THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser. **If you have sold or transferred** all your shares in **Freetech Road Recycling Technology (Holdings) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Freetech
英達科技

英達公路再生科技(集團)有限公司

Freetech Road Recycling Technology (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

(stock code: 6888)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF A SUBSIDIARY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

The letter from the Board is set out on pages 4 to 15 of this circular. Notice convening the EGM to be held on 31 December 2024 at 10:00 a.m. at Unit 5906–5912, 59/F., The Center, 99 Queen's Road Central, Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not Shareholders are able to attend the EGM, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so desire.

* *For identification purposes only*

16 December 2024

CONTENTS

Page

In this circular, the following expressions shall have the following meanings, unless the context requires otherwise:

"APM Services"	has the meaning as defined in the paragraph headed "Letter from the Board — 4. Information on the Parties" in this circular
"Appraised Value"	the conditions precedent set out in the paragraph headed "Letter from the Board — 2. The SPA — Consideration" in this circular
"Board"	the board of Directors
"close associates"	has the meaning ascribed thereto under the Listing Rules
"Company"	Freetech Road Recycling Technology (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6888)
"Completion"	completion of Disposal
"Conditions Precedent"	the conditions precedent set out in the paragraph headed "Letter from the Board — 2. The SPA — Conditions Precedent" in this circular
"connected persons"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	approximately RMB71.1 million (equivalent to approximately HK$76.4 million) payable by the Vendor to the Purchaser pursuant to the terms of the SPA
"COSCO HK"	COSCO (H.K.) Industry & Trade Holdings Limited
"Directors(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms of the SPA
"EGM"	the extraordinary general meeting of the Company to be held to consider and to approve, among other things, the SPA and the transactions contemplated under the SPA
"Escrow Account"	an escrow account jointly opened and administered by the Vendor and the Purchaser
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Group"	the Company and its subsidiaries from time to time
"Land"	the land 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)
"Latest Practicable Date"	13 December 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2024 or such other date as agreed by the parties to the SPA
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
"Purchaser"	Tianjin Expressway Group Company Limited* (天津高速公路集團有限公司), a company established in the PRC with limited liability
"Remaining Group"	the Group immediately upon Completion
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	55% of the issued shares of the Target Company
"Sale of APM Equipment"	has the meaning as defined in the paragraph headed "Letter from the Board — 4. Information on the Parties" in this circular
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	the ordinary share(s) of the Company of par value of HK$0.10 each
"Shareholder(s)"	the holder(s) of the Share(s)
"SPA"	the share purchase agreement dated 22 November 2024 entered into between the Purchaser and the Vendor in respect of the Disposal

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司), a company established in the PRC
"Valuer"	Beijing Chinese Enterprise China Assets Evaluation Co., Ltd.* (北京中企華資產評估有限責任公司), an independent party valuer engaged by the Vendor
"Vendor"	Freetech Smart Road Recycling Engineering Investment Limited (英達智能道路再生工程投資有限公司), a company incorporated in Hong Kong with limited liability
"%"	per cent.

Unless otherwise indicated, in this circular, translation of amounts in HK$ into RMB have been made at the rate of HK$1.075 to RMB1 for illustration purpose only. No representation is made that any amount in HK$ could have been or could be converted at such respective rates or at all.

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

Executive Directors:
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

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

16 December 2024

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO
THE PROPOSED DISPOSAL OF A SUBSIDIARY**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 22 November 2024 in relation to the Disposal.

On 22 November 2024 (after trading hours), the Vendor (an indirect non-wholly-owned subsidiary of the Company) and the Purchaser entered into the SPA, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at a consideration of RMB71.1 million (equivalent to approximately HK$76.4 million). Upon Completion, the Target Company will cease to be a subsidiary of the Company.

The purpose of this circular is to provide you with, among others, (a) further information in relation to the Disposal; (b) the financial information of the Target Company; (c) the pro-forma financial information of the Group; and (d) other information as required under the Listing Rules, together with a notice of the EGM.

2. THE SPA

Set out below are the principal terms of the SPA:

Date:	22 November 2024
Parties:	Freetech Smart Road Recycling Engineering Investment Limited as vendor Tianjin Expressway Group Company Limited as purchaser
Subject matter:	Pursuant to the SPA, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares.
Consideration:	The Consideration for the Disposal is approximately RMB71.1 million (equivalent to approximately HK$76.4 million) which shall be paid in the following manner: (1) within 5 business days after signing of the SPA, the Purchaser shall transfer 50% of the Consideration to the Escrow Account and within 5 business days from the completion of the commercial registration of the transfer of the Sale Shares at relevant PRC authorities, the Purchaser shall procure for such amount to be transferred to an account of the Vendor in Hong Kong; and (2) within one month of completion of commercial registration of the transfer of the Sale Shares at relevant PRC authorities, the Purchaser shall transfer the remaining 50% of the Consideration (after deducting relevant taxes payable by the Target Company of approximately RMB2.4 million) to an account of the Vendor in Hong Kong.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor after taking into account (i) the appraised fair value of the net assets of the Target Company on 31 December 2023 at approximately RMB127.8 million (the "**Appraised Value**") based on valuation report prepared by the Valuer (the report of which is set out in Appendix IV of this circular); and (ii) the net asset value of the Target Company as at 30 June 2024 based on the unaudited financial statements of the Target Company of approximately RMB92.7 million (equivalent to approximately HK$99.6 million). There has been no material change to the net asset value of the Target Company since 30 June 2024.

Difference of the Appraised Value and the net asset value of the Target Company was mainly due to the different treatment of fixed assets and certain account receivables of the Target Company by the Valuer and the Target Company. In the accounts of the Target Company, the value of the fixed assets was booked based on its book value which have been depreciated over 3 to 5 years in accordance with applicable accounting standards. In the Valuation Report, the value of these fixed assets was recorded based on the actual condition and the value have been incremented by RMB8.6 million as the actual condition of the fixed assets are better than the book value. In addition, the Target Company when preparing the accounts of the Target Company as at 31 December 2023 has included a provision of RMB22.3 million in accordance with applicable accounting standards and expected loss model. Same approach had been adopted when determining the net asset value of the Target Company as at 30 June 2024. On the other hand, the Valuer, based on the information provided by the Target Company, noted that the customers had made regular settlement for the receivables and the risk of default was relatively remote, and the Valuer had been included such RMB22.3 million receivables in the Appraised Value.

