

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

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 6888



# 2023

INTERIM REPORT 中期報告

公路醫生®



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This Interim Report is printed on environmentally friendly paper

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Chairman

Mr. Sze Wai Pan  
*(Chief Executive Officer and Executive Director)*

### Executive Director

Mr. Chan Kai King

### Non-executive Directors

Ms. Sze Wan Nga  
Mr. Zhou Jichang  
Prof. Tong Wai Cheung Timothy  
Dr. Chan Yan Chong

### Independent Non-executive Directors

Ms. Yeung Sum  
Prof. Lau Chi Pang, J.P.  
Prof. Lai Kin Keung

### Audit Committee

Ms. Yeung Sum *(Chairman)*  
Prof. Lau Chi Pang, J.P.  
Prof. Lai Kin Keung

### Nomination Committee

Mr. Sze Wai Pan *(Chairman)*  
Prof. Lau Chi Pang, J.P.  
Prof. Lai Kin Keung

### Remuneration Committee

Prof. Lau Chi Pang, J.P. *(Chairman)*  
Ms. Yeung Sum  
Ms. Sze Wan Nga

### Authorised Representatives

Ms. Sze Wan Nga  
Mr. Lim Eng Sun

### Company Secretary

Mr. Lim Eng Sun

### Registered Office

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Group Headquarters and Principal Place of Business in Hong Kong

29/F, Chinachem Century Tower  
178 Gloucester Road, Wanchai  
Hong Kong

### PRC Headquarters

9 Hengfei Road  
Nanjing Technology  
Development Zone  
Nanjing City, Jiangsu Province, PRC

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
17/F., Far East Finance Centre  
16 Harcourt Road, Hong Kong

### Cayman Islands Share Register and Transfer Office

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D  
P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman, KY1-1110  
Cayman Islands

### Auditor

BDO Limited  
Certified Public Accountants

### Principal Bankers

Bank of Communications  
Bank of Beijing

### Company Website Address

[www.freetech-holdings.hk](http://www.freetech-holdings.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING RESULTS AND RATIOS

	Six-month period ended 30 June		
	2023 Unaudited HK\$'000	2022 Unaudited HK\$'000	Increase/ (decrease)
Revenue	<b>164,043</b>	180,899	(9.3%)
Gross profit	<b>29,082</b>	21,140	37.6%
Profit/(Loss) attributable to owners of the Company	<b>2,277</b>	(9,750)	123.4%
Earnings/(Loss) per share (Basic) (HK cents)	<b>0.22</b>	(0.96)	122.9%
Gross profit margin <sup>1</sup>	<b>17.7%</b>	11.7%	

<sup>1</sup> (gross profit/revenue) x 100%

# MANAGEMENT DISCUSSION AND ANALYSIS



## BUSINESS REVIEW

The board of directors (the “Board”) is pleased to present the unaudited consolidated interim results of Freetech Road Recycling Technology (Holdings) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six-month period ended 30 June 2023 (the “Period”).

According to the “14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035”, and the “Program of Building National Strength in Transportation” (交通強國建設綱要), China has achieved historic achievements in its comprehensive transportation system in the past five years, especially in responding to the COVID-19 pandemic, strengthening transportation guarantees, and promoting resumption of work and production. After the end of the COVID-19 pandemic, the concentrated burst of the accumulated maintenance demand over the past three years will force the road management mindset to shift towards “maintenance first”, and the widespread application of deep maintenance such as medium-and-large-scale repairs and pre-maintenance will accelerate the increase of investment in road maintenance. Therefore, the Group’s business operation has gradually resumed normal, the total service area of the “Hot-in-Place” project under the asphalt pavement maintenance (“APM”) services sector recorded an increase during the Period under review and resulted its gross profit margin recorded an increase. The APM equipment segment of the Group recorded an increase in revenue during the Period under review due to (i) many local government and highway companies delayed their capital investment to 2023 due to the outbreak of COVID-19 in 2022; and (ii) the successful of sale a set of modular series equipment. During the Period under review, the Group also recorded a reversal of expected credit loss of trade receivables and contracts assets for the Period and the amount was higher compared to the corresponding period in 2022.

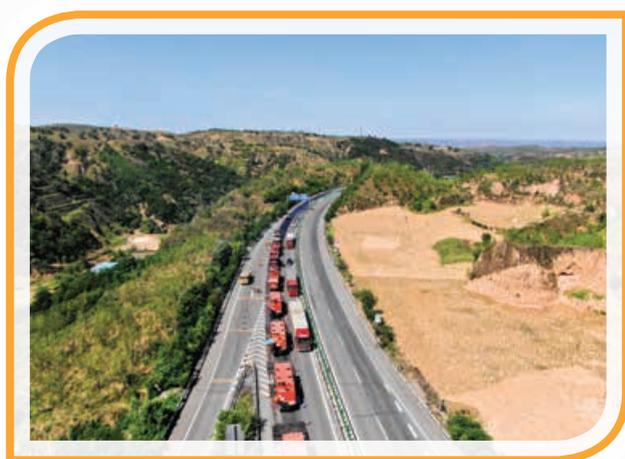
# MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group's operating revenue was approximately HK\$164.0 million, representing a decrease of approximately 9.3%, as compared to the corresponding period in 2022. Total profit attributable to owners of the Company was approximately HK\$2.3 million, representing an increase of approximately 123.4% as compared to total loss attributable to owners of the Company of approximately HK\$9.8 million for the six-month period ended 30 June 2022.

## APM Services

Although the total service area of the Group's "Hot-in-Place" recorded an increase during the Period under review, the revenue for this segment decreased as compared with that of the corresponding period in 2022 due to the effect of: (i) the revenue of the Group's "Hot-in-Place" projects recorded decrease during the Period despite recorded increase in the total service area because the Group's "Hot-in-Place" projects in corresponding period in 2022 included the Geopolymer Injection Road Base Repair technology which had higher selling price; and (ii) more road maintenance work were performed by Tianjin Expressway Maintenance Company Limited\* (天津市高速公路養護有限公司) ("Tianjin Expressway Maintenance") in 2022, the revenue of non-"Hot-in-Place" projects recorded an decrease during the Period.

The APM services segment recorded revenue of approximately HK\$132.5 million, representing a decrease of 22.0% as compared to the corresponding period in 2022. Despite decreased in revenue during the Period, the gross profit margin of this segment was increased from 9.2% for the six-month period ended 30 June 2022 to 10.6% during the Period due to an increase in the total service area of the Group's "Hot-in-Place" projects. The Group has continued to be a leading integrated solution provider using "Hot-in-Place" recycling technology in the APM industry in the PRC.



## APM Equipment

The APM equipment segment of the Group recorded revenue of HK\$31.5 million, representing an increase of 185.3% as compared to the corresponding period in 2022. The increase of revenue was due to many local government and highway companies delayed their capital investment to 2023 due to the outbreak of COVID-19 in 2022. In addition, the Group had successfully sold a set of modular series equipment during the Period under review.

## Research and Development

To maintain our leading position in using "Hot-in-Place" recycling technology in the APM industry, the Group continued to place emphasis on technological innovation.

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

## **New Patents**

During the Period, the Group continued to invest resources in research and development. As at 30 June 2023, it had registered 234 patents (as at 31 December 2022: 222), of which 30 were invention patents (as at 31 December 2022: 25), 178 were utility model patents (as at 31 December 2022: 171) and 26 were design patents (as at 31 December 2022: 26). Besides, it had 14 pending patent applications (as at 31 December 2022: 24), of which 11 invention patents (as at 31 December 2022: 21) and 3 utility model patents (as at 31 December 2022: 3).

During the Period under review, a cloud-based intelligent monitoring and control platform for the Group's "Hot-in-Place" modular series equipment was developed. The system measures and control the working parameters and condition of the modular series equipment such as working temperature, depth and speed. The owner of the modular series equipment can monitor the progress and output all teams in different locations in real time. In addition, the Group's new high-speed sweeper was further upgraded to improve performance in terms of speed, cleanliness, operating time, fuel consumption as well as emission. Marketing and demonstrations were conducted that shown the performance are leading in the industry.

