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英達公路再生科技(集團)有限公司
Freotech Road Recycling Technology (Holdings) Limited
(incorporated in the Cayman Islands with limited liability)
(stock code: 6888)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**

The board of directors (the “Board”) of Freotech Road Recycling Technology (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six-month period ended 30 June 2022 (the “Period”).

FINANCIAL HIGHLIGHTS

	Six-month period ended 30 June		
	2022	2021	
	Unaudited	Unaudited	Increase/ (decrease)
	HK\$'000	HK\$'000	
Revenue	180,899	130,644	38.5%
Gross profit	21,140	29,402	(28.1%)
(Loss)/Profit attributable to owners of the Company	(9,750)	1,785	(646.2%)
(Loss)/Earnings per share (Basic) (HK cents)	(0.96)	0.18	(633.3%)
Gross profit margin ¹	11.7%	22.5%	

¹ (gross profit/revenue) x 100%

FINANCIAL RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2022

		Six-month period ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	180,899	130,644
Cost of sales		(159,759)	(101,242)
Gross profit		21,140	29,402
Other income	4	6,972	5,306
Other gains and losses, net	5	(583)	(446)
Reversal of impairment losses on financial and contract assets		17,306	27,809
Selling and distribution costs		(6,990)	(9,639)
Administrative expenses		(32,832)	(35,975)
Research and development costs		(6,917)	(4,253)
Other expenses		(1,174)	(152)
Share of losses of joint ventures		(2,428)	(2,006)
Finance costs	6	(2,109)	(2,349)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	7	(7,615)	7,697
Income tax (expense)/credit	8	(613)	818
(LOSS)/PROFIT FOR THE PERIOD		(8,228)	8,515

		Six-month period ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
	(LOSS)/PROFIT FOR THE PERIOD	<u>(8,228)</u>	<u>8,515</u>
	OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
	<i>Items that will not be reclassified to profit or loss:</i>		
	Exchange differences arising from translation	(36,256)	8,838
	Fair value loss on investments in equity instruments at fair value through other comprehensive income	<u>(423)</u>	<u>(240)</u>
	OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>(36,679)</u>	<u>8,598</u>
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(44,907)</u>	<u>17,113</u>
	(Loss)/Profit for the period attributable to:		
	Owners of the Company	(9,750)	1,785
	Non-controlling interests	<u>1,522</u>	<u>6,730</u>
		<u>(8,228)</u>	<u>8,515</u>
	Total comprehensive income for the period attributable to:		
	Owners of the Company	(43,381)	9,864
	Non-controlling interests	<u>(1,526)</u>	<u>7,249</u>
		<u>(44,907)</u>	<u>17,113</u>
	(LOSS)/EARNINGS PER SHARE		
	Basic	<u>HK(0.96) cents</u>	<u>HK0.18 cents</u>
	Diluted	<u>HK(0.96) cents</u>	<u>HK0.17 cents</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	142,638	159,611
Investment property	11	148,038	143,117
Right-of-use assets		11,174	11,578
Goodwill		6,150	6,150
Other intangible assets		1,926	2,348
Interests in joint ventures		18,803	21,500
Equity instruments at fair value through other comprehensive income		8,285	9,397
Prepayments and deposits for acquisition of leasehold land		3,825	3,997
Deferred tax assets		396	653
		341,235	358,351
CURRENT ASSETS			
Inventories		207,696	181,193
Bills and trade receivables	12	95,645	98,586
Contract assets		330,939	342,107
Prepayments, deposits and other receivables	13	36,759	49,738
Taxation recoverable		6,459	–
Time deposits		7,163	8,577
Pledged bank deposits		11,005	30,391
Restricted bank deposits		5,194	2,330
Bank balances and cash		270,965	268,995
		971,825	981,917
CURRENT LIABILITIES			
Bills, trade and other payables	14	362,342	348,477
Contract liabilities		467	751
Taxation payable		–	1,884
Lease liabilities		1,196	2,050
Bank borrowings		102,676	95,438
		466,681	448,600
NET CURRENT ASSETS		505,144	533,317
TOTAL ASSETS LESS CURRENT LIABILITIES		846,379	891,668

