

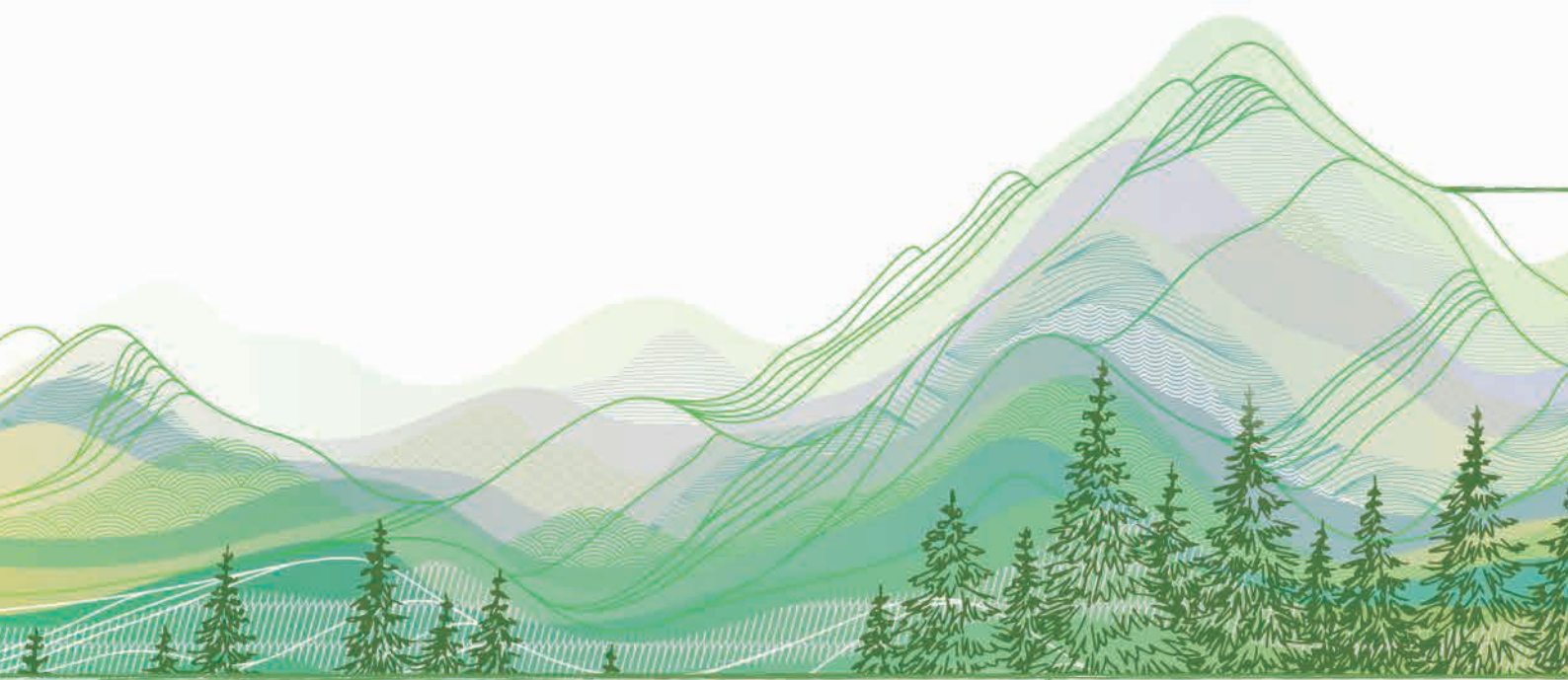


英達公路再生科技(集團)有限公司

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



2024

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

Executive Director

Mr. Sze Wai Pan
(Chairman and Chief Executive Officer)
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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND RATIOS

	Six-month period ended 30 June		
	2024 Unaudited HK\$'000	2023 Unaudited HK\$'000	(Decrease)/ Increase
Revenue	155,477	164,043	(5.2%)
Gross profit	38,095	29,082	31.0%
(Loss)/Profit attributable to owners of the Company	(8,507)	2,277	(473.6%)
(Loss)/Earnings per share (Basic) (HK cents)	(0.85)	0.22	(486.4%)
Gross profit margin ¹	24.5%	17.7%	

¹ (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 2024 (the “Period”).

According to the “Guiding Opinions of Seven Departments Including the Ministry of Industry and Information Technology on Accelerating the Green Development of the Manufacturing Industry”, China will orient its future economic development towards “thoroughly implementing the spirit of the Party’s 20th National Congress to accelerate the green and advanced level development of emerging industries, discerningly shape the landscape of the future industries in the green and low carbon sectors, and cultivate new business models that integrate green, digital, and service-oriented development”. In the long run, the underlying momentum of China’s economy continuing to improve remains unchanged, with the central government persisting in strengthening the development strategy of ecological civilization construction without changing its course. Furthermore, China remains on course towards its green and low carbon transition at the economic and social levels, with the environmental protection industry improving in both quality and efficiency. Therefore, the total service area of the “Hot-in-Place” project under the asphalt pavement maintenance (“APM”) services sector of the Group 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 decrease in revenue during the Period under review due to (i) the new products launched by the Group were only able to create success sales record in the second half of 2024; and (ii) the corresponding period in 2023 was included the sale a set of modular series equipment. During the Period under review, the Group also recorded a decrease in reversal of expected credit loss of trade receivables and contracts assets for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group's operating revenue was approximately HK\$155.5 million, representing a decrease of approximately 5.2%, as compared to the corresponding period in 2023. Total loss attributable to owners of the Company was approximately HK\$8.5 million, representing an decrease of approximately 473.6% as compared to total profit attributable to owners of the Company of approximately HK\$2.3 million for the six-month period ended 30 June 2023.