A new process and material for manhole structure repair was developed by the Group. Damages of manhole surroundings are extremely common in municipal market. It involves fast curing backfill material that reduce the working time significantly compared to using tradition backfilling material and techniques. The Group expects a high demand for this technology in the APM industry.

## **Others**

With strong research and development capabilities, the Group is able to adopt the most advanced technologies in the APM industry, provide customised solutions to its clients and maintain its competitive edges and leading status in the APM industry by using the recycling technology.

## **OUTLOOK**

This year marks the opening year for the implementation of the principles set out at the 20th National Congress of the Communist Party of China (the "20th National Congress"). The 20th National Congress draws a grand blueprint depicting modernisation that befits China and ascertains the key meaning and mission which is the harmony and co-existence between humans and nature. The National People's Congress of the PRC and The Chinese People's Political Consultative Conference (The Two Sessions) have emphasised the acceleration of qualitative and low-carbon green development, and called for the ongoing advancement of the battle for the protection of clean sky, water and land and prevention of pollution through the creation of a Beautiful China according to major regional strategies. In addition, according to the "20th National Congress", which provides a profound exposition on "Realizing Chinese-style Modernization", it has pointed out the fundamental guideline and development direction for the comprehensive improvement of road maintenance management and the promotion of sustainable and healthy growth of the maintenance industry. It is expected that by 2026, China will have built a national expressway network, ordinary national highway network, and other road networks totaling approximately 460,000 kilometers. The PRC government's investment in road maintenance is expected to continue to grow at a high rate, with fiscal expenditures expected to reach over RMB100 billion, marking the arrival of an "era of full-road maintenance". With our patent "Hot-in-Place" recycling technology and other new products, the Group will benefit from the increasing demand for APM and the favourable environment in the PRC, especially those using the recycling technologies.

# MANAGEMENT DISCUSSION AND ANALYSIS

First, as at 31 December 2022, China has the longest expressway and the second longest highway (in terms of mileage) in the world. The overall growth of the APM industry in the PRC remains sustainable and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal and has significant potential for expansion. Secondly, the Group had developed part of the South China market which enables the Group to perform APM services during slack season. Third, subsequent to the Company's sale of a modular series equipment to a customer in the Republic of Korea and standard series equipment to customers in Macau, Malaysia and Taiwan, the Company will continue to explore the overseas business opportunities and strategic cooperation with other companies, such as some listed companies and large-scale or state-owned enterprises. Fourth, as the border restrictions between Hong Kong, China and other countries had been lifted, the Group will continue to leverage on its state-owned partners' overseas channels to explore overseas business opportunities. The Group is making an effort to promote its overseas business opportunities in the countries along the "One Belt One Road" and four Asian tigers. In light of these, the Group is well positioned to benefit from the government's policies and the positive development prospects in the environmental protection sector.

As a leading provider of the "Hot-in-Place" recycling technology in the APM sector and a provider of one-stop solution covering "testing, planning, equipment and construction", the Group will leverage on its competitive advantages and implement favourable policies to achieve a healthy growth in its business. The Group plans to enhance its market position, enter into new markets and enlarge its share in existing markets by the following means:

1. it will increase market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited;
2. it will focus on the cities which will hold major events to gain and complete projects of high awareness;
3. it will diversify its product range and develop new product in road industry;
4. it will continue to invest in its testing and planning department by devoting more equipment and staff in it so as to enhance its one-stop solution and generate new revenue stream which is road doctor consultant services;
5. it will further optimize its techniques and technologies to lower the construction costs;
6. it will grasp the opportunities in the wave of state-owned enterprise reforms to acquire more maintenance companies in the express highway sector; and
7. it will leverage on its state-owned partners' overseas channels to expand the international APM equipment and services market.

In addition, the construction work of the investment property acquired by the Group at lot 04-05 and 04-06 of Jiangxinzhou, Jianye District, Nanjing, the PRC (中國南京市建鄴區江心洲) in December 2016 has commenced in first quarter of 2022. The investment property will not only enable the Group to enhance its research and development capabilities, but will also bring additional income streams to the Group in future.

Looking into the future, the Group holds confidence in its business prospects and will strive to provide higher returns for its shareholders with the principle of "Efficient use of technology to create multi-win situations" ("善用科技，共創多贏").

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE REVIEW

The Group consists of two main business segments: the APM service segment, where it provides APM services under its registered trademark 公路醫生® (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where it manufactures and sells a wide range of APM equipment.

The following is a description of the Group's operating activities during the Period, with comparisons against the corresponding period in 2022.

### 1. Revenue

#### a. APM Services

	Six-month period ended 30 June				
	2023		2022		Increase/ (decrease)
	Unaudited HK\$'000	Area serviced (square meters '000)	Unaudited HK\$'000	Area serviced (square meters '000)	
<b>Revenue (net of VAT)</b>					
"Hot-in-Place" Projects	30,125	520	37,339	361	(19.3%)
Non-"Hot-in-Place" Projects	102,375	–	132,504	–	(22.7%)
<b>Total</b>	<b>132,500</b>		169,843		(22.0%)

	Six-month period ended 30 June				
	2023		2022		Increase/ (decrease)
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
<b>Gross profit</b>					
"Hot-in-Place" Projects	8,330	27.7%	9,665	25.9%	(13.8%)
Non-"Hot-in-Place" Projects	5,669	5.5%	6,009	4.5%	(5.7%)
<b>Total</b>	<b>13,999</b>	<b>10.6%</b>	15,674	9.2%	(10.7%)

Revenue for this segment decreased as compared with that of the corresponding period in 2022 due to the effect of: (i) despite the total service area of the Group's "Hot-in-Place" projects recorded increase, the revenue of the "Hot-in-Place" projects recorded decrease during the Period because the "Hot-in-Place" projects in corresponding period in 2022 included the Geopolymer Injection Road Base Repair technology which had higher selling price; and (ii) more road maintenance work were performed by Tianjin Expressway Maintenance in 2022, the revenue of non-"Hot-in-Place" projects recorded a decrease during the Period.

Despite decreased in revenue, the gross profit margin of this segment was increased from 9.2% for the six-month period ended 30 June 2022 to 10.6% during the Period due to an increase in the total service area of the Group's "Hot-in-Place" projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

## b. APM Equipment

	Six-month period ended 30 June				
	2023		2022		Increase/ (decrease)
	Unaudited HK\$'000	units/sets	Unaudited HK\$'000	units/sets	
<b>Revenue (net of VAT)</b>					
Standard series	12,400	10	8,657	5	43.2%
Modular series	17,369	1	–	–	N/A
Repair and maintenance	1,774	N/A	2,399	N/A	(26.1%)
<b>Total</b>	<b>31,543</b>		11,056		185.3%

	Six-month period ended 30 June				
	2023		2022		Increase/ (decrease)
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
<b>Gross profit</b>					
Standard series	5,445	43.9%	4,016	46.4%	35.6%
Modular series	8,511	49.0%	–	N/A	N/A
Repair and maintenance	1,127	63.5%	1,450	60.4%	(22.3%)
<b>Total</b>	<b>15,083</b>	<b>47.8%</b>	5,466	49.4%	175.9%

Revenue for the APM equipment segment for the Period significantly increased by 185.3% as compared to the corresponding period for 2022. This was mainly due to many local government and highway companies delayed their capital investment to 2023 due to the outbreak of COVID-19 in 2022. In addition, the Group had successfully sold a set of modular series equipment during the Period under review. The gross profit margin for the APM equipment segment was relatively stable during the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. Other Income

Other income was decreased by approximately HK\$3.3 million from HK\$7.0 million for the six-month period ended 30 June 2022 to HK\$3.7 million for the Period, primarily due to the decrease in the deposit interest rate.

## 3. Reversal of Impairment Losses on Financial and Contract Assets

The reversal of the expected credit loss allowance on financial and contract assets increased from HK\$17.3 million for the six-month period ended 30 June 2022 to HK\$45.2 million during the Period, primarily due to the effect of (i) the reversal of the expected credit loss allowance of trade receivables and contract assets decreased as most of the long outstanding balances of Tianjin Expressway Maintenance had been recovered; and (ii) the reversal of the expected credit loss allowance on other receivables recognized.