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Deferred tax liabilities		26,846	27,847
Lease liabilities		520	15
		<u>27,366</u>	<u>27,862</u>
		<u>819,013</u>	<u>863,806</u>
CAPITAL AND RESERVES			
Share capital	15	107,900	107,900
Reserves		667,818	711,085
		<u>775,718</u>	<u>818,985</u>
Attributable to owners of the Company		43,295	44,821
Non-controlling interests		<u>43,295</u>	<u>44,821</u>
		<u>819,013</u>	<u>863,806</u>
Total equity		<u>819,013</u>	<u>863,806</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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 Group were principally engaged in the manufacturing and sale of road maintenance equipment and provision of road maintenance services in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION AND 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-month period ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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 HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to IFRS Standards 2018–2020
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 3	References to Conceptual Framework

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.

3. REVENUE AND SEGMENT INFORMATION

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 tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before 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 periods ended 30 June 2022 and 2021 is set out below:

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A — Provision of road maintenance services	82,753	42,768

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
Segment revenue:				
Sales to external customers	169,843	11,056	–	180,899
Other revenue	442	213	–	655
	<u>170,285</u>	<u>11,269</u>	<u>–</u>	<u>181,554</u>
Revenue	170,285	11,269	–	181,554
Allocated corporate expenses	(166,220)	(17,486)	(427)	(184,133)
	<u>(166,220)</u>	<u>(17,486)</u>	<u>(427)</u>	<u>(184,133)</u>
Segment results	4,065	(6,217)	(427)	(2,579)
	<u>4,065</u>	<u>(6,217)</u>	<u>(427)</u>	<u>(2,579)</u>
<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)
				<u>(2,428)</u>
Loss before income tax expense				<u>(7,615)</u>
				<u>(7,615)</u>
Other segment information:				
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 rights.

For the six-month period ended 30 June 2021

	Maintenance services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	103,276	27,368	130,644
Other revenue	<u>177</u>	<u>305</u>	<u>482</u>
Revenue	103,453	27,673	131,126
Allocated corporate expenses	<u>(85,540)</u>	<u>(31,068)</u>	<u>(116,608)</u>
Segment results	<u>17,913</u>	<u>(3,395)</u>	<u>14,518</u>
<i>Reconciliation:</i>			
Interest income			4,831
Foreign exchange losses, net			(84)
Finance costs			(2,349)
Unallocated corporate expenses			(7,213)
Share of losses of joint ventures			<u>(2,006)</u>
Profit before income tax expense			<u><u>7,697</u></u>
Other segment information:			
Impairment losses reversed in respect of trade receivables, contract assets and other receivables	(27,691)	(118)	(27,809)
Depreciation and amortisation	14,683	1,513	16,196
Capital expenditure*	2,601	1,097	3,698

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

4. OTHER INCOME

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Government grants (<i>Note</i>)	151	480
Interest income	6,316	4,831
Others	505	(5)
	<u>6,972</u>	<u>5,306</u>

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Write off of property, plant and equipment	–	(109)
Foreign exchange losses, net	(318)	(84)
Donation	(265)	(253)
	<u>(583)</u>	<u>(446)</u>

6. FINANCE COSTS

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
— Bank borrowings	2,033	2,289
— Lease liabilities	76	60
	<u>2,109</u>	<u>2,349</u>

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	13,378	14,477
Depreciation of right-of-use assets	1,446	1,380
Amortisation of other intangible assets	330	339
Short-term lease expenses	1,086	2,052
Write off of property, plant and equipment	–	109
Reversal of impairment losses on trade receivables and contract assets	(18,582)	(27,432)
Provision for/(Reversal of) impairment losses on other receivables	1,276	(377)
Foreign exchange losses, net	318	84

8. INCOME TAX EXPENSE/(CREDIT)

The charge/(credit) comprises:

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PRC Enterprise Income Tax ("EIT"):		
— Current tax	389	632
— Under provision in prior years	224	–
— Over provision in prior years	–	(1,631)
	613	(999)
Deferred tax charge	–	181
	613	(818)

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 2021 and 2022.