APM Services

The revenue for this segment increased as compared with that of the corresponding period in 2023 due to the effect of: (i) the revenue of the "Hot-in-Place" projects recorded increase during the Period because increase in the total service area of the Group's "Hot-in-Place" projects; and (ii) more road renovation maintenance work will be performed by Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) ("Tianjin Expressway Maintenance") in the second half of 2024, the revenue of non-"Hot-in-Place" projects recorded a decrease during the Period.

The APM services segment recorded revenue of approximately HK\$143.7 million, representing an increase of 8.4% as compared to the corresponding period in 2023. The gross profit margin of this segment was increased from 10.6% for the six-month period ended 30 June 2023 to 23.1% 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\$11.8 million, representing decrease of 62.6% as compared to the corresponding period in 2023. The decrease in revenue was due to the new products launched by the Group were only able to create success sales record in the second half of 2024 and the Group had successfully sold a set of modular series equipment during the corresponding period in 2023.

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 2024, it had registered 250 patents (as at 31 December 2023: 238), of which 34 were invention patents (as at 31 December 2023: 30), 189 were utility model patents (as at 31 December 2023: 181) and 27 were design patents (as at 31 December 2023: 27). Besides, it had 28 pending patent applications (as at 31 December 2023: 22), of which 16 invention patents (as at 31 December 2023: 20), 9 utility model patents (as at 31 December 2023: 2) and 3 design patents (as at 31 December 2023: nil).

During the Period under review, the first innovative automatic hot-in place recycling patching vehicle in the industry PM800 was developed. It can be remotely operated just by a single operator for the entire hot-in place patching process. It integrated a LiDar scanning system to recognize the size and position of pavement, automatic self-driven system, intelligent heat cycle control, scarify, spray emulsion, material auto-weighing and adding system, as well as self-leveling screed to pave the patching area. System also collects all data of defects, repair parameters, consumables for management analysis.

Facing to the abnormal climate challenge causing severe flooding, the Group developed high-capacity flooding control vehicle FDR3000. It consists of main unit and track-driven remote unit so they can adapt to various flooding environment and provide fast water pumping process.

Both products had already been created success sales record once it launched.

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

Currently, China faces more adverse impacts from changes in external environment, and effective domestic demand remains insufficient. There are still various risks and potential dangers in major sectors, as well as challenges resulting from the replacement of traditional growth drivers with new ones. However, China's economy has been generally stable and made progress since the start of this year. In addition, China has sustained the momentum of economic recovery and moved faster to foster new growth drivers and competitive edges. China's GDP expanded 5 percent year on year in the first half of 2024, aligning with the economic target set at the beginning of the year. According to the "Work Plan to Accelerate the Establishment of a Dual-Control System for Carbon Emissions" recently released by the State Council of China, this system will focus on the intensity of carbon emissions as well as measuring overall emissions. The carbon budgets will be created by China's provinces and municipalities, and the budgeting system will be trialed before the end of 2025. Policies to accelerate the green transition could not only help China to progress toward its dual carbon targets — achieving peak carbon emissions before 2030 and carbon neutrality by 2060—but also create more demand of green technology products. 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 2023, 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, 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; and
6. 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 Jiangxin Zhou, Jianye District, Nanjing, the PRC (中國南京市建邺區江心洲) 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 2023.

1. Revenue

a. APM Services

	Six-month period ended 30 June				
	2024		2023		
	Unaudited HK\$'000	Area served (square meters '000)	Unaudited HK\$'000	Area served (square meters '000)	Increase/ (Decrease)
Revenue (net of VAT)					
“Hot-in-Place” Projects	58,509	1,164	30,125	520	94.2%
Non-“Hot-in-Place” Projects	85,177	–	102,375	–	(16.8%)
Total	143,686		132,500		8.4%

	Six-month period ended 30 June				
	2024		2023		
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	Increase
Gross profit					
“Hot-in-Place” Projects	26,631	45.5%	8,330	27.7%	219.7%
Non-“Hot-in-Place” Projects	6,546	7.7%	5,669	5.5%	15.5%
Total	33,177	23.1%	13,999	10.6%	137.0%

Revenue for this segment increased as compared with that of the corresponding period in 2023 due to the net effect of: (i) the revenue of the “Hot-in-Place” projects recorded increase during the Period because increase in the total service area of the Group’s “Hot-in-Place” projects; and (ii) as more road renovation maintenance work will be performed by Tianjin Expressway Maintenance in the second half of 2024, the revenue of non-“Hot-in-Place” projects recorded a decrease during the Period.

Due to the increase in the total service area of the Group’s “Hot-in-Place” projects, the gross profit margin of this segment was increased from 10.6% for the six-month period ended 30 June 2023 to 23.1% during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

b. APM Equipment

Six-month period ended 30 June					
	2024		2023		Decrease
	Unaudited HK\$'000	units/sets	Unaudited HK\$'000	units/sets	
Revenue (net of VAT)					
Standard series	10,951	7	12,400	10	(11.7%)
Modular series	–	–	17,369	1	N/A
Repair and maintenance	840	N/A	1,774	N/A	(52.6%)
Total	11,791		31,543		(62.6%)

Six-month period ended 30 June					
	2024		2023		Decrease
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
Gross profit					
Standard series	4,429	40.4%	5,445	43.9%	(18.7%)
Modular series	–	N/A	8,511	49.0%	N/A
Repair and maintenance	489	58.2%	1,127	63.5%	(56.6%)
Total	4,918	41.7%	15,083	47.8%	(67.4%)

Revenue for the APM equipment segment for the Period decreased by 62.6% as compared to the corresponding period for 2023 was mainly due to the new products launched by the Group were only able to create success sales record in the second half of 2024 and the corresponding period in 2023 was included the sale a set of modular series equipment. Due to the corresponding period in 2023 was included the sale of a set of modular series equipment, the gross profit margin for the APM equipment segment was decreased from 47.8% for the six-month period ended 30 June 2023 to 41.7% during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Other Income

Other income was decreased by approximately HK\$1.3 million from HK\$3.7 million for the six-month period ended 30 June 2023 to HK\$2.4 million for the Period, primarily due to the decrease in the deposit interest rate and the government grants.

