFC transaction levy, and Stock Exchange trading fee payable) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Public Offer Shares initially comprised in the Hong Kong Public Offering are liable to be rejected.

Reallocation

The allocation of the Offer Shares between (i) the Hong Kong Public Offering and (ii) the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering will be increased to 78,000,000 Shares (in the case of (i)), 104,000,000 Shares (in the case of (ii)) and 130,000,000 Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the total number of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner CITIC Securities and CICC deem appropriate. In addition, CITIC Securities and CICC may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, CITIC Securities and CICC have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as CITIC Securities and CICC deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.32 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Pricing of the Global Offering" below, is less than the maximum price of HK$3.32 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number Of Offer Shares Offered

Subject to reallocation as described above, the number of the Offer Shares to be initially offered for sale under the International Offering will be 234,000,000 Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. The International Offering will be offered by us outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional and institutional investors in Hong Kong.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for the International Offer Shares.

Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section entitled "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

CITIC Securities and CICC (on behalf of the Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to CITIC Securities and CICC so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Public Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION AND STABILISING

The Over-allotment Option

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriters exercisable by CITIC Securities (for itself and on behalf of the other International Underwriters), with the prior written consent of the Company, under the International Underwriting Agreement. Under the Over-allotment Option, which will be exercisable at any time for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, we may be required to issue at the Offer Price and otherwise on the same terms and conditions as the Shares that are subject to the Global Offering up to an additional 39,000,000 Shares in aggregate, representing approximately 15% of the total number of Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the additional Shares made available under the Over-allotment Option will represent approximately 3.6% of the total Shares in issue immediately after completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

In order to facilitate settlement of over-allocations in the International Offering and for the purpose of stabilising of the market price of the Shares (if any), CITIC Securities may borrow from Freetech Cayman up to 39,000,000 Shares, equivalent to the maximum number of Shares to be issued on the exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement. The loan of Shares by CITIC Securities pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by our Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

(i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;

(ii) the maximum number of Shares which may be borrowed from Freetech Cayman must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Freetech Cayman or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;

(iv) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

(v) no payments will be made to Freetech Cayman by the Stabilising Manager in relation to the Stock Borrowing Agreement.

Stabilising Action

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the International Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time but any stabilising activity is required to be brought to an end no later than the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. The Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilising Manager.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market, exercising the Over-allotment Option in full or in part, or by any combination of purchases and the exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which are the subject of the Over-allotment Option, being 39,000,000 Shares representing approximately 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- The Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares;

- There is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a position;

- Liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;

- No stabilising action will be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire at the end of 18 July 2013, being the last Business Day before the day which is expected to be the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- The price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and

- Stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement, as required by the Securities and Futures (Price Stabilizing) Rules made under the SFO, will be made within seven days of the expiration of the stabilising period.

Pricing Of The Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 19 June 2013, and in any event on or before Friday, 21 June 2013, by agreement between CITIC Securities and CICC (for themselves and on behalf of the other Underwriters), and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.32 per Share and is expected to be not less than HK$2.43 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

CITIC Securities and CICC, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by CITIC Securities and CICC, on behalf of the Underwriters and our Company, will be fixed within such revised offer price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement as currently disclosed in the section headed "Financial Information — Working Capital" in this prospectus and Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and CITIC Securities and CICC, will under no circumstances be set outside the offer price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$686.2 million, assuming an Offer Price per Share of HK$2.875 (being the mid-point of the stated indicative Offer Price range of HK$2.43 to HK$3.32 per Share) or if the Over-allotment Option is exercised in full, approximately HK$795.0 million, assuming an Offer Price per Share of HK$2.875 (being the mid-point of the stated indicative Offer Price range of HK$2.43 to HK$3.32 per Share).

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, 25 June 2013 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

Underwriting Agreements

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Global Coordinator and the International Underwriters expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

The Shares Will Be Eligible For CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 26 June 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 26 June 2013.

Conditions Of The Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Public Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(b) the Offer Price having been fixed on or about the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and CITIC Securities and CICC (for themselves and on behalf of the other Underwriters), or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Tuesday, 25 June 2013 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 26 June 2013 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised.

METHODS OF APPLYING FOR THE HONG KONG PUBLIC OFFER SHARES

There are three ways to make an application for the Hong Kong Public Offer Shares. You may apply for the Hong Kong Public Offer Shares by either using a **WHITE** or **YELLOW** Application Form or by applying through the designated website of the **HK eIPO White Form** Service Provider, referred to herein as the **HK eIPO White Form** service (**www.hkeipo.hk**) or giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider.

WHO CAN APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

You can apply for Hong Kong Public Offer Shares if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for the Hong Kong Public Offer Shares online through the designated website at **www.hkeipo.hk** for the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be stamped with company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, CITIC Securities and CICC (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, CITIC Securities and CICC or the designated **HK eIPO White Form** Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Public Offer Shares are not available to existing beneficial owners of our Shares, our Directors or chief executive or a director or chief executive of any of our subsidiaries or their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering or to legal or natural persons (except qualified domestic institutional investors) of the PRC (other than Hong Kong, Macau and Taiwan) or U.S. persons (as defined in Regulation S) or persons who do not have a Hong Kong address.

You may apply for the Hong Kong Public Offer Shares under the Hong Kong Public Offering or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

1. APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 14 June 2013 until 12:00 noon on Wednesday, 19 June 2013 from:

- any of the following addresses of the Hong Kong Underwriters

  CITIC Securities Corporate Finance (HK) Limited
  26/F CITIC Tower
  1 Tim Mei Avenue
  Central
  Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

KGI Asia Limited
41/F Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Phillip Securities (Hong Kong) Limited
11/F United Centre
95 Queensway
Hong Kong

Shenyin Wanguo Capital (H.K.) Limited
28/F., Citibank Tower
Citibank Plaza
3 Garden Road
Hong Kong

South China Securities Limited
28/F., Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

- any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
	New Town Plaza Branch	Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin

Prospectuses and **WHITE** Application Forms will be available for collection at the above places during the following times:

Friday, 14 June 2013 — 9:00 a.m. to 5:00 p.m.
Saturday, 15 June 2013 — 9:00 a.m. to 1:00 p.m.
Monday, 17 June 2013 — 9:00 a.m. to 5:00 p.m.
Tuesday, 18 June 2013 — 9:00 a.m. to 5:00 p.m.
Wednesday, 19 June 2013 — 9:00 a.m. to 12:00 noon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 14 June 2013 until 12:00 noon on Wednesday, 19 June 2013 from:

(a) The Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

(b) Your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Form and make payment

(a) Obtain an application form as described in the section headed "Where to collect the Application Forms" above.

(b) Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form. Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

(c) Lodge the **WHITE** or **YELLOW** Application Form in one of the collection boxes by the time and at one of the locations as described in section headed "— Where to collect the Application Forms" above.

You should note that by completing and submitting the Application Form, amongst other things,

(i) you confirm that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(ii) you agree that our Company, the Joint Bookrunners, the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto (and only then to the extent such liability is held to exist by a court of competent jurisdiction);

(iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not indicated an interest for, applied for or taken up any International Offer Shares under the International Offering; and

(iv) you agree to disclose to our Company and/or our registrars, the receiving bank, the Joint Sponsors, the Hong Kong Underwriters, the Joint Bookrunners and their respective advisers and agents, personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

(a) If the application is made through a designated CCASS Participant (other than CCASS Investor Participant): the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(b) If the application is made by an individual CCASS Investor Participant:

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and

(ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(c) If the application is made by a joint individual CCASS Investor Participant:

(i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card Number of all the joint CCASS Investor Participants; and

(ii) the participant I.D. must be inserted in the appropriate box in the Application Form.

(d) If the application is made by a corporate CCASS Investor Participant:

(i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of the details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name), or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, our Company and CITIC Securities and CICC as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and CITIC Securities and CICC, in the capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Terms and conditions of an application

(a) Conditions of an application

To apply for the Hong Kong Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

- **apply** for the number of Hong Kong Public Offer Shares set out below, subject to the terms and conditions set out in this prospectus and the Application Form, and subject to the Memorandum and Articles of Association of our Company;

- **enclose** payment in full for the Hong Kong Public Offer Shares applied for, being the maximum Offer Price of HK$3.32 per Offer Share, plus 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee;

- **undertake** and agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to the applicant pursuant to the application;

- **declare** that such application is the only application made and the only application intended by the applicant to be made using a **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service (**www.hkeipo.hk**);

- **undertake** and **confirm** that the applicant or the person for whose benefit the applicant is applying has not indicated an interest for, applied for, or taken up, or received or been placed or allocated (including conditionally and/or provisionally) and will not indicate on interest for, apply or take up any Offer Shares in the International Offering nor receive, nor be placed or allocated, nor otherwise participate, in the International Offering;

- **understand** that these declarations and representations will be relied upon by our Company, our Directors, CITIC Securities and CICC in deciding whether or not to make any allotment of Hong Kong Public Offer Shares in response to such application;

- **authorise** our Company to place the applicant's name or HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Public Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in the Application Forms and this prospectus) to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) by ordinary post at the applicant's own risk to the address given on the Application Forms (except where the applicant has applied for 1,000,000 or more Hong Kong Public Offer Shares and has indicated on the Application Forms that the applicant wishes to collect any share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person in accordance with the procedures prescribed in the Application Forms);

- **authorise** our Company to dispatch any e-Refund payment instructions to the applicant's application payment bank account if such applicant has completed payment of the **HK eIPO White Form** application monies from a single bank account; or authorise our Company to issue and dispatch any refund cheque to the address given on the **HK eIPO White Form** application if such applicant has completed payment of the application monies from multi-bank accounts;

- **request** that any refund cheque(s) be made payable to the applicant (or in the case of joint applicants, to the first-named applicant) and (subject to the terms and conditions set out in the Application Forms and this prospectus) to send any refund cheque(s) by ordinary post at the applicant's own risk to the address given on the Application Forms (except where the applicant has applied for 1,000,000 Hong Kong Public Offer Shares or more and has indicated on the Application Forms that the applicant wishes to collect any refund cheque(s) in person in accordance with the procedures prescribed in the Application Forms and this prospectus);

- **have read** the terms and conditions and application procedures set out on the pages attached to the Application Forms and in this prospectus and agree to be bound by them, and are aware of the restrictions on the Hong Kong Public Offering described in this prospectus;

- **represent, warrant and undertake** that the allotment of or application for the Hong Kong Public Offer Shares to or by the applicant or for whose benefit the application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

- **represent, warrant and undertake** that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act and the applicant is applying outside the United States (as defined in Regulation S under the U.S. Securities Act) when completing and submitting the Application Forms or the applicant is not a U.S. person/persons; and

- **agree** that the application, any acceptance of it and the resulting contract, shall be governed by and construed in accordance with the laws of Hong Kong.

(b) Effect of completing and submitting the Application Forms

By completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee for and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorise** our Company and/or CITIC Securities and CICC (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Public Offer Shares allocated to you in your name(s) or the name of HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;

- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Public Offer Shares allocated to you, and as required by the Articles of Association;

- **represent, warrant and undertake** that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Forms or you are not, and the other person(s) for whose benefit you are applying is/are not, a U.S. Person (as defined under Regulation S);

- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and will not rely on any other information or representation save as set out in any supplement to this prospectus;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit in respect of the Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service at **www.hkeipo.hk**;

- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority make the application;

- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of the beneficial owner that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service **www.hkeipo.hk** and that you are duly authorised to sign the Application Form as that other person's agent;

- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;

- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for, taken up or indicated an interest in, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor be placed or allocated, nor otherwise participate in the International Offering;

- **warrant** the truth and accuracy of the information contained in your application;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **undertake** and **agree** to accept the Shares applied for, or any lesser number allocated to you under the application;

- **authorise** our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on our Company's register of members as the holder(s) in Hong Kong of any Hong Kong Public Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in the case of joint applicants, the first-named applicant in the Application Form) by ordinary post at your own risk to the address stated on your Application Form (except if you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have indicated in your Application Form your wish to collect your refund cheque and Share certificates (where applicable) on Tuesday, 25 June 2013 in person);

- **confirm** that you are aware of the restrictions on offering of the Hong Kong Public Offer Shares described in this prospectus;

- **understand** that these declarations and representations will be relied upon by our Company and/or CITIC Securities and CICC in deciding whether or not to allocate any Hong Kong Public Offer Shares in response to your application;

- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters, nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- **agree** with our Company and each Shareholder that the Shares are freely transferable by the holder thereof; and

- **agree** to disclose to our Company, our Company's Hong Kong Share Registrar, the receiving bank, the Hong Kong Underwriters, the Joint Sponsors, the Joint Bookrunners and their respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application.

(c) Additional instructions for Yellow Application Forms

By completing and submitting the **YELLOW** Application Forms, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee for and on behalf of each person for whom you act as agent or nominee:

- (if you are joint applicants, each of you jointly and severally) **agree** that any Hong Kong Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;

- (if you are joint applicants, each of you jointly and severally) **agree** that each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Public Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are a joint applicant, to the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the Share certificates for such allotted Hong Kong Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- (if you are joint applicants, each of you jointly and severally) **agree** that each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees;

- (if you are joint applicants, each of you jointly and severally) **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

- (if you are joint applicants, each of you jointly and severally) **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

Our Company, the Joint Sponsors, the Joint Bookrunners, the Hong Kong Underwriters and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application. In the event of the application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

How to apply through HK eIPO White Form

General

If you are an individual and meet the criteria set out in paragraph above headed "Who can apply for the Hong Kong Public Offer Shares" under this section, you may apply through **HK eIPO White Form** by submitting an application through the designated website at **www.hkeipo.hk**. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company. In addition to the terms and conditions set out in this prospectus, the designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at **www.hkeipo.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and our registrars.

You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.hkeipo.hk**.

You should give electronic application instructions through **HK eIPO White Form** at the times set out in the paragraph headed "Time for inputting electronic application instructions" under this section below.

You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk**. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 19 June 2013, or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" under this section, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.hkeipo.hk**.

Warning: The application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Our Company, our Directors, the Joint Sponsors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Hong Kong Public Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO**

White Form service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website at **www.hkeipo.hk** for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form.

However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website at **www.hkeipo.hk**, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph headed "How many applications you may make" under this section.

Additional information

For the purposes of allocating Hong Kong Public Offer Shares, each applicant giving electronic application instructions through **HK eIPO White Form** service to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at **www.hkeipo.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph headed "Refund of application monies."

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account with a licensed bank in Hong Kong;
- bear an account name (or, in the case of joint applicants, the name of the first-named applicant), which must be either be pre-printed on the cheque, or be endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn. The account name must be the same as the name on your Application Form. If the application is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "Horsford Nominees Limited — Freetech Road Public Offer";

- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- be made payable to "Horsford Nominees Limited — Freetech Road Public Offer";
- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 19 June 2013. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of dispatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

How many applications you may make

You may make more than one application for the Hong Kong Public Offer Shares if and only if:

You are a nominee, in which case you may both give electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLO**W Application Form or submitting an electronic application instruction to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (**www.hkeipo.hk**), you:

- (if the application is made for your own benefit) warrant that the application made pursuant to a **WHITE** or **YELLOW** Application Form or electronic application instruction given to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (**www.hkeipo.hk**) or by giving electronic application instructions to HKSCC via CCASS is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by submitting an application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** or by giving **electronic application instructions** to HKSCC;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by submitting an application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** or by giving **electronic application instructions** to HKSCC and that you are duly authorised to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by submitting an application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** or by giving **electronic application instructions** to HKSCC;

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and submit **HK eIPO White Form** or give **electronic application instructions** to HKSCC;

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or submit **HK eIPO White Form** or by giving electronic application instructions to HKSCC for more than 13,000,000 Hong Kong Public Offer Shares (being 50% of the Hong Kong Public Offer Shares initially being offered for subscription under the Hong Kong Public Offering); or

- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares under the International Offering.

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving **electronic application instructions** through the designated website at **www.hkeipo.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and,

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of that company; or

- control more than half of the voting power of that company; or

- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

Members of the public — Time for applying for the Hong Kong Public Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, 19 June 2013, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, together with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of receiving banks listed under the section headed "Where to collect the Application Forms" above at the following times:

Friday, 14 June 2013 — 9:00 a.m. to 5:00 p.m.
Saturday, 15 June 2013 — 9:00 a.m. to 1:00 p.m.
Monday, 17 June 2013 — 9:00 a.m. to 5:00 p.m.
Tuesday, 18 June 2013 — 9:00 a.m. to 5:00 p.m.
Wednesday, 19 June 2013 — 9:00 a.m. to 12:00 noon

HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** from 9:00 a.m. on Friday, 14 June 2013 until 11:30 a.m. on Wednesday, 19 June 2013 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 19 June 2013, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "Effect of bad weather on the opening of the application lists" under this section below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

The application lists will open **from 11:45 a.m. to 12:00 noon** on Wednesday, 19 June 2013.

No proceedings will be taken on applications for the Offer Shares and no allotment of any such Offer Shares will be made until after the closing of the application lists. No allotment of any of the Offer Shares will be made until after Wednesday, 19 June 2013.

Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 19 June 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offering do not open and close on Wednesday, 19 June 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

Publication of results

We expect to announce the Offer Price, the general level of indication of interest in the International Offering, the basis of allotment and the results of applications under the Hong Kong Public Offering on Tuesday, 25 June 2013 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.freetech-holdings.hk). The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Tuesday, 25 June 2013 to 12:00 midnight on Wednesday, 3 July 2013. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result.