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.

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

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.

9. DIVIDENDS

At a meeting of the board of directors held on 31 August 2022, the directors resolve not to pay any interim dividend to shareholders (six-month period ended 30 June 2021: 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit for the purposes of calculating basic and diluted (loss)/earnings per share		
— attributable to the owners of the Company	<u>(9,750)</u>	<u>1,785</u>

Number of shares

	Six-month period ended 30 June	
	2022	2021
	(Unaudited)	(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	1,019,234,690	1,018,479,438
Effect of dilutive potential ordinary shares:		
Unvested share award	<u>—</u>	<u>60,520,562</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>1,019,234,690</u>	<u>1,079,000,000</u>

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.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six-month period ended 30 June 2022, the Group acquired property, plant and equipment, and investment property of HK\$3,903,000 and HK\$13,082,000, respectively (six-month period ended 30 June 2021: HK\$3,446,000 and HK\$252,000).

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 market value basis. There is no changes in fair value of investment property for the six-month period ended 30 June 2022 (six-month period ended 30 June 2021: Nil).

12. BILLS AND TRADE RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade receivables	92,835	90,369
Bills receivables	2,810	8,217
	95,645	98,586

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
0 to 180 days	2,810	8,217

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 3 months	11,902	14,485
3 to 12 months	22,168	6,959
1 to 2 years	14,535	20,329
Over 2 years	44,230	48,596
	92,835	90,369

As at 30 June 2022, included in the trade receivables are amounts due from the Group's related companies of HK\$7,519,000 (31 December 2021: HK\$11,480,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Other receivables	22,246	27,378
Prepayments and deposits	14,291	21,331
Other tax recoverable	222	1,029
	36,759	49,738

14. BILLS, TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Bills payable	8,150	13,155
Trade payables	272,718	264,169
Other tax payables	23,409	19,713
Other payables and accrued charges	58,065	51,440
	<u>362,342</u>	<u>348,477</u>

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
0 to 180 days	<u>8,150</u>	<u>13,155</u>

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 3 months	56,753	84,492
3 to 12 months	98,549	96,291
1 to 2 years	96,339	62,395
Over 2 years	21,077	20,991
	<u>272,718</u>	<u>264,169</u>

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

As at 30 June 2022, included in the Group's trade payables are amounts due to related companies of approximately HK\$1,720,000 (31 December 2021: HK\$3,178,000), which are repayable within 90 days, which represents credit terms similar to those offered by the related companies to their major customers.

As at 30 June 2022, included in the Group's, other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK\$28,535,000 (31 December 2021: HK\$28,535,000) which is unsecured, interest-free and have no fixed terms of repayment.

15. SHARE CAPITAL

Shares

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2021: 10,000,000,000) ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
1,079,000,000 (31 December 2021: 1,079,000,000) ordinary shares of HK\$0.10 each	<u>107,900</u>	<u>107,900</u>

16. CAPITAL COMMITMENTS

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold land	15,299	15,989
Property, plant and equipment	21,580	12,787
Construction contract	<u>319,916</u>	<u>347,098</u>
	<u>356,795</u>	<u>375,874</u>

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 2022 (the “Period”).