3. Reversal of Impairment Losses on Financial and Contract Assets

The reversal of the expected credit loss allowance on financial and contract assets decreased from HK\$45.2 million for the six-month period ended 30 June 2023 to HK\$8.7 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; and (ii) expected credit loss allowance on other receivables recognized.

4. Selling and Distribution Costs

The selling and distribution costs decreased by approximately HK\$1.7 million from HK\$10.1 million for the six-month period ended 30 June 2023 to HK\$8.4 million for the Period and was mainly due to the effect of (i) more travelling and entertainment expenses were incurred in the corresponding period in 2023 after strict COVID-19 pandemic control implemented in the first half of 2022 had been relieved in the fourth quarter of 2022; and (ii) according the Group's plan, more marketing and promotion activities will be conducted in the second half of 2024.

5. Administrative Expenses

Administrative expenses increased by approximately HK\$1.4 million, from HK\$34.6 million for the six-month period ended 30 June 2023 to HK\$36.0 million for the Period primarily due to the increase in the staff costs as the salary level of the Group had been adjusted during the Period.

6. Research and Development Costs

Research and development costs decreased by approximately HK\$0.4 million, from HK\$7.3 million for the six-month period ended 30 June 2023 to HK\$6.9 million for the Period, primarily due to some of the Group's new product had been launched in the market.

7. Finance Costs

Finance costs increased by approximately HK\$0.1 million, from HK\$1.7 million for the six-month period ended 30 June 2023 to HK\$1.8 million for the Period, primarily due to the increase in bank borrowings.

8. Share of Losses of Joint Ventures

The Group's share of losses from the joint ventures was approximately HK\$2.6 million for the Period, increased by approximately HK\$0.4 million, as compared to the corresponding period in 2023.

9. Income Tax Expense

Income tax expense increased by approximately HK\$1.0 million, from income tax expense of approximately HK\$0.4 million for the six-month period ended 30 June 2023 to HK\$1.4 million for the Period, which is mainly due to the increase in the profit before tax of the PRC's subsidiaries during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

10. Loss

Loss attributable to owners of the Company amounted to HK\$8.5 million for the Period compared with profit attributable to owners of the Company of approximately HK\$2.3 million for the six-month period ended 30 June 2023, primarily due to the effect of (i) the increase in revenue of APM services segment; (ii) the decrease in revenue of APM equipment segment; and (iii) the decrease 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 2024, the Group's bank balances and cash, restricted bank deposits, financial assets at fair value through profit or loss and pledged bank deposits ("Cash and Bank") amounted to approximately HK\$253.5 million (as at 31 December 2023: HK\$254.3 million). The decrease was primarily due to the net effect of (1) net cash flows generated from operating activities; and (2) changes in foreign currency translation as a result of the depreciation of RMB against Hong Kong dollars as most of the Cash and Bank are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars. As at 30 June 2024, the bank borrowings of the Group amounted to HK\$97.8 million (as at 31 December 2023: HK\$99.1 million). As at 30 June 2024 and 31 December 2023, 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\$120.3 million, or approximately 16.1%, from HK\$748.9 million as of 31 December 2023 to HK\$628.6 million as of 30 June 2024. 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\$25.3 million (equivalent to approximately RMB23.5 million).

As at 30 June 2024, 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 2024, the Group's investment property is measured using the fair value model and was approximately HK\$138.0 million (as at 31 December 2023: HK\$140.9 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 and some changes of the construction plan, the expected completion date of the investment property has delayed from fourth quarter 2023 to fourth quarter of 2025. 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

MANAGEMENT DISCUSSION AND ANALYSIS

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. 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.

13. Interest-Bearing Bank Borrowings

As at 30 June 2024, the Group had total debt of HK\$97.8 million (as at 31 December 2023: HK\$99.1 million), which was comprised of secured interest-bearing bank borrowings of HK\$55.4 million (as at 31 December 2023: HK\$44.6 million) and unsecured interest-bearing bank borrowings of HK\$42.4 million (as at 31 December 2023: HK\$54.5 million).

As at 30 June 2024, bank balances of approximately HK\$7.8 million (as at 31 December 2023: HK\$7.5 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 2023 and 30 June 2024 were repayable within one year or demand.

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

The Group received approximately HK\$687.0 million net proceeds, after deducting underwriting fees and other related expenses, from the Company’s IPO. In order to enhance the efficiency of the use of the net proceeds and to balance the use of the net proceeds in a more reasonable manner while aligning with the Company’s business development need, coupled with the changes in external environmental factors, the Board has resolved on 27 November 2023, the unutilised net proceeds of approximately HK\$79.7 million for establishing joint ventures and expanding APM service teams and acquisitions of other APM service providers had been re-allocated for investment in research and development activities, constructing new production facility and general corporate purposes and working capital requirements of HK\$30.0 million, HK\$14.7 million and HK\$35.0 million, respectively. For further details in respect of the change in use of proceeds from the IPO, please refer to the announcement of the Company dated 27 November 2023 (the “Change in Use of Proceeds Announcement”) and clarification announcement of the Company dated 28 November 2023 (the “Clarification Announcement”).