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 36918488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 25 June 2013 to Friday, 28 June 2013.

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, 25 June 2013 to Thursday, 27 June 2013 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed "Where to Collect the Application Forms" under this section.

Dispatch/collection of share certificates and refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of HK$3.32 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your application:

(a) for applications on **WHITE** Application Forms and **HK eIPO White Form**: (i) share certificate(s) for all the Hong Kong Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Public Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: share certificates for their Hong Kong Public Offer Shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms and **HK eIPO White Form**, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first- named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under **WHITE** or **YELLOW** Application Forms and share certificates for wholly and partially successful applicants under **WHITE** Application Forms and **HK eIPO White Form** are expected to be posted on or around Tuesday, 25 June 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 26 June 2013 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. You will receive one share certificate for all the Offer Shares issued to you.

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Hong Kong Public Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from the Hong Kong Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, 25 June 2013 or such other place and date as notified by our Company in the newspapers as the place and date of collection/dispatch of refund cheques/share certificates.

- If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

- If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you have applied for less than 1,000,000 Hong Kong Public Offer Shares or if you apply for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) and/or share certificates (where applicable) in person, your refund cheque(s) and/or share certificates (where applicable) are expected to be dispatched on Tuesday, 25 June 2013 to the address that is specified on your Application form by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

- If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

- If you apply for less than 1,000,000 Hong Kong Public Offer Shares or if you apply for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 25 June 2013, by ordinary post and at your own risk.

- If you apply for Hong Kong Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, 25 June 2013, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

- If you are applying as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Tuesday, 25 June 2013. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 25 June 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

(c) If you apply using HK eIPO White Form

- If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 25 June 2013, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/refund cheques.

- If you do not collect your share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** on Tuesday, 25 June 2013 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Offer Price is different from the initial price paid on your application, e-auto payment instructions (if any) will be dispatched to your application payment bank account on Tuesday, 25 June 2013.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the Offer Price is different from the initial price paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on Tuesday, 25 June 2013 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out above in the paragraph headed "How to apply through HK eIPO White Form — Additional information."

2. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and its registrars.

Giving electronic application instructions to HKSCC to apply for Hong Kong Public Offer Shares by HKSCC Nominees On Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Hong Kong Public Offer Shares:

(a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that Person's CCASS Investor Participant stock account;

- undertakes and agrees to accept the Hong Kong Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- undertakes and confirms that that person has not applied for or taken up any International Offer Shares under the International Offering nor otherwise participated in the International Offering;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- understands that the above declaration will be relied upon by our Company, our Directors, CITIC Securities and CICC in deciding whether or not to make any allotment of Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;

- agrees that our Company, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters and any of their respective directors, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement hereto (and only then to the extent such liability is held to exist by a court of competed jurisdiction);

- agrees to disclose that person's personal data to our Company, our registrars, the receiving bank, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters and any of their respective agents and any information which they may require about that person;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the electronic application instructions given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Public Offer Shares;

- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum offer price and related brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 14 June 2013 — 9:00 a.m. to 8:30 p.m.(1)
Saturday, 15 June 2013 — 8:00 a.m. to 1:00 p.m.(1)
Monday, 17 June 2013 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 18 June 2013 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 19 June 2013 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 14 June 2013 until 12:00 noon on Wednesday, 19 June 2013 (24 hours daily, except the last application day).

Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 19 June 2013, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 19 June 2013, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12 noon on such day. Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

Allocation of the Hong Kong Public Offer Shares

For the purposes of allocating the Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Tuesday, 25 June 2013, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants' applications together with the results of the Hong Kong Public Offering on Tuesday, 25 June 2013, in the manner as described in the section headed "How to Apply for the Hong Kong Public Offer Shares — Publication of results" in this prospectus. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 25 June 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 25 June 2013. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 25 June 2013. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

Personal Data

The section of the Application Form entitled "Personal Data" applies to any personal data held by our Company, our registrars, the receiving bank, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application of the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, CITIC Securities, CICC and the Hong Kong Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 19 June 2013.

3. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Public Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or to the designated **HK eIPO White Form** Service Provider or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully.

You should note in particular the following situations in which Hong Kong Public Offer Shares will not be allotted to you:

- ***If your application is revoked***

By completing and submitting an Application Form or submitting electronic application instructions to HKSCC you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf or by the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) has not been so notified, or if applicant(s) has been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

- ***Full discretion of our Company, CITIC Securities and CICC or our or their respective agents to reject or accept your application***

Our Company, CITIC Securities and CICC (as agent for our Company) or the designated **HK eIPO White Form** Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, CITIC Securities and CICC, in their capacity as our Company's agents, and their agents and nominees do not have to give any reason for any rejection or acceptance.

- ***If the allotment of Hong Kong Public Offer Shares is void***

The allotment of Hong Kong Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

You will not receive any allotment if:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares in the International Offering. By filling in any of the Application Forms or submitting **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service, you agree not to apply for or indicate an interest for International Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Public Offer Shares in the Hong Kong Public Offering;
- you apply for more than 50% of the Hong Kong Public Offer Shares initially being offered under the Hong Kong Public Offering;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.hkeipo.hk**;
- our Company, CITIC Securities and CICC believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms. You should also note that you may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

4. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum offer price is HK$3.32 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% in full. This means that for every board lot of 1,000 Hong Kong Public Offer Shares you will pay approximately HK$3,353.47. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Public Offer Shares up to 13,000,000 Hong Kong Public Offer Shares.

You must pay the amount payable upon application for the Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If the Offer Price as finally determined is less than HK$3.32 per Hong Kong Public Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedure for refund are set out in the paragraph above headed "Dispatch/collection of share certificates and refunds cheques" under the section.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy collected on behalf of the SFC).

5. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Public Offer Shares for any reason, our Company will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of refund cheques will be retained for the benefit of our Company.

If your application is accepted only in part, our Company will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the offer price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, without interest.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company, CITIC Securities and CICC, cheques for applications for certain small denominations of Hong Kong Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, 25 June 2013 in accordance with the various arrangements as described above.

All refunds will be by a cheque crossed "Account Payee Only," and made out to you (or in case of joint applicants, the first-named applicant on the Application Form). Part of your Hong Kong identity card number/passport number, (or in case of joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant) provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. A banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

6. DEALINGS AND SETTLEMENT

Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 26 June 2013.

The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 6888.

Offer Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

14 June 2013

The Directors
Freetech Road Recycling Technology (Holdings) Limited
CITIC Securities Corporate Finance (HK) Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information of Freetech Road Recycling Technology (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2010, 2011 and 2012 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and the statements of financial position of the Company as at 31 December 2011 and 2012, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 14 June 2013 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2011. Pursuant to a group reorganisation (the "Reorganisation") as set out in note 1 of Section II below, which was completed on 12 August 2011, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. Except for the subsidiaries not subject to statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation, the statutory financial statements of the remaining companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and the Company as at 31 December 2011 and 2012 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31 December 2010	2011	2012
		HK$'000	HK$'000	HK$'000
REVENUE	6	233,145	281,279	486,003
Cost of sales		(150,494)	(140,366)	(222,964)
Gross profit		82,651	140,913	263,039
Other income and gains	6	1,210	1,786	10,272
Selling and distribution expenses		(11,417)	(16,446)	(20,344)
Administrative expenses		(20,225)	(24,949)	(44,675)
Other expenses		(10,271)	(12,658)	(14,411)
Finance costs	8	(4,409)	(6,000)	(4,025)
Share of profits and losses of:				
Jointly-controlled entities		—	419	3,573
Associates		—	—	(426)
PROFIT BEFORE TAX	7	37,539	83,065	193,003
Income tax expense	10	(10,725)	(20,915)	(42,630)
PROFIT FOR THE YEAR		26,814	62,150	150,373
Attributable to:				
Owners of the parent		26,814	62,150	146,593
Non-controlling interests		—	—	3,780
		26,814	62,150	150,373

Details of the dividends for the Relevant Periods are disclosed in note 11 to the Financial Information.

(b) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December 2010	2011	2012
	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	26,814	62,150	150,373
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	2,435	4,859	4,874
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	2,435	4,859	4,874
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	29,249	67,009	155,247
Attributable to:			
Owners of the parent	29,249	67,009	151,275
Non-controlling interests	—	—	3,972
	29,249	67,009	155,247

(c) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2010	2011	2012
		HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	93,632	100,567	128,108
Prepaid land lease payments	15	4,213	6,738	6,788
Goodwill	17	—	—	731
Other intangible assets	18	314	305	182
Prepayments	23	—	—	3,157
Investments in jointly-controlled entities	19	—	14,318	26,832
Investments in associates	20	—	—	3,447
Deferred tax assets	30	—	—	9,277
Total non-current assets		98,159	121,928	178,522
CURRENT ASSETS				
Inventories	21	19,260	34,316	41,057
Trade and bills receivables	22	86,031	137,390	268,208
Prepayments, deposits and other receivables	23	5,875	8,579	17,341
Due from a related person	24	259	—	—
Due from directors	25	2,685	3,651	—
Pledged deposits	26	328	394	448
Cash and bank balances	26	18,255	135,263	130,862
Total current assets		132,693	319,593	457,916
CURRENT LIABILITIES				
Trade payables	27	32,678	41,169	73,739
Other payables and accruals	28	29,870	38,384	44,671
Dividends payable	11	6,334	52,299	4,964
Due to the ultimate holding company	1	11,703	14,895	4,350
Interest-bearing bank borrowings	29	77,357	58,775	78,270
Tax payable		5,624	4,393	9,218
Total current liabilities		163,566	209,915	215,212
NET CURRENT ASSETS/(LIABILITIES)		(30,873)	109,678	242,704

	Notes	As at 31 December 2010	2011	2012
		HK$'000	HK$'000	HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		67,286	231,606	421,226
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	29	—	—	7,463
Deferred tax liabilities	30	5,238	7,548	17,476
Due to the immediate holding company	1	—	154,748	153,538
Total non-current liabilities		5,238	162,296	178,477
Net assets		62,048	69,310	242,749
EQUITY				
Equity attributable to owners of the parent				
Issued capital	31	—	178	178
Reserves	32(a)	62,048	69,132	220,407
		62,048	69,310	220,585
Non-controlling interests		—	—	22,164
Total equity		62,048	69,310	242,749

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
		Issued capital	Contributed surplus	Reserve funds	Exchange fluctuation reserve	(Accumulated losses)/ retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010		—	25,350	11,670	12,188	(3,557)	45,651	—	45,651
Profit for the year		—	—	—	—	26,814	26,814	—	26,814
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		—	—	—	2,435	—	2,435	—	2,435
Total comprehensive income for the year		—	—	—	2,435	26,814	29,249	—	29,249
Dividends paid to the ultimate holding company	11	—	—	—	—	(12,852)	(12,852)	—	(12,852)
Transfer from retained profits		—	—	4,837	—	(4,837)	—	—	—
At 31 December 2010 and 1 January 2011		—	25,350*	16,507*	14,623*	5,568*	62,048	—	62,048
Profit for the year		—	—	—	—	62,150	62,150	—	62,150
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		—	—	—	4,859	—	4,859	—	4,859
Total comprehensive income for the year		—	—	—	4,859	62,150	67,009	—	67,009
Issue of shares on incorporation of the Company	31	156	—	—	—	—	156	—	156
Issue of shares on the Reorganisation	31	22	(22)	—	—	—	—	—	—
Dividends paid to the ultimate holding company	11	—	—	—	—	(59,903)	(59,903)	—	(59,903)
Transfer from retained profits		—	—	7,147	—	(7,147)	—	—	—
At 31 December 2011 and 1 January 2012		178	25,328*	23,654*	19,482*	668*	69,310	—	69,310

		Attributable to owners of the parent							
	Notes	Issued capital	Contributed surplus	Reserve funds	Exchange fluctuation reserve	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2011 and 1 January 2012		178	25,328*	23,654*	19,482*	668*	69,310	—	69,310
Profit for the year		—	—	—	—	146,593	146,593	3,780	150,373
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		—	—	—	4,682	—	4,682	192	4,874
Total comprehensive income for the year		—	—	—	4,682	146,593	151,275	3,972	155,247
Acquisition of a subsidiary	33	—	—	—	—	—	—	18,192	18,192
Transfer from retained profits		—	—	24,122	—	(24,122)	—	—	—
At 31 December 2012		178	25,328*	47,776*	24,164*	123,139*	220,585	22,164	242,749

* These reserve accounts comprise the consolidated reserves of HK$62,048,000, HK$69,132,000 and HK$220,407,000 in the consolidated statements of financial position as at 31 December 2010, 2011 and 2012, respectively.

(e) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2010	2011	2012
		Year ended 31 December		
		HK$'000	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		37,539	83,065	193,003
Adjustments for:				
Finance costs	8	4,409	6,000	4,025
Share of profits and losses of jointly-controlled entities and associates		—	(419)	(3,147)
Interest income	6	(72)	(496)	(505)
Fair value gain from remeasurement of equity interest previously held in an acquired subsidiary to fair value	6	—	—	(8,757)
Depreciation	7	10,255	12,371	13,421
Impairment of trade receivables	7	5,861	8,399	8,208
Impairment/(reversal of impairment) of other receivables	7	126	46	(110)
Amortisation of other intangible assets	7	104	118	131
Amortisation of land lease payments	7	113	132	197
Loss on disposal of items of property, plant and equipment	7	1,540	126	65
		59,875	109,342	206,531
Increase in inventories		(4,268)	(15,056)	(3,819)
Increase in trade and bills receivables		(49,776)	(60,587)	(120,046)
Increase in prepayments, deposits and other receivables		(1,148)	(2,750)	(11,283)
(Increase)/decrease in amounts due from directors		(596)	(966)	3,651
(Increase)/decrease in an amount due from a related person		(259)	259	—
Increase in trade payables		21,522	8,491	22,461
Increase in other payables and accruals		11,853	8,500	4,377

	Notes	2010	2011	2012
		Year ended 31 December		
		HK$'000	HK$'000	HK$'000
Increase in deferred income		—	9,508	63,650
Increase/(decrease) in an amount due to the ultimate holding company		332	3,192	(10,545)
Exchange differences		1,592	2,071	3,438
Cash generated from operations		39,127	62,004	158,415
Interest received		72	496	505
Interest paid		(4,542)	(5,986)	(4,128)
Income tax paid		(5,081)	(20,092)	(37,654)
Net cash flows from operating activities		29,576	36,422	117,138
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	14	(16,869)	(14,621)	(20,414)
Investments in jointly-controlled entities		—	(23,629)	(65,106)
Investments in associates		—	—	(21,209)
Addition of prepaid land lease payment	15	—	(2,444)	(217)
Additions of other intangible assets	18	—	(94)	(7)
Acquisition of a subsidiary	33	—	—	6,915
Proceeds from disposal of items of property, plant and equipment		49	—	9
Increase in pledged deposits		(328)	(66)	(54)
Net cash flows used in investing activities		(17,148)	(40,854)	(100,083)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		—	156	—
New bank loans		88,073	67,961	80,311
Repayment of bank loans		(81,025)	(89,650)	(54,133)
Dividends paid to the ultimate holding company		(9,687)	(13,938)	(47,335)
Increase/(decrease) in an amount due to the immediate holding company		—	154,748	(1,210)

	Notes	Year ended 31 December 2010	2011	2012
		HK$'000	HK$'000	HK$'000
Net cash flows from/(used in) financing activities		(2,639)	119,277	(22,367)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,789	114,845	(5,312)
Cash and cash equivalents at beginning of year		7,946	18,255	135,263
Effect of foreign exchange rate changes, net		520	2,163	911
CASH AND CASH EQUIVALENTS AT END OF YEAR		18,255	135,263	130,862
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	26	18,255	135,263	130,862

(f) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2011	2012
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,350	1,269
Investments in subsidiaries	16	1,253,923	1,253,923
Total non-current assets		1,255,273	1,255,192
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	27	3,118
Due from subsidiaries	16	82,037	131,167
Due from the ultimate holding company	1	—	7,177
Cash and bank balances	26	70,213	594
Total current assets		152,277	142,056
CURRENT LIABILITIES			
Other payables and accruals	28	11	5,099
Due to the ultimate holding company	1	419	—
Total current liabilities		430	5,099
NET CURRENT ASSETS		151,847	136,957
TOTAL ASSETS LESS CURRENT LIABILITIES		1,407,120	1,392,149
NON-CURRENT LIABILITY			
Due to the immediate holding company	1	154,748	153,538
Net assets		1,252,372	1,238,611
EQUITY			
Issued capital	31	178	178
Reserves	32(b)	1,252,194	1,238,433
Total equity		1,252,372	1,238,611

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2011 under the Companies Law, Chapter 22 of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is 29/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries of the Company were principally engaged in the manufacturing and sale of road maintenance equipment and provision of road maintenance services (collectively referred to as the "Relevant Businesses") in the People's Republic of China (the "PRC").

In the opinion of the directors of the Company, the ultimate holding company of the Company is Freetech Technology Limited ("Freetech Technology"), which is incorporated in Hong Kong and is wholly owned and controlled by Mr. Sze Wai Pan (the "Founder").

Prior to the incorporation of the Company, the Relevant Businesses were carried out by certain subsidiaries (the "Relevant Subsidiaries") now comprising the Group, which were controlled by the Founder.