Conditions Precedent:	Completion is subject to satisfaction of the following Conditions Precedent on or before the Long Stop Date: (1) the Purchaser having obtained the approval from relevant authority for transfer of the Consideration to a bank account of the Vendor in Hong Kong; and (2) parties to the SPA having obtained the consent and approval of the relevant approval authorities, including but not limited to, the approval from the board of directors, shareholders and authorities of the Target Company, the approval from the superior authorities of the Vendor, and the approval from the board of directors and Shareholders of the Company in accordance with the requirements of the Listing Rules. If the Conditions Precedent are not satisfied on or before the Long Stop Date, the SPA shall lapse. As at the Latest Practicable Date, none of the Conditions Precedent have been fulfilled or waived.
Completion:	Completion shall take place after all Conditions Precedent are satisfied and completion of the commercial registration of the transfer of the Sale Shares at relevant PRC authorities.

3. VALUATION

The Appraised Value was determined based on a valuation report dated 10 July 2024 prepared by the Valuer in accordance with the Basic Rules for Asset Appraisal issued by the Ministry of Finance and the Practice Guidelines for Asset Appraisal and the Professional Code of Ethics for Asset Appraisal issued by the China Appraisal Society. The valuation was carried out by Beijing Chinese Enterprise China Assets Evaluation Co., Ltd.* (北京中企華資產評估有限責任公司), an independent valuer engaged by the Vendor. For details of the valuation, please refer to "Valuation Report" in Appendix IV to this circular.

4. INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in (i) manufacturing and sales of road maintenance equipment (the "**Sale of APM Equipment**"); and (ii) provision of road maintenance and development services (including "Hot-in place projects" and Non-"Hot-in-Place" projects) (the "**APM Services**"), and (iii) sales and leasing of properties in the PRC (the "**Property Business**").

Sale of APM Equipment

In respect of the Sale of APM Equipment, the Group's target customers are mainly local government and highway companies in the PRC. The production site for the APM equipment is located at Nanjing, Jiangsu Province in the PRC.

APM Services

In respect of APM Services, the Group is 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".

After the capital injection in 2015, the Group engaged in its APM Services in the Tianjin area mainly through the Target Company and its APM Services in other areas of the PRC mainly through its other wholly-owned subsidiaries. The Target Company mainly focuses on Non-"Hot-in-Place" projects, while the Group (other than the Target Company) mainly focuses on "Hot-in-Place" projects.

The clients for "Hot-in-Place" projects include local governments and highway companies in the PRC and the clients for Non-"Hot-in-Place" projects include mainly highway companies in Tianjin area in the PRC.

Property Business

In respect of the Property Business, Freetech Nanjing acquired the Land from Nanjing Municipal Land Resources Bureau* (南京市國土資源局) on 30 December 2016 at the consideration of approximately RMB140.1 million for the development of the base of the global technology research and development centre of the Group. Jiangxinzhou (江心洲) is an Eco Hi-Tech island in Nanjing city, which is set to be an island showcasing the future of Nanjing and its aspirations to be a centre for development and practice of high-tech innovation in areas such as IT services industry, eco-environmental service and modern service industry. The site area of the Land 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. Based on the development plan, 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 at the Land. Part of the Main Buildings will be used as the base of the global research and development centre and offices of the Group, which will enhance the research and development capability of the Group and enable the Group to save rental expenses. For the remaining part of the Main Buildings, the Group intends to lease the office spaces to third parties, which will bring additional income streams to the Group. For the Office Buildings, the Group intends to conduct pre-sale by 2026. Due to the strict COVID-19 pandemic control in second quarter of 2022 and some changes of the construction plan, there was a delay in the progress of construction and the construction has only commenced in 2022. It was expected that the completion date of the construction will be in or around the first quarter of 2027.

Future development of the Group

Given the Group is a leading provider of 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 enhance its market position, enter into new markets and enlarge its share in existing markets by the following means: (i) it will increase market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; (ii) it will focus on the cities which will hold major events to gain and complete projects of high awareness; (iii) it will diversify its product range and developed new product in road industry; (iv) it will continue to invest on its testing and planning department by devoting more equipment and staff so as to enhance its one-stop solution and generate new revenue stream which is road doctor consultant services; (v) it will further optimize its techniques and technologies to lower the construction costs; (vi) it will leverage on its state-owned partners' overseas channels to expand the international APM equipment and services market.

The Vendor

The Vendor is an indirect non-wholly-owned subsidiary of the Company which is 51% owned by the Company and 49% owned by COSCO HK. The Vendor is an investment holding company. The ultimate beneficial owner of COSCO HK is State-Owned Assets Supervision and Administration Commission of the State Council.

The Purchaser

The Purchaser, a state-owned enterprise, is a company established in the PRC with limited liability. The Purchaser is owned by Tianjin Infrastructure Investment Group Company Limited (天津城市基礎設施建設投資集團有限公司). The ultimate beneficial owner of the Purchaser is State-owned Assets Supervision and Administration Commission of Tianjin People's Government (天津市人民政府國有資產監督管理委員會). Its principal business is roads and bridges construction and management of expressways.

The Target Company

As at the Latest Practicable Date, the Target Company is owned as to 55% by the Vendor and 45% by the Purchaser. The Target Company is a company established in the PRC with limited liability on 1 September 2009 by the Purchaser. As at the Latest Practicable Date, its registered capital is RMB44,444,400. The principal activities of the Target Company are provision of maintenance and repair services for expressways and expressway facilities, road projects, highway plantation engineering and construction projects; machinery and equipment leasing, highway engineering and technical advisory services.

Based on the unaudited financial statements of the Target Company prepared based on Hong Kong Financial Reporting Standards, the financial results of the Target Company for the two years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024 are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2023	For the six months ended 30 June 2024
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	322,313	355,214	102,374	85,177
Profit/(Loss) before taxation	(5,964)	24,209	28,438	1,939
Profit/(Loss) after taxation	(7,348)	22,693	28,843	1,939

The turnaround from net loss of approximately HK$7.3 million for the year ended 31 December 2022 to a net profit of approximately HK$22.7 million for the year ended 31 December 2023 was mainly due to (i) a reversal of impairment losses on financial and contract assets of approximately HK$14.5 million due to the improvement on the settlement of the long outstanding trade receivables; and (ii) the end of the COVID-19 outbreak in the PRC in around fourth quarter of 2022 and increase in orders for APM Services.

The revenue and profit of the Target Company for the six months ended 30 June 2024 decreased as compared with the same period in 2023 because the results for the six months ended 30 June 2023 included a reversal of impairment losses on financial and contract assets of approximately HK$31.3 million due to the improvement on settlement of a long outstanding trade receivables and there were fewer orders of APM services in the first half of 2024.