## 4. Selling and Distribution Costs

The selling and distribution costs increased by approximately HK\$3.1 million from HK\$7.0 million for the six-month period ended 30 June 2022 to HK\$10.1 million for the Period and was mainly due to the effect of (i) strict COVID-19 pandemic control implemented in the first half of 2022 had been relieved in the fourth quarter of 2022, resulted more travelling and entertainment expenses were incurred during the Period under review; and (ii) more marketing and promotion activities were conducted during the Period.

## 5. Administrative Expenses

Administrative expenses increased by approximately HK\$1.8 million, from HK\$32.8 million for the six-month period ended 30 June 2022 to HK\$34.6 million for the Period primarily due to (i) the strict COVID-19 pandemic control implemented in the first half of 2022 had been relieved in the fourth quarter of 2022, resulted more travelling and entertainment expenses were incurred during the Period; and (ii) increased in staff costs due to an increase in number of employees.

## 6. Research and Development Costs

Research and development costs increased by approximately HK\$0.4 million, from HK\$6.9 million for the six-month period ended 30 June 2022 to HK\$7.3 million for the Period, primarily due to the Group's effort to invest more on research and development.

## 7. Finance Costs

Finance costs decreased by approximately HK\$0.4 million, from HK\$2.1 million for the six-month period ended 30 June 2022 to HK\$1.7 million for the Period, primarily due to a decrease in bank borrowing interest rate.

## 8. Share of Losses of Joint Ventures

The Group's share of losses from the joint ventures was approximately HK\$2.2 million for the Period, decreased by approximately HK\$0.2 million, as compared to the corresponding period in 2022.

## 9. Income Tax Expense

Income tax expense decreased by approximately HK\$0.2 million, from income tax expense of approximately HK\$0.6 million for the six-month period ended 30 June 2022 to HK\$0.4 million for the Period, which is mainly due to the underprovision of taxation in the year ended 31 December 2021 was recognised in the six-month period ended 30 June 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 10. Profit

Profit attributable to owners of the Company amounted to HK\$2.3 million for the Period compared with loss attributable to owners of the Company of approximately HK\$9.8 million for the six-month period ended 30 June 2022, primarily due to the effect of (i) the increase in revenue of APM equipment segment; and (ii) the increase in the recognition of reversal of expected credit loss allowance of trade receivables and contract assets.

## 11. Liquidity and Financial Resources and Capital Structure

As at 30 June 2023, the Group's bank balances and cash, restricted bank deposits, financial assets at fair value through profit or loss and pledged bank deposits amounted to approximately HK\$249.9 million (as at 31 December 2022: HK\$286.3 million). The decrease was primarily due to the net effect of (1) net cash flows used in operating activities; (2) the purchase of property, plant and equipment; (3) addition to investment property; and (4) increase in bank borrowings. As at 30 June 2023, the bank borrowings of the Group amounted to HK\$93.7 million (as at 31 December 2022: HK\$91.2 million). As at 30 June 2023 and 31 December 2022, the Group was in a net cash position.

Due to the effect of (i) the most of the long outstanding balances of Tianjin Expressway Maintenance had been recovered during the Period; and (ii) the decrease in the revenue during the period, the trade receivables and contract assets balances was decreased by HK\$147.8 million, or approximately 19.5%, from HK\$758.3 million as of 31 December 2022 to HK\$610.5 million as of 30 June 2023. The contract assets balance also includes some retention money withheld by the customers (5% to 10%) of the contract price which is to be paid after the expiration of the warranty period and was not yet past due. As at the latest practicable date, customers had subsequently settled trade receivables amounting to HK\$69.2 million (equivalent to approximately RMB64.1 million).

As at 30 June 2023, the Group's liquidity position remained stable and the Group strives to efficiently use its financial resources and adopts a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

## 12. Investment Property

As at 30 June 2023, the Group's investment property is measured using the fair value model and was approximately HK\$137.2 million (as at 31 December 2022: HK\$142.4 million). The decrease in the Group's investment property was the result of the depreciation of RMB against Hong Kong dollar as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars. The investment property is a parcel of land and is located at lot 04-05 and 04-06 of Jiangxinzhou, Jianye District, Nanjing, the PRC (中國南京市建鄴區江心洲). It was acquired by the Group in December 2016 and shall be developed for research and development use. The construction work of the investment property had commenced in the first quarter of 2022. Due to the strict COVID 19 pandemic control in second quarter of 2022, the expected completion date of the investment property has delayed from fourth quarter 2023 to fourth quarter of 2024. The Group intends to fund 80% of the contract cost by bank financing and 20% by its internal resources. The site area of the investment property is approximately 35,673 square meters, with plot ratio not more than 1.2 and gross floor area permissible for sale is no more than 40% of the total gross floor area. The investment property will be developed into the global technology research and development centre of the Group, two main office buildings with total gross floor area of approximately 25,696 square meter (the "Main Buildings") and seventeen small office buildings with total gross floor area of approximately 17,055 square meter (the "Office Buildings") will be developed. Upon the completion of the construction, the Group intends to lease the some office spaces of the Main Buildings to third parties, which will bring additional income streams to the Group. The Group also decides to sell the Office Buildings to repay the construction cost. During the year ended 31 December 2021, as the management of the Group had decided to sell Office Buildings upon completion and the investment property of approximately HK\$136.5 million had been transferred to inventories and is stated at cost as at 31 December 2022 and 30 June 2023. The Group intends to develop the investment property to bring additional income to the Group, it is an one-off transaction and the Group does not have the intention to enter into real estate development industry.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 13. Interest-Bearing Bank Borrowings

As at 30 June 2023, the Group had total debt of HK\$93.7 million (as at 31 December 2022: HK\$91.2 million), which was comprised of secured interest-bearing bank borrowings of HK\$33.5 million (as at 31 December 2022: HK\$46.2 million) and unsecured interest-bearing bank borrowings of HK\$60.2 million (as at 31 December 2022: HK\$45.0 million).

As at 30 June 2023, bank balances of approximately HK\$9.1 million (as at 31 December 2022: HK\$10.6 million) was pledged to secure general banking facilities granted to the Group.

The maturity profile of the interest-bearing bank borrowings as at 31 December 2022 and 30 June 2023 were repayable within one year or demand.

## 14. Use of Proceeds Raised from Initial Public Offering (“IPO”)

The Group received approximately net proceeds of HK\$687.0 million, after deducting underwriting fees and other related expenses, from the Company’s IPO. These net proceeds were applied up to the period ended 30 June 2023 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Available HK\$ million	Net proceeds utilised during the Period HK\$ million	Net proceeds utilised up to 30 June 2023 HK\$ million	Unutilised HK\$ million	Expected timeline for unutilised net proceeds
Investment in research and development activities	137.4	–	137.4	–	
Establishing joint ventures and expanding APM service teams	137.4	–	99.9	37.5	End of 2023
Manufacturing APM equipment and expanding our APM service teams	103.1	–	103.1	–	
Acquisitions of other APM service providers	103.0	–	60.8	42.2	End of 2023
Constructing new production facility	68.7	–	68.7	–	
Establishing sales offices in new markets and marketing expenses	68.7	–	68.7	–	
General corporate purposes and working capital requirements	68.7	–	68.7	–	
	687.0	–	607.3	79.7	

As the Company has not identified suitable joint venture partner and/or acquisition targets for APM service providers, the Company has not utilised the proceeds allocated during the Period under review. The Company intended to utilise the proceeds by the end of 2023 and will continue to identify suitable partners and acquisition targets in 2023. The unutilised net proceeds have been deposited into short term deposits with licensed banks and authorised financial institutions in Hong Kong and the PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 15. Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

During the Period under review, there were no other significant investments held, nor were there any material acquisitions or disposals of any subsidiaries, associates or joint ventures during the Period. There was no concrete plan authorised by the Board for other material investments or additions of capital assets as at the date of this Interim Report.

## 16. Capital Commitments and Contingent Liabilities

The Group's capital commitments are set out in note 21 to these condensed consolidated interim unaudited financial statements.