MANAGEMENT DISCUSSION AND ANALYSIS

These net proceeds were applied up to the period ended 30 June 2024 in the manner as stated in the prospectus of the Company dated 14 June 2013, the Change in Use of Proceeds Announcement and the Clarification Announcement, as follows:

		Net proceeds utilised during the Period	Net proceeds utilised up to 30 June 2024	Unutilised	Expected timeline for unutilised net Proceeds
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Investment in research and development activities	167.4	7.2	147.4	20.0	End of 2025
Establishing joint ventures and expanding APM service teams	99.9	–	99.9	–	
Manufacturing APM equipment and expanding our APM service teams	103.1	–	103.1	–	
Acquisitions of other APM service providers	60.8	–	60.8	–	
Constructing new production facility	83.4	0.2	68.9	14.5	End of 2025
Establishing sales offices in new markets and marketing expenses	68.7	–	68.7	–	
General corporate purposes and working capital requirements	103.7	5.5	77.2	26.5	End of 2025
	687.0	12.9	626.0	61.0	

The unutilised net proceeds have been deposited into short-term deposits with licensed banks and authorised financial institutions in Hong Kong and the PRC.

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 2024, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024, 73.1% and 26.9% (as at 31 December 2023: 88.9% and 11.1%) 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 2024, bank balances and cash, restricted bank deposits, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK\$248,492,000 (as at 31 December 2023: HK\$249,327,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 30 June 2024, the Group's bank borrowings denominated in RMB amounted to HK\$97,788,000 (equivalent to RMB91,050,000) (as at 31 December 2023: HK\$99,117,000 (equivalent to RMB90,000,000)). 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 2024, the Group had a total of 478 full time employees (as at 31 December 2023: 475). Staff costs during the Period, including directors' emoluments, totalled HK\$38.4 million (six-month period ended 30 June 2023: HK\$38.3 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 2024, 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 ⁽¹⁾	542,688,260	50.30%
Ms. Sze Wan Nga ("Ms. Sze")	880,000	29,640,000 ⁽²⁾	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 (Holdings) 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	Freotech Cayman	Beneficial owner	1,162,956	100%
Mr. Sze	Sze BVI	Beneficial owner	1	100%
Mr. Sze	Freotech Technology	Beneficial owner	100	100%
Ms. Sze	Intelligent Executive	Beneficial owner	10,000	100%

Save as disclosed above, as at 30 June 2024, 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 2024, 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
Freotech Technology ⁽¹⁾	Interest in controlled corporation	529,688,260	49.09%
Sze BVI ⁽¹⁾	Interest in controlled corporation	529,688,260	49.09%
Freotech Cayman ⁽¹⁾	Beneficial owner	529,688,260	49.09%
Bank of Communications Trustee Limited ⁽²⁾	Trustee	77,019,200	7.14%

Notes:

- The relationship between Freotech Technology, Sze BVI, Freotech 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 18 April 2024, the number of shares held by BOCM Trustee were 75,539,200. During the Period under review, as additional shares acquired by BOCM Trustee, the number of shares held by BOCM Trustee were 77,019,200 as at 30 June 2024.

CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, 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 new share option scheme was conditionally adopted by the Company on 21 May 2024 (the “Share Option Scheme”). The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the eligible participants (including employees and directors including non-executive directors and independent non-executive directors of the Company or any of its subsidiaries) that such eligible participants have made or may make to the Group, to provide incentives and/or reward to such eligible participants for their contributions to the Group and/or to enable the Group to recruit high caliber employees and/or attract human resources that are valuable to the Group. During the Period (six-month period ended 30 June 2023: 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 2024 (2023: nil). The total number of share options which is available for being granted under the Share Option Scheme as at 1 January 2024 and 30 June 2024 were nil share options (as the Share Option Scheme has not yet been adopted) and 107,900,000 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 and 7 May 2024) (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. On 7 May 2024, the Share Award Scheme has been amended that, among other things, the term of the Share Award Scheme has been extended for a term of 10 years commencing from 7 May 2024.

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 15% 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 2024 and 30 June 2024 were both nil share. The total number of Awarded Shares which is available for being further awarded under the Share Award Scheme as at 1 January 2024, 30 June 2024 and 30 August 2024 were 153,423,000 shares (represents 14.22 per cent of the issued share capital of the Company as at 1 January 2024, 30 June 2024 and 30 August 2024). As at 30 June 2024, taking into account the shares acquired out of the dividends from the shares held under the Trustee, there were 77,019,200 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 2023: nil) Awarded Shares had been awarded.

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

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 C1 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.

CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

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 30 August 2024, 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 C3 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.

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 2023: nil).