The net asset value of the Target Company as at 31 December 2023 and as at 30 June 2024 based on the unaudited financial statements of the Target Company prepared based on Hong Kong Financial Reporting Standards was approximately HK$99,662,000 and HK$99,550,000.

5. REASONS AND BENEFITS OF THE DISPOSAL

Reference is made to the announcement of the Company dated 13 July 2014 and the circular of the Company dated 31 August 2015 in relation to the capital injection in the Target Company. The Vendor acquired 55% of the Target Company by way of subscribing for registered capital of the Target Company of RMB24,444,400 at a total consideration of approximately RMB46.8 million. The Target Company became an indirect non-wholly owned subsidiary of the Company after completion of the aforementioned capital injection. Since completion of the capital injection in 2015, the Target Company had only distributed dividend a total of approximately RMB3.2 million to the Vendor.

As the Purchaser offered to acquire the Sale Shares at a price of approximately RMB71.1 million, as compared to the original acquisition of approximately RMB46.8 million, the Vendor will make an after tax gain of approximately RMB21.9 million from the Disposal. The Company considered that the Disposal represented a good opportunity for the Group to realise its investments in the Target Company.

After the capital injection in 2015, the Group engaged in its APM Services (with a focus on Non-"Hot-in-Place" projects) in the Tianjin area mainly through the Target Company and its APM Services (with a focus on "Hot-in-Place" projects) in other areas of the PRC mainly through its other wholly-owned subsidiaries. "Hot-in-Place" projects involve the recycling of aged asphalt directly on-site, through heating, scarifying, adding rejuvenating agent and mixing the old recycled materials with new materials, and is relatively cost-efficient and environmentally friendly. "Hot-in-Place" technology requires certain specific equipment to carry out the road maintenance and repair. Non-"Hot-in-Place" projects involve the use of traditional maintenance equipment without heating to remove and dispose old material, then pave the repair area with new material. As "Hot-in-Place" projects generally have a higher gross profit margin than the Non-"Hot-in-Place" projects (for the year ended 31 December 2023, the gross profit margin of "Hot-in-Place" projects was 42.7% and the gross profit margin of Non-"Hot-in-Place" projects was 10.1%), the Group intends to develop and focus on "Hot-in-Place" projects. Since the completion of the capital injection in 2015, the Company has tried to develop "Hot-in-Place" projects through the Target Company in the Tianjin area, however, in the past 3 years, "Hot-in-Place" projects only accounted for approximately 2.7%, 1.5% and nil of the total revenue of the Target Company for the years ended 31 December 2021, 2022 and 2023, respectively, which fell short of expectation of the Group. The Company considered that the slow development of "Hot-in-Place" projects in the Tianjin Area was mainly because the Target Company is a non-wholly owned subsidiary of the Company whereby the Company needs to cooperate with the Purchaser in the management and development of the Target Company's business and the Purchaser has a preference to engage in non-"Hot-in-Place" projects given the development of "Hot-in-Place" projects require additional investment on the equipment which hindered the progress on development of "Hot-in-Place" projects in the Tianjin area. The Company considered that the Disposal will allow the Group to have more flexibility in management and resources allocation for the development of its APM Services, in particular, "Hot-in-Place" projects, in the PRC. After the Disposal, the Group will continue to engage in APM Services (including both "Hot-in-Place" and non-"Hot-in-Place" projects) in the PRC (including the Tianjin area) mainly through its other wholly-owned subsidiaries but will focus on development of the APM Services through "Hot-in-

Place" projects with a higher gross-profit margin. As at the Latest Practicable Date, save for the Disposal, there is no plan for the Group to change its businesses or downsize, cease or dispose of any of its businesses after completion of the Disposal. The business and revenue model of the Group shall remain the same after the Completion.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that although the Disposal was not in the ordinary and usual course of the business of the Company, the Disposal and the terms of the SPA were entered into on normal commercial terms and were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. INTENDED USE OF PROCEEDS

The gross proceeds from the Disposal are expected to be approximately RMB71.1 million (equivalent to HK$76.4 million) and the net proceeds (after deducting related tax expenses, transaction costs and professional expenses) are expected to be approximately RMB67.8 million (equivalent to HK$72.8 million).

As the Vendor is owned as to 51% by the Group and 49% by COSCO HK, the gross proceeds from the Disposal will be distributed by the Vendor to its shareholders in proportion to their respective shareholding in the Target Company. The actual amount of net proceeds to be retained by the Group (after deducting necessary expenses for the Disposal) is expected to be approximately RMB34.2 million (equivalent to HK$36.8 million). The Group intends to use (a) RMB20 million (equivalent to HK$21.5 million) of the net proceeds for the construction work at the Land. For details of the construction, please refer to the paragraph headed "3. Information on the Parties — The Group-Property Business" in this circular; and (b) RMB14.2 million (equivalent to HK$15.3 million) of the net proceeds for general working capital.

7. FINANCIAL EFFECT OF THE DISPOSAL

After Completion, the Group will cease to have any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated with the financial statements of the Group.

The Disposal is expected to give rise to a gain of approximately RMB11.9 million (equivalent to approximately HK$12.7 million) (after taxation, if any), calculated with reference to the Consideration after deducting (i) 55% of the net asset value of the Target Company as at 30 June 2024 of approximately RMB51 million (equivalent to approximately HK$54.8 million); (ii) the goodwill of approximately RMB4.9 million (equivalent to approximately HK$5.3 million) arisen from the acquisition 55% of the Target Company by way of subscribing for registered capital of the Target Company of RMB24,444,400 at a total consideration of approximately RMB46.8 million on 31 August 2015; and (iii) the transaction costs and expenses of approximately RMB3.3 million (equivalent to approximately HK$3.6 million) in relation to the Disposal. The actual gain as a result of the Disposal to be recorded by the Company is subject to any changes to the net assets value of the Target Company on the date of the Completion.

According to the unaudited pro forma financial information of the Remaining Group set out in Appendix III to this circular, assuming completion of the Disposal had taken place on 30 June 2024, the Remaining Group's total assets as at 30 June 2024 would have decreased from HK$1,118.2 million to HK$930.0 million and the Remaining Group's total liabilities as at 30 June 2024 would have decreased from approximately HK$381.5 million to approximately HK$226.2 million.