The People’s Republic of China (the “PRC”) was the first major economy to emerge from the shadow of the epidemic with the most comprehensive recovery in industrial chain. The PRC economy provided a strong driving force for global economic recovery with its rapid economic pick-up and became a new engine that drive world economy growth in 2021, particularly through active promotion of the low-carbon green economy development model. Despite that, as many local governments in the PRC have implemented strict COVID-19 pandemic control in the first half of 2022 in order to avoid mass spending of COVID-19, which included, among other things, lockdown measures and transportation restrictions, the Group was unable to provide road maintainance services across the provinces within the PRC and the logistic arrangement of the spare parts were affected. Therefore, most of the “Hot-in-Place” road maintenance services and equipment projects of the Group could not be completed and implemented in the first half of 2022. As a result, the revenue contribution from “Hot-in-Place” projects under asphalt pavement maintenance (“APM”) services sector and APM equipment sector, both of which have a higher gross profit margin recorded decrease. Despite that during the Period under review, the Group recorded an increase in consolidated revenue, the increase in revenue attributed to non-“Hot-in-Place” projects of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) (a non-wholly owned subsidiary of the Group) (“Tianjin Expressway Maintenance”) which have a lower gross profit margin. The impact of strict COVID-19 pandemic control imposed on the operation of Tianjin Expressway Maintenance was minimal as all of the road maintenance projects of Tianjin Expressway Maintenance were within Tianjin and it was able to obtain more road maintenance project from third party. During the Period under review, the Group also recorded a reversal of expected credit loss of trade receivables and contracts assets for the Period but the amount was lower compared to the corresponding period in 2021.

During the Period, the Group’s operating revenue was approximately HK\$180.9 million, representing an increase of approximately 38.5%, as compared to the corresponding period in 2021. Total loss attributable to owners of the Company was approximately HK\$9.8 million, representing a decrease of approximately 646.2% as compared to total profit attributable to owners of the Company of approximately HK\$1.8 million for the six-month period ended 30 June 2021.

APM Services

Due to the strict COVID-19 pandemic control in the first half of 2022 including lockdown measures, most of the “Hot-in-Place” road maintenance services projects on hand of the Group could not be completed and implemented in the first half of 2022, revenue from “Hot-in-Place” projects decreased by 26.0% as compared to the corresponding period in 2021.

However, the impact of strict COVID-19 pandemic control imposed on the operation of Tianjin Expressway Maintenance was minimal as all of the road maintenance projects of Tianjin Expressway Maintenance were within Tianjin and it was able to obtain more road maintenance project from third party. As a result, revenue from non-“Hot-in-Place” projects (which has a lower gross profit margin) contributed by Tianjin Expressway Maintenance increased by 151.0% as compared to the corresponding period in 2021. The APM services segment recorded revenue of approximately HK\$169.8 million, representing an increase of 64.5% as compared to the corresponding period in 2021. 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\$11.1 million, representing a significant decrease of 59.6% as compared to the corresponding period in 2021. The decrease of revenue was due to strict COVID-19 pandemic control in the first half of 2022 which affected the logistic arrangement of the spare parts. Thus, most of the equipment project of the Group could not be completed in the first half of 2022.

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.

New Patents

During the Period, despite the increase in the Group’s operating revenue, the Group continued to invest resources in research and development. As at 30 June 2022, it had registered 213 patents (as at 31 December 2021: 210), of which 22 were invention patents (as at 31 December 2021: 22), 165 were utility model patents (as at 31 December 2021: 162) and 26 were design patents (as at 31 December 2021: 26). Besides, it had 37 pending patent applications (as at 31 December 2021: 37), of which 24 invention patents, 12 utility model patents and 1 design patent (as at 31 December 2021: 22 invention patents and 15 utility model patents).

During the Period, the Group consistently enriched product lines and their performance further. As at 30 June 2022, the research and development process of the Group's high-speed sweeper has entered into final stage. The marketing activities of this product was under progress and we expect a high demand for this equipment in highways market as customers do not need to block the traffic for cleaning so it improves safety for other drivers.

A new asphalt pavement preventive maintenance technology, named ultra-thin asphalt overlay, have been successfully developed by the Group. This technology involves special grading design of aggregates and high bonding power of specific asphalt material. The overlay layer has excellent resistance to wear and crack with minimum thickness increased. It is very suitable for maintenance for defects on top surface and concrete pavement upgrading. 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, provides customised solutions to its clients and maintain its competitive edges and leading status in the APM industry by using the recycling technology.