On behalf of the Board

Mr. Sze Wai Pan

Chairman and Chief Executive Officer
Hong Kong, 30 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2024

	Notes	Six-month period ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
REVENUE	3	155,477	164,043
Cost of sales		(117,382)	(134,961)
Gross profit		38,095	29,082
Other income	4	2,429	3,668
Other gains and losses, net	5	(115)	2
Reversal of impairment losses on financial and contract assets	16	8,676	45,180
Selling and distribution costs		(8,366)	(10,124)
Administrative expenses		(36,035)	(34,573)
Research and development costs		(6,900)	(7,279)
Other expenses		(22)	(213)
Share of losses of joint ventures		(2,560)	(2,154)
Finance costs	6	(1,810)	(1,745)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	7	(6,608)	21,844
Income tax expense	8	(1,424)	(387)
(LOSS)/PROFIT FOR THE PERIOD		(8,032)	21,457
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Items that will not be reclassified to profit or loss:			
Exchange differences arising from translation		(17,416)	(32,138)
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		(823)	(686)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		(18,239)	(32,824)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(26,271)	(11,367)
(Loss)/Profit for the period attributable to:			
Owners of the Company		(8,507)	2,277
Non-controlling interests		475	19,180
		(8,032)	21,457
Total comprehensive income for the period attributable to:			
Owners of the Company		(25,059)	(27,534)
Non-controlling interests		(1,212)	16,167
		(26,271)	(11,367)
(LOSS)/EARNINGS PER SHARE	10		
Basic		HK\$(0.85) cents	HK\$0.22 cents
Diluted		HK\$(0.85) cents	HK\$0.22 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	107,516	119,649
Investment property	11	137,971	140,859
Right-of-use assets		12,291	11,499
Goodwill		6,150	6,150
Other intangible assets		614	922
Interests in joint ventures		5,255	6,818
Equity instruments at FVTOCI		5,162	6,127
Prepayments and deposits for acquisition of leasehold land		3,509	3,598
Deferred tax assets		9	9
		278,477	295,631
CURRENT ASSETS			
Inventories	12	176,009	177,335
Bills and trade receivables	13	63,476	105,377
Contract assets	14	307,452	371,726
Prepayments, deposits and other receivables	15	39,276	31,895
Financial assets at fair value through profit or loss ("FVTPL")		42,960	–
Pledged bank deposits		7,823	7,454
Restricted bank deposits		184	139
Bank balances and cash		202,558	246,688
		839,738	940,614
CURRENT LIABILITIES			
Bills, trade and other payables	17	257,514	351,453
Contract liabilities		5,472	382
Taxation payable		883	2,349
Lease liabilities		2,426	1,615
Bank borrowings		97,788	99,117
		364,083	454,916
NET CURRENT ASSETS		475,655	485,698
TOTAL ASSETS LESS CURRENT LIABILITIES		754,132	781,329

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		16,072	17,029
Lease liabilities		1,386	985
		17,458	18,014
		736,674	763,315
CAPITAL AND RESERVES			
Share capital	18	107,900	107,900
Reserves		582,033	607,462
Attributable to owners of the Company		689,933	715,362
Non-controlling interests		46,741	47,953
Total equity		736,674	763,315

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2024

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Shares held under the share award scheme	Contributed surplus HK\$'000 (Note a)	Reserve funds HK\$'000 (Note b)	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Investment revaluation reserve HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000	
			HK\$'000 (Note c)								
At 1 January 2024 (Audited)	107,900	732,463	(24,983)	25,328	97,115	(98,355)	(123,144)	(962)	715,362	47,953	763,315
Loss for the period	-	-	-	-	-	-	(8,507)	-	(8,507)	475	(8,032)
Other comprehensive income for the period	-	-	-	-	-	(15,729)	-	(823)	(16,552)	(1,687)	(18,239)
Total comprehensive income for the period	-	-	-	-	-	(15,729)	(8,507)	(823)	(25,059)	(1,212)	(26,271)
Share purchased for share award	-	-	(370)	-	-	-	-	-	(370)	-	(370)
At 30 June 2024 (Unaudited)	107,900	732,463	(25,353)	25,328	97,115	(114,084)	(131,651)	(1,785)	689,933	46,741	736,674

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2024

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Shares held under the share award scheme	Contributed surplus HK\$'000 (Note a)	Reserve funds HK\$'000 (Note b)	Share-based compensation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
			HK\$'000 (Note c)									
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

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 2024

	Notes	Six-month period ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Operating activities			
(Loss)/Profit before income tax expense		(6,608)	21,844
Adjustments for:			
Interest income	4	(2,072)	(2,324)
Finance costs	6	1,810	1,745
Share of losses of joint ventures		2,560	2,154
Depreciation of property, plant and equipment	7	10,121	9,766
Depreciation of right-of-use assets	7	1,399	1,154
Amortisation of other intangible assets	7	288	300
Loss/(Gain) on disposal of property, plant and equipment	7	64	(61)
(Reversal of)/Provision for impairment losses			
on financial and contract assets, net			
— trade receivables and contract assets	16	(9,569)	(44,041)
— other receivables	16	893	(1,139)
Equity-settled share-based payment expenses		—	99
Unrealised exchange differences		1,420	5,270
Operating cash flows before movements in working capital		306	(5,233)
Increase in inventories		(3,087)	(11,874)
Decrease in bills and trade receivables		30,097	11,738
Decrease in contract assets		74,499	111,507
Decrease in contract liabilities		5,138	2,068
(Increase)/Decrease in prepayments, deposits and other receivables		(12,334)	9,393
Decrease in bills, trade and other payables		(83,575)	(129,773)
Cash generated from/(used in) operations		11,044	(12,174)
Interest paid		(1,810)	(1,745)
Income tax paid		(3,384)	(1,541)
Net cash flows generated from/(used in) operating activities		5,850	(15,460)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2024