Shareholders should note that the unaudited pro forma financial information of the Remaining Group set out in Appendix III to this circular has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give the true picture of the financial position of the Remaining Group following completion of the Disposal or any future date. Moreover, since the actual fair value of the assets and liabilities of the Target Group may be different at completion of the Disposal as compared to their respective values used in the preparation of the unaudited pro forma financial information of the Remaining Group, the actual financial effects of the Disposal may be different from the financial information shown in Appendix III to this circular.

Further details are set out in Appendix III to this circular.

8. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Target Company is owned as to 55% and 45% by the Vendor and the Purchaser respectively. As the Purchaser is a substantial shareholder of the Target Company, it is a connected person of the Company at subsidiary level. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transaction; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding the Disposal and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal are fair and reasonable, and that the Disposal are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Disposal is exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal exceeds 75%, the transaction contemplated under the SPA constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened for the Shareholders to consider and, if thought fit, to approve the SPA and the transactions contemplated thereunder.

9. EGM

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. The EGM of the Company will be held on 31 December 2024 at 10:00 a.m. at Unit 5906–5912, 59/F., The Center, 99 Queen's Road Central, Central, Hong Kong, during which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Disposal.

If any Shareholder is materially interested in the Disposal, such Shareholder and his/her or its close associates will be required to abstain from voting on the relevant resolution approving the Disposal. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM in respect of the Disposal.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The chairman of the EGM shall put the resolution to be proposed at the EGM by way of a poll. After the conclusion of the EGM, the results of the poll will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.freetech-holdings.hk.

Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the Shareholders to vote at the EGM will be 30 December 2024. In order to qualify for attending and voting at the EGM, unregistered holders of Shares should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 30 December 2024.

A form of proxy for use at the EGM is enclosed. The form of proxy can also be downloaded from the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.freetech-holdings.hk. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so desire.

10. RECOMMENDATIONS

The Board considers that the Disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Disposal at the EGM.

11. GENERAL

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Freetech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for the year ended 31 December 2021, the year ended 31 December 2022, the year ended 31 December 2023 and the six months ended 30 June 2024 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.freetech-holdings.hk).

(i) annual report of the Group for the year ended 31 December 2021 published on 28 April 2022 (Pages 47 to 160)

(https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800636.pdf)

(ii) annual report of the Group for the year ended 31 December 2022 published on 27 April 2023 (Pages 46 to 162)

(https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702961.pdf)

(iii) annual report of the Group for the year ended 31 December 2023 published on 29 April 2024 (Pages 48 to 150) and

(https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042900663.pdf)

(iv) interim report of the Group for the six months ended 30 June 2024 published on 23 September 2024 (Pages 20 to 46) and

(https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0923/2024092301088.pdf)

2. WORKING CAPITAL SUFFICIENCY

The Directors are satisfied, after due and careful enquiry and based on the information currently available to the Directors, that after taking into account the effects of the SPA and the transactions contemplated thereunder, the financial resources available to the Group, cash generated from future operations, the existing cash and bank balances of the Group, and available credit facilities, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

3. INDEBTEDNESS STATEMENT

As at 31 October 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group comprise the following:

(1) Bank borrowings

The Group had total bank borrowings of HK$107,415,000 comprising (i) guaranteed and unsecured bank borrowings of HK$75,245,000 which were guaranteed by corporate guarantees provided by the Group's subsidiaries but were not secured by any assets of the Group or any third parties, and (ii) unsecured and unguaranteed bank borrowings of HK$32,170,000.

(2) Amount due to a related party

The Group had amount due to non-controlling shareholder of HK$24,900,000, which was unsecured, unguaranteed, interest-free and had no fixed terms of repayment.

(3) Lease liabilities

The Group leases various properties for use as offices and warehouse. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. As at 31 October 2024, the lease liabilities were approximately HK$2,908,000, of which approximately HK$2,059,000 is due within 1 year, approximately HK$849,000 is due more than 1 year but within 2 years.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2024, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, bank overdrafts, loan or other similar indebtedness liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date, save that the Group recorded a loss attributable to owners of the Company of approximately HK$8.5 million for the six months ended 30 June 2024 as compared to a profit attributable to owners of the Company of approximately HK$2.3 million for the six months ended 30 June 2023. The record of loss attributable to owners of the Company for the six months ended 30 June 2024 was because:

(a) the Group recorded a decrease in the revenue under the APM equipment segment for the six months ended 30 June 2024 as there was a sale of modular series equipment for the six months ended 30 June 2023 but no such sale for the same period in 2024; and

(b) the Group recorded a decrease in the reversal of impairment of trade receivables and contract assets for the six months ended 30 June 2024 as compared with the amount of reversal of impairment of trade receivables and contract assets for the same period in 2023.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Company is an investment holding company. As at the Latest Practicable Date, the Board has no plan to change the principal business of the Group. Immediately after the Disposal, the Remaining Group will continue to principally engage in (i) manufacturing and sales of road maintenance equipment (the "**Sale of APM Equipment**"); and (ii) provision of road maintenance and development services including "Hot-in place projects" and Non-"Hot-in-Place" projects, but with a focus on "Hot-in-Place" projects (the "**APM Services**"), and (iii) sales and leasing of properties in the PRC (the "**Property Business**").

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 trial 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. "Hot-in-Place" projects involve the recycling of aged asphalt directly on-site, through heating, scarifying, adding rejuvenating agent and mixing the old recycled materials with new materials, and is relatively cost-efficient and environmentally friendly. With the patent "Hot-in-Place" recycling technology and the products and equipment of the Group, the Group will benefit from the government policies that promote environmental protection which may increase the demand for more environmental friendly road maintenance technology, which including "Hot-in-Place" technology.

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. The Group had developed part of the South China market which enables the Group to perform APM services during slack season. 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. 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 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").

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following discussion should be read in conjunction with the financial information of the Group and the historical financial information and operating data included in this circular. Following the Completion, the Remaining Group will continue to carry out its existing businesses. Set out below is the management discussion and analysis of the Remaining Group for each of the three years ended 31 December 2021, 2022, and 2023 and the six months ended 30 June 2024, respectively.

Upon completion of the Disposal, the Remaining Group will continue to carry out its existing businesses (in APM Services with a focus on "Hot-in-Place" projects and in APM Equipment. On this basis, the management discussion and analysis on the Remaining Group for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 is set out below.

Business Review

The Remaining Group has three business segments, namely, (i) APM Services (ii) APM Equipment and the (iii) Property Business for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024. The review of each business segment of the Remaining Group is set out below.