As at 30 June 2023, the Group did not have any material contingent liabilities.

## 17. Financial Risk Management

The Group's business is exposed to a variety of financial risks, such as interest rate risk, foreign currency risk and credit 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. As at 30 June 2023, 82.7% and 17.3% (as at 31 December 2022: 87.7% and 12.3%) of the Group's bank borrowings are at fixed interest rate and floating interest rate, respectively. The Group has not used any interest rate swaps to hedge its interest rate risk.

The Group collects most of its revenue in Renminbi ("RMB") and most of its expenditures as well as capital expenditures are also denominated in RMB. The Group's exposures to foreign currency risk arises mainly from certain bank deposits and interest-bearing bank borrowings denominated in foreign currency of the relevant group entities. As at 30 June 2023, bank balances and cash, restricted bank deposits, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK\$244,897,000 (as at 31 December 2022: HK\$259,152,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 30 June 2023, the Group's bank borrowings denominated in RMB amounted to HK\$93,727,000 (equivalent to RMB86,800,000) (as at 31 December 2022: HK\$91,208,000 (equivalent to RMB81,000,000)). The Group has not hedged its foreign currency risk. The changes in foreign currency translation reserve during the Period was the result of the depreciation of RMB against Hong Kong dollar as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars.

The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

## 18. Employees and Remuneration

As at 30 June 2023, the Group had a total of 492 full time employees (as at 31 December 2022: 456). Staff costs during the Period, including directors' emoluments, totalled HK\$38.3 million (six-month period ended 30 June 2022: HK\$41.2 million). The Group provides competitive remuneration packages to retain its employees including discretionary bonus schemes, medical insurance and other allowances and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC. The Group stresses the importance of staff development and provides training programmes on an ongoing basis.

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

## 1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the interests and short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Long positions in the shares of the Company

Name of director	Personal Interests			Approximate percentage of existing issued share capital of the Company
	Number of share held	Corporate Interests	Total	
Mr. Sze Wai Pan ("Mr. Sze")	13,000,000	529,688,260 <sup>(1)</sup>	542,688,260	50.30%
Ms. Sze Wan Nga ("Ms. Sze")	880,000	29,640,000 <sup>(2)</sup>	30,520,000	2.83%
Mr. Chan Kai King	3,166,667	–	3,166,667	0.29%
Dr. Chan Yan Chong	50,000	–	50,000	0.00%

Notes:

- Mr. Sze is the beneficial owner of all the issued share capital of Freetech (Cayman) Ltd. ("Freetech Cayman"), Freetech (BVI) Limited ("Sze BVI") and Freetech Technology Limited ("Freetech Technology") and therefore is deemed to be interested in a total of 529,688,260 shares of the Company held by Freetech Cayman, Sze BVI and Freetech Technology.
- Ms. Sze is the beneficial owner of all the issued share capital of Intelligent Executive Limited ("Intelligent Executive") and therefore is deemed to be interested in 29,640,000 shares of the Company held by Intelligent Executive. Ms. Sze is the director of Intelligent Executive, Freetech Cayman, Sze BVI and Freetech Technology.

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

## (ii) Long position in the shares of associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Number of shares held in associated corporation	Percentage of existing issued share capital of the associated corporations
Mr. Sze	Freetech Cayman	Beneficial owner	1,162,956	100%
Mr. Sze	Sze BVI	Beneficial owner	1	100%
Mr. Sze	Freetech Technology	Beneficial owner	100	100%
Ms. Sze	Intelligent Executive	Beneficial owner	10,000	100%

Save as disclosed above, as at 30 June 2023, none of the directors nor the chief executive of the Company had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations.

## 2. INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, so far as is known to the directors of the Company, the following persons or corporations (other than directors or the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company:

Name of shareholder	Capacity	Number of shares or underlying shares held in the Company	Approximate percentage of existing issued share capital of the Company
Freetech Technology <sup>(1)</sup>	Interest in controlled corporation	529,688,260	49.09%
Sze BVI <sup>(1)</sup>	Interest in controlled corporation	529,688,260	49.09%
Freetech Cayman <sup>(1)</sup>	Beneficial owner	529,688,260	49.09%
Bank of Communications Trustee Limited <sup>(2)</sup>	Trustee	70,419,200	6.53%

Notes:

- The relationship between Freetech Technology, Sze BVI, Freetech Cayman and Mr. Sze is disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares and underlying Shares" above.
- Bank of Communications Trustee Limited ("BOCM Trustee") is appointed by the Company to purchase such the shares of the Company on the Stock Exchange or off-market and to hold them in trust for the benefit of the employees on and subject to the terms and conditions of the scheme rules and the trust deed of the share award scheme. According to the disclosure interest form filed by BOCM Trustee on 29 May 2023, the number of shares held by BOCM Trustee were 64,819,200. During the Period under review, as additional shares acquired by BOCM Trustee, the number of shares held by BOCM Trustee were 70,419,200 as at 30 June 2023.

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, the directors of the Company are not aware of any other persons (other than the directors of the Company whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares and underlying Shares” above) who held any interests or short positions in the shares, or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## 3. SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 7 June 2013 (the “Share Option Scheme”) which had expired on 6 June 2023. The purpose of the Share Option Scheme is to provide incentives to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, direct or indirect shareholders, business or joint venture partners, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high caliber employees. During the Period (six-month period ended 30 June 2022: nil), no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at 30 June 2023 (2022: nil). The total number of share options which is available for being granted under the Share Option Scheme as at 1 January 2023 and 30 June 2023 were 107,900,000 share options and nil share options respectively.

Details of the Share Option Scheme are required to be disclosed under Chapter 17 of the Listing Rules are disclosed in note 19 to the financial statements.

## 4. SHARE AWARD SCHEME

On 7 May 2014 (the “Adoption Date”), the Company adopted the share award scheme (as amended on 22 December 2020) (the “Share Award Scheme”) under which shares of the Company (the “Awarded Shares”) may be awarded to selected employees (including executive directors) of the Group (the “Selected Employees”) pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The Share Award Scheme aims to recognize the contributions by certain Selected Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for a term of 10 years commencing on the adoption date.

In connection with the implementation of the Share Award Scheme, the Board may from time to time cause to be paid certain funds to Bank of Communications Trustee Limited (the “Trustee”) for the purchase of the shares of the Company and instruct the Trustee to purchase such shares on The Stock Exchange of Hong Kong Limited or off-market and to hold them in trust for the benefit of the employees on and subject to the terms and conditions of the scheme rules and the trust deed of the Share Award Scheme. The Trustee shall not exercise any voting right attached in respect of any Awarded Shares held in trust by it under the Share Award Scheme (including but not limited to the returned shares, any bonus shares or scrip shares derived therefrom).

Subject to the provisions of the Share Award Scheme, the Board may, from time to time, grant such number of Awarded Shares to any Selected Employee at no consideration on and subject to such terms and conditions as it may in its absolute discretion determine.

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

The aggregate number of the Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company from time to time. The maximum number of the Awarded Shares which may be awarded to a Selected Employee shall not exceed 1% of the issued share capital of the Company from time to time. Since the Adoption Date and up to the date of this report, a total of 8,427,000 Awarded Shares had been vested under the Share Award Scheme, representing about 0.8 per cent of the issued share capital of the Company on the Adoption Date. The total number of unvested shares as at 1 January 2023 and 30 June 2023 were 6,825,000 shares and nil share, respectively. The total number of Awarded Shares which is available for being further awarded under the Share Award Scheme as at 1 January 2023, 30 June 2023 and 31 August 2023 were 92,648,000 shares, 99,473,000 shares and 99,473,000 shares, respectively (represents 8.6 per cent, 9.2 per cent and 9.2 per cent of the issued share capital of the Company as at 1 January 2023, 30 June 2023 and 31 August 2023). As at 30 June 2023, taking into account the shares acquired out of the dividends from the shares held under the Trustee, there were 70,419,200 Awarded Shares held in trust under the Share Award Scheme.

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant Awarded Shares to that employee at no consideration. The selected employee however is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her.