In order to rationalise the current corporate structure of the Group, the following principal reorganisation steps were undertaken to transfer the interests in the Relevant Subsidiaries controlled by the Founder to the Company:

(a) On 8 June 2011, the Company was incorporated in the Cayman Islands;

(b) On 8 June 2011, Freetech (Cayman) Ltd. ("Freetech Cayman") was incorporated in the Cayman Islands as the immediate holding company of the Company; and

(c) On 12 August 2011, the Company acquired the entire share capital of each of Freetech Road Recycling Engineering Limited ("Freetech BVI") and BS (BVI) Limited ("BS BVI"), which were incorporated in the British Virgin Islands (the "BVI") to act as intermediate holding companies of the Relevant Subsidiaries, from Freetech Technology and the Founder, respectively, in consideration of and in exchange for 110,818 shares of the Company, which were allotted and issued, credited as fully paid, by the Company to Freetech Cayman at the direction of Freetech Technology and the Founder, respectively.

The Reorganisation was completed on 12 August 2011 and further details of the Reorganisation are set out in the section "History and Corporate Structure" of the Prospectus of the Company dated 14 June 2013.

The balances with the ultimate holding company as at the end of each reporting period are unsecured, interest-free and have no fixed terms of repayment.

The balances with the immediate holding company as at the end of each reporting period are unsecured, interest-free and not repayable within one year.

Except for the balance with the immediate holding company as at 31 December 2012 which will be capitalised for the allotment and issue of shares by the Company, the balance with the ultimate holding company as at 31 December 2012 will be settled prior to the listing of the shares of the Company.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Freetech BVI (note a)	BVI 23 November 2009	US$2	100	—	Investment holding
BS BVI (note a)	BVI 30 March 2011	US$1	100	—	Investment holding
Freetech Road Maintenance Engineering Co., Limited (note b)	Hong Kong 17 August 2001	HK$3	—	100	Investment holding and sale of road maintenance equipment
BS (Int'l) Automobile Technology Co., Limited (note c)	Hong Kong 18 August 2004	HK$1,000,000	—	100	Investment holding
英達熱再生有限公司 Freetech Road Recycling Corporation ("Freetech Road Recycling")* # (note d)	PRC 8 September 2000	US$13,747,500	—	100	Provision of road maintenance services
南京奔騰養護機械有限公司 Nanjing BS Maintenance Machinery Company Limited* # (note d)	PRC 22 July 2009	US$1,330,000	—	100	Sale of road maintenance equipment
南京英達公路養護車製造有限公司 Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation ("Freetech Manufacturing")^ # (note d)	PRC 21 June 2005	US$6,059,300	—	100	Manufacturing and sale of road maintenance equipment
內蒙古英達東方道路再生工程有限公司 Inner Mongolia Freetech Dongfang Road Recycling Engineering Co., Ltd. ("Freetech Ordos")** # (note e)	PRC 17 June 2011	RMB30,000,000	—	53	Provision of road maintenance services

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
新疆英達熱再生有限公司 Xinjiang Freetech Road Recycling Co., Ltd.** # (note f)	PRC 8 June 2012	RMB10,000,000	—	100	Provision of road maintenance services
延邊英達道路工程有限公司 Yanbian Freetech Road Engineering Co., Ltd.** # (note f)	PRC 31 May 2012	RMB100,000	—	100	Provision of road maintenance services

Notes:

(a) No audited financial statements have been prepared for these entities since their date of incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(b) The statutory financial statements for the period from 17 August 2001 (date of incorporation) to 31 March 2011 and for the nine months ended 31 December 2011 were audited by Union Alpha C.P.A. Limited registered in Hong Kong.

(c) The statutory financial statements for the period from 18 August 2004 (date of incorporation) to 31 March 2011 and for the nine months ended 31 December 2011 were audited by Union Alpha C.P.A. Limited registered in Hong Kong.

(d) The statutory financial statements for the years ended 31 December 2010, 2011 and 2012 were audited by 江蘇公証天業會計師事務所有限公司 (Jiangsu GongZheng TianYe Certified Public Accountants Co., Ltd.#) registered in the PRC.

(e) The statutory financial statements for the period ended 31 December 2011 and the year ended 31 December 2012 were audited by 江蘇公証天業會計師事務所有限公司 (Jiangsu GongZheng TianYe Certified Public Accountants Co., Ltd.#) registered in the PRC.

(f) No statutory financial statements has been issued for these companies subsequent to their respective dates of incorporation.

\# The names of these companies referred to in this report represent management's best effort at translating the Chinese names of these companies, as no English names have been registered.

* Registered as wholly-foreign-owned enterprises under PRC law.

** Registered as limited liability companies under PRC law.

^ Registered as a sino-foreign joint venture under PRC law.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. The companies now comprising the Group were under the common control of the Founder before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the Relevant Businesses first came under the common control of the Founder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 have been prepared to present the assets and liabilities of the Relevant Businesses using the existing book values from the Founder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting periods commencing from 1 January 2012, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Financial Information:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]

HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 January 2014.

4 Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition method of accounting is used for the acquisitions of subsidiaries not under common control.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The acquisition method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture; or

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gain and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of each reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly-controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Plant and machinery	9%
Furniture, fixtures and office equipment	18%
Motor vehicles	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building or plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the ultimate and immediate holding companies and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompany disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

PRC corporate income tax ("PRC CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

Impairment of receivables

The policy for impairment assessment for receivables of the Group is based on the evaluation of collectability and ageing analysis of receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Write-down of inventories to net realisable value

Management reviews the ageing analysis of inventories of the Group and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. A considerate amount of judgement is required in assessing the ultimate realisation of these inventories. If the market conditions were to change, resulting in a change of provision for obsolete items, the difference will be recorded in the period it is identified.

Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in note 3 to the Financial Information. The recoverable amount of the property, plant and equipment is the greater of the fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the provision of road maintenance services segment; and

(b) the manufacturing and sale of road maintenance equipment segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, exchange differences, share of profits and losses of jointly-controlled entities and associates, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and bank balances, investments in jointly-controlled entities, investments in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Geographic information

The Group's revenue from external customers is derived substantially from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

Information about a major customer

Revenue of HK$45,380,000 was derived from provision of road maintenance services to a single external customer during the year ended 31 December 2012.

Revenue of HK$44,845,000 was derived from provision of road maintenance services to a single external customer during the year ended 31 December 2011.

Revenue of HK$51,819,000 was derived from provision of road maintenance services to a single external customer during the year ended 31 December 2010.

For the year ended 31 December 2010

	Provision of road maintenance services	Manufacturing and sale of maintenance equipment	Total
	HK$'000	HK$'000	HK$'000
Segment revenue:			
Sales to external customers	195,307	37,838	233,145
Intersegment sales	—	24,638	24,638
Other revenue	900	63	963
	196,207	62,539	258,746
Reconciliation:			
Elimination of intersegment sales			(24,638)
Revenue			234,108
Segment results	40,197	4,737	44,934
Reconciliation:			
Interest income			72
Exchange gains			175
Corporate and unallocated expenses			(3,233)
Finance costs			(4,409)
Profit before tax			37,539
Segment assets	212,824	75,307	288,131
Reconciliation:			
Elimination of intersegment receivables			(78,140)
Corporate and other unallocated assets			20,861
Total assets			230,852
Segment liabilities	95,078	55,348	150,426
Reconciliation:			
Elimination of intersegment payables			(78,140)
Corporate and other unallocated liabilities			96,518
Total liabilities			168,804
Other segment information:			
Impairment losses recognised/(reversed) in the income statement	6,023	(36)	5,987
Depreciation and amortisation	9,691	781	10,472
Capital expenditure*	23,200	7,986	31,186

* Capital expenditure consists of additions to property, plant and equipment (including transfer from inventories), land use rights, and other intangible assets.

For the year ended 31 December 2011

	Provision of road maintenance services	Manufacturing and sale of maintenance equipment	Total
	HK$'000	HK$'000	HK$'000
Segment revenue:			
Sales to external customers	203,759	77,520	281,279
Intersegment sales	—	15,175	15,175
Other revenue	513	174	687
	204,272	92,869	297,141
Reconciliation:			
Elimination of intersegment sales			(15,175)
Revenue			281,966
Segment results	58,879	33,798	92,677
Reconciliation:			
Interest income			496
Exchange gains			603
Corporate and unallocated expenses			(5,130)
Share of profits and losses of jointly-controlled entities			419
Finance costs			(6,000)
Profit before tax			83,065
Segment assets	252,808	111,476	364,284
Reconciliation:			
Elimination of intersegment receivables			(68,745)
Investments in jointly-controlled entities			14,318
Corporate and other unallocated assets			131,664
Total assets			441,521
Segment liabilities	98,281	59,296	157,577
Reconciliation:			
Elimination of intersegment payables			(68,745)
Corporate and other unallocated liabilities			283,379
Total liabilities			372,211
Other segment information:			
Impairment losses recognised in the income statement	8,130	315	8,445
Depreciation and amortisation	10,870	1,751	12,621
Capital expenditure*	14,063	3,096	17,159

* Capital expenditure consists of additions to property, plant and equipment, land use rights, and other intangible assets.

For the year ended 31 December 2012

	Provision of road maintenance services	Manufacturing and sale of maintenance equipment	Total
	HK$'000	HK$'000	HK$'000
Segment revenue:			
Sales to external customers	288,399	197,604	486,003
Intersegment sales	—	15,139	15,139
Other revenue	9,242	510	9,752
	297,641	213,253	510,894
Reconciliation:			
Elimination of intersegment sales			(15,139)
Revenue			495,755
Segment results	93,694	116,521	210,215
Reconciliation:			
Interest income			505
Exchange gains			15
Corporate and unallocated expenses			(16,854)
Share of profits and losses of jointly-controlled entities and associates			3,147
Finance costs			(4,025)
Profit before tax			193,003
Segment assets	349,093	162,895	511,988
Reconciliation:			
Elimination of intersegment receivables			(51,535)
Investments in jointly-controlled entities			26,832
Investments in associates			3,447
Corporate and other unallocated assets			145,706
Total assets			636,438
Segment liabilities	123,806	41,106	164,912
Reconciliation:			
Elimination of intersegment payables			(51,535)
Corporate and other unallocated liabilities			280,312
Total liabilities			393,689
Other segment information:			
Impairment losses recognised in the income statement	7,810	288	8,098
Depreciation and amortisation	9,516	4,233	13,749
Capital expenditure*	14,470	6,168	20,638

* Capital expenditure consists of additions to property, plant and equipment, land use rights, and other intangible assets, excluding assets from the acquisition of a subsidiary.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts; and the value of services provided during the Relevant Periods.

An analysis of the Group's other income and gains is as follows:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Other income and gains			
Government grants*	932	393	932
Interest income	72	496	505
Foreign exchange differences, net	175	603	15
Fair value gain from remeasurement of equity interest previously held in an acquired subsidiary to fair value	—	—	8,757
Others	31	294	63
	1,210	1,786	10,272

* Various government grants have been received for investments in certain provinces in Mainland China in which the Company's subsidiaries operate. There are no unfulfilled conditions for contingencies relating to these grants.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
	Notes	2010	2011	2012
		HK$'000	HK$'000	HK$'000
Cost of inventories sold		21,600	29,588	61,903
Cost of services provided		128,894	110,778	161,061
Depreciation	14	10,255	12,371	13,421
Amortisation of other intangible assets	18	104	118	131
Amortisation of land lease payments	15	113	132	197
Auditors' remuneration		82	161	189
Employee benefit expense (including directors' remuneration):	9(a)			
Wages and salaries		16,957	26,694	55,178
Pension scheme contributions**		2,025	2,951	3,913
		18,982	29,645	59,091
Minimum lease payments under operating leases of land and buildings		1,783	1,964	3,246
Loss on disposal of items of property, plant and equipment*		1,540	126	65
Impairment of trade receivables*		5,861	8,399	8,208
Impairment/(reversal of impairment) of other receivables*		126	46	(110)
Research and development costs*		2,597	3,711	5,989
Foreign exchange differences, net		(175)	(603)	(15)

* These items are included in "Other expenses" in the consolidated income statements.

** As at 31 December 2010, 2011 and 2012, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

8. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	4,409	6,000	4,025

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	507	1,604	3,330
Performance related bonuses	94	767	1,360
Pension scheme contributions	24	34	52
	625	2,405	4,742
	625	2,405	4,742

(b) The remuneration of the executive directors, non-executive directors and independent non-executive directors of the Company during the Relevant Periods were as follows:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2010					
Executive directors:					
Mr. Sze Wai Pan	—	273	—	12	285
Ms. Sze Wan Nga	—	234	94	12	340
	—	507	94	24	625
Year ended 31 December 2011					
Executive directors:					
Mr. Sze Wai Pan	—	663	300	12	975
Ms. Sze Wan Nga	—	445	300	12	757
Mr. Chan Kai King (note 1)	—	241	92	5	338
Mr. Zhang Yifu (note 1)	—	255	75	5	335
	—	1,604	767	34	2,405
Non-executive directors:					
Mr. Yeung Chin Chiu (note 2)	—	—	—	—	—
Ms. Chen Shirley Shiyou (note 2)	—	—	—	—	—
	—	—	—	—	—
	—	1,604	767	34	2,405
Year ended 31 December 2012					
Executive directors:					
Mr. Sze Wai Pan	—	1,310	500	13	1,823
Ms. Sze Wan Nga	—	732	400	13	1,145
Mr. Chan Kai King (note 1)	—	657	220	13	890
Mr. Zhang Yifu (note 1)	—	631	240	13	884
	—	3,330	1,360	52	4,742
Non-executive directors:					
Mr. Yeung Chin Chiu (note 2)	—	—	—	—	—
Ms. Chen Shirley Shiyou (note 2)	—	—	—	—	—
Independent non-executive directors:					
Ms. Yeung Sum (note 3)	—	—	—	—	—
Mr. Tang Koon Yiu Thomas (note 3)	—	—	—	—	—
Mr. Lau Ching Kwong (note 3)	—	—	—	—	—
	—	—	—	—	—
	—	3,330	1,360	52	4,742

Notes:

(1) Mr. Chan Kai King and Mr. Zhang Yifu were appointed as executive directors of the Company on 16 August 2011. Prior to their appointment, Mr. Chan Kai King and Mr. Zhang Yifu were employees of the Group. The remuneration received by Mr. Chan Kai King and Mr. Zhang Yifu from the Group prior to their appointment as directors was not included as directors' remuneration above since the services provided by them to the Group were not in the capacity of directors of the Company.

(2) Mr. Yeung Chin Chiu and Ms. Chen Shirley Shiyou were appointed as non-executive directors of the Company on 16 August 2011.

(3) Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong were appointed as independent non-executive directors of the Company on 10 August 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(c) Five highest paid employees

Two, two and four of the highest paid individuals were directors of the Company for the years ended 31 December 2010, 2011 and 2012, respectively.

Details of the remuneration of the remaining non-director, highest paid employees for each of the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Salaries, allowances and benefits in kind	1,179	1,271	637
Performance related bonuses	360	400	120
Pension scheme contributions	50	52	13
	1,589	1,723	770

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2010	2011	2012
Nil to HK$1,000,000	3	3	1

10. INCOME TAX

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Current:			
Mainland China	7,271	18,861	41,579
Hong Kong	—	—	353
Deferred (note 30)	3,454	2,054	698
Total tax charge for the year	10,725	20,915	42,630

Hong Kong profits tax

No provision for Hong Kong profits tax has been made for the years ended 31 December 2010 and 2011 as the Group did not generate any assessable profits arising in Hong Kong during these years. For the year ended 31 December 2012, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

PRC CIT

PRC CIT represents tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which were entitled to preferential tax rates during the Relevant Periods.

During the Relevant Periods, Freetech Road Recycling was registered as a high-and-new technology enterprise, and was subject to PRC CIT at a rate of 15% on its assessable profits.

During the years ended 31 December 2009, 2010 and 2011, Freetech Manufacturing was granted a preferential PRC CIT rate of 20%, 22% and 24%, respectively. In addition to the preferential PRC CIT rates granted, tax holidays were also granted by the relevant authorities to Freetech Manufacturing, where CIT was exempted for the years ended 31 December 2007 and 2008, and was chargeable at half of the applicable rate for the years ended 31 December 2009, 2010 and 2011. During the year ended 31 December 2012, Freetech Manufacturing was also registered as a high-and-new technology enterprise, and was subject to PRC CIT at a rate of 15% on its assessable profits.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2010

	Mainland China		Hong Kong		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	40,035		(2,496)		37,539	
Tax at the statutory tax rate	10,009	25.0	(412)	16.5	9,597	25.6
Lower tax rates for specific provinces or enacted by local authority	(4,148)	(10.4)	—	—	(4,148)	(11.0)
Income not subject to tax	(340)	(0.8)	—	—	(340)	(0.9)
Effect of withholding tax at 5% or 10% on the distribution of profits of the Group's PRC subsidiaries	3,454	8.6	—	—	3,454	9.2
Expenses not deductible for tax	1,750	4.4	412	(16.5)	2,162	5.7
Tax charge at the Group's effective rate	10,725	26.8	—	—	10,725	28.6

Year ended 31 December 2011

	Mainland China		Hong Kong		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	86,177		(3,112)		83,065	
Tax at the statutory tax rate	21,544	25.0	(513)	16.5	21,031	25.3
Lower tax rates for specific provinces or enacted by local authority	(9,332)	(10.8)	—	—	(9,332)	(11.2)
Profits and losses attributable to jointly-controlled entities	(105)	(0.1)	—	—	(105)	(0.1)
Income not subject to tax	(708)	(0.8)	(1)	—	(709)	(0.9)
Effect of withholding tax at 5% or 10% on the distribution of profits of the Group's PRC subsidiaries	2,054	2.4	—	—	2,054	2.5
Expenses not deductible for tax	6,091	7.0	514	(16.5)	6,605	7.9
Temporary differences not recognised	1,371	1.6	—	—	1,371	1.7
Tax charge at the Group's effective rate	20,915	24.3	—	—	20,915	25.2

Year ended 31 December 2012

	Mainland China		Hong Kong		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	208,157		(15,154)		193,003	
Tax at the statutory tax rate	52,039	25.0	(2,500)	16.5	49,539	25.7
Lower tax rates for specific provinces or enacted by local authority	(18,197)	(8.7)	—	—	(18,197)	(9.4)
Profits and losses attributable to jointly-controlled entities and associates	(787)	(0.4)	—	—	(787)	(0.4)
Income not subject to tax	(2,253)	(1.1)	313	(2.1)	(1,940)	(1.0)
Effect of withholding tax at 5% on the distribution of profits of the Group's PRC subsidiaries	9,867	4.7	—	—	9,867	5.1
Expenses not deductible for tax	1,608	0.8	2,540	(16.7)	4,148	2.1
Tax charge at the Group's effective rate	42,277	20.3	353	(2.3)	42,630	22.1

The share of tax attributable to jointly-controlled entities amounting to HK$15,000 and HK$745,000 for the years ended 31 December 2011 and 2012, respectively, is included in the "Share of profits and losses of jointly-controlled entities and associates" in the consolidated income statements.