APM Services

For the year ended 31 December 2021, the revenue of the Remaining Group for this segment decreased in the year of 2021 compared to 2020 due to the decrease in the total area serviced of the "Hot-in-Place" projects in 2021 as the COVID-19 outbreak that began at Nanjing in third quarter of 2021 had brought delay in the Group's operation. Therefore, the total serviced area of "Hot-in-Place" projects decreased by 39.0% from 4.1 million square meters in 2020 to 2.5 million square meters in 2021. The revenue for this segment for the year ended 31 December 2021 was approximately HK$168.5 million. The decrease in the revenue amount of the "Hot-in-Place" projects is lower than the decrease of the total serviced area is mainly due to the "Hot-in-Place" project of Group was including the Geopolymer Injection Road Base Repair technology of the Group which enable to the Group to mark up the price and gross profit margin of the "Hot-in-Place" project. The gross profit margin of "Hot-in-Place" projects increased from 32.7% in 2020 to 40.8% in 2021 due to the Geopolymer Injection Road Base Repair technology of the Group conducted in 2021 had higher gross profit margin.

For the year ended 31 December 2022, the revenue of the Remaining Group for this segment decreased in the year of 2022 compared to 2021 due to the strict COVID-19 pandemic control since second quarter of 2022 in order to avoid mass spreading of COVID-19, which included, among other things, lockdown measures and transportation restrictions, and the new wave of COVID-19 pandemic outbreak in the PRC in the fourth quarter of 2022 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 PRC from our operational base in Nanjing, revenue of "Hot-in-Place" projects recorded decrease during the year under review. The revenue for this segment for the year ended 31 December 2022 was approximately HK$132.6 million. The gross profit margin of "Hot-in-Place" projects was relatively stable during the year of 2022 which was approximately 38.8%.

For the year ended 31 December 2023, the revenue of the Remaining Group for this segment increased in the year of 2023 compared to 2022 due to increased in total serviced area of the Group's "Hot-in-Place" projects. The revenue for this segment for the year ended 31 December 2023 was approximately HK$139.3 million. The gross profit margin of "Hot-in-Place" and was relatively stable of approximately 42.7% during the year under review.

For the six months ended 30 June 2024, the revenue of the Remaining Group for this segment increased as compared with that of the corresponding period in 2023 due to the revenue of the "Hot-in-Place" projects recorded increase during six months ended 30 June 2024 because increase in the total service area of the Group's "Hot-in-Place" projects. The revenue for this segment for the six months ended 30 June 2024 was approximately HK$58.5 million. 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 six months ended 30 June 2024.

The gross profit margin for this segment for full financial year is generally higher than that of the gross profit margin for this segment for interim period because the Group will records full amount of certain fixed costs at the first half of the year despite less orders due to the slack season and most of the orders will only be placed in the second half of the year.

APM Equipment

For the year ended 31 December 2021, the revenue for this segment increased by approximately 20.5% as compared to 2020 was mainly due to the diversification of the product range of the Group and the outbreak of COVID-19 in 2020 resulted the local government and highway company had delayed their capital investment to 2021. The revenue for this segment for the year ended 31 December 2021 was approximately HK$68.8 million. Overall gross profit margin for this segment was relatively stable of approximately 37.8% during the year under review.

For the year ended 31 December 2022, the revenue for this segment significantly decreased by 66.0% as compared to the corresponding period for 2021. This was mainly due to the outbreak of COVID-19, many local government and highway companies delayed their capital investment to 2023. The revenue for this segment for the year ended 31 December 2022 was approximately HK$23.4 million. The increase in the gross profit margin for APM equipment from 37.8% in 2021 to 47.5% in 2022 was due to the sale of standard series which have a higher gross profit margin.

For the year ended 31 December 2023, the revenue for this segment significantly increased by 108.0% as compared to the corresponding period for 2022. This was mainly due to many local government and highway companies postponed their capital investment to 2023 due to the outbreak of COVID-19 in 2022. In addition, the Group had successfully sold a set of modular series equipment in the year ended 31 December 2023, while there was no sale of modular series equipment in the same corresponding period in 2022. The revenue for this segment for the year ended 31 December 2023 was approximately HK$48.6 million. Due to the promotion and embedded with intelligent monitoring and control platform, this modular series had a lower selling and a higher production cost. Thus. the decrease in the gross profit margin for APM equipment from 47.5% in 2022 to 44.0% in 2023 was due to the sale of modular series which have lower gross profit margin.

For the six months ended 30 June 2024, the revenue of the Remaining Group for this segment 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. The revenue for this segment for the six months ended 30 June 2024 was approximately HK$11.8 million. 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 six months ended 30 June 2024 due to higher production cost for products sold.

Property Business

As at 31 December 2021, 2022, 2023 and 30 June 2024, the Group's investment property is measured using the fair value model and was approximately HK$143.1 million, HK$142.4 million, HK$140.9 million and HK$138.0 million, respectively. The fluctuation 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 first quarter of 2027. 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 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.

Profit/Loss before tax

For the year ended 31 December 2021, the Remaining Group recorded a profit before tax of approximately HK$38.5 million.

For the year ended 31 December 2022, the Remaining Group recorded a loss before tax of approximately HK$30.1 million. The loss was mainly due to the effect of (i) decrease in the revenue of the APM Services and APM Equipment; and (ii) the recognition of the expected credit loss on trade receivables, contract assets and other receivables.

For the year ended 31 December 2023, the Remaining Group recorded a profit before tax of approximately HK$6.6 million. The profit was mainly due to the effect of (i) increase in the revenue of the APM Services and APM Equipment; and (ii) the expected credit loss on trade receivables and contract assets reversed.

For the six months ended 30 June 2024, the Remaining Group recorded a loss before tax of approximately HK$8.5 million as compared with a loss of approximately HK$6.6 million of the corresponding period in 2023. The increase in loss was mainly due to the net effect of (i) the increase in the revenue of the APM Services; (ii) the decrease in the revenue of the APM Equipment; and (iii) the decrease in the expected credit loss on trade receivables and contract assets reversed.

Liquidity and financial resources

As at 31 December 2021, the Remaining Group had total debt of approximately HK$95.4 million which was secured interest-bearing bank borrowings and denominated in RMB. As at 31 December 2021, the maturity profile of the interest-bearing bank borrowings as at 31 December 2021 were repayable within one year or on demand. As at 31 December 2021, 61.5% and 38.5% of the Remaining Group's bank borrowings are at fixed interest rate and floating interest rate, respectively. The Remaining Group has not used any interest rate swaps to hedge its interest rate risk.