During the Period under review, nil (six-month period ended 30 June 2022: nil) Awarded Shares had been awarded.

Movements of the Awarded Shares under the Share Award Scheme for the Period are as follows:

Name of participant	Date of grant	Unvested shares at 1 January 2023	Granted during the Period	Vested during the Period	Cancelled during the Period	Lapsed during the Period (note)	Awarded shares at 30 June 2023	Vesting period
<b>Directors</b>								
Ms. Sze	8 June 2020	660,000	-	-	-	(660,000)	-	8 June 2022 to 7 June 2023
Chan Kai King	8 June 2020	660,000	-	-	-	(660,000)	-	8 June 2022 to 7 June 2023
<b>Sub-Total</b>		<b>1,320,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,320,000)</b>	<b>-</b>	
<b>Continuous Contract Employees</b>								
In aggregate	8 June 2020	5,280,000	-	-	-	(5,280,000)	-	8 June 2022 to 7 June 2023
In aggregate	28 May 2021	225,000	-	-	-	(225,000)	-	8 June 2022 to 7 June 2023
<b>Sub-Total</b>		<b>5,505,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,505,000)</b>	<b>-</b>	
<b>Total</b>		<b>6,825,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,825,000)</b>	<b>-</b>	

Note: The Awarded Shares will be vested to the awardee subject to the fulfilment of certain performance targets. As the relevant performance targets have not been fulfilled, the grant of the Awarded Shares lapsed accordingly.

Further details of the Share Award Scheme are disclosed in note 20 to the financial statements.

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

## 5. CORPORATE GOVERNANCE CODE

The Board is committed to achieving a high standard of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. During the Period, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except code provision C.2.1 as more particularly described below.

CG Code provision C.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Sze to assume both roles as the chairman and chief executive officer of the Company since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider separating the two roles to be assumed by two individuals. With the strong business experience of the directors of the Company, the Group does not expect any issues would arise due to the combined roles of Mr. Sze. The Group also has in place an internal control system to perform a check-and-balance function. There are also three independent non-executive directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there is an adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

## 6. AUDIT COMMITTEE

The audit committee of the Company has been set up in accordance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Ms. Yeung Sum (Chairman), Prof. Lau Chi Pang, J.P. and Prof. Lai Kin Keung (including one independent non-executive director with the appropriate professional qualifications).

At an audit committee meeting held on 31 August 2023, the audit committee, along with the management of the Company, reviewed the accounting principles and practices adopted by the Group and other financial reporting matters as well as the interim condensed consolidated unaudited financial statements for the Period. The audit committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the Period.

## 7. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made to all the directors and the directors have confirmed that they have complied with the Model Code during the Period.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Employees Written Guidelines").

No incident of non-compliance with the Employees Written Guidelines was noted by the Company during the Period.

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

## **8. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

## **9. INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Period (for the six-month period ended 30 June 2022: nil).

On behalf of the Board

**Mr. Sze Wai Pan**

*Chairman and Chief Executive Officer*

Hong Kong, 31 August 2023

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2023

	Notes	Six-month period ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	3	<b>164,043</b>	180,899
Cost of sales		<b>(134,961)</b>	(159,759)
Gross profit		<b>29,082</b>	21,140
Other income	4	<b>3,668</b>	6,972
Other gains and losses, net	5	<b>2</b>	(583)
Reversal of impairment losses on financial and contract assets	16	<b>45,180</b>	17,306
Selling and distribution costs		<b>(10,124)</b>	(6,990)
Administrative expenses		<b>(34,573)</b>	(32,832)
Research and development costs		<b>(7,279)</b>	(6,917)
Other expenses		<b>(213)</b>	(1,174)
Share of losses of joint ventures		<b>(2,154)</b>	(2,428)
Finance costs	6	<b>(1,745)</b>	(2,109)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE	7	<b>21,844</b>	(7,615)
Income tax expense	8	<b>(387)</b>	(613)
PROFIT/(LOSS) FOR THE PERIOD		<b>21,457</b>	(8,228)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Items that will not be reclassified to profit or loss:			
Exchange differences arising from translation		<b>(32,138)</b>	(36,256)
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		<b>(686)</b>	(423)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<b>(32,824)</b>	(36,679)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>(11,367)</b>	(44,907)
Profit/(Loss) for the period attributable to:			
Owners of the Company		<b>2,277</b>	(9,750)
Non-controlling interests		<b>19,180</b>	1,522
		<b>21,457</b>	(8,228)
Total comprehensive income for the period attributable to:			
Owners of the Company		<b>(27,534)</b>	(43,381)
Non-controlling interests		<b>16,167</b>	(1,526)
		<b>(11,367)</b>	(44,907)
EARNINGS/(LOSS) PER SHARE	10		
Basic		<b>HK0.22 cents</b>	HK(0.96) cents
Diluted		<b>HK0.22 cents</b>	HK(0.96) cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	118,405	130,439
Investment property	11	137,248	142,445
Right-of-use assets		12,924	14,513
Goodwill		6,150	6,150
Other intangible assets		1,192	1,543
Interests in joint ventures		9,576	12,109
Equity instruments at FVTOCI		6,335	7,293
Prepayments and deposits for acquisition of leasehold land		3,528	3,679
Contract assets	14	12,677	–
Deferred tax assets		132	205
		<b>308,167</b>	318,376
<b>CURRENT ASSETS</b>			
Inventories	12	189,331	185,532
Bills and trade receivables	13	68,285	79,950
Contract assets	14	273,759	369,748
Prepayments, deposits and other receivables	15	25,260	34,527
Financial assets at fair value through profit or loss		21,596	22,521
Pledged bank deposits		9,099	10,593
Restricted bank deposits		1,288	1,443
Bank balances and cash		217,898	251,780
		<b>806,516</b>	956,094
<b>CURRENT LIABILITIES</b>			
Bills, trade and other payables	17	241,768	388,853
Contract liabilities		15,693	14,265
Taxation payable		2,168	2,391
Lease liabilities		2,032	2,531
Bank borrowings		93,727	91,208
		<b>355,388</b>	499,248
<b>NET CURRENT ASSETS</b>		<b>451,128</b>	456,846
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>759,295</b>	775,222

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>15,795</b>	17,562
Lease liabilities		<b>1,744</b>	2,527
		<b>17,539</b>	20,089
		<b>741,756</b>	755,133
<b>CAPITAL AND RESERVES</b>			
Share capital	18	<b>107,900</b>	107,900
Reserves		<b>584,846</b>	614,390
Attributable to owners of the Company		<b>692,746</b>	722,290
Non-controlling interests		<b>49,010</b>	32,843
Total equity		<b>741,756</b>	755,133

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Shares held under the share award scheme HK\$'000 (Note c)	Contributed surplus HK\$'000 (Note a)	Reserve funds HK\$'000 (Note b)	Share-based compensation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2023 (Audited)	107,900	732,463	(21,985)	25,328	96,147	652	(83,655)	(134,604)	44	722,290	32,843	755,133
Profit for the period	-	-	-	-	-	-	-	2,277	-	2,277	19,180	21,457
Other comprehensive income for the period	-	-	-	-	-	-	(29,125)	-	(686)	(29,811)	(3,013)	(32,824)
Total comprehensive income for the period	-	-	-	-	-	-	(29,125)	2,277	(686)	(27,534)	16,167	(11,367)
Share purchased for share award	-	-	(2,109)	-	-	-	-	-	-	(2,109)	-	(2,109)
Equity-settled share award scheme	-	-	-	-	-	99	-	-	-	99	-	99
Share awards forfeited	-	-	-	-	-	(751)	-	751	-	-	-	-
At 30 June 2023 (Unaudited)	107,900	732,463	(24,094)	25,328	96,147	-	(112,780)	(131,576)	(642)	692,746	49,010	741,756