11. DIVIDENDS

The dividends paid by the Company's subsidiaries to the ultimate holding company during the Relevant Periods were as follows:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Dividends	12,852	59,903	—

No dividend has been paid or declared by the Company since its date of incorporation to 31 December 2012. The rates of dividends and number of shares ranking for dividends are not presented as this information is not considered meaningful for the purpose of this report.

The directors of the Company confirmed that the outstanding dividends payable as at 31 December 2012 will be settled prior to the listing of the shares of the Company.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the years ended 31 December 2011 and 2012 include the losses of HK$1,707,000 and HK$13,761,000, respectively, which have been dealt with in the financial statements of the Company (note 32(b)).

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010, net of accumulated depreciation . . .	23,528	44,889	964	1,741	—	71,122
Additions	—	14,638	981	1,250	—	16,869
Transfer from inventories	—	14,317	—	—	—	14,317
Depreciation.	(1,240)	(7,713)	(144)	(1,158)	—	(10,255)
Disposals/write-off	—	(1,537)	(2)	(50)	—	(1,589)
Exchange realignment	812	2,236	56	64	—	3,168
At 31 December 2010 and 1 January 2011, net of accumulated depreciation . . .	23,100	66,830	1,855	1,847	—	93,632
Additions	—	11,852	525	2,021	223	14,621
Depreciation.	(1,301)	(9,497)	(410)	(1,163)	—	(12,371)
Disposals/write-off	—	(41)	(74)	(11)	—	(126)
Exchange realignment	1,095	3,540	86	85	5	4,811
At 31 December 2011 and 1 January 2012, net of accumulated depreciation . . .	22,894	72,684	1,982	2,779	228	100,567
Additions	—	3,116	688	7,141	9,469	20,414
Acquisition of a subsidiary (note 33).	—	22,934	16	294	—	23,244
Transfers	—	8,807	—	—	(8,807)	—
Depreciation.	(1,328)	(10,012)	(432)	(1,649)	—	(13,421)
Disposals/write-off	—	(1)	(1)	(72)	—	(74)
Transfer to inventories	—	(2,922)	—	—	—	(2,922)
Exchange realignment	170	22	16	82	10	300
At 31 December 2012, net of accumulated depreciation . . .	21,736	94,628	2,269	8,575	900	128,108

	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010:						
Cost	27,243	61,722	3,557	5,796	—	98,318
Accumulated depreciation	(3,715)	(16,833)	(2,593)	(4,055)	—	(27,196)
Net carrying amount	23,528	44,889	964	1,741	—	71,122
At 31 December 2010 and 1 January 2011:						
Cost	28,218	91,725	4,672	7,129	—	131,744
Accumulated depreciation	(5,118)	(24,895)	(2,817)	(5,282)	—	(38,112)
Net carrying amount	23,100	66,830	1,855	1,847	—	93,632
At 31 December 2011 and 1 January 2012:						
Cost	29,595	108,123	4,697	9,406	228	152,049
Accumulated depreciation	(6,701)	(35,439)	(2,715)	(6,627)	—	(51,482)
Net carrying amount	22,894	72,684	1,982	2,779	228	100,567
At 31 December 2012:						
Cost	29,836	142,414	5,441	16,962	900	195,553
Accumulated depreciation	(8,100)	(47,786)	(3,172)	(8,387)	—	(67,445)
Net carrying amount	21,736	94,628	2,269	8,575	900	128,108

Company

	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000
At 8 June 2011 (date of incorporation)	—	—	—
Additions	201	1,149	1,350
At 31 December 2011 and 1 January 2012, net of accumulated depreciation	201	1,149	1,350
Additions	199	—	199
Depreciation	(50)	(230)	(280)
At 31 December 2012, net of accumulated depreciation	350	919	1,269
At 31 December 2011 and 1 January 2012:			
Cost	201	1,149	1,350
Accumulated depreciation	—	—	—
Net carrying amount	201	1,149	1,350
At 31 December 2012:			
Cost	400	1,149	1,549
Accumulated depreciation	(50)	(230)	(280)
Net carrying amount	350	919	1,269

As at 31 December 2010, 2011 and 2012, certain of the Group's buildings and plant and machinery with an aggregate net carrying amount of HK$32,694,000, HK$32,499,000 and HK$39,491,000, respectively, were pledged to banks to secure the bank loans granted to the Group (note 29).

15. PREPAID LAND LEASE PAYMENTS

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Carrying amount at beginning of year	4,294	4,331	6,911
Additions during the year	—	2,444	217
Amortisation during the year	(113)	(132)	(197)
Exchange realignment	150	268	57
Carrying amount at end of year	4,331	6,911	6,988
Current portion included in prepayments, deposits and other receivables	(118)	(173)	(200)
Non-current portion	4,213	6,738	6,788

The leasehold lands are situated in Mainland China and are held under medium term leases.

As at 31 December 2010, 2011 and 2012, certain of the Group's leasehold lands with an aggregate net carrying amount of HK$4,331,000, HK$4,419,000 and HK$4,331,000, respectively, were pledged to banks to secure the bank loans granted to the Group (note 29).

16. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December	
	2011	2012
	HK$'000	HK$'000
Unlisted shares, at cost	1,253,923	1,253,923

Particulars of the subsidiaries of the Group as at the end of the Relevant Periods are set out in note 1 to the Financial Information. As at 31 December 2011 and 2012, the amounts due from subsidiaries included in the Company's current assets of HK$82,037,000 and HK$131,167,000, respectively, are unsecured, interest-free and are repayable on demand.

17. GOODWILL

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Cost and net carrying amount at beginning of year . . .	—	—	—
Acquisition of a subsidiary (note 33)	—	—	731
Cost and net carrying amount at end of year	—	—	731

The addition of the Group's goodwill for the year ended 31 December 2012 was resulted from the acquisition of a subsidiary, Freetech Ordos. Further details of the transaction are included in note 33 to the Financial Information.

Impairment testing of goodwill

The cash flows generated from the subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, the acquired subsidiary is a separate cash-generating unit. Management considered that the synergies arising from the acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from the acquisition is allocated to the corresponding subsidiary acquired.

The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are in a range of 13% to 15%. The growth rate used to extrapolate the cash flows of the above cash generating units beyond the five-year period is 3%, which is also an estimate of the rate of inflation.

Assumptions were used in the value-in-use calculation of the cash-generating units. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

18. OTHER INTANGIBLE ASSETS

Group

	Computer software
	HK$'000
At 1 January 2010, net of accumulated amortisation	407
Amortisation provided during the year	(104)
Exchange realignment	11
At 31 December 2010 and 1 January 2011, net of accumulated amortisation	314
Additions	94
Amortisation provided during the year	(118)
Exchange realignment	15
At 31 December 2011 and 1 January 2012, net of accumulated amortisation	305
Additions	7
Amortisation provided during the year	(131)
Exchange realignment	1
At 31 December 2012, net of accumulated amortisation	182
At 1 January 2010:	
Cost	515
Accumulated amortisation	(108)
Net carrying amount	407
At 31 December 2010 and 1 January 2011:	
Cost	533
Accumulated amortisation	(219)
Net carrying amount	314
At 31 December 2011 and 1 January 2012:	
Cost	655
Accumulated amortisation	(350)
Net carrying amount	305
At 31 December 2012:	
Cost	663
Accumulated amortisation	(481)
Net carrying amount	182

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Share of net assets (note)	—	23,573	70,860
Unrealised profit of sales to jointly-controlled entities	—	(9,255)	(44,028)
	—	14,318	26,832

Note: Prior to 21 June 2012, the Group held 51% of the equity interests in Freetech Ordos and accounted for it as a jointly-controlled entity by using the equity method. Effective from 21 June 2012, the Group has obtained the control over Freetech Ordos and Freetech Ordos became a subsidiary of the Group. A fair value gain of HK$8,757,000 from remeasurement of equity interest previously held in Freetech Ordos to fair value was recognised in profit or loss upon the consolidation of Freetech Ordos.

The Group's trade receivable balances with jointly-controlled entities are disclosed in note 22 to the Financial Information.

Particulars of the jointly-controlled entities at the end of the Relevant Periods are as follows:

Name of company	Particulars of issued shares held/capital	Place of registration and operation	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
湖南英達通衢道路再生工程有限公司 Hunan Freetech Tongqu Road Recycling Engineering Co., Ltd.#	Paid-up capital of RMB19,250,000	PRC	55%	55%	55%	Provision of road maintenance services
Futech Road Recycling Engineering Limited	Paid-up capital of HK$31,500,000	Hong Kong	50%	50%	50%	Investment holding
泉州福達道路再生工程技術有限公司 Quanzhou Futech Road Recycling Engineering Technology Co., Ltd.#	Paid-up capital of HK$31,500,000	PRC	50%	50%	50%	Provision of road maintenance services
南京路捷道路養護工程有限公司 Nanjing Lujie Road Maintenance Engineering Co., Ltd.#	Paid-up capital of RMB12,000,000	PRC	40%	40%	40%	Provision of road maintenance services

\# The names of these companies referred to in this report represent management's best effort at translating the Chinese names of these companies, as no English names have been registered.

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The following tables illustrate the summarised financial information of the Group's jointly-controlled entities extracted from their management accounts:

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Share of the jointly-controlled entities' assets and liabilities:			
Current assets	—	11,774	15,274
Non-current assets	—	12,497	66,751
Current liabilities	—	(698)	(11,165)
Net assets	—	23,573	70,860

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**
Share of the jointly-controlled entities' results*:			
Revenue	—	2,856	25,139
Other income	—	21	23
	—	2,877	25,162
Total expenses	—	(2,443)	(20,844)
Income tax	—	(15)	(745)
Profit after tax	—	419	3,573

* Excluding the realisation of unrealised profit of sales to jointly-controlled entities.

20. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Share of net assets	—	—	20,543
Unrealised profit of sales to associates	—	—	(17,096)
	—	—	3,447

The Group's trade receivable and payable balances with associates are disclosed in notes 22 and 27 to the Financial Information, respectively.

Particulars of the associates at the end of the Relevant Periods are as follows:

Name of company	Particulars of issued shares held/capital	Place of registration and operation	Percentage of ownership interest attributable to the Group	Principal activities
宿遷恒通道路再生工程有限公司 Suqian Hengtong Road Recycling Constructions Co., Ltd.#	Paid-up capital of RMB12,250,000	PRC	35%	Provision of road maintenance services
新疆建達道路工程有限公司 Xinjiang Jianda Road Engineering Co., Ltd.#	Paid-up capital of RMB4,900,000	PRC	49%	Provision of road maintenance services

\# The names of these companies referred to in this report represent management's best effort at translating the Chinese names of these companies, as no English names have been registered.

All of the above investments in associates are indirectly held by the Company.

The following tables illustrate the summarised financial information of the Group's associates extracted from their management accounts:

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Assets	—	—	72,727
Liabilities	—	—	19,296

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Revenues	—	—	1,852
Loss	—	—	2,515

21. INVENTORIES

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Raw materials	8,821	11,795	13,453
Work-in-progress	7,302	16,473	27,045
Finished goods	3,137	6,048	559
	19,260	34,316	41,057

22. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Trade and bills receivables	98,799	159,386	298,668
Impairment	(12,768)	(21,996)	(30,460)
	86,031	137,390	268,208

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is determined on a case by case basis, subject to the fulfilment of conditions as stipulated in the respective sales contracts. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Except for a trade receivable of approximately HK$26,986,000 as at 31 December 2012 which provided a payment guarantee letter to the Group, the Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Within 3 months	31,037	45,489	113,726
3 to 12 months	39,080	38,264	89,436
1 to 2 years	14,920	46,830	24,520
Over 2 years	994	6,807	40,526
	86,031	137,390	268,208

The movements in provision for impairment of trade receivables are as follows:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
At 1 January	6,526	12,768	21,996
Impairment losses recognised (note 7)	5,861	8,399	8,208
Exchange realignment	381	829	256
	12,768	21,996	30,460

As at 31 December 2010, 2011 and 2012, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$11,628,000, HK$17,496,000 and HK$20,628,000, respectively.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

An aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	41,813	17,234	146,781
Less than 1 month past due	899	28,056	22,206
1 to 3 months past due	12,096	10,847	6,257
More than 3 months but less than 12 months past due	14,484	26,610	27,918
	69,292	82,747	203,162

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. See note 40 on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2011 and 2012, included in the Group's trade and bills receivables are amounts due from jointly-controlled entities of approximately HK$864,000 and HK$10,532,000, respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 31 December 2012, included in the Group's trade and bills receivables are amounts due from associates of approximately HK$19,043,000, which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 31 December 2010, 2011 and 2012, certain of the Group's trade receivables with an aggregate amount of HK$45,195,000, HK$47,400,000 and HK$47,784,000, respectively, were pledged to banks to secure the bank loans granted to the Group (note 29).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Prepayments	1,851	2,450	11,165
Deposits and other receivables	4,024	6,129	9,333
	5,875	8,579	20,498
Portion classified as non-current asset — prepayments	—	—	(3,157)
Current portion	5,875	8,579	17,341

Company

	As at 31 December	
	2011	2012
	HK$'000	HK$'000
Prepayments	—	3,044
Deposits and other receivables	27	74
	27	3,118

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

As at 31 December 2012, included in the Group's and the Company's deposits and other receivables is an amount due from a jointly-controlled entity of approximately HK$71,000, which is unsecured, interest-free and has no fixed terms of repayment.

24. AMOUNTS DUE FROM A RELATED PERSON

Group

	1 January 2010	Maximum amount outstanding during the year	31 December 2010 and 1 January 2011	Maximum amount outstanding during the year	31 December 2011 and 1 January 2012	Maximum amount outstanding during the year	31 December 2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Sze Wai Pang (note (a))	—	259	259	865	—	—	—

Note:

(a) Mr. Sze Wai Pang is a brother of Mr. Sze Wai Pan.

The balances were unsecured, interest-free and repaid in 2011. The carrying amounts of these balances approximated to their fair values.

25. AMOUNTS DUE FROM DIRECTORS

Group

	1 January 2010	Maximum amount outstanding during the year	31 December 2010 and 1 January 2011	Maximum amount outstanding during the year	31 December 2011 and 1 January 2012	Maximum amount outstanding during the year	31 December 2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Sze Wai Pan	1,224	1,702	1,702	2,579	2,579	2,579	—
Ms. Sze Wan Nga	865	983	983	1,072	1,072	1,072	—
	2,089		2,685		3,651		—

The balances were unsecured, interest-free and repaid in 2012. The carrying amounts of these balances approximated to their fair values.

26. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Cash and bank balances	18,255	135,263	130,862
Time deposits	328	394	448
	18,583	135,657	131,310
Less: Pledged time deposits for performance bonds	(328)	(394)	(448)
Cash and bank balances	18,255	135,263	130,862

Company

	As at 31 December	
	2011	2012
	HK$'000	HK$'000
Cash and bank balances	70,213	594

The cash and bank balances of the Group denominated in RMB amounted to HK$17,839,000, HK$61,784,000 and HK$97,431,000 at 31 December 2010, 2011 and 2012, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

27. TRADE PAYABLES

Group

An aged analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Within 3 months	26,249	18,238	24,965
3 to 12 months	5,304	2,641	26,631
1 to 2 years	1,125	19,681	2,282
Over 2 years	—	609	19,861
	32,678	41,169	73,739

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 180 days.

As at 31 December 2012, included in the Group's trade payables is an amount due to an associate of approximately HK$2,240,000 which is repayable within 90 days, which represents similar credit terms to those offered by the associate to its major customers.

28. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Advances from customers	4,387	12,823	6,987
Other payables and accruals	25,483	25,561	37,684
	29,870	38,384	44,671

Company

	As at 31 December	
	2011	2012
	HK$'000	HK$'000
Other payables and accruals	11	5,099

Other payables are non-interest-bearing and are normally settled on terms ranging from 30 to 180 days.