As at 31 December 2022, the Remaining Group had total debt of approximately HK$91.2 million which comprised of secured interest-bearing bank borrowings of HK$46.2 million and unsecured interest-bearing bank borrowings of HK$45.0 million. As at 31 December 2022, the total bank borrowings of the Remaining Group were denominated in RMB. As at 31 December 2022, the maturity profile of the interest-bearing bank borrowings were repayable within one year or on demand. As at 31 December 2022, 87.7% and 12.3% of the Remaining Group's bank borrowings are at fixed interest rate and floating interest rate, respectively. The Remaining Group has not used any interest rate swaps to hedge its interest rate risk.

As at 31 December 2023, the Remaining Group had total debt of approximately HK$99.1 million, which was comprised of secured interest-bearing bank borrowings of HK$44.6 million and unsecured interest-bearing bank borrowings of HK$54.5 million. As at 31 December 2023, the total bank borrowings of the Remaining Group were denominated in RMB. As at 31 December 2023, the maturity profile of the interest-bearing bank borrowings were repayable within one year or on demand. As at 31 December 2023, 88.9% and 11.1% of the Remaining Group's bank borrowings are at fixed interest rate and floating interest rate, respectively. The Remaining Group has not used any interest rate swaps to hedge its interest rate risk.

As at 30 June 2024, the Remaining Group had total debt of approximately HK$97.8 million, which was comprised of secured interest-bearing bank borrowings of HK$55.4 million and unsecured interest-bearing bank borrowings of HK$42.4 million. As at 30 June 2024, the total bank borrowings of the Remaining Group were denominated in RMB. As at 30 June 2024, the maturity profile of the interest-bearing bank borrowings was repayable within one year or on demand. As at 30 June 2024, 73.1% and 26.9% of the

Remaining Group's bank borrowings are subject to fixed interest rate and floating interest rate, respectively. The Remaining Group has not used any interest rate swaps to hedge its interest rate risk.

Pledge of Assets

As at 31 December 2021, bank balance of approximately HK$30.4 million was pledged to secure general banking facilities granted to the Remaining Group.

As at 31 December 2022, bank balance of approximately HK$10.6 million was pledged to secure general banking facilities granted to the Remaining Group.

As at 31 December 2023, bank balance of approximately HK$7.5 million was pledged to secure general banking facilities granted to the Remaining Group.

As at 30 June 2024, bank balances of approximately HK$7.8 million was pledged to secure general banking facilities granted to the Remaining Group.

Net Gearing Ratio

The calculation of the gearing ratio is based on the net bank borrowings (total bank borrowings minus bank balances and cash, time deposits, pledged bank deposits and financial assets at fair value through profit or loss) divided by equity attributable to owners of the Company multiplied by 100%. As the Remaining Group was in a net cash position as at 31 December 2021, 2022 and 2023 and 30 June 2024, gearing ratio is not applicable.

Foreign Currency Risk

The Remaining Group collects most of its revenue in RMB and most of its expenditures as well as capital expenditures are also denominated in RMB. The Remaining Group's exposure 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 31 December 2021, 2022 and 2023 and 30 June 2024, certain time deposits, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK$251,432,000, HK$223,356,000, HK$219,385,000 and HK$223,496,000, respectively, are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Remaining Group's bank borrowings denominated in RMB amounted to HK$95,438,000 (equivalent to RMB78,000,000), HK$91,208,000 (equivalent to RMB81,000,000), HK$99,117,000 (equivalent to RMB90,000,000) and HK$97,788,000 (equivalent to RMB91,050,000), respectively. The Group has not hedged its foreign currency risk.

Employees and remuneration policy

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Remaining Group had a total of 278, 248, 264 and 269 employees respectively. 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 has adopted a share award scheme under which shares of the Company may be awarded to the selected employees (including executive directors of the Company) as incentives to retain them for the continual operation and development of the Group.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, the Remaining Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

Capital Commitments and Contingent Liabilities

As at 31 December 2021, 2022, 2023 and 30 June 2024, the Remaining Group had capital commitments of approximately HK$2,247,000, HK$2,068,000, HK$254,000 and HK$175,000, respectively, among which contracted but not provided for in respect of the acquisition of property, plant and equipment. As at 31 December 2021, 2022, 2023 and 30 June 2024, the Remaining Group had capital commitments of approximately HK$15,989,000, HK$14,714,000, HK$14,391,000 and HK$14,035,000, respectively, among which contracted but not provided for in respect of the acquisition of leasehold land. As at 31 December 2021, 2022, 2023 and 30 June 2024, the Remaining Group had capital commitments of approximately HK$347,098,000, HK$306,093,000, HK$296,551,000 and HK$290,409,000, respectively, among which contracted but not provided for in respect of construction contract.

The Remaining Group did not have any contingent liabilities as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024.

Set out below are the financial information of the Target Company which comprises the unaudited statements of financial position of the Target Company as at 31 December 2021, 2022 and 2023 and 30 June 2024 and the unaudited statements of profit or loss and other comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of the Target Company for each of the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively (the "**Relevant Periods**") and certain explanatory notes (the "**Unaudited Financial Information**").

The Unaudited Financial Information has been prepared by the Directors on the basis set out in note 2 to the Unaudited Financial Information and in accordance with Rule 14.68(2)(a)(i)(A) of the Listing Rules. The Unaudited Financial Information is prepared by the Directors of the Company solely for the purpose of inclusion in this circular to be issued by the Company in connection with the Disposal.

BDO Limited, the auditor of the Company, was engaged to review the Unaudited Financial Information of the Target Company set out in pages II-2 to II-10 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has issued an unmodified review report.

UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024

	For the year ended 31 December			For the six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	274,345	322,313	355,214	102,374	85,177
Cost of sales	(241,575)	(287,749)	(319,273)	(96,705)	(78,631)
Gross profit	32,770	34,564	35,941	5,669	6,546
Other income	955	422	843	714	117
Other gains and losses, net	(28)	—	(38)	—	—
Reversal of/(provision for) impairment losses on financial and contract assets	3,450	(14,885)	14,483	31,307	5,164
Administrative expenses	(14,769)	(14,668)	(14,807)	(5,923)	(6,943)
Research costs	(10,895)	(11,047)	(12,022)	(3,290)	(2,880)
Other expenses	(163)	(319)	(167)	(20)	(12)
Finance costs	(33)	(31)	(24)	(19)	(53)
Profit/(loss) before income tax expense	11,287	(5,964)	24,209	28,438	1,939
Income tax (expense)/credit	(1,187)	(1,384)	(1,516)	405	—
Profit/(loss) for the year/period	10,100	(7,348)	22,693	28,843	1,939
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Exchange differences arising from translation to the presentation currency	2,608	(8,983)	(3,759)	(4,270)	(2,051)
Total comprehensive income for the year/period	12,708	(16,331)	18,934	24,573	(112)

UNAUDITED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021, 2022 and 2023 and 30 June 2024

	31 December			30 June
	2021	**2022**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	32,362	29,106	27,746	24,635
Right-of-use assets	5,812	5,494	4,361	6,384
Other intangible assets	128	97	75	63
	38,302	34,697	32,182	31,082
Current assets				
Inventories	7,824	7,525	9,651	9,572
Trade receivables	7,198	9,158	2,573	1,118
Contract assets	185,124	250,431	252,492	181,797
Prepayments, deposits and other receivables	3,906	5,705	7,068	8,900
Taxation recoverable	1,222	2,116	—	781
Pledged bank deposits	15,083	2,634	1,223	1,193
Restricted bank deposits	2,330	1,444	139	184
Bank balances and cash	36,234	31,718	28,580	23,619
	258,921	310,731	301,726	227,164
LIABILITIES				
Current liabilities				
Trade and other payables	199,085	249,711	233,697	151,560
Contract liabilities	—	14,000	—	5,104
Taxation payable	—	—	549	—
Lease liabilities	1,079	989	—	782
	200,164	264,700	234,246	157,446
Net current assets	58,757	46,031	67,480	69,718
Total assets less current liabilities	97,059	80,728	99,662	100,800

	31 December			30 June
	2021	**2022**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-current liabilities				
Lease liabilities	—	—	—	1,250
NET ASSETS	97,059	80,728	99,662	99,550
EQUITY				
Capital and reserves				
Paid-up capital	54,380	54,380	54,380	54,380
Reserves	42,679	26,348	45,282	45,170
TOTAL EQUITY	97,059	80,728	99,662	99,550

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024

	Paid-up capital *HK$'000* (unaudited)	Capital reserves *HK$'000* (unaudited)	Reserve funds *HK$'000* (unaudited)	Foreign currency translation reserve *HK$'000* (unaudited)	(Accumulated losses)/ retained earnings *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
At 1 January 2021	54,380	28,240	3,486	(867)	(888)	84,351
Profit for the year	—	—	—	—	10,100	10,100
Other comprehensive income	—	—	—	2,608	—	2,608
Total comprehensive income for the year	—	—	—	2,608	10,100	12,708
Transfer to reserve funds	—	—	788	—	(788)	—
At 31 December 2021 and 1 January 2022	54,380	28,240	4,274	1,741	8,424	97,059
Loss for the year	—	—	—	—	(7,348)	(7,348)
Other comprehensive income	—	—	—	(8,983)	—	(8,983)
Total comprehensive income for the year	—	—	—	(8,983)	(7,348)	(16,331)
Transfer to reserve funds	—	—	799	—	(799)	—
At 31 December 2022 and 1 January 2023	54,380	28,240	5,073	(7,242)	277	80,728
Profit for the year	—	—	—	—	22,693	22,693
Other comprehensive income	—	—	—	(3,759)	—	(3,759)
Total comprehensive income for the year	—	—	—	(3,759)	22,693	18,934
Transfer to reserve funds	—	—	882	—	(882)	—
At 31 December 2023	54,380	28,240	5,955	(11,001)	22,088	99,662

	Paid-up capital *HK$'000* (unaudited)	Capital reserves *HK$'000* (unaudited)	Reserve funds *HK$'000* (unaudited)	Foreign currency translation reserve *HK$'000* (unaudited)	(Accumulated losses)/ retained earnings *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
At 1 January 2024	54,380	28,240	5,955	(11,001)	22,088	99,662
Profit for the period	—	—	—	—	1,939	1,939
Other comprehensive income	—	—	—	(2,051)	—	(2,051)
Total comprehensive income for the period	—	—	—	(2,051)	1,939	(112)
At 30 June 2024	54,380	28,240	5,955	(13,052)	24,027	99,550
At 1 January 2023	54,380	28,240	5,073	(7,242)	277	80,728
Profit for the period	—	—	—	—	28,843	28,843
Other comprehensive income	—	—	—	(4,270)	—	(4,270)
Total comprehensive income for the period	—	—	—	(4,270)	28,843	24,573
At 30 June 2023	54,380	28,240	5,073	(11,512)	29,120	105,301

UNAUDITED STATEMENTS OF CASH FLOWS

For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024

	For the year ended 31 December			For the six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities					
Profit/(loss) before income tax expense	11,287	(5,964)	24,209	28,438	1,939
Adjustments for:					
Interest income	(457)	(412)	(288)	(148)	(117)
Finance costs	33	31	24	19	53
Depreciation of property, plant and equipment	5,240	6,089	7,303	3,544	3,590
Depreciation of right-of-use assets	1,068	953	936	267	451
Amortisation of other intangible assets	20	21	20	20	10
Net losses on disposal of property, plant and equipment	28	—	38	—	—
(Reversal of)/provision for impairment losses on financial and contract assets, net					
— Trade receivables	(5,922)	858	7,463	3,627	(2,182)
— Contract assets	2,461	13,997	(21,644)	(34,815)	(3,010)
— Other receivables	11	30	(302)	(119)	28
Unrealised exchange differences	(157)	1,046	1,160	216	1,610
Operating cash flows before movements in working capital	13,612	16,649	18,919	1,049	2,372