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Shares held under the share award scheme HK\$'000 (Note c)	Contributed surplus HK\$'000 (Note a)	Reserve funds HK\$'000 (Note b)	Share-based compensation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2022 (Audited)	107,900	732,463	(21,719)	25,328	93,218	959	(20,714)	(99,891)	1,441	818,985	44,821	863,806
Loss for the period	-	-	-	-	-	-	-	(9,750)	-	(9,750)	1,522	(8,228)
Other comprehensive income for the period	-	-	-	-	-	-	(33,208)	-	(423)	(33,631)	(3,048)	(36,679)
Total comprehensive income for the period	-	-	-	-	-	-	(33,208)	(9,750)	(423)	(43,381)	(1,526)	(44,907)
Share purchased for share award	-	-	(154)	-	-	-	-	-	-	(154)	-	(154)
Equity-settled share award scheme	-	-	-	-	-	268	-	-	-	268	-	268
Share awards forfeited	-	-	-	-	-	(688)	-	688	-	-	-	-
Transfer from retained earnings	-	-	-	-	744	-	-	(744)	-	-	-	-
At 30 June 2022 (Unaudited)	107,900	732,463	(21,873)	25,328	93,962	539	(53,922)	(109,697)	1,018	775,718	43,295	819,013

Notes:

- 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, details of which are set out under the section "History and Corporate Structure" to the Company's prospectus dated 14 June 2013.
- Pursuant to the relevant laws and regulations, a portion of the profits of the Company's subsidiaries which are established in the PRC has been transferred to reserve funds which are restricted to use.
- The amount represents payments by the Group to the trustee of the Share Award Scheme (as defined in note 20), net off with the vested portion to selected employees who have been awarded shares under the Share Award Scheme. Details of the Share Award Scheme is set out in note 20.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2023

	Notes	Six-month period ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Operating activities			
Profit/(Loss) before income tax expense		21,844	(7,615)
Adjustments for:			
Interest income	4	(2,324)	(6,316)
Finance costs	6	1,745	2,109
Share of losses of joint ventures		2,154	2,428
Depreciation of property, plant and equipment	7	9,766	13,378
Depreciation of right-of-use assets	7	1,154	1,446
Amortisation of other intangible assets	7	300	330
Gain on disposal of property, plant and equipment	7	(61)	–
(Reversal of)/Provision for impairment losses on financial and contract assets, net			
— trade receivables and contract assets	16	(44,041)	(18,582)
— other receivables	16	(1,139)	1,276
Equity-settled share-based payment expenses		99	268
Unrealised exchange differences		5,270	(10,838)
Operating cash flows before movements in working capital		(5,233)	(22,116)
Increase in inventories		(11,874)	(35,311)
Decrease in bills and trade receivables		11,738	7,246
Decrease in contract assets		111,507	6,826
Increase/(Decrease) in contract liabilities		2,068	(268)
Decrease in prepayments, deposits and other receivables		9,393	9,934
(Decrease)/Increase in bills, trade and other payables		(129,773)	14,124
Cash used in operations		(12,174)	(19,565)
Interest paid		(1,745)	(2,033)
Income tax paid		(1,541)	(9,114)
Net cash flows used in operating activities		(15,460)	(30,712)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2023

	Notes	Six-month period ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Investing activities			
Interest received		2,324	6,316
Purchase of property, plant and equipment	11	(7,511)	(3,903)
Proceeds from disposal of property, plant and equipment		61	–
Addition to investment property		(8,453)	(189)
Addition to other intangible assets		–	(190)
Placement of pledged bank deposits		(7,965)	(16,668)
Withdrawal of pledged bank deposits		9,069	32,212
Placement of time deposits		–	(7,370)
Withdrawal of time deposits		–	8,443
Placement of restricted bank deposits		(150)	–
Withdrawal of restricted bank deposits		251	–
Net cash flows (used in)/generated from investing activities		(12,374)	18,651
Financing activities			
Bank borrowing raised		50,630	23,730
Repayment of bank borrowings		(44,104)	(12,045)
Repayment of principal portion of lease liabilities		(1,261)	–
Purchase of shares held under the share award scheme		(2,109)	(154)
Net cash flows generated from financing activities		3,156	11,531
Net decrease in cash and cash equivalents		(24,678)	(530)
Cash and cash equivalents at beginning of period		251,780	268,995
Effect of exchange rate changes on the balance of cash held in foreign currencies		(9,204)	2,500
Cash and cash equivalents at the end of the period, represented by bank balances and cash		217,898	270,965

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 1. CORPORATE INFORMATION

Freotech Road Recycling Technology (Holdings) Limited (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 Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacturing and sale of road maintenance equipment, provision of road maintenance services, and development, sales and leasing of properties in the People’s Republic of China (the “PRC”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment property and financial instruments which measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months period ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION

### 3.1 Revenue

#### Disaggregation of revenue from contracts with customers

Segments	For the six months ended 30 June 2023		
	Maintenance Services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Types of goods</b>			
Maintenance Service			
— “Hot-in-place” Projects	30,125	–	30,125
— Non-“Hot-in-place” Projects	102,375	–	102,375
Sales of equipment			
— Standard series	–	12,400	12,400
— Modular series	–	17,369	17,369
— Repair and maintenance	–	1,774	1,774
<b>Total</b>	<b>132,500</b>	<b>31,543</b>	<b>164,043</b>
<b>Geographical markets</b>			
Mainland China	132,500	31,375	163,875
Overseas	–	168	168
<b>Total</b>	<b>132,500</b>	<b>31,543</b>	<b>164,043</b>
<b>Timing of revenue recognition</b>			
A point in time	–	31,543	31,543
Over time	132,500	–	132,500
<b>Total</b>	<b>132,500</b>	<b>31,543</b>	<b>164,043</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

### 3.1 Revenue *(Continued)*

#### Disaggregation of revenue from contracts with customers *(Continued)*

Segments	For the six months ended 30 June 2022		
	Maintenance Services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Types of goods</b>			
Maintenance Service			
— “Hot-in-place” Projects	37,339	–	37,339
— Non-“Hot-in-place” Projects	132,504	–	132,504
<b>Sales of equipment</b>			
— Standard series	–	8,657	8,657
— Repair and maintenance	–	2,399	2,399
<b>Total</b>	<b>169,843</b>	<b>11,056</b>	<b>180,899</b>
<b>Geographical markets</b>			
Mainland China	169,843	10,605	180,448
Overseas	–	451	451
<b>Total</b>	<b>169,843</b>	<b>11,056</b>	<b>180,899</b>
<b>Timing of revenue recognition</b>			
A point in time	–	11,056	11,056
Over time	169,843	–	169,843
<b>Total</b>	<b>169,843</b>	<b>11,056</b>	<b>180,899</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

### 3.2 Operating segment

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

Maintenance services	—	Provision of road maintenance services
Sale of equipment	—	Manufacturing and sale of road maintenance equipment
Properties	—	Development, sales and leasing of properties

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/(loss) before income tax. The adjusted profit/(loss) before income tax is measured consistently with the Group's profit/(loss) before income tax except that interest income, exchange differences, share of losses of joint ventures, finance costs, as well as head office and corporate expenses are excluded from such measurement.