OUTLOOK

Although the PRC's economy was being hit hard by the COVID-19 pandemic in the first half of 2022, the PRC's economy quickly returned to potential growth in the second half of 2022 and the operation of the Group has returned to normal in the beginning of the second half of 2022. In addition, market demand on the PRC's road maintenance sector has been continuously increasing, and has result in promising development prospects. The low-end market as a whole is comparatively inaccessible as it is predominated by local suppliers, while the mid-to-high-end market is gradually forming nation-wide and market-oriented competition with certain qualifications and technical barriers. The development of whole-chain service capability and promotion of industry-academia-research collaboration is the development trend. In order to adapt to the development, the Group will seize the significant opportunity of the development trend of "smart maintenance," promote its development strategy, optimize its management mechanism and system, accumulate qualification resources and improve the quality of employees, so as to gain an advantageous position in sector competition. The Group has already made a full-range beneficial attempts in technology research and development, equipment upgrade, material development and service expansion, including the distress AI recognition system and self-operating modular series. 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.

Currently, the PRC government maintains “zero COVID” policy while the spread of COVID-19 around China continues, this may brought uncertainties in the Group’s operating environment in China. The Group has put in place contingency measures to overcome the impact of the pandemic, maintain the health and safety of employees, and ensure the smooth operation of both production and operations. However, the situation remains fluid at this stage and the management of the Group remains cautiously optimistic in regards to the operation of the Group in the year of 2022.

First, as at 31 December 2021, 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 enable the Group to perform APM services during slack season. Third, the new technology of the Group (such as Geopolymer Injection Road Base Repair technology which provide a fast, durable with minimum invasion of pavement method to repair road base) helps increase revenue, profitability and market share of the Group. 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;
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”).

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 2021.

REVENUE

a. APM Services

	Six-month period ended 30 June 2022		2021		
	Unaudited HK\$'000	Area serviced (square meters'000)	Unaudited HK\$'000	Area serviced (square meters'000)	Increase/ (decrease)
Revenue (net of VAT)					
“Hot-in-Place” Projects	37,339	361	50,478	725	(26.0%)
Non-“Hot-in-Place” Projects	132,504	–	52,798	–	151.0%
Total	<u>169,843</u>		<u>103,276</u>		64.5%

	Six-month period ended 30 June 2022		2021		
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	Increase/ (decrease)
Gross profit					
“Hot-in-Place” Projects	9,665	25.9%	14,933	29.6%	(35.3%)
Non-“Hot-in-Place” Projects	6,009	4.5%	4,487	8.5%	33.9%
Total	<u>15,674</u>	9.2%	<u>19,420</u>	18.8%	(19.3%)

Revenue for this segment increased as compared with that of the corresponding period in 2021 due to the net effect of: (i) strict COVID-19 pandemic control in the first half of 2022 (including lockdown measures) which had affected the operation of the Group’s “Hot-in-Place” projects as the Group was unable to provide road maintenance services across the provinces within the PRC, revenue of “Hot-in-Place” projects recorded decrease during the Period; and (2) the impact of COVID-19 pandemic control on the operation of Tianjin Expressway Maintenance was minimal as all of the road maintenance projects of Tianjin Expressway Maintenance were within Tianjin. Other than the project from the connected party, Tianjin Expressway Maintenance was able to obtain more road maintenance project from third party and revenue of non-“Hot-in-Place” projects recorded a significant increase during the Period.

The gross profit margin of “Hot-in-Place” Projects decreased from 29.6% for the six-month period ended 30 June 2021 to 25.9% during the Period mainly due to the decrease in the revenue amount. The gross profit margin of non-“Hot-in-Place” Projects decreased from 8.5% for the six-month period ended 30 June 2021 to 4.5% during the Period mainly due to the Tianjin Expressway Maintenance’s marketing strategy to offer lower selling price for third party’s project and the increase in the raw materials cost (such as asphalt aggregate) as a result of the increase in the oil price.