29. INTEREST-BEARING BANK BORROWINGS

Group

	As at 31 December								
	2010			2011			2012		
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate(%)	Maturity	HK$'000
Current									
Bank loans, secured	5.59-6.97	2011-2017 or on demand	77,357	5.76-6.97	2012-2017 or on demand	58,775	6.00-8.20	2013-2017 or on demand	73,295
Current portion of long-term bank loans, secured			—			—	6.15	2013	4,975
			77,357			58,775			78,270
Non-current									
Bank loans, secured			—			—	6.15	2014	7,463
			77,357			58,775			85,733

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	77,357	58,775	78,270
In the second year	—	—	7,463
	77,357	58,775	85,733

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) Mortgages over the Group's buildings and plant and machinery with an aggregate carrying amount of approximately HK$32,694,000, HK$32,499,000 and HK$39,491,000 at 31 December 2010, 2011 and 2012, respectively;

(ii) Mortgages over the Group's leasehold land with an aggregate carrying amount of approximately HK$4,331,000, HK$4,419,000 and HK$4,331,000 at 31 December 2010, 2011 and 2012, respectively; and

(iii) Mortgages over the Group's trade receivables with an aggregate amount of approximately HK$45,195,000, HK$47,400,000 and HK$47,784,000 at 31 December 2010, 2011 and 2012, respectively.

(b) Included in the Group's bank loans repayable within one year or on demand at 31 December 2010, 2011 and 2012 is a secured bank loan of HK$33,238,000, HK$17,501,000 and HK$14,088,000, respectively, which will mature from 2015 to 2017, with an on demand clause.

(c) As at 31 December 2010, 2011 and 2012, the secured bank loans of approximately HK$77,357,000, HK$58,775,000 and HK$80,136,000, respectively, were guaranteed by the Founder.

(d) As at 31 December 2010, 2011 and 2012, the secured bank loans of approximately HK$33,238,000, HK$17,501,000 and HK$26,649,000, respectively, were guaranteed by the ultimate holding company.

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

Group

	Unrealised profits from intra-group transactions
	HK$'000
At 1 January 2010, 31 December 2010, 1 January 2011, 31 December 2011 and 1 January 2012	—
Credited to the consolidated income statement for the year (note 10)	9,169
Exchange realignment	108
At 31 December 2012	9,277

Deferred tax liabilities

Group

	Withholding taxes
	HK$'000
At 1 January 2010	1,723
Charged to the consolidated income statement for the year (note 10)	3,454
Exchange realignment	61
At 31 December 2010 and 1 January 2011	5,238
Charged to the consolidated income statement for the year (note 10)	2,054
Exchange realignment	256
At 31 December 2011 and 1 January 2012	7,548
Charged to the consolidated income statement for the year (note 10)	9,867
Exchange realignment	61
At 31 December 2012	17,476

As at 31 December 2011 and 2012, the Group has tax losses arising in Hong Kong of HK$174,000 and HK$1,478,000, respectively, that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Company

	Notes	Number of shares	Amounts
			HK$'000
Authorised ordinary shares of HK$0.10 each:			
At 31 December 2010	(a)	—	—
At 31 December 2011 and 2012	(b)	3,900,000	390
Issued and fully paid ordinary shares of HK$0.10 each:			
At 31 December 2010	(a)	—	—
At 31 December 2011 and 2012	(b)	1,781,636	178

The movements in the Company's issued ordinary share capital during the Relevant Periods are as follows:

	Notes	Numbers of shares in issue	Issued share capital
			HK$'000
At 1 January 2010 and 31 December 2010	(a)	—	—
At 1 January 2011	(a)	—	—
Issue of shares on incorporation	(b)	1,560,000	156
Issue of shares on the Reorganisation	(c)	221,636	22
At 31 December 2011 and 2012		1,781,636	178

Notes:

(a) There was no authorised and issued capital as at 1 January 2010, 31 December 2010 and 1 January 2011 since the Company was not yet incorporated.

(b) On 8 June 2011, the Company was incorporated with an authorised share capital of US$50,000 (equivalent to approximately HK$390,000) divided into 50,000 ordinary shares of US$1 each and 1 of which was issued and fully paid at par. On the same day, 19,999 ordinary shares of US$19,999 in aggregate (equivalent to approximately HK$156,000) were allotted and issued to Freetech Cayman. On 13 July 2011, the currency denomination of the ordinary shares was changed to HK$ and the number of shares were subdivided resulting in the authorised share capital of HK$390,000 divided into 3,900,000 ordinary shares of HK$0.10 each.

(c) On 12 August 2011, the Company issued 110,818 ordinary shares to Freetech Cayman to acquire the entire issued share of Freetech BVI held by Freetech Technology. On the same day, the Company issued 110,818 ordinary shares to Freetech Cayman to acquire the entire issued share capital of BS BVI held by the Founder. Further details of the Reorganisation are set out in note 1 to the Financial Information.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity.

Contributed surplus

The contributed surplus represents the difference between the Company's shares of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation.

Reserve funds

Pursuant to the relevant laws and regulations, a portion of the profits of the Company's subsidiaries which are established in the People's Republic of China has been transferred to reserve funds which are restricted to use.

(b) Company

	Note	Contributed surplus	Accumulated losses	Total
		HK$'000	HK$'000	HK$'000
At 8 June 2011 (date of incorporation)		—	—	—
Loss for the period		—	(1,707)	(1,707)
Issue of shares on the Reorganisation	31(c)	1,253,901	—	1,253,901
At 31 December 2011 and 1 January 2012		1,253,901	(1,707)	1,252,194
Loss for the year		—	(13,761)	(13,761)
At 31 December 2012		1,253,901	(15,468)	1,238,433

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation referred to in note 1 to the Financial Information, over the nominal value of the Company's shares issued in exchange therefor.

33. BUSINESS COMBINATION

In May 2012, the Group entered into a share purchase agreement with its joint venture partner, 鄂爾多斯市路通公路養護有限責任公司 (Ordos Lutong Road Maintenance Co., Ltd.*), to acquire a 2% equity interest in Freetech Ordos, which was previously a jointly-controlled entity of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB1,200,000 (equivalent to approximately of HK$1,481,000) paid at the acquisition date. Together with the 51% equity interest held before the acquisition, the Group's interest in Freetech Ordos increased to 53% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Freetech Ordos, and the Group obtained the control in Freetech Ordos, and Freetech Ordos became a subsidiary of the Group. The acquisition was completed on 21 June 2012. Freetech Ordos is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Inner Mongolia.

* For identification purpose only.

The fair values of the identifiable assets and liabilities of Freetech Ordos as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		HK$'000
Property, plant and equipment	14	23,244
Trade receivables		19,236
Prepayments, deposits and other receivables		499
Cash and bank balances		8,396
Trade payables		(10,109)
Other payables and accruals		(2,013)
Tax payable		(547)
Total identifiable net assets at fair value		38,706
Non-controlling interests		(18,192)
Goodwill on acquisition	17	731
		21,245
Satisfied by:		
Fair value of equity interest previously held as investment in a jointly-controlled entity		19,764
Cash		1,481
		21,245

The measurement basis of non-controlling interests is the non-controlling interests' proportionate shares of the fair value of the acquirees' net identifiable assets.

The Group held a 51% equity interest in Freetech Ordos immediately before obtaining the control of it. The Group remeasured the fair value of the equity interest previously held at the date it became a subsidiary, a fair value gain of HK$8,757,000 was recognised in profit or loss during the year ended 31 December 2012.

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Freetech Ordos is as follows:

	Year ended 31 December 2012
	HK$'000
Cash consideration	(1,481)
Cash and bank balances acquired	8,396
Net inflow of cash and cash equivalents included in cash flows from investing activities	6,915

Since the acquisition, the newly acquired subsidiary made contribution of HK$36,800,000 to the Group's turnover and accounted for profit before tax of HK$10,714,000 to the consolidated profit before tax for the year ended 31 December 2012.

Had the combinations taken place on 1 January 2012, the consolidated revenue and consolidated profit before tax of the Group for the year ended 31 December 2012 would have been HK$501,413,000 and HK$194,505,000, respectively.

34. CONTINGENT LIABILITIES

As at 31 December 2010, 2011 and 2012, neither the Group nor the Company had any significant contingent liabilities.

35. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and warehouses under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

As at the end of each reporting period, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Within one year	1,633	1,687	1,319
In the second to fifth years, inclusive	1,860	647	43
	3,493	2,334	1,362

36. COMMITMENTS

In addition to the operating lease commitments disclosed in note 35 above, the Group had the following commitments as at the end of each reporting period:

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Contracted, but not provided for:			
Land use rights	2,330	—	—
Property, plant and equipment	—	733	43,673
Capital contributions payable to jointly-controlled entities	—	18,546	7,613
Capital contributions payable to an associate	—	—	6,095
	2,330	19,279	57,381
Authorised, but not contracted for:			
Property, plant and equipment	—	—	18,742
	2,330	19,279	76,123

37. RELATED PARTY TRANSACTIONS

(a) Apart from the transactions and balances disclosed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Transaction with jointly-controlled entities:			
Sales of goods (note i)	—	12,751*	50,745*
Provision of road maintenance services (note i)	—	—	2,818
Transaction with associates:			
Sales of goods (note i)	—	—	55,339*
Receiving of road maintenance services (note i)	—	—	1,914
Transaction with companies controlled by the Founder:			
Sales of goods (note i)	402	491	—
Purchases of goods (note i)	5,222	1,078	164
Banking facilities guarantees given by the Founder (note ii)	91,667	91,142	123,351
Banking facilities guarantees given by the ultimate holding company (note iii)	45,195	47,400	48,717

* After elimination of unrealised profits.

The directors of the Company confirmed that the banking facilities guarantees given by the Founder and the ultimate holding company will be released prior to the listing of the shares of the Company.

The directors of the Company also confirmed that except for the transaction with companies controlled by the Founder set out in note (a) above, all the above transactions will continue after the listing of the shares of the Company.

Notes:

(i) The above transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

(ii) The banking facilities guarantees were given to PRC banks for credit facilities granted to subsidiaries of the Company and utilised to the extent of approximately HK$88,514,000, HK$63,379,000 and HK$75,136,000 at 31 December 2010, 2011 and 2012, respectively.

(iii) The banking facilities guarantees were given to PRC banks for credit facilities granted to subsidiaries of the Company and utilised to the extent of approximately HK$44,395,000, HK$22,105,000 and HK$31,320,000 at 31 December 2010, 2011 and 2012, respectively.

(b) Outstanding balances with related parties

(i) Details of the Group's amounts due from a related person are included in note 24 to the Financial Information.

(ii) Details of the Group's amounts due from directors are included in note 25 to the Financial Information.

(iii) Details of the Group's balances with jointly-controlled entities and associates are included in notes 22, 23 and 27 to the Financial Information.

(iv) As at 31 December 2011, the balance due to a jointly-controlled entity included in the Group's other payables and accruals was HK$5,553,000. The balance was unsecured, interest-free and had no fixed terms of repayment.

(c) In the opinion of the directors of the Company, the directors of the Company represented the key management personnel of the Group. Further details of directors' emoluments are included in note 9(a) to the Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2010, 2011 and 2012, all the financial assets and liabilities of the Group and the Company were loans and receivables and financial liabilities at amortised cost, respectively.

39. FAIR VALUE AND FAIR VALUE HIERARCHY

As at 31 December 2010, 2011 and 2012, the carrying amounts of the Group's and Company's financial instruments approximated to their fair values.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the Relevant Periods under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings on interest expenses charged to the income statements).

	Increase/ (decrease) in basis points	Increase/ (decrease) in the Group's profit before tax
		HK$'000
For the year ended 31 December 2010		
RMB borrowings	100	(228)
RMB borrowings	(100)	228
For the year ended 31 December 2011		
RMB borrowings	100	(342)
RMB borrowings	(100)	342
For the year ended 31 December 2012		
RMB borrowings	100	(276)
RMB borrowings	(100)	276

Foreign currency risk

The business of the Group is principally conducted in the PRC and most of the transactions are denominated in RMB, except for certain bank deposits which are denominated in United States dollars ("US$") and Hong Kong dollars. The Group has not hedged its foreign currency risk.

The following table demonstrates the sensitivity to a reasonably possible change in HK$ exchange rates against US$ and RMB, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in the Group's profit before tax
	%	HK$'000
For the year ended 31 December 2010		
If US$ weakens against HK$	5	—
If US$ strengthens against HK$	(5)	—
If RMB weakens against HK$	5	1,356
If RMB strengthens against HK$	(5)	(1,356)
For the year ended 31 December 2011		
If US$ weakens against HK$	5	4,606
If US$ strengthens against HK$	(5)	(4,606)
If RMB weakens against HK$	5	(1,818)
If RMB strengthens against HK$	(5)	1,818
For the year ended 31 December 2012		
If US$ weakens against HK$	5	4,574
If US$ strengthens against HK$	(5)	(4,574)
If RMB weakens against HK$	5	(11,841)
If RMB strengthens against HK$	(5)	11,841

Credit risk

The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, amounts due from a related person and directors and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Customer credit risk is managed by each business segment subject to the Group's established policy and review relating the customer credit risk regularly. The Group had five customers which accounted for approximately 43%, 33% and 40% of all receivables owing at 31 December 2010, 2011 and 2012, respectively.

The requirement for impairment is analysed at the end of each reporting date on an individual basis. Additionally, a large number of receivables are assessed by ageing for impairment collectively. The maximum exposure to credit risk as at the end of each reporting period is the carrying value of each class of financial assets disclosed in note 22. The Group evaluates the concentration of risk with respect to trade receivables as low, as a large number of diversified customers.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group aims to maintain flexibility in funding by keeping sufficient cash or committed credit lines available.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Within one year or on demand	In the second to fifth years, inclusive	Beyond five years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2010				
Trade payables	32,678	—	—	32,678
Financial liabilities included in other payables and accruals	16,313	—	—	16,313
Dividends payable	6,334	—	—	6,334
Interest-bearing bank borrowings (Note)	83,567	—	—	83,567
Due to the ultimate holding company	11,703	—	—	11,703
	150,595	—	—	150,595
31 December 2011				
Trade payables	41,169	—	—	41,169
Financial liabilities included in other payables and accruals	23,686	—	—	23,686
Dividends payable	52,299	—	—	52,299
Interest-bearing bank borrowings (Note)	63,421	—	—	63,421
Due to the ultimate holding company	14,895	—	—	14,895
Due to the immediate holding company	—	154,748	—	154,748
	195,470	154,748	—	350,218
31 December 2012				
Trade payables	73,739	—	—	73,739
Financial liabilities included in other payables and accruals	27,183	—	—	27,183
Dividends payable	4,964	—	—	4,964
Interest-bearing bank borrowings (Note)	83,812	8,142	—	91,954
Due to the ultimate holding company	4,350	—	—	4,350
Due to the immediate holding company	—	153,538	—	153,538
	194,048	161,680	—	355,728

Note: Included in interest-bearing bank borrowings is a term loan in the amount of HK$33,238,000, HK$17,501,000 and HK$14,088,000 at 31 December 2010, 2011 and 2012, respectively. The loan agreement contains a repayment on-demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Company

	Within one year or on demand	In the second to fifth years, inclusive	Beyond five years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2011				
Due to the ultimate holding company	419	—	—	419
Due to the immediate holding company	—	154,748	—	154,748
	419	154,748	—	155,167
31 December 2012				
Financial liabilities included in other payables and accruals	5,099	—	—	5,099
Due to the immediate holding company	—	153,538	—	153,538
	5,099	153,538	—	158,637

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to equity owners of the parent plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, other payables and accruals, dividends payable and amounts due to the ultimate holding company and the immediate holding company less cash and bank balances. The gearing ratios as at the end of each reporting period in the Relevant Periods were as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	HK$'000	HK$'000
Interest-bearing bank borrowings	77,357	58,775	85,733
Trade payables	32,678	41,169	73,739
Other payables and accruals	29,870	38,384	44,671
Dividends payable	6,334	52,299	4,964
Due to the ultimate holding company	11,703	14,895	4,350
Due to the immediate holding company	—	154,748	153,538
Less: Cash and bank balances	(18,255)	(135,263)	(130,862)
Net debt	139,687	225,007	236,133
Equity attributable to owners of the parent	62,048	69,310	220,585
Capital and net debt	201,735	294,317	456,718
Gearing ratio	69.2%	76.5%	51.7%

III. EVENTS AFTER THE REPORTING PERIOD

(a) On 7 June 2013, the Company's authorised share capital was increased from HK$390,000 to HK$1,000,000,000 by creation of an additional 9,996,100,000 ordinary shares of HK$0.10 each.

(b) On 7 June 2013, the Company adopted a share option scheme and further details of the share option scheme are set out in "F. Share Option Scheme" in Appendix IV to the Prospectus.

(c) On 7 June 2013, the Company declared the dividend distribution totalling HK$60,000,000 to its shareholders. Such dividend was not accounted for in the consolidated financial statements for the Relevant Periods.

(d) On 7 June 2013, the Company issued 98,218,364 shares to the immediate holding company for a total consideration of approximately HK$153,183,000, being capitalisation of the amount due to the immediate holding company.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2012.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth in this Appendix II does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2012 and based on the audited consolidated net assets attributable to owners of the Company as at 31 December 2012 as shown in the Accountants' Report included in Appendix I to this prospectus and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its nature, it may not give a true and fair picture of the financial position of the Group after the completion of the Global Offering or at any future dates.