#### 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 major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the six-month period ended 30 June 2023 and 2022 is set out below:

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Customer A — Provision of road maintenance services	82,038	82,753

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

### 3.2 Operating segment *(Continued)*

	For the six-month period ended 30 June 2023			
	Maintenance Services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Properties (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	132,500	31,543	–	164,043
Other revenue	1,342	2	–	1,344
Revenue	133,842	31,545	–	165,387
Allocated corporate expenses	(104,000)	(31,467)	(272)	(135,739)
<b>Segment results</b>	<b>29,842</b>	<b>78</b>	<b>(272)</b>	<b>29,648</b>
<i>Reconciliation:</i>				
Interest income				2,324
Foreign exchange losses, net				(59)
Finance costs				(1,745)
Unallocated corporate expenses				(6,170)
Share of losses of joint ventures				(2,154)
Profit before income tax expense				21,844
<b>Other segment information:</b>				
Impairment losses reversed in respect of trade receivables, contract assets and other receivables	(45,536)	274	82	(45,180)
Depreciation and amortisation	9,556	1,664	–	11,220
Capital expenditure*	5,192	2,319	76	7,587

\* Capital expenditure consists of additions to property, plant and equipment, investment property and land use rights.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

### 3.2 Operating segment *(Continued)*

	For the six-month period ended 30 June 2022			
	Maintenance Services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Properties (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	<b>Segment revenue:</b>			
Sales to external customers	169,843	11,056	–	180,899
Other revenue	442	213	–	655
Revenue	170,285	11,269	–	181,554
Allocated corporate expenses	(166,220)	(17,486)	(427)	(184,133)
<b>Segment results</b>	<b>4,065</b>	<b>(6,217)</b>	<b>(427)</b>	<b>(2,579)</b>
<i>Reconciliation:</i>				
Interest income				6,316
Foreign exchange losses, net				(318)
Finance costs				(2,109)
Unallocated corporate expenses				(6,497)
Share of losses of joint ventures				(2,428)
Loss before income tax expense				(7,615)
<b>Other segment information:</b>				
Impairment losses reversed in respect of trade receivables, contract assets and other receivables	(16,537)	(769)	–	(17,306)
Depreciation and amortisation	13,578	1,576	–	15,154
Capital expenditure*	2,047	1,856	13,082	16,985

\* Capital expenditure consists of additions to property, plant and equipment, investment property and land use right.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 4. OTHER INCOME

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Government grants (Note)	587	151
Interest income	2,324	6,316
Dividend income from equity instruments at FVTOCI	185	–
Others	572	505
	<b>3,668</b>	<b>6,972</b>

Note: The government grants mainly represent unconditional subsidies from PRC local governments to encourage the operations of certain subsidiaries. The government grants are accounted for as immediate financial support with no future related costs expected to be incurred and are not related to any assets.

## 5. OTHER GAINS AND LOSSES, NET

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Gain on disposal of property, plant and equipment	61	–
Foreign exchange losses, net	(59)	(318)
Donation	–	(265)
	<b>2</b>	<b>(583)</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 6. FINANCE COSTS

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on:		
— Bank borrowings	1,663	2,033
— Lease liabilities	82	76
	<b>1,745</b>	2,109

## 7. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

The Group's profit/(loss) before income tax is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	9,766	13,378
Depreciation of right-of-use assets	1,154	1,446
Amortisation of other intangible assets	300	330
Short-term lease expenses	1,063	1,086
Gain on disposal of property, plant and equipment	(61)	–
Reversal of impairment losses on trade receivables and contract assets	(44,041)	(18,582)
(Reversal of)/Provision for impairment losses on other receivables	(1,139)	1,276
Foreign exchange losses, net	59	318

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 8. INCOME TAX EXPENSE

The charge comprises:

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
PRC Enterprise Income Tax ("EIT"):		
— Current tax	193	389
— Under provision in prior years	284	224
	477	613
Deferred tax charge	(90)	—
	387	613

No provision for Hong Kong Profits Tax has been made since there is no tax assessable profit for the six-month period ended 30 June 2022 and 2023.

Except as described below, provision for PRC EIT is made based on the estimated taxable income for PRC taxation purposes at 25% pursuant to the Law of the PRC on Enterprise Income Tax and Implementation Regulation.

英達熱再生有限公司 Freetech Road Recycling Corporation was recognised as a High-Tech company in 2010, 2014, 2017 and 2022 respectively and the applicable tax rate is 15% from 1 January 2010 to 31 October 2020 and 18 November 2022 to 17 November 2025.

南京英達公路養護車製造有限公司 Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation was recognised as a High-Tech company in 2009, 2012, 2015, 2018 and 2022 respectively and the applicable tax rate is 15% from 1 January 2009 to 28 November 2021 and 12 December 2022 to 11 December 2025.

天津市高速公路養護有限公司 Tianjin Expressway Maintenance Limited ("Tianjin Expressway Maintenance") was recognised as a High-Tech company in 2020 and the applicable tax rate is 15% from 1 January 2020 to 30 November 2023.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 9. DIVIDENDS

At a meeting of the board of directors held on 31 August 2023, the directors resolve not to pay any interim dividend to shareholders (six-month period ended 30 June 2022: Nil).

## 10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

### Profit/(Loss)

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Profit/(Loss) for the purposes of calculating basic and diluted earnings/(loss) per share — attributable to the owners of the Company	2,277	(9,750)

### Number of shares

	Six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Weighted average number of ordinary shares in issue less shares held under share award scheme during the period for the purpose of calculating basic earnings/(loss) per share	1,015,329,894	1,019,234,690
Effect of dilutive potential ordinary shares: Unvested share award	5,920,028	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	1,021,249,922	1,019,234,690

The computation of diluted loss per share for the six-month period ended 30 June 2022 did not assume the exercise of the Company's unvested share award as that would decrease the loss per share for the period presented.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six-month period ended 30 June 2023, the Group acquired property, plant and equipment, and investment property of HK\$7,511,000 and HK\$76,000, respectively (six-month period ended 30 June 2022: HK\$3,903,000 and HK\$13,082,000).

The fair value of the Group's investment property was arrived at on the basis of a valuation carried out at the end of the reporting period by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司), who is a firm of independent valuer qualifications, on income capitalisation basis. There is no changes in fair value of investment property for the six-month period ended 30 June 2023 (six-month period ended 30 June 2022: Nil).

## 12. INVENTORIES

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Raw materials	<b>27,587</b>	22,355
Work-in-progress	<b>14,025</b>	15,572
Finished goods	<b>9,381</b>	3,409
Property under development for sale	<b>138,338</b>	144,196
	<b>189,331</b>	185,532

## 13. BILLS AND TRADE RECEIVABLES

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade receivables	<b>67,559</b>	77,479
Bills receivables	<b>726</b>	2,471
	<b>68,285</b>	79,950

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 13. BILLS AND TRADE RECEIVABLES (Continued)

The following is an aging analysis of bills receivables at the end of the reporting period:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
0 to 180 days	<b>726</b>	2,471

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group's trade customers are principally government agencies. The credit period is determined on a case by case basis, subject to the fulfillment 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.

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Within 3 months	<b>10,213</b>	3,815
3 to 12 months	<b>27,122</b>	38,865
1 to 2 years	<b>21,137</b>	13,422
Over 2 years	<b>9,087</b>	21,377
	<b>67,559</b>	77,479

As at 30 June 2023, included in the trade receivables are amounts due from the Group's related companies of HK\$Nil (31 December 2022: HK\$8,877,000), which are repayable on credit terms similar to those offered to the major customers of the Group, details of which are set out in note 24.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 14. CONTRACT ASSETS

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Sale of road maintenance equipment	<b>21,326</b>	7,464
Provision of road maintenance services	<b>265,110</b>	362,284
	<b>286,436</b>	369,748
Current	<b>273,759</b>	369,748
Non-current	<b>12,677</b>	–
	<b>286,436</b>	369,748

The contract assets primarily relate to the Group's right to consideration for work completed and not billed nor due because the rights are conditioned on the Group's future performance in achieving specified milestone at the reporting date on sale of road maintenance equipment and provision of road maintenance services. The contract assets are transferred to trade receivables when the rights become unconditional.

Details of the impairment assessment are set out in note 16.

As at 30 June 2023, included in the contract assets are amounts due from the Group's related companies of HK\$164,888,000 (31 December 2022: HK\$195,685,000), details of which are set out in note 24.

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Other receivables	<b>11,923</b>	17,351
Prepayments and deposits	<b>13,149</b>	16,979
Other tax recoverable	<b>188</b>	197
	<b>25,260</b>	34,527

As at 30 June 2023, included in the prepayments, deposits and other receivables are amounts due from the Group's related companies of HK\$435,000 (31 December 2022: HK\$459,000), which are unsecured, interest-free and have no fixed terms of repayment, details of which are set out in note 24.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 16. REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Reversal of impairment losses on financial and contract assets recognized on:		
Trade receivables and contract assets	(44,041)	(18,582)
Other receivables	(1,139)	1,276
	(45,180)	(17,306)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six-month period ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

## 17. BILLS, TRADE AND OTHER PAYABLES

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Bills payable	6,406	6,488
Trade payables	168,570	290,912
Other tax payables	21,021	26,204
Other payables and accrued charges	45,771	65,249
	241,768	388,853

The following is an aging analysis of bills payable at the end of the reporting period:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
0 to 180 days	6,406	6,488

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 17. BILLS, TRADE AND OTHER PAYABLES (Continued)

An aging analysis of the Group's trade payables at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Within 3 months	<b>56,518</b>	106,712
3 to 12 months	<b>46,398</b>	66,661
1 to 2 years	<b>43,916</b>	80,781
Over 2 years	<b>21,738</b>	36,758
	<b>168,570</b>	290,912

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 180 days.