b. APM Equipment

	Six-month period ended 30 June				
	2022		2021		
	Unaudited HK\$'000	units/ sets	Unaudited HK\$'000	units/ sets	Increase/ (decrease)
Revenue (net of VAT)					
Standard series	8,657	5	24,736	30	(65.0%)
Modular series	–	–	–	–	–
Repair and maintenance	2,399	N/A	2,632	N/A	(8.9%)
Total	<u>11,056</u>		<u>27,368</u>		(59.6%)

	Six-month period ended 30 June				
	2022		2021		
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	Increase/ (decrease)
Gross profit					
Standard series	4,016	46.4%	8,193	33.1%	(51.0%)
Modular series	–	N/A	–	N/A	–
Repair and maintenance	1,450	60.4%	1,789	68.0%	(19.0%)
Total	<u>5,466</u>	49.4%	<u>9,982</u>	36.5%	(45.2%)

Revenue for the APM equipment segment for the Period significantly decreased by 59.6% as compared to the corresponding period for 2021. This was due to strict COVID-19 pandemic control in the first half of 2022 which affected the logistic arrangement of the spare parts. Thus, most of the equipment projects of the Group could not be completed in the first half of 2022. The increase in the gross profit margin for APM equipment from 36.5% in 2021 to 49.4% for the Period was due to the sale of standard series which have a higher gross profit margin.

OTHER INCOME

Other income were increased by approximately HK\$1.7 million from HK\$5.3 million for the six-month period ended 30 June 2021 to HK\$7.0 million for the Period, primarily due to the increase in the interest income received.

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\$27.8 million for the six-month period ended 30 June 2021 to HK\$17.3 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 had been recovered in 2020 and 2021; and (ii) expected credit loss allowance on other receivables recognised.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs decreased by HK\$2.6 million from HK\$9.6 million for the six-month period ended 30 June 2021 to HK\$7.0 million for the Period and was mainly due to the strict COVID-19 pandemic control in the first half of 2022 including lockdown measures which resulted in less travelling and entertainment expenses incurred.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately HK\$3.2 million, from HK\$36.0 million for the six-month period ended 30 June 2021 to HK\$32.8 million for the Period primarily due to (i) the strict COVID-19 pandemic control in the first half of 2022 including lockdown measures which resulted in less travelling and entertainment expenses incurred; and (ii) decreased in staff costs due to a decrease in number of employees.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by approximately HK\$2.6 million, from HK\$4.3 million for the six-month period ended 30 June 2021 to HK\$6.9 million for the Period, primarily due to the Group's effort to invest more on research and development.

FINANCE COSTS

Finance costs decreased by approximately HK\$0.3 million, or approximately 12.5%, from HK\$2.4 million for the six-month period ended 30 June 2021 to HK\$2.1 million for the Period, primarily due to decrease in bank borrowing interest rate.

SHARE OF LOSSES OF JOINT VENTURES

The Group's share of losses from the joint ventures was approximately HK\$2.4 million for the Period, increased by approximately HK\$0.4 million, as compared to the corresponding period in 2021.

INCOME TAX (EXPENSE)/CREDIT

Income tax expense increased by approximately HK\$1.4 million, from income tax credit of approximately HK\$0.8 million for the six-month period ended 30 June 2021 to income tax expense of approximately HK\$0.6 million for the Period, which is mainly due to the underprovision of taxation in the year ended 31 December 2021.

LOSS

Loss attributable to owners of the Company amounted to HK\$9.8 million for the Period compared with profit attributable to owners of the Company of approximately HK\$1.8 million for the six-month period ended 30 June 2021, primarily due to the effect of (i) the decrease in revenue of “Hot-in-Place” projects under the 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.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group’s bank balances and cash, time deposits and pledged bank deposits amounted to approximately HK\$294.3 million (as at 31 December 2021: HK\$310.3 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; and (3) bank borrowings raised. As at 30 June 2022, the bank borrowings of the Group amounted to HK\$102.7 million (as at 31 December 2021: HK\$95.4 million). As at 30 June 2022 and 31 December 2021, the Group was in a net cash position.