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2012	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK$'000	HK$'000	HK$'000	HK$
	note 1	note 2		note 3
Based on an Offer Price of HK$2.43 per Share	219,672	574,036	793,708	0.76
Based on an Offer Price of HK$3.32 per Share	219,672	798,494	1,018,166	0.98

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2012 is extracted from the Accountants' Report set out in Appendix I which is equal to the audited consolidated net assets attributable to owners of the Company of HK$220,585,000 as at 31 December 2012 less other intangible assets of HK$182,000 and goodwill of HK$731,000 as at the same date.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$2.43 to HK$3.32 per Share, being the lower end to higher end of the stated offer price range, after deduction of the estimated underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,040,000,000 Shares are in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 31 December 2012 but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2012.

(B) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of the Group.

ERNST & YOUNG
安 永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

14 June 2013

The Directors
Freetech Road Recycling Technology (Holdings) Limited
CITIC Securities Corporate Finance (HK) Limited
Guotai Junan Capital Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of Freetech Road Recycling Technology (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the global offering of shares of the Company might have affected the financial information presented, for inclusion in Section A of Appendix II to the prospectus of the Company dated 14 June 2013 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 *Accountants' Reports on Pro Forma Financial Information in Investment Circulars* issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2012 or any future dates.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) such bases are consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 June 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 7 June, 2013. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the

Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 26 July 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company is incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 June 2011. Our Company has been registered as an non-Hong Kong company under Part XI of the Companies Ordinance on 1 March 2013 and our principal place of business in Hong Kong is at 29/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong. Ms. Irene Sze has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong. The address for the acceptance of service of process and notices of our Company is 29/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong.

As our Company is incorporated in the Cayman Islands, its operation is subject to the relevant law of the Cayman Islands and its constitution comprising a memorandum of association and articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix III to this prospectus.

2. Changes in Share Capital of Our Company

(a) On 8 June 2011, being the date of incorporation of our Company, the authorised share capital of our Company was US$50,000 divided into 50,000 shares with par value of US$1.00 each. One share in the share capital of our Company was then allotted and issued, credited as fully paid, to Reid Services Limited and was transferred to Freetech Cayman on the same day. On the same day, 19,999 shares with par value of US$1.00 in the share capital of our Company were allotted and issued, credited as fully paid, to Freetech Cayman.

(b) On 13 July 2011, the shares in the share capital of our Company were redenominated from par value of US$1.00 per share to HK$7.80 per share. The shares in the share capital of our Company were then subdivided into 78 Shares with par value of HK$0.10 each. After such redenomination and subdivision, the authorised capital of our Company became HK$390,000 divided into 3,900,000 Shares with par value of HK$0.10 each and the issued share capital of our Company was HK$156,000 divided into 1,560,000 Shares with par value of HK$0.10 each.

(c) On 12 August 2011, a further 221,636 Shares with par value of HK$0.10 each were allotted and issued, credited as fully paid to Freetech Cayman.

(d) On 7 June 2013, the authorised share capital of our Company was increased from HK$390,000 to HK$1,000,000,000 by the creation of 9,996,100,000 new Shares.

(e) On 7 June 2013, our Company issued 98,218,364 Shares to Freetech Cayman for a total consideration of HK$153,182,808.30, being the amount due from the Company to Freetech Cayman, which has been capitalised and applied in paying up in full the 98,218,364 Shares.

(f) Immediately following the completion of the Global Offering and the Capitalisation Issue but taking into no account of any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, our authorised share capital will be HK$1,000,000,000 divided into 10,000,000,000 Shares, of which 1,040,000,000 Shares will be issued fully paid or credited as fully paid, and 8,960,000,000 Shares will remain unissued.

(g) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "4. Written Resolution of Our Sole Shareholder Passed on 7 June 2013" below and pursuant to the exercise of the options that may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in a general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Except as disclosed in this paragraph headed "2. Changes in Share Capital of Our Company", there has been no alteration in our Company's share capital since its incorporation.

3. Changes in Share Capital or Registered Capital of Our Subsidiaries

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

(a) on 26 October 2011, the registered capital of Freetech Road Recycling was increased from US$3,250,000 to US$15,600,000;

(b) on 23 March 2011, the registered capital of Nanjing Maintenance Machinery was increased from US$300,000 to US$400,000;

(c) on 21 October 2011, the registered capital of Nanjing Maintenance Machinery was increased from US$400,000 to US$5,050,000; and

(d) on 21 October 2011, the registered capital of Freetech Manufacturing was changed from US$3,500,000 to US$9,700,000.

Except as disclosed in this paragraph headed "3. Changes in Share Capital or Registered Capital of Our Subsidiaries" and in the section headed "History and Corporate Structure — Corporate Development" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written Resolutions of Our Sole Shareholder Passed on 7 June 2013

Pursuant to the written resolutions of the sole shareholder entitled to vote at general meetings of our Company, which were passed on 7 June 2013, among others:

(a) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK$6,800,000 be capitalised and be applied in paying up in full at par, 68,000,000 Shares for allotment and issue to the Shareholders whose names were on the register of members of our Company immediately after the transfer of shares by Freetech Cayman under the Share Redemption Agreement and the Shares to be allotted and issued pursuant to the written resolutions shall rank pari passu in all respects with the existing issued Shares;

(b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option and the Share Option Scheme) as mentioned in the Prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the other Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms; and

(ii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company, the options that may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue before any exercise of the Over-allotment Option; For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognised regulatory body or any stock exchange applicable to our Company);

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but before the exercise of the Over-allotment Option;

(e) the extension of the general mandate was given to allot, issue and deal with Shares as mentioned in paragraph (c) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalisation Issue but before the exercise of the Over-allotment Option be and is approved; and

(f) the Articles of Association was adopted.

Each of the general mandates referred to in paragraphs (c), (d) and (e) above will remain in effect until whichever is the earliest of:

(i) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(ii) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(iii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of Our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(1) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions passed on 7 June 2013 by Freetech Cayman, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following the completion of the Global Offering, details of which have been described above in the paragraph headed "4. Written Resolutions of Our Sole Shareholder Passed on 7 June 2013".

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(2) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(3) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(4) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities within six months prior to the date of this prospectus.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANISATION

For details of the Corporate Reorganisation which was effected in preparation for the Listing, please refer to the section headed "History and Corporate Structure — Corporate Reorganisation" in this prospectus.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a shareholders' agreement dated 16 August 2011 entered into between Smart Firm, Future Blossom, Freetech Cayman, our Company, Sze BVI, Rank Best, Best Venture and Mr. Sze relating to Freetech Cayman and our Company;

(b) a shareholders' equity transfer agreement dated 21 May 2012 entered into between Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司) as transferor and Freetech Road Recycling as transferee for the transfer of RMB600,000 out of a total of RMB14,700,000 equity interest in Freetech Ordos held by Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路養護有限責任公司) for a consideration of RMB1,200,000;

(c) a share redemption agreement dated 7 June 2013 entered into between Best Venture, Rank Best, Smart Firm, Future Blossom, Freetech Cayman, our Company, Sze BVI and Mr. Sze in relation to the redemption of 352,716 ordinary shares of Freetech Cayman and 265,964 Freetech Cayman Preferred Shares;

(d) a supplemental agreement dated 7 June 2013 entered into between Smart Firm, Future Blossom, Freetech Cayman, our Company, Sze BVI, Rank Best, Best Venture and Mr. Sze in respect of a shareholders' agreement entered into between the same parties relating to Freetech Cayman and our Company dated 16 August 2011;

(e) the Deed of Non-competition;

(f) the Deed of Indemnity;

(g) a cornerstone investment agreement dated 10 June 2013 entered into between our Company, Increase Capital Limited, CITIC Securities, Guotai Junan Capital, Guotai Junan Securities and CICC pursuant to which Increase Capital Limited agreed to subscribe for the maximum number of Shares that may be purchased with HK$50 million at the Offer Price (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% per Share of the Offer Price), rounded down to the nearest board lot of the Shares; and

(h) the Hong Kong Underwriting Agreement.

2. *Intellectual Property Rights of our Group*

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which we believe are material to our business:

Trademarks	Owner	Place of Registration	Class	Registration Number	Expiry Date
A Freetech B FREETECH	Freetech Hong Kong	Hong Kong	7, 12, 42	300142622	13 January 2014
A B C D	Freetech Hong Kong	Hong Kong	7, 12, 42	300142631	13 January 2014
A 英達 B 英达	Freetech Hong Kong	Hong Kong	7, 12, 42	300142640	13 January 2014
ROAD MASTER	Freetech Hong Kong	Hong Kong	7, 42	300291500	23 September 2014
A Freetech ROAD DOCTOR B Freetech Road Doctor	Freetech Hong Kong	Hong Kong	7, 12, 37, 42	301099512	21 April 2018
A Freetech 公路医生 B Freetech 公路醫生	Freetech Hong Kong	Hong Kong	7, 12, 37, 42	301099521	21 April 2018
A ROAD DOCTOR B Road Doctor	Freetech Hong Kong	Hong Kong	7, 12, 37, 42	301099530	21 April 2018
A 公路醫生 B 公路医生	Freetech Hong Kong	Hong Kong	7, 12, 37, 42	301099549	21 April 2018
A 路橋醫生 B 路桥医生	Freetech Hong Kong	Hong Kong	7, 12, 37, 42	302394964	2 October 2022
A 道路醫生 B 道路医生	Freetech Hong Kong	Hong Kong	7, 12, 37, 42	302394973	2 October 2022

Trademarks	Owner	Place of Registration	Class	Registration Number	Expiry Date
英 达	Freetech Road Recycling	PRC	7	3026615	27 July 2015
Freetech 英达科技	Freetech Road Recycling	PRC	7	4733042	13 April 2018
Freetech 英達科技	Freetech Road Recycling	PRC	7	4732783	20 May 2018
Freetech 英达科技	Freetech Road Recycling	PRC	37	4732793	20 February 2019
Freetech 英達科技	Freetech Road Recycling	PRC	37	4733041	20 February 2019
公路医生	Freetech Road Recycling	PRC	7	5585453	27 June 2019
公路医院	Freetech Road Recycling	PRC	7	5585450	27 June 2019
Freetech >>英達科技 公路医生	Freetech Road Recycling	PRC	7	5585447	27 June 2019
Freetech 英達科技	Freetech Road Recycling	PRC	42	4732784	6 September 2019
英达	Freetech Manufacturing	PRC	12	5846297	13 October 2019
公路医生	Freetech Road Recycling	PRC	42	5585451	13 October 2019
道路医生	Freetech Road Recycling	PRC	7	6062565	27 November 2019
公路医生	Freetech Manufacturing	PRC	12	6062569	27 November 2019
道路医生	Freetech Manufacturing	PRC	12	6062570	27 November 2019
Freetech >>英達科技 公路医生	Freetech Road Recycling	PRC	37	5585412	13 December 2019
公路医生	Freetech Road Recycling	PRC	37	5585452	13 December 2019

Trademarks	Owner	Place of Registration	Class	Registration Number	Expiry Date
Freetech >>英達科技 公路医生	Freetech Manufacturing	PRC	12	6062566	20 December 2019
Freetech >>英達科技 公路医生	Freetech Road Recycling	PRC	42	5585413	20 March 2020
道路医生	Freetech Road Recycling	PRC	37	6062564	27 July 2020
道路医生	Freetech Road Recycling	PRC	42	6062563	13 August 2020

Notes: International classification of Goods/Services

Class 7: Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs; automatic vending machines.

Class 12: Vehicles; apparatus for locomotion by land, air or water.

Class 37: Building construction; repair; installation services.

Class 42: Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

As at the Latest Practicable Date, applications have been made for the registration of the following trademarks:

Trademark	Applicant	Place of application	Class	Application number	Application date
A Freetech 英達科技 B Freetech 英达科技 C FREETECH 英達科技 D FREETECH 英达科技	Freetech Hong Kong	Hong Kong	37	302333736	2 August 2012
Freetech >>英达热再生 公路医生	Freetech Road Recycling	PRC	7	10752767	11 April 2012
Freetech >>英达热再生 公路医生	Freetech Manufacturing	PRC	12	10747694	10 April 2012
Freetech >>英达热再生 公路医生	Freetech Road Recycling	PRC	37	10752734	11 April 2012
Freetech >>英达热再生 公路医生	Freetech Road Recycling	PRC	42	10752690	11 April 2012

Trademark	Applicant	Place of application	Class	Application number	Application date
Freetech 英达热再生	Freetech Road Recycling	PRC	7	10747745	10 April 2012
Freetech 英达热再生	Freetech Manufacturing	PRC	12	10747055	10 April 2012
Freetech 英达热再生	Freetech Road Recycling	PRC	37	10747735	10 April 2012
Freetech 英达热再生	Freetech Road Recycling	PRC	42	10747719	10 April 2012

Notes: International classification of Goods/Services

Class 7: Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs; automatic vending machines.

Class 12: Vehicles; apparatus for locomotion by land, air or water.

Class 37: Building construction; repair; installation services.

Class 42: Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

Patents

As at the Latest Practicable Date, we are the registered owner of the following patents:

Patent	Type	Patent number	Place of registration	Expiry date
車輛慢速行走驅動裝置 (Vehicle low-speed running driving device)	Invention	ZL 2008 1 0023803.3	PRC	14 April 2028
瀝青路面加熱車 (Asphalt pavement heating vehicle)	Invention	ZL 2008 1 0023500.1	PRC	14 April 2028

Patent	Type	Patent number	Place of registration	Expiry date
瀝青混合料分塊成型設備 (Asphalt mixture blocking and shaping equipment)	Invention	ZL 2008 1 0023801.4	PRC	14 April 2028
瀝青路面就地熱再生車 (Asphalt pavement on-site heat regeneration vehicle)	Invention	ZL 2008 1 0023499.2	PRC	14 April 2028
瀝青路面加熱車瀝青路面加熱裝置 (Asphalt pavement heating device for asphalt pavement heating vehicle)	Utility model	ZL 2008 2 0034145.3	PRC	14 April 2018
可拆卸內襯螺旋輸送機料槽 (Dismountable inner lining spiral conveyer trough)	Utility model	ZL 2008 2 0119240.3	PRC	19 June 2018
瀝青路面耙松裝置 (Asphalt pavement scarifying device)	Invention	ZL 2008 1 0128953.0	PRC	19 June 2028
熱再生修補車 (A) (Heat regeneration repairing vehicle (A))	Design	ZL 2008 3 0138079.X	PRC	19 June 2018
熱再生修補車 (B) (Heat regeneration repairing vehicle (B))	Design	ZL 2008 3 0138077.0	PRC	19 June 2018
可變形瀝青路面加熱板 (Deformable asphalt pavement heating plate)	Utility model	ZL 2008 2 0126573.9	PRC	1 July 2018
瀝青路面加熱墻加熱溫度檢測與控制裝置 (Heating temperature monitoring and control device for asphalt pavement heating wall)	Utility model	ZL 2008 2 0126574.3	PRC	1 July 2018

Patent	Type	Patent number	Place of registration	Expiry date
瀝青路面熱再生修補車加熱牆翻轉機構 (Heating wall turnover mechanism for asphalt pavement heat regeneration repairing vehicle)	Utility model	ZL 2008 2 0126572.4	PRC	1 July 2018
滾筒式瀝青混合料倉加熱溫度控制裝置 (Roller-type asphalt mixture bin heating temperature control device)	Utility model	ZL 2008 2 0126839.X	PRC	1 July 2018
滾筒式瀝青混合料加熱料倉間歇式轉動控制裝置 (Intermittent rotation control device for roller-type asphalt mixture heating bin)	Utility model	ZL 2008 2 0126571.X	PRC	1 July 2018
瀝青路面熱再生加熱牆燃氣控制裝置 (Gas control device for asphalt pavement heat regeneration heating wall)	Utility model	ZL 2008 2 0126840.2	PRC	1 July 2018
雙料倉瀝青路面熱再生修補車 (Double-bin asphalt pavement heat regeneration repairing vehicle)	Utility model	ZL 2008 2 0126841.7	PRC	1 July 2018
瀝青路面綜合養護車 (Comprehensive maintenance vehicle for asphalt pavement)	Utility model	ZL 2008 2 0186954.6	PRC	16 September 2018
設備快速裝卸裝置 (Quick equipment loading and unloading device)	Utility model	ZL 2008 2 0186953.1	PRC	16 September 2018

Patent	Type	Patent number	Place of registration	Expiry date
瀝青路面就地加熱再生車 (On-site heating regeneration vehicle for asphalt pavement)	Utility model	ZL 2008 2 0186958.4	PRC	16 September 2018
瀝青混合料提升複拌機 (Lifting and remixing machine for asphalt mixture)	Utility model	ZL 2008 2 0186955.0	PRC	16 September 2018
具有保溫功能的瀝青路面就地熱再生加熱車 (On-site heat regeneration heating vehicle for asphalt pavement with heat-preservation function)	Utility model	ZL 2008 2 0214877.0	PRC	10 December 2018
瀝青路面就地加熱再生車 (On-site heating regeneration vehicle for asphalt pavement)	Design	ZL 2008 3 0357249.3	PRC	10 December 2018
瀝青路面提升複拌機 (Lifting and remixing machine for asphalt pavement)	Design	ZL 2008 3 0357248.9	PRC	10 December 2018
雙料倉熱再生修補車 (Double-bin heat regeneration repairing vehicle)	Design	ZL 2008 3 0357247.4	PRC	10 December 2018
滾筒式瀝青混合料加熱料倉多段式間歇轉動控制裝置 (Multi-section intermittent rotation control device for roller-type asphalt mixture heating bin)	Utility model	ZL 2009 2 0039167.3	PRC	27 April 2019