	Notes	Six-month period ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Investing activities			
Interest received		2,072	2,324
Purchase of property, plant and equipment	11	(1,994)	(7,511)
Proceeds from disposal of property, plant and equipment		–	61
Addition to investment property	11	(255)	(8,453)
Placement of financial assets at FVTPL		(124,699)	–
Withdrawal of financial assets at FVTPL		81,363	–
Placement of pledged bank deposits		(6,547)	(7,965)
Withdrawal of pledged bank deposits		5,972	9,069
Placement of restricted bank deposits		(3,466)	(150)
Withdrawal of restricted bank deposits		3,417	251
Net cash flows used in investing activities		(44,137)	(12,374)
Financing activities			
Bank borrowing raised		65,004	50,630
Repayment of bank borrowings		(63,866)	(44,104)
Repayment of principal portion of lease liabilities		(983)	(1,261)
Purchase of shares held under the share award scheme		(372)	(2,109)
Net cash flows (used in)/generated from financing activities		(217)	3,156
Net decrease in cash and cash equivalents		(38,504)	(24,678)
Cash and cash equivalents at beginning of period		246,688	251,780
Effect of exchange rate changes on the balance of cash held in foreign currencies		(5,626)	(9,204)
Cash and cash equivalents at the end of the period, represented by bank balances and cash		202,558	217,898

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7 & HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
HK Interpretation 5 (Revised)	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

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 2024

3. REVENUE AND SEGMENT INFORMATION

3.1 Revenue

Disaggregation of revenue from contracts with customers

Segments	For the six months ended 30 June 2024		
	Maintenance Services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods			
Maintenance Service			
— “Hot-in-place” Projects	58,509	—	58,509
— Non-“Hot-in-place” Projects	85,177	—	85,177
Sales of equipment			
— Standard series	—	10,951	10,951
— Modular series	—	—	—
— Repair and maintenance	—	840	840
Total	143,686	11,791	155,477
Geographical markets			
Mainland China	143,686	11,773	155,459
Overseas	—	18	18
Total	143,686	11,791	155,477
Timing of revenue recognition			
A point in time	—	11,791	11,791
Over time	143,686	—	143,686
Total	143,686	11,791	155,477

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

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 2023		
	Maintenance Services (Unaudited)	Sale of equipment (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Types of goods			
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
Total	132,500	31,543	164,043
Geographical markets			
Mainland China	132,500	31,375	163,875
Overseas	—	168	168
Total	132,500	31,543	164,043
Timing of revenue recognition			
A point in time	—	31,543	31,543
Over time	132,500	—	132,500
Total	132,500	31,543	164,043

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

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 (loss)/profit before income tax. The adjusted (loss)/profit before income tax is measured consistently with the Group's (loss)/profit 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 2024 and 2023 is set out below:

	Six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Customer A — Provision of road maintenance services	73,046	82,038

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

3.2 Operating segment *(Continued)*

	For the six-month period ended 30 June 2024			
	Maintenance Services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Properties (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	143,686	11,791	–	155,477
Other revenue	357	–	–	357
Revenue	144,043	11,791	–	155,834
Allocated corporate expenses	(122,812)	(28,902)	(488)	(152,202)
Segment results	21,231	(17,111)	(488)	3,632
<i>Reconciliation:</i>				
Interest income				2,072
Foreign exchange losses, net				(51)
Finance costs				(1,810)
Unallocated corporate expenses				(7,891)
Share of losses of joint ventures				(2,560)
Loss before income tax expense				(6,608)
Other segment information:				
Impairment losses reversed in respect of trade receivables, contract assets and other receivables	(9,628)	1,029	(77)	(8,676)
Depreciation and amortisation	10,060	1,748	–	11,808
Capital expenditure*	3,912	512	255	4,679

* Capital expenditure consists of additions to property, plant and equipment, investment property, right-of-use assets and other intangible assets.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

3.2 Operating segment *(Continued)*

	For the six-month period ended 30 June 2023			
	Maintenance	Sale of	Properties	Total
	Services	equipment	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
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)
Segment results	29,842	78	(272)	29,648
<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
Other segment information:				
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, right-of-use assets and other intangible assets.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

4. OTHER INCOME

	Six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Government grants (Note)	–	587
Interest income	2,072	2,324
Dividend income from equity instruments at FVTOCI	–	185
Others	357	572
	2,429	3,668

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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
(Loss)/gain on disposal of property, plant and equipment	(64)	61
Foreign exchange losses, net	(51)	(59)
	(115)	2

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

6. FINANCE COSTS

	Six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest on:		
— Bank borrowings	1,719	1,663
— Lease liabilities	91	82
	1,810	1,745

7. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	Six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	10,121	9,766
Depreciation of right-of-use assets	1,399	1,154
Amortisation of other intangible assets	288	300
Short-term lease expenses	718	1,063
Loss/(gain) on disposal of property, plant and equipment	64	(61)
Reversal of impairment losses on trade receivables and contract assets	(9,569)	(44,041)
Provision for/(Reversal of) impairment losses on other receivables	893	(1,139)
Foreign exchange losses, net	51	59

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

8. INCOME TAX EXPENSE

The charge comprises:

	Six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
PRC Enterprise Income Tax ("EIT"):		
— Current tax	1,609	193
— Under provision in prior years	134	284
	1,743	477
Deferred tax credit	(319)	(90)
	1,424	387

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 2023 and 2024.

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 Express Maintenance") was recognised as a High-Tech company in 2020 and 2023 respectively and the applicable tax rate is 15% from 1 January 2020 to 30 November 2023 and from 8 December 2023 to 7 December 2026.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

9. DIVIDENDS

At a meeting of the board of directors held on 30 August 2024, the directors resolve not to pay any interim dividend to shareholders (six-month period ended 30 June 2023: Nil).