Due to the net effect of (i) the gross carrying amount of trade receivables and contract assets balance as at 31 December 2021 which were due to receive during the Period; and (ii) the increase in the revenue during the period, the trade receivables and contract assets balances was decreased by HK\$37.9 million, or approximately 5.0%, from HK\$766.0 million as of 31 December 2021 to HK\$728.1 million as of 30 June 2022. 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\$40.2 million (equivalent to approximately RMB34.3 million).

As at 30 June 2022, 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.

INVESTMENT PROPERTY

As at 30 June 2022, the Group's investment property is measured using the fair value model and was approximately HK\$148.0 million (as at 31 December 2021: HK\$143.1 million). 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 (中國南京市建邺區江心洲). 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 and is expected to be completed in fourth quarter 2023. 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 2021 and 30 June 2022. 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.

INTEREST-BEARING BANK BORROWINGS

As at 30 June 2022, the Group had total debt of HK\$102.7 million (as at 31 December 2021: HK\$95.4 million), which was secured interest-bearing bank borrowings.

As at 30 June 2022, bank balances of approximately HK\$11.0 million (as at 31 December 2021: HK\$30.4 million) was pledged to secure general banking facilities granted to the Group.

The maturity profile of the interest-bearing bank borrowings are as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Repayable within one year or on demand	102,676	95,438

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 2022 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Available <i>HK\$ million</i>	Net Proceeds utilised during the Period <i>HK\$ million</i>	Net Proceeds utilised up to 30 June 2022 <i>HK\$ million</i>	Utilised <i>HK\$ million</i>	Expected timeline for utilised 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	60.8	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	–	
	<u>687.0</u>	<u>–</u>	<u>607.3</u>	<u>98.3</u>	

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 2022 and 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this Interim Report, 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. Except as disclosed in this Interim Report, 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.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments are set out in note 16 to these condensed consolidated interim unaudited financial statements.

As at 30 June 2022, the Group did not have any material contingent liabilities.

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 2022, 77.5% and 22.5% (as at 31 December 2021: 61.5% and 38.5%) 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 2022, certain time deposit, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK\$288,051,000 (as at 31 December 2021: HK\$305,079,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 30 June 2022, the Group's bank borrowings denominated in RMB amounted to HK\$102,676,000 (equivalent to RMB87,700,000) (as at 31 December 2021: HK\$95,438,000 (equivalent to RMB78,000,000)). 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.

EMPLOYEES AND REMUNERATION

As at 30 June 2022, the Group had a total of 452 full time employees (as at 31 December 2021: 489). 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.

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 Wai Pan ("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.

CG Code provision B.2.4 provides that where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/ or explanatory statement accompanying the notice of the annual general meeting. The Board considers that the Company has inadvertently failed to comply with such CG Code provision in the AGM circular of the Company dated 28 April 2022 by failing to disclose the length of tenure of each existing INEDs on a named basis in the AGM circular of the Company.

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), Mr. Tang Koon Yiu Thomas and Dr. Lau Ching Kwong (including one independent non-executive director with the appropriate professional qualifications).

At an audit committee meeting held on 31 August 2022, 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.

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 to the Listing Rules.

A 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.

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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (for the six-month period ended 30 June 2021: nil).

PUBLICATION OF INTERIM RESULTS AND REPORT

The interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.freotech-holdings.hk.

The interim report of the Company for the six-month period ended 30 June 2022 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

We wish to express our sincere gratitude to our management and staff members for their dedication and hard work during the Period. We would like to extend our thanks to all our business partners, customers and shareholders for their support. We believe that they will continue to render support to the Group for our continuous growth and success in the future.

By order of the Board
Freotech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman and Chief Executive Officer

Hong Kong, 31 August 2022

As at the date of this announcement, the executive Directors are Mr. Sze Wai Pan and Mr. Chan Kai King; the non-executive Directors are Ms. Sze Wan Nga, Mr. Zhou Jichang, Prof. Tong Wai Cheung Timothy and Dr. Chan Yan Chong; and the independent non-executive Directors are Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Dr. Lau Ching Kwong.