As at 30 June 2023, included in the Group's trade payables are amounts due to related companies of approximately HK\$1,555,000 (31 December 2022: HK\$1,654,000), which are repayable within 90 days, which represents credit terms similar to those offered by the related companies to their major customers, details of which are set out in note 24.

As at 30 June 2023, included in the Group's other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK\$26,237,000 (31 December 2022: HK\$26,237,000) which is unsecured, interest-free and have no fixed terms of repayment.

## 18. SHARE CAPITAL

### Shares

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2022: 10,000,000,000) ordinary shares of HK\$0.10 each	<b>1,000,000</b>	1,000,000
Issued and fully paid: 1,079,000,000 (31 December 2022: 1,079,000,000) ordinary shares of HK\$0.10 each	<b>107,900</b>	107,900

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 19. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of motivating eligible persons to optimise their future performance and efficiency to the Group and/or rewarding them for their past contributions, attracting and retaining or otherwise maintaining 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 the Group, and additionally in the case of executives, enabling the Group to attract and retain individuals with experience and ability and/or rewarding them for their past contributions. Eligible persons of the Scheme include (i) the Company's directors, including independent non-executive directors; (ii) other employees of the Group; (iii) direct and indirect shareholders of the Group; (iv) suppliers of goods or services to the Group; (v) customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of the Group; (vi) persons or entities that provide design, research, development or other support or any advisory, consultancy, professional or other services to the Group; and (vii) associates of the persons identified in (i), (ii) and (iii) above. The Scheme became effective on 7 June 2013 and, unless otherwise cancelled or amended, will remain in force for ten years from that date. The Scheme has expired on 6 June 2023.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible person in the Scheme within any twelve-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within twenty eight days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company and ends on a date which is not later than ten years from the date of offer of share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheet on the offer date; and (iii) the average closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the Period, no share options were granted, exercised, cancelled or lapsed by the Company under the Scheme. There were no outstanding share options under the Scheme as at 30 June 2023 and 31 December 2022. The total number of share options which is available for being granted under the Scheme as at 1 January 2023 and 30 June 2023 were 107,900,000 share options and nil share options respectively.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 20. SHARE AWARD SCHEME

On 7 May 2014, the Company adopted the share award scheme (as amended on 22 December 2020) (the “Share Award Scheme”) under which shares of the Company may award selected employees (including executive directors) of the Group (the “Selected Employees”) pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for a term of 10 years commencing on the adoption date.

The aggregate number of the awarded shares (the “Awarded Shares”) permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company from time to time. The maximum number of the Awarded Shares which may be awarded to a selected employee shall not exceed 1% of the issued share capital of the Company from time to time.

When a selected employee has satisfied all vesting conditions, which might include service and/or performance conditions specified by the board of directors of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at no consideration. The selected employee however is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her.

During the six-month period ended 30 June 2023, based on the Company’s instruction, the trustee acquired 9,720,000 shares of HK\$0.22 each (six-month period ended 30 June 2022: 600,000 shares of HK\$0.26 each) in the Company for the Share Award Scheme through purchases in the open market and off-market at a total cost, including related transaction costs of approximately HK\$2,109,000 (six-month period ended 30 June 2022: HK\$154,000).

Summary of particulars of the shares awarded or vested under the Share Award Scheme during the period is as follows:

Date of award	Number of awarded shares granted	Fair value HK\$'000	Vesting period	As at 1 January 2023	Granted during the period	Vested during the period	Number of awarded shares		Outstanding (held by the trustee for the grantees) as at 30 June 2023
							Cancelled during the period	Lapsed during the period	
8 June 2020	6,600,000	618	3 years	6,600,000	-	-	-	(6,600,000)	-
28 May 2021	225,000	42	3 years	225,000	-	-	-	(225,000)	-
	6,825,000	660		6,825,000	-	-	-	(6,825,000)	-

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 20. SHARE AWARD SCHEME (Continued)

The closing price of the Company's shares immediately before 8 June 2020, the date of grant of the awarded shares, was HK\$0.142 and the average fair value per share was HK\$0.110, HK\$0.098 and HK\$0.094 respectively, which was calculated by Black-Scholes Option Pricing Model.

The closing price of the Company's shares immediately before 28 May 2021, the date of grant of the awarded shares, was HK\$0.315 and the average fair value per share was HK\$0.304, HK\$0.199 and HK\$0.184 respectively, which was calculated by Black-Scholes Option Pricing Model.

The Group recognised a share award expense of HK\$99,000 during the period (six-month period ended 30 June 2022: HK\$268,000).

At the date of approval of these financial statements, 70,419,200 outstanding Awarded Shares (including those Awarded Shares forfeited) are held by the Trustee of the Share Award Scheme for relevant grantees and have yet to be awarded.

## 21. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold land	14,110	14,714
Property, plant and equipment	7,813	2,906
Construction contract	285,208	306,093
	<b>307,131</b>	<b>323,713</b>

## 22. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following asset to secure the general banking facilities granted to the Group.

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Bank deposits	9,099	10,593

## 23. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 24. RELATED PARTY AND CONNECTED PARTY DISCLOSURES

### a) Related party and connected party transactions

During the period, other than those disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following significant transactions with its related companies and connected parties:

Name	Road maintenance service		Consulting service	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
天津高速公路集團有限公司 Tianjin Expressway Group Company Limited ("Tianjin Expressway Group") (Note (1))	82,038	82,753	–	–
Freetech Technology Limited (Note (2))**	–	–	1,450	1,450
Subsidiaries of Tianjin Expressway Group	734	–	–	–
Associates of Tianjin Expressway Group	7,698	3,451	–	–

Notes:

\*\* Related party identified under HKAS 24

(1) Tianjin Expressway Group is the non-controlling shareholder (holding 45% equity interest) of Tianjin Expressway Maintenance. Tianjin Expressway Maintenance is a non-wholly owned subsidiary of the Group which the Group acquired its 55% equity interest on 31 August 2016.

(2) Freetech Technology Limited is the ultimate holding company of the Group.

### b) Details of the amounts due from related parties and connected parties are as follows:

Name of related parties and connected parties	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
南京路捷道路養護有限公司 Nanjing Lujie Road Maintenance Engineering Co., Ltd. ("Nanjing Lujie") (note)**	–	31
Tianjin Expressway Group	159,339	193,774
Subsidiaries of Tianjin Expressway Group	2,992	922
Associates of Tianjin Expressway Group	2,992	10,294
	<b>165,323</b>	<b>205,021</b>

Note: This is joint venture of the Group.

\*\* Related party identified under HKAS 24

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

## 24. RELATED PARTY AND CONNECTED PARTY DISCLOSURES *(Continued)*

c) Details of the amounts due to related parties and connected parties are as follows:

Name of related parties and connected parties	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Nanjing Lujie (note) 連雲港路達道路再生工程有限公司	1,393	1,485
Lianyungang Luda Road Recycling Engineering Co., Ltd (note)	162	169
	<b>1,555</b>	1,654

Note: These are joint ventures of the Group.

## d) Compensation of key management personnel of the Group

In the opinion of the directors of the Company, the directors of the Company represented the key management personnel of the Group. Compensation of key management of the Group during the six-month period ended 30 June 2023 and 2022 is as follows:

	Six-month period ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Short term employee benefits	2,234	2,157
Post-employment benefits	31	31
Share-based payment expense	9	24
	<b>2,274</b>	2,212

## 25. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 31 August 2023.



Freotech Road Recycling Technology ( Holdings ) Limited  
英達公路再生科技(集團)有限公司