Patent	Type	Patent number	Place of registration	Expiry date
瀝青路面熱再生加熱牆多段式間隙加熱燃氣控制裝置 (Multi-section intermittent heating gas control device for asphalt pavement heat regeneration heating wall)	Utility model	ZL 2009 2 0039168.8	PRC	27 April 2019
瀝青路面養護車自卸式滾筒料倉翻轉機構 (Self-unloading roller bin turnover mechanism for asphalt pavement maintenance vehicle)	Utility model	ZL 2009 2 0039169.2	PRC	27 April 2019
瀝青再生混合料加熱輸送車 (Asphalt regeneration mixture heating conveying vehicle)	Design	ZL 2009 3 0032950.2	PRC	31 May 2019
熱風循環式瀝青混合料料帶加熱器 (Hot air circulation type asphalt mixture carrier belt heater)	Utility model	ZL 2009 2 0235145.4	PRC	6 August 2019
瀝青混合料加熱保溫料倉 (Asphalt mixture heating and heat-preservation bin)	Utility model	ZL 2009 2 0235143.5	PRC	6 August 2019
瀝青路面就地加熱再生車旋轉操作臺機構 (Rotary operation panel mechanism for asphalt pavement on-site heat regeneration vehicle)	Utility model	ZL 2009 2 0235144.X	PRC	6 August 2019

Patent	Type	Patent number	Place of registration	Expiry date
帶有兩級雙軸拌和器的瀝青混合料提升複拌機 (Lifting and remixing machine for asphalt mixture with two-stage double-shaft blunger)	Utility model	ZL 2009 2 0235142. 0	PRC	6 August 2019
瀝青混合料複拌機跟隨攤鋪機同步行走控制器 (Running synchronisation controller for asphalt mixture remixing machine and paver)	Utility model	ZL 2009 2 0235146.9	PRC	6 August 2019
瀝青路面綜合養護車 (Comprehensive maintenance vehicle for asphalt pavement)	Design	ZL 2009 3 0057873.6	PRC	6 August 2019
置於瀝青路面就地熱再生設備後加熱板的保溫板裝置 (Heat-preservation plate device at heating plate rear of asphalt pavement on-site heat regeneration equipment)	Utility model	ZL 2010 2 0022976.6	PRC	4 January 2020
瀝青路面就地熱再生設備的添加劑自動均勻噴灑裝置 (Automatic additive balanced spraying device for asphalt pavement on-site heat regeneration equipment)	Utility model	ZL 2010 2 0022978.5	PRC	4 January 2020

Patent	Type	Patent number	Place of registration	Expiry date
瀝青路面就地熱再生提升複拌機烟氣淨化裝置 (Smoke and gas cleaning device for asphalt pavement on-site temperature increase regeneration remixing machine)	Utility model	ZL 2010 2 0022977.0	PRC	4 January 2020
泛油瀝青路面熱再生加砂處理方法 (Heat regeneration and sand-adding treatment method for flushing asphalt pavement)	Invention	ZL 2010 1 0017241.9	PRC	4 January 2030
瀝青路面養護車添加劑噴灑增壓裝置 (Additive spraying and pressurising device for asphalt pavement maintenance vehicle)	Utility model	ZL 2010 2 0022975.1	PRC	4 January 2020
瀝青路面熱再生修補車滾筒料倉翻轉機構連動控制裝置 (Roller bin turnover mechanism linking control device for asphalt pavement heat regeneration repairing machine)	Utility model	ZL 2010 2 0022974.7	PRC	4 January 2020
用於瀝青路面就地熱再生的瀝青路面耙松集料車 (Scarifying and aggregating vehicle used in asphalt pavement on-site heat regeneration)	Utility model	ZL 2010 2 9044166.8	PRC	1 March 2020
砂加熱撒布車 (Sand-heating spreading vehicle)	Utility model	ZL 2010 2 9044167.2	PRC	1 March 2020

Patent	Type	Patent number	Place of registration	Expiry date
一種壓實前的瀝青攤鋪路面瀝青混合料加熱設備 (A type of asphalt mixture heating equipment for asphalt pavement before compaction)	Utility model	ZL 2010 2 0116882.5	PRC	22 February 2020
一種大型施工設備行駛牽引裝置 (A type of driving traction device for large-size construction equipment)	Utility model	ZL 2010 2 0116892.9	PRC	22 February 2020
瀝青路面熱再生養護車液化氣罐加熱保溫裝置 (Liquefied gas tank heating and heat-preservation device for asphalt pavement heat regeneration maintenance vehicle)	Utility model	ZL 2010 2 0116887.8	PRC	22 February 2020
一種具有熱瀝青添加裝置的瀝青路面就地加熱再生車 (A type of asphalt pavement on-site heating regeneration vehicle with hot asphalt supplementing device)	Utility model	ZL 2010 2 9044168.7	PRC	1 March 2020
一種履帶式瀝青路面就地熱再生機 (A type of crawler-type asphalt pavement on-site heat regenerator)	Utility model	ZL 2010 2 0181621.1	PRC	6 May 2020

Patent	Type	Patent number	Place of registration	Expiry date
一種履帶式瀝青路面就地熱再生提升複拌機 (A type of crawler-type lifting and remixing machine for asphalt pavement on-site heat regeneration)	Utility model	ZL 2010 2 0181589.7	PRC	6 May 2020
瀝青路面就地熱再生瀝青混合料加熱車 (Asphalt mixture heating vehicle for asphalt pavement on-site heat regeneration)	Utility model	ZL 2010 2 0181665.4	PRC	6 May 2020
瀝青路面就地加熱再生機再生劑伸縮撒布裝置 (Telescopic regenerant spreading device for asphalt pavement on-site heat regenerator)	Utility model	ZL 2010 2 0181613.7	PRC	6 May 2020
履帶式半掛牽引車 (Crawler-type semi-trailing traction vehicle)	Utility model	ZL 2010 2 0181681.3	PRC	6 May 2020
一種瀝青路面就地熱再生車 (A type of asphalt pavement on-site heat regeneration vehicle)	Utility model	ZL 2010 2 0191362.0	PRC	13 May 2020
滾筒料倉式瀝青路面就地熱再生瀝青混合料加熱車 (Asphalt mixture heating vehicle for roller-bin type asphalt pavement on-site heat regeneration)	Utility model	ZL 2010 2 0191346.1	PRC	13 May 2020

Patent	Type	Patent number	Place of registration	Expiry date
瀝青路面養護車滾筒料倉分體式加熱墻裝置 (Split heating wall device for roller bin of asphalt pavement maintenance vehicle)	Utility model	ZL 2010 2 0191350.8	PRC	13 May 2020
瀝青混合料就地再生車 (Asphalt mixture on-site regeneration vehicle)	Utility model	ZL 2010 2 0294791.0	PRC	16 August 2020
多功能瀝青路面就地熱再生車 (Multi-function asphalt pavement on-site heating regeneration vehicle)	Utility model	ZL 2010 2 0295047.2	PRC	16 August 2020
一種瀝青混合料就地再生料帶攪拌車 (A type of asphalt mixture on-site regeneration mixing vehicle)	Utility model	ZL 2010 2 0294781.7	PRC	16 August 2020
帶新料添加裝置的履帶式驅動瀝青路面就地熱再生車 (Crawler-type driving asphalt pavement on-site heat regeneration vehicle with fresh material adding device)	Utility model	ZL 2010 2 0640833.1	PRC	2 December 2020
一種提高瀝青路面熱再生混合料溫度的設備 (A type of equipment for raising the temperature of asphalt pavement heat regeneration mixture)	Utility model	ZL 2010 2 0640805.X	PRC	2 December 2020

Patent	Type	Patent number	Place of registration	Expiry date
瀝青路面熱再生修補車滾筒料倉鏈式傳動裝置 (Roller bin chain transmission device for asphalt pavement heat regeneration repairing vehicle)	Utility model	ZL 2010 2 0640840.1	PRC	2 December 2020
一種液體撒布裝置 (A type of liquid spreading device)	Utility model	ZL 2010 2 0640835.0	PRC	2 December 2020
一種全挂車撞擊式制動裝置 (A type of full-trailer impact type brake device)	Utility model	ZL 2010 2 0640826.1	PRC	2 December 2020
雪鏟 (Snow shovel)	Design	ZL 2010 3 0654182.7	PRC	2 December 2020
一種帶避障功能的雪鏟裝置 (A type of snow shovelling device with obstacle avoiding function)	Utility model	ZL 2011 2 0084380.3	PRC	27 March 2021
一種折叠式推輥裝置 (A type of foldable push rolling device)	Utility model	ZL 2011 2 0084378.6	PRC	27 March 2021
帶有除雪除冰功能的瀝青路面養護車 (Asphalt pavement maintenance vehicle with snow and ice removing function)	Utility model	ZL 2011 2 0084370.X	PRC	27 March 2021
瀝青路面熱再生再生劑噴灑裝置 (Regenerant spraying device for asphalt pavement heat regeneration)	Utility model	ZL 2011 2 0084379.0	PRC	27 March 2021

Patent	Type	Patent number	Place of registration	Expiry date
一種瀝青混合料就地拌料加熱攤鋪再生車 (A type of asphalt mixture on-site mixing, heating, paving and regeneration vehicle)	Utility model	ZL 2011 2 0084377.1	PRC	27 March 2021
一種瀝青路面修補車可旋轉加熱牆裝置 (A type of rotary heating wall deice for asphalt pavement repairing vehicle)	Utility model	ZL 2011 2 0168544.0	PRC	24 May 2021
一種瀝青路面熱再生修補車的活式加熱墻裝置 (A type of movable heating wall device for asphalt pavement heat generation repairing vehicle)	Utility model	ZL 2011 2 0168545.5	PRC	24 May 2021
一種叉剪式液壓升降翻轉機構 (A type of scissor hydraulic lifting and turnover mechanism)	Utility model	ZL 2011 2 0520930.1	PRC	13 December 2021
瀝青路面標綫銑刨車 (Asphalt pavement marker milling vehicle)	Utility model	ZL 2011 2 0406486.0	PRC	23 October 2021
瀝青路面熱再生攤鋪機 (Asphalt pavement heat regeneration paver)	Utility model	ZL 2011 2 0406481.8	PRC	23 October 2021
瀝青路面熱再生多功能加熱墻裝置 (Multi-function heating wall device for asphalt pavement heat regeneration)	Utility model	ZL 2011 2 0406482.2	PRC	23 October 2021

Patent	Type	Patent number	Place of registration	Expiry date
車輛無級變速慢速行走裝置 (Continuously variable transmission low-speed vehicle running device)	Invention	ZL 2009 1 0031277.X	PRC	27 April 2029
一種利用車輛行走車輪摩擦取力的裝置 (A type of device driven by wheel friction in vehicle running)	Utility Model	ZL 2011 2 0520933.5	PRC	13 December 2021
一種瀝青路面就地熱再生疏鬆耙 (A type of scarifying rake for asphalt pavement on-site heat regeneration)	Utility model	ZL 2012 2 0269245.0	PRC	7 June 2022
瀝青混合料滾筒式料倉 (Asphalt mixture roller-type bin)	Utility model	ZL 2012 2 0269235.7	PRC	7 June 2022
瀝青路面就地熱再生車 (Asphalt pavement on-site heat regeneration vehicle)	Utility model	ZL 2012 2 0269242.7	PRC	7 June 2022
移動式瀝青混合料上料裝置(Mobile-type asphalt mixture filling device)	Utility model	ZL 2012 2 0468969.8	PRC	13 September 2022
用於瀝青路面深度車轍路面熱再生修復專用設備 (Specialised equipment for asphalt pavement deep rut pavement heat regeneration repair)	Utility model	ZL 2012 2 0514273.4	PRC	8 October 2022
翻轉式行走牽引架裝置 (Turnover-type moving traction frame)	Utility model	ZL 2012 2 0469009.3	PRC	13 September 2022

As at the Latest Practicable Date, applications have been made for the registration of the following patents:

Patent	Type	Application number	Place of application	Application date
瀝青路面深度車轍熱再生修復方法 (Deep rut heat generation repairing method for asphalt pavement)	Invention	201110255934.6	PRC	1 September 2011
瀝青路面橋頭跳車病害就地熱再生治理方法 (On-site heat generation treatment method for asphalt pavement bumping at bridge-head)	Invention	201110255932.7	PRC	1 September 2011
一種利用車輛行走車輪摩擦取力的裝置 (A type of device driven by wheel friction in vehicle running)	Invention	201110416154.5	PRC	14 December 2011
SBS改性再生劑及其製備方法和瀝青再生方法 (SBS modification regenerant and its preparation method and asphalt regeneration method)	Invention	201210094903.1	PRC	31 March 2012
高寒地區老化瀝青路面SBR改性再生劑及其製備、使用方法 (SBR modification regenerant and the method of its preparation and use in cold alpine areas)	Invention	201210095206.8	PRC	31 March 2012

Patent	Type	Application number	Place of application	Application date
通用型瀝青性能提升劑及其製備方法 (Universal-type asphalt performance improving agent and its preparation method)	Invention	201210095213.8	PRC	31 March 2012
用於瀝青路面瀝青熱再生的瀝青再生劑 (Asphalt regenerant for asphalt pavement asphalt heat regeneration)	Invention	201210095211.9	PRC	31 March 2012
瀝青混合料滾筒式料倉 (Asphalt mixture roller-type bin)	Invention	201210187784.4	PRC	8 June 2012
一種疏鬆耙及其在瀝青路面就地熱再生設備上的應用 (A type of scarifying rake and its application on asphalt pavement on-site heat regeneration equipment)	Invention	201210187805.2	PRC	8 June 2012
翻轉式行走牽引架裝置 (Turnover-type moving traction frame device)	Invention	201210340538.8	PRC	14 September 2012
瀝青路面瀝青混合料起撬收集設備 (Asphalt mixture scraping and collection equipment for asphalt pavement)	Utility Model	201220731896.7	PRC	27 December 2012
起撬收集瀝青路面舊料的方法 (Scraping and collection method for asphalt pavement old materials)	Invention	201210577892.2	PRC	27 December 2012
瀝青路面熱再生攤鋪機 (Asphalt pavement heat regeneration paver)	Design	201330058157.6	PRC	11 March 2013

Patent	Type	Application number	Place of application	Application date
自行式高壓脈衝式多維加熱機 (Automatic high-pressure pulse-type multidimensional heat generation machine)	Design	201330058159.5	PRC	11 March 2013
市政道路重度轍轍槽的修復方法 (Municipal roads severe rut groove repair method)	Invention	201210386940.X	PRC	15 October 2012
橫向結構強度不均勻抗車轍瀝青路面及其施工方法 (Uneven horizontal structural strength anti-rusting asphalt pavement and construction method)	Invention	201210386939.7	PRC	15 October 2012

Note: As at 31 December 2012, we are the registered owner of 79 patents.

Domain Names

As at the Latest Practicable Date, we have registered the following domain names which we believe are material to our business:

Registrant	Domain name	Expiry date
Freetech Road Recycling	freetech-recycling.cn	9 May 2014
Freetech Road Recycling	freetech-recycling.com.cn	4 May 2014
Freetech Road Recycling	道路醫院.com	9 May 2014
Freetech Road Recycling	公路醫生.com	9 May 2014
Freetech Road Recycling	公路醫院.com	9 May 2014
Freetech Road Recycling	英達熱再生.com	29 May 2014
Freetech Road Recycling	中國公路養護技術.com	29 May 2014
Freetech Road Recycling	中國公路養護技術研究院.com	29 May 2014
The Company	freetech.com.hk	10 April 2014
The Company	freetech-holdings.hk	22 May 2014

As at the Latest Practicable Date, there are no other trademarks, patents, intellectual or industrial property rights which are material to our business.

3. Further information about our PRC establishments

We set out below information of the subsidiaries of our Group established in the PRC:

(a) Freetech Road Recycling

(i)	nature of the company:	limited liability company (solely owned by Taiwan, Hong Kong or Macau legal person)
(ii)	term of business operation:	50 years
(iii)	total amount of investment:	US$31,200,000
(iv)	registered capital:	US$15,600,000
(v)	attributable interest of the company:	100%
(vi)	registered owner:	Freetech Hong Kong (100%)
(vii)	scope of business:	development, design, manufacturing sales and lease of road maintenance equipment; provision of road maintenance services, municipal road maintenance and after-sale services for road maintenance equipment

(b) Nanjing Maintenance Machinery

(i)	nature of the company:	limited liability company (solely owned by Taiwan, Hong Kong or Macau legal person)
(ii)	term of business operation:	30 years
(iii)	total amount of investment:	US$7,070,000
(iv)	registered capital:	US$5,050,000
(v)	attributable interest of the company:	100%
(vi)	registered owner:	BS Hong Kong (100%)
(vii)	scope of business:	sales of road maintenance vehicles; lease of road maintenance equipment; import, export and wholesale of road maintenance equipment and accessories and road maintenance materials (excluding state-run trade management goods, for goods subject to quota and license management, an application shall be made in accordance with relevant regulations of the PRC); commission agency (excluding auction); road maintenance technology advisory, technology transfer and product maintenance services.

(c) Freetech Manufacturing

(i)	nature of the company:	limited liability company (joint venture with Taiwan, Hong Kong and Macau company)
(ii)	term of business operation:	50 years
(iii)	total amount of investment:	US$18,000,000
(iv)	registered capital:	US$9,700,000
(v)	attributable interest of the company:	100%
(vi)	registered owner:	Nanjing Maintenance Machinery (75%) and BS Hong Kong (25%)
(vii)	scope of business:	development, design and manufacture of road maintenance vehicles and equipment; sales and lease of self-made products; provide relevant technology training and after-sale services.