10. (LOSS)/EARNINGS PER SHARE

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

(Loss)/Profit

	Six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
(Loss)/Profit for the purposes of calculating basic and diluted (loss)/earnings per share		
— attributable to the owners of the Company	(8,507)	2,277

Number of shares

	Six-month period ended 30 June	
	2024 (Unaudited)	2023 (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 (loss)/earnings per share	1,003,411,789	1,015,329,894
Effect of dilutive potential ordinary shares:		
Unvested share award	—	5,920,028
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	1,003,411,789	1,021,249,922

The computation of diluted loss per share for the six-month period ended 30 June 2024 did not assume the vesting of the Company's outstanding share awards as that would decrease the loss per share for the year presented.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six-month period ended 30 June 2024, the Group acquired property, plant and equipment, and investment property of HK\$1,994,000 and HK\$255,000, respectively (six-month period ended 30 June 2023: HK\$7,511,000 and HK\$76,000).

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 2024 (six-month period ended 30 June 2023: Nil).

12. INVENTORIES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Raw materials	20,401	22,199
Work-in-progress	7,406	7,492
Finished goods	9,967	6,077
Property under development for sale	138,235	141,567
	176,009	177,335

13. BILLS AND TRADE RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables	63,143	103,505
Bills receivables	333	1,872
	63,476	105,377

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

13. BILLS AND TRADE RECEIVABLES *(Continued)*

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0 to 180 days	333	1,872

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:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 3 months	14,150	8,042
3 to 12 months	15,533	38,743
1 to 2 years	18,603	33,291
Over 2 years	14,857	23,429
	63,143	103,505

As at 30 June 2024, included in the trade receivables are amounts due from the Group's related companies of HK\$461,000 (31 December 2023: HK\$4,733,000), 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 2024

14. CONTRACT ASSETS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Provision of road maintenance services	307,104	401,360
Sale of road maintenance equipment	16,942	5,918
	324,046	407,278
Less: Allowance for credit losses	(16,594)	(35,552)
	307,452	371,726

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 2024, included in the contract assets are amounts due from the Group's related companies of HK\$157,044,000 (31 December 2023: HK\$202,653,000), details of which are set out in note 24.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Other receivables	11,730	8,823
Prepayments and deposits	24,288	19,731
Other tax recoverable	3,258	3,341
	39,276	31,895

As at 30 June 2024, included in the prepayments, deposits and other receivables are amounts due from the Group's related companies of HK\$383,000 (31 December 2023: HK\$1,091,000), 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 2024

16. REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	Six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
(Reversal of)/provision for impairment losses on financial and contract assets recognized on:		
Trade receivables and contract assets	(9,569)	(44,041)
Other receivables	893	(1,139)
	(8,676)	(45,180)

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 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

17. BILLS, TRADE AND OTHER PAYABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Bills payable	3,941	5,497
Trade payables	187,016	268,887
Other tax payables	22,115	25,502
Other payables and accrued charges	44,442	51,567
	257,514	351,453

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0 to 180 days	3,941	5,497

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

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:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 3 months	36,361	124,679
3 to 12 months	95,702	77,932
1 to 2 years	29,793	37,129
Over 2 years	25,160	29,147
	187,016	268,887

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

As at 30 June 2024, included in the Group's trade payables are amounts due to related companies of approximately HK\$161,000 (31 December 2023: HK\$351,000), 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 2024, included in the Group's other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK\$24,900,000 (31 December 2023: HK\$24,900,000) which is unsecured, interest-free and have no fixed terms of repayment.

18. SHARE CAPITAL

Shares

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2023: 10,000,000,000) ordinary shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid: 1,079,000,000 (31 December 2023: 1,079,000,000) ordinary shares of HK\$0.10 each	107,900	107,900

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

19. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of recognising and acknowledging the contributions of the eligible participants have made or may make to the Group, providing incentives and/or reward to the eligible participants for their contributions to the Group and/or enabling the Group to recruit high-calibre employees and/or attracting human resources that are valuable to the Group. Eligible persons of the Scheme include any director or any employee employed by any members of the Group from time to time (whether full time or part time), including persons who are granted share options under the Scheme as an inducement to enter into employment contracts with any of such companies. The Scheme became effective on 21 May 2024 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of share options currently permitted to be granted under the Scheme is an amount equivalent, to 10% of the shares of the Company as at the adoption date of the Scheme. Where any grant of share options to an eligible participant would result in the shares issued and to be issued in respect of all options and awards granted under the Scheme and other schemes of the Company to such eligible participant (excluding any options and awards lapsed in accordance with the terms of the Scheme and other schemes of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the shares in issue at date of such grant, such grant shall be subject to the approval of shareholders in shareholders’ meeting.

Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates shall be approved by independent non-executive director (excluding any independent non-executive director who is the proposed grantee of such options; and where any grant of share options to an independent non-executive director or a substantial shareholder of the Company or any of their respective associates would result in shares of the Company issued and to be issued in respect of all options and awards granted under the Scheme and other scheme of the Company (excluding options lapsed) to such person in a 12 month-period up to and including the date of such grant representing 0.1% of the shares in issue, such further grant shall be approved by shareholders of the Company in 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 higher 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 2024 and 31 December 2023. The total number of share options which is available for being granted under the Scheme as at 1 January 2024 and 30 June 2024 were nil share options (as the Share Option Scheme has not yet been adopted) and 107,900,000 share options respectively.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

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. On 7 May 2024, the Share Award Scheme has been amended that, among other things, the term of the Share Award Scheme has been extended for a term of 10 years commencing from 7 May 2024.

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 15% 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 2024, based on the Company’s instruction, the trustee acquired 2,050,000 shares of HK\$0.18 each (six-month period ended 30 June 2023: 9,720,000 shares of HK\$0.22 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\$372,000 (six-month period ended 30 June 2023: HK\$2,109,000).

Summary of particulars of the shares awarded or vested under the Share Award Scheme during the six-month period ended 30 June 2023 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 2024

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.

During the six-month period ended 30 June 2023, the Group recognised a share award expense of HK\$99,000.

At the date of approval of these financial statements, 77,019,200 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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold land	14,035	14,391
Property, plant and equipment	974	1,073
Construction contract	290,409	296,551
	305,418	312,015

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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Bank deposits	7,823	7,454

23. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

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 six-month period ended 30 June		Consulting service six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (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))	73,046	82,038	–	–
Freotech Technology (Holdings) Limited (Note (2))**	–	–	1,450	1,450
Subsidiaries of Tianjin Expressway Group	–	734	–	–
Associates of Tianjin Expressway Group	3,226	7,698	–	–

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) Freotech Technology (Holdings) 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 2024 (Unaudited) HK\$'000	31 December 2023 (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)**	1,385	6,712
Lianyungang Luda Road Recycling Engineering Co., Ltd. ("Lianyungang Luda") (note)**	–	12
Tianjin Expressway Group	152,660	194,710
Subsidiaries of Tianjin Expressway Group	871	936
Associates of Tianjin Expressway Group	2,972	6,107
	157,888	208,477

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 2024

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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Nanjing Lujie (note)	–	186
Lianyungang Luda (note)	161	165
	161	351

Note: These are joint ventures of the Group.

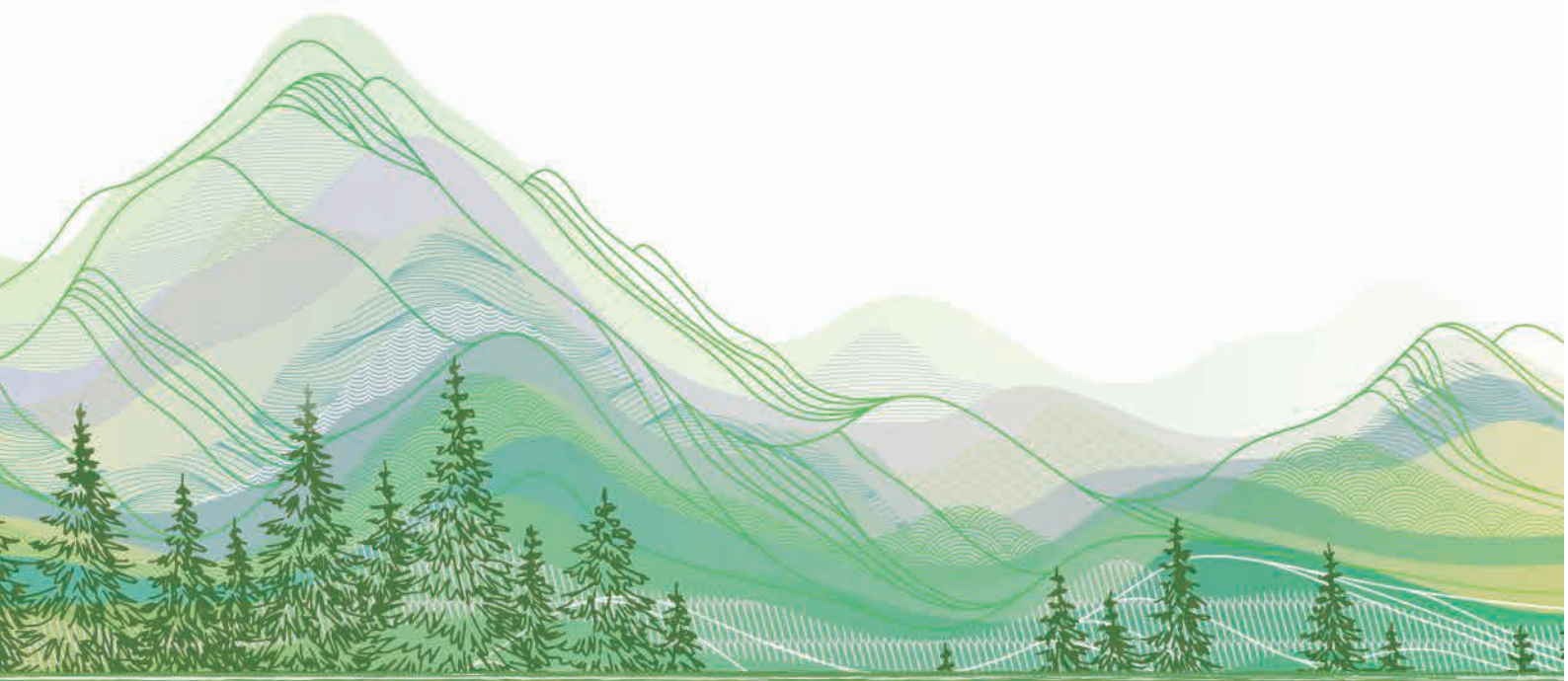
d) Compensation of key management personnel of the Group

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 2024 and 2023 is as follows:

	Six-month period ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Short term employee benefits	2,366	2,234
Post-employment benefits	31	31
Share-based payment expense	–	9
	2,397	2,274

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 30 August 2024.



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