(d) Freetech Ordos

(i)	nature of the company:	other limited liability company
(ii)	term of business operation:	30 years
(iii)	registered capital:	RMB30,000,000
(iv)	attributable interest of the company:	53%
(v)	registered owners:	Freetech Road Recycling (53%) and Ordos Lutong Road Maintenance Co. Ltd* (鄂爾多斯市路通公路養護有限責任公司) (47%)
(vi)	scope of business:	road constructions; road management and maintenance; road machineries and equipment rentals (but shall not be conducted without approvals required under relevant laws, administrative regulations and the decisions of the State Council).

(e) Freetech Yanbian

(i)	nature of the company:	limited liability company (sole-owned by legal person)
(ii)	terms of business operation:	10 years
(iii)	registered capital:	RMB100,000
(iv)	attributable interest of the company:	100%
(v)	registered owner:	Freetech Road Recycling (100%)
(vi)	scope of business:	road maintenance (subject to obtaining qualification); road maintenance equipment rentals; road maintenance technology consultation

(f) Freetech Xinjiang

(i)	nature of the company:	limited liability company (wholly owned by foreign invested enterprise)
(ii)	terms of business operation:	30 years
(iii)	registered capital:	RMB10,000,000
(iv)	attributable interest of the company:	100%
(v)	registered owner:	Freetech Road Recycling (100%)
(vi)	scope of business:	road constructions; road management and maintenance; road machineries and equipment rentals

We set out below information of the joint venture companies of our Group established in the PRC:

(a) Freetech Yueyang

(i)	nature of the company:	limited liability company
(ii)	term of business operation:	30 years
(iii)	registered capital:	RMB35,000,000
(iv)	attributable interest of the company:	55%
(v)	registered owners:	Freetech Road Recycling (55%) and Yueyang Tongqu Prosper Road Co.* (岳陽市通衢興路公司) (45%)
(vi)	scope of business:	road management and maintenance services with qualification certificates; road machineries and equipment rentals.

(b) Futech Quanzhou

(i)	nature of the company:	limited liability company (solely owned by Taiwan, Hong Kong or Macau legal person)
(ii)	terms of business operation:	30 years
(iii)	total amount of investment:	HK$63,000,000
(iv)	registered capital:	HK$63,000,000
(v)	attributable interest of the company:	50%
(vi)	registered owners:	Futech Road Recycling[(Note)] (100%)
(vii)	scope of business:	road constructions; road management and maintenance; road machineries and equipment rentals (but projects within the scope of business that require licensing shall not be conducted without approvals from the relevant authority).

Note: Futech Road Recycling is a jointly-controlled entity of our Group

(c) Hengtong Suqian

(i)	nature of the company:	limited liability company
(ii)	terms of business operation:	30 years
(iii)	registered capital:	RMB35,000,000
(iv)	attributable interest of the company:	35%
(v)	registered owner:	Suqian Traffic Investments Co., Ltd.* (宿遷市交通投資有限公司) (51%), Freetech Road Recycling (35%) and City Investment (14%)
(vi)	scope of business:	road constructions; road management and maintenance; road machineries and equipment rentals

(d) Jianda Urumqi

(i)	nature of company:	limited liability company
(ii)	term of business operation:	30 years
(iii)	registered capital:	RMB20,000,000
(iv)	attributable interest of the company:	49%
(v)	registered owners:	Freetech Road Recycling (49%), Urumqi Northern Hongsheng Technology Maintenance Co., Ltd.* (烏魯木齊北方宏升科技養護有限公司) (40%) and Ms. Xu Shaoyu (11%)
(vi)	scope of business:	road constructions; road management and maintenance; road machineries and equipment rentals

(e) Lujie Nanjing

(i)	nature of company:	limited company
(ii)	term of business operation:	30 years
(iii)	registered capital:	RMB40,000,000
(iv)	attributable interest of the company:	45%
(v)	registered owners:	Freetech Road Recycling (45%) and Nanjing Road and Bridge Construction Company* (南京市路橋工程總公司) (55%)
(vi)	scope of business:	road maintenance; road construction works

(f) Suitong Guangzhou

(i)	nature of company:	limited liability company (joint venture between foreign-invested enterprise and domestic enterprise)
(ii)	term of business operation:	30 years
(iii)	registered capital:	RMB15,000,000
(iv)	attributable interest of the company:	51%
(v)	registered owners:	Freetech Road Recycling (51%) Guangzhou Municipal Engineering and Maintenance Bureau* (廣州市市政工程維修處) (49%)
(vi)	scope of business:	road repair and maintenance; road construction; road machineries and equipment rentals; road engineering design and technology consultation

4. *List of special maintenance vehicle products*

We set out below the list of our special maintenance vehicle products as defined under *The Terms and Definitions for Motor Vehicles and Trailers (GB/T3730.1-2001)* (《汽車和挂車類型的術語和定義》). All of our special maintenance vehicle products have passed the *Motor Vehicle Manufacturing Enterprises and Products Announcements** (車輛生產企業及產品公告) ("**Announcements**"), and have obtained the Compulsory Certification and Environmental Approval Certificate in the PRC.

	Series	Product Model Number	Product Type in Announcement and certifications	Announcement Date
1	PM	PM640-48-TRK	FTT5230TRXPM64	2007.12.28
2		PM500-48-TRK	FTT5250TXBPM5	2011.08.24
3		PM500-48-TRK	FTT5251TXBPM5	2012.06.07
4		PM500-48-TRK	FTT5250TRXPM5	2008.10.08
5		PM400-48-TRK	FTT5160TRXPM4	2007.05.16
6		PM400-36-TRK	FTT5161TRXPM4	2007.06.29
		PM300-36-TRK		
		PM250-36-TRK		
7		PM380	FTT5160TXBPM38	2011.09.19
8		PM380	FTT5162TRXPM38	2010.01.11
9		PM220	FTT5080TXBPM22	2011.04.06
10		PM220	FTT5080TRXPM22	2008.01.17
11		PM180	FTT5070TRXPM18	2007.09.10
12	TM	TM500-BR-TRK	FTT5250TZYTM5	2009.11.11
13		TM500-DR-TRK	FTT5161TZYTM5/ FTT5160TZYTM5	2010.03.16
14	AR	AR500-DR-TRK		2007.07.21
15	HM	HM7-TRK	FTT5160TJRHM7	2010.03.16

D. FURTHER INFORMATION ABOUT THE DIRECTORS

1. *Directors' Service Contracts and Letters of Appointment*

Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date and will continue, subject to approval of our Shareholders at our general meetings, until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of two years commencing from the Listing Date.

Except as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

We have not entered into any service contract with our Directors which is for a duration that may exceed three years or which is not determine by us within one year without payment of compensation (other than statutory compensation).

2. Directors' Remuneration During the Track Record Period

For the financial years ended 31 December 2010, 2011 and 2012, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was HK$625,000, HK$2,405,000 and HK$4,742,000, respectively.

Except as disclosed in this paragraph headed "2. Directors' Remuneration During the Track Record Period" and the paragraph headed "Directors, Senior Management and Employees — Compensation of Directors and senior management" in this prospectus, no other emoluments have been paid or are payable, in respect of the financial years ended 31 December 2010, 2011 and 2012 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2013 will be approximately HK$4,216,000.

E. DISCLOSURE OF INTERESTS

1. Disclosure of Interests

a. Interests and short positions of our Directors in our share capital and our associated corporations following the Global Offering and the Capitalisation Issue

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive in our Shares, underlying Shares and debentures and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in our Shares, underlying shares and debentures of our Company and our associated corporations:

Name of Director	Capacity/nature of interest	Number of Shares	Approximate percentage of interest in our Company/associated corporations
Mr. Sze[(1)]	Interest in controlled corporation	521,365,260	50.13%
Ms. Irene Sze[(2)]	Interest in controlled corporation	29,640,000	2.85%

Notes:

(1) Freetech Cayman is wholly owned by Sze BVI immediately following the completion of the Global Offering. Sze BVI is wholly owned and controlled by Freetech Technology and Freetech Technology is entirely beneficially owned by Mr. Sze. Mr. Sze is therefore deemed to be interested in the Shares to be held by Freetech Cayman upon Listing.

(2) Rank Best will be wholly beneficially owned by Ms. Irene Sze upon Listing and Ms. Irene Sze is therefore deemed to be interested in the Shares to be held by Rank Best upon Listing.

b. Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme or the exercise of the Over-allotment Option, in addition to the interests disclosed under paragraph (a) above, so far as our Directors are aware, the following persons are expected to have interests or short positions in our shares or underlying shares which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Interests and short positions in our shares and underlying shares:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Freetech Technology(1)	Interest in controlled corporation	521,365,260	50.13%
Sze BVI(1)	Interest in controlled corporation	521,365,260	50.13%
Freetech Cayman(1)	Beneficial owner	521,365,260	50.13%
CITIC Securities Company Limited(2)	Interest in controlled corporation	58,219,200	5.60%
CSI Direct Investments Limited(2)	Interest in controlled corporation	58,219,200	5.60%
Smart Firm	Beneficial owner	58,219,200	5.60%
China International Capital Corporation Limited(3)	Interest in controlled corporation	58,219,200	5.60%
CICC Growth Capital Fund GP, L.P.(3)	Interest in controlled corporation	58,219,200	5.60%
CICC Growth Capital Fund I, L.P.(3)	Interest in controlled corporation	58,219,200	5.60%
Future Blossom	Beneficial owner	58,219,200	5.60%
Ms. Anna Sze(4)	Interest in controlled corporation	56,420,520	5.43%
Smart Executive	Beneficial owner	56,420,520	5.43%

Notes:

(1) Freetech Cayman is wholly owned by Sze BVI immediately following the completion of the Global Offering. Sze BVI is wholly owned and controlled by Freetech Technology and Freetech Technology is entirely beneficially owned by Mr. Sze. Each of Freetech Technology and Sze BVI is therefore deemed to be interested in the Shares held by Freetech Cayman.

(2) Smart Firm is wholly owned by CSI Direct Investments Limited, a wholly-owned subsidiary of CITIC Securities Company Limited. Hence, each of CSI Direct Investments Limited and CITIC Securities Company Limited is deemed to be interested in the Shares held by Smart Firm.

(3) Future Blossom is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited. Hence, each of CICC Growth Capital Fund I, L.P., CICC Growth Capital Fund GP, L.P. and China International Capital Corporation Limited is deemed to be interested in the Shares held by Future Blossom.

(4) Smart Executive is wholly owned by Ms. Anna Sze and Ms. Anna Sze is therefore deemed to be interested in the Shares held by Smart Executive.

Direct or indirect interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of subsidiary	Name of shareholder	Percentage of interest
Freetech Ordos	Ordos Lutong Road Maintenance Co., Ltd.* (鄂爾多斯市路通公路護養有限責任公司)	47%

2. *Disclaimers*

(i) None of our Directors nor any of the parties listed in the section headed "G. Other Information — 9. Consents of Experts" of this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to us or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries.

(ii) None of our Directors nor any of the parties listed in the section headed "G. Other Information — 9. Consents of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business.

(iii) None of our Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of all the Shareholders passed on 7 June 2013 and adopted by a resolution of the Board on 7 June 2013 (the "**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. *Purpose*

The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) subject to (b) and (c) below, the approval of all the shareholders of our Company for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 104,000,000 Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and

(c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange on the Listing Date.

3. Who May Join

The Board may, at its absolute discretion, offer options ("**Options**") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("**Executive**"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("**Employee**");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the "**Eligible Persons**")

4. Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10 per cent. of the Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the "**Scheme Mandate Limit**") provided that:

(a) Our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent. of the Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.

(b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

(c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

5. Maximum Entitlement of each Participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant shall be separately approved by the shareholders of our Company in general meeting with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Company's shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

7. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million,

such further grant of Options must be approved by shareholders of our Company (voting by way of a poll). Our Company shall send a circular to Shareholders containing the information required under the Listing Rules. All Connected Persons of our Company must abstain from voting in favour at such general meeting.

Approval from the shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

8. Offer Period and Number Accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK$1 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date (the "**Acceptance Date**"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

9. Restriction on the Time of Grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing two months immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

10. Minimum Holding Period, Vesting and Performance Target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

11. Amount Payable for Options

The amount payable on acceptance of an Option is HK$1.00.

12. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in The Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in The Stock Exchange's daily quotation sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

13. Exercise of Option

(i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.

(iv) Subject as hereinafter provided:

(a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;

(b) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(c) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(d) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

   (i) the Option Period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each Grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);

   (ii) the period of two months from the date of such notice; or

   (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option.

(e) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

14. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the Grantee (or any other person) as the holder thereof.

15. Life of Share Option Scheme

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

16. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of Option;

(c) subject to the period mentioned in paragraph headed "13. Exercise of Option" in this section, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgement, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts; or

(e) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the Grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;

(b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme); and

(d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

18. Cancellation of Options not Exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the Grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

(a) the Grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the Grantee makes a written request to the Board for the Option to be cancelled; or

(c) if the Grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

19. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

20. Transferability

The Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such Grantee.

21. Amendment

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Grantee; and (iii) any alteration to the aforesaid termination provisions.

G. OTHER INFORMATION

1. Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company for itself and as trustee for its subsidiaries, to provide indemnities on a joint and several basis, in respect of, among other things:

(a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any of the companies in our Group by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in any relevant jurisdiction outside Hong Kong as a result or in consequence of any event or transaction occurring on or before the Listing Date, whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring.

(b) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong);

(c) any loss or liability suffered by any companies in our Group including, but not limited to, any diminution in the value of the assets or Shares or shares or equity interests in any of the companies in our Group, any payment made or required to be made by any of the companies in our Group and any costs and expenses incurred as a result of or in connection with any Claim i) falling on any of the companies in our Group resulting from or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date or in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the Listing Date; and ii) falling on any of the companies in our Group in respect of their current accounting periods or any accounting period commencing on or after the Listing Date unless liability for such taxation would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the companies in our Group without the prior written consent or agreement of our Controlling Shareholder(s), whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

where,

"Claim" means any claim, counterclaim, assessment, notice, demand or other documents issued or action taken by or on behalf of any person, authority or body whatsoever and of whatever country from which it appears that any of the companies in our Group is liable or is sought to be made liable to make any payment of any form of taxation or is deprived or is sought to be deprived of any Relief which would, but for the claim, have been available to any of the companies in our Group; and

"Relief" means any relief, allowance, set-off or deduction in computing profits or credits or right to repayment of taxation available to any of the companies in our Group granted by or pursuant to any legislation in any part of the world concerning or otherwise relating to taxation.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of any taxation:

(a) to the extent that provision, reserve or allowance has been made for such taxation in the audited combined accounts of our Group as set out in the accountants' report set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended 31 December 2012; or

(b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 December 2012 up to and including the Listing date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(c) to the extent that such Claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such Claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then our Controlling Shareholders' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

2. Litigation

As at the Latest Practicable Date, except as disclosed in the paragraph headed "Business — Legal proceedings and compliance" in this prospectus, neither we nor any of our subsidiaries are/is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary Expenses

Our estimated preliminary expenses are approximately US$4,800 and have been paid by us.

4. Joint Sponsors

The Joint Sponsors made an application on our behalf to the Listing Committee of The Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

5. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 31 December 2012 (being the date to which our latest audited combined financial statements were made up).

6. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

7. *Miscellaneous*

(i) Except as disclosed in the section headed "History and Corporate Structure" in this prospectus and the paragraph headed "A. Further Information about our Group" in this Appendix, within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(ii) Except as disclosed in the paragraphs headed "F. Share Option Scheme" in this Appendix, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(iii) Neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares.

(iv) Except as disclosed in the section head "History and Corporate Structure" in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group.

(v) Within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company.

(vi) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(vii) We have no outstanding convertible debt securities.

(viii) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

8. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CITIC Securities	a licensed corporation holding a license under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Guotai Junan Capital	a licensed corporation holding a license under the SFO to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
King & Wood Mallesons	PRC legal advisers to our Company

9. Consents of Experts

Each of CITIC Securities, Guotai Junan Capital, Ernst & Young, Conyers Dill & Pearman (Cayman) Limited, and King & Wood Mallesons has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "Consents of experts" in Appendix IV and copies of the material contracts referred to in the paragraph headed "Summary of the Material Contracts" in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 1:00 p.m. and 2:00 p.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(3) the audited financial statements as have been prepared for the companies now comprising our Group for each of the three years ended 31 December 2012;

(4) the letter received from Ernst & Young on unaudited pro forma financial information, the texts of which is set out in Appendix II to this prospectus;

(5) the material contracts referred to in the paragraph headed "Summary of the Material Contracts" of Appendix IV to this prospectus;

(6) the service contracts with Directors, referred to in the paragraph headed "Directors' service contracts" of Appendix IV to this prospectus;

(7) the written consents referred to in the paragraph headed "Consents of experts" of Appendix IV to this prospectus;

(8) the PRC legal opinions prepared by King & Wood Mallesons, our legal adviser as to the PRC law, in respect of certain aspects of our Group and our property interests;

(9) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Company Law referred to in Appendix III to this prospectus;

(10) the Companies Law; and

(11) the rules of the Share Option Scheme.






Freetech
英達科技

英達公路再生科技(集團)有限公司
Freetech Road Recycling Technology (Holdings) Limited