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating cash flows before movements in working capital	13,612	16,649	18,919	1,049	2,372
Decrease/(increase) in inventories	546	(335)	(2,300)	(8,791)	(162)
(Increase)/decrease in trade receivables	(25)	(3,468)	(1,052)	1,885	3,585
(Increase)/decrease in contract assets	(12,216)	(96,485)	11,038	93,312	66,509
Decrease/(increase) in prepayments, deposits and other receivables	718	(2,457)	(1,194)	(933)	(2,054)
(Decrease)/increase in trade and other payables	(1,083)	61,770	(10,576)	(108,175)	(77,011)
Increase/(decrease) in contract liabilities	—	14,422	(13,750)	1,287	5,149
Cash generated from/(used in) operations	1,552	(9,904)	1,085	(20,366)	(1,612)
Income tax refund/(paid)	2,095	(1,969)	1,149	2,521	(1,330)
Net cash generated from/(used in) operating activities	3,647	(11,873)	2,234	(17,845)	(2,942)
Investing activities					
Interest received	457	412	288	148	117
Purchase of property, plant and equipment	(7,717)	(1,693)	(6,714)	(4,886)	(1,146)
Proceeds from disposal of items of property, plant and equipment	—	98	98	73	—
Addition to other intangible assets	(6)	—	—	—	—
Placement of pledged bank deposits	(14,868)	(2,713)	(1,228)	(1,150)	(1,203)
Withdrawal of pledged bank deposits	16,797	14,298	2,588	2,632	1,203
Placement of restricted bank deposits	(2,297)	(1,487)	(140)	(1,342)	(186)
Withdrawal of restricted bank deposits	—	2,262	1,417	1,443	137
Net cash (used in)/generated from investing activities	(7,634)	11,177	(3,691)	(3,082)	(1,078)

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financing activities					
Repayment of principal portion of the lease liability	(1,001)	(826)	(971)	(506)	(217)
Interest paid	(33)	(31)	(24)	(19)	(53)
Net cash used in financing activities	(1,034)	(857)	(995)	(525)	(270)
Net decrease in cash and cash equivalents	(5,021)	(1,553)	(2,452)	(21,452)	(4,290)
Cash and cash equivalents at the beginning of the year/period	40,161	36,234	31,718	31,718	28,580
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,094	(2,963)	(686)	(438)	(671)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	36,234	31,718	28,580	9,828	23,619

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024

1. GENERAL INFORMATION

The Target Company is a limited liability company established in the PRC. The principal activities of the Target Company are provision of maintenance and repair services for expressways and expressway facilities, road projects, highway plantation engineering and construction projects; machinery and equipment leasing, highway engineering and technical advisory services.

The Target Company is an indirect non-wholly-owned subsidiary of the Company.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information of the Target Company for the Relevant Periods has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules, and is solely for the purposes of inclusion in the circular issued by the Company in connection with the Disposal.

The Unaudited Financial Information has been prepared by the Directors in accordance with the same accounting policies as those adopted by the Group in the preparation of the consolidated financial statements of the Group for the Relevant Periods, which conform with Hong Kong Financial Reporting Standards (the "**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards (the "**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Unaudited Financial Information has been prepared under the historical cost basis.

The Unaudited Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated. The Unaudited Financial Information are presented in HK$ which is different from the functional currency of the Target Company, RMB, as the Directors consider that HK$ is the appropriate presentation currency in view of the place of listing of the Company and for the convenience of the Shareholders.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 "*Presentation of Financial Statements*" nor a set of complete condensed interim financial report as defined in HKAS 34 "*Interim Financial Reporting*" issued by the HKICPA and that it should be read in conjunction with the relevant published annual reports for the year ended 31 December 2023 dated 28 March 2024 and the interim report for the six months ended 30 June 2024 dated 30 August 2024 of the Company.

The following is the text of a report in relation to the Unaudited Pro Forma Financial Information of the Remaining Group received from BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Freetech Road Recycling Technology (Holdings) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Freetech Road Recycling Technology (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2024 and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023, and related notes as set out on pages III-5 to III-13 of Appendix III of the Company's circular dated 16 December 2024 (the "**Circular**") in connection with the proposed disposal of the Group's 55% of the equity interest in Tianjin Expressway Maintenance Limited* (天津市高速公路養護有限公司) (the "**Target Company**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages III-12 to III-13 of Appendix III of the circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed disposal of the Group's 55% of the equity interest in the Target Company (the "**Disposal**") on the Group's consolidated financial position as at 30 June 2024 as if the Disposal had taken place on 30 June 2024, and the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2023 as if the Disposal had taken place on 1 January 2023, respectively. As part of this process, information about the Group's consolidated financial position has been extracted by the directors of the Company from the Group's unaudited consolidated financial statements for the six months ended 30 June 2024, on which no audit or review report has been published, and the Group's consolidated financial performance and consolidated cash flows have been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 December 2023, on which an audit report has been published.

* *The English name is for identification purpose only and the official name of the entity is in Chinese.*

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 June 2024 or 1 January 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants

Hong Kong, 16 December 2024

Introduction

The following is an illustrative unaudited pro forma financial information of the Remaining Group upon completion of the proposed disposal of 55% of the equity interest in the Target Company which comprises the unaudited pro forma consolidated statement of financial position as at 30 June 2024, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023 and related notes (the "**Unaudited Pro Forma Financial Information**"), which have been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and on the basis as set out in the accompanying notes below to illustrate:

(a) how the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 as set out in the Group's published interim report dated 30 August 2024 might have been affected had the Disposal been taken place on 30 June 2024;

(b) how the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2023 as set out in the Group's published annual report dated 28 March 2024 might have been affected had the Disposal been taken place on 1 January 2023; and

(c) the unaudited pro forma adjustments relating to the Disposal that are directly attributable to the Disposal, factually supportable and clearly identified as to those which are expected to have a continuing effect on the Remaining Group and those which are not in respect of pro forma statement of profit or loss and other comprehensive income and statement of cash flows.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position or results of the Remaining Group had the Disposal been completed as at 30 June 2024 or 1 January 2023, where applicable, or at any future date.

Accordingly, the consolidated financial position, the consolidated financial performance, and the consolidated cash flows of the Remaining Group as shown in the Unaudited Pro Forma Financial Information may not be indicative of the Remaining Group's future consolidated financial position, consolidated financial performance, and consolidated cash flows upon the completion of the Disposal (the "**Completion**"). Also, the carrying amounts of the identifiable net assets of the Target Company as at the date of the Completion may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information of the Remaining Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group as at 30 June 2024	Unaudited pro forma adjustments		The Remaining Group as at 30 June 2024
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
ASSETS				
Non-current assets				
Property, plant and equipment	107,516	(24,635)	—	82,881
Right-of-use assets	12,291	(6,384)	—	5,907
Investment property	137,971	—	—	137,971
Goodwill	6,150	(6,150)	—	—
Other intangible assets	614	(63)	—	551
Interests in joint ventures	5,255	—	—	5,255
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	5,162	—	—	5,162
Prepayments and deposits for acquisition of leasehold land	3,509	—	—	3,509
Deferred tax assets	9	—	—	9
	278,477	(37,232)	—	241,245
Current assets				
Inventories	176,009	(9,572)	—	166,437
Bills and trade receivables	63,476	(1,118)	—	62,358
Contract assets	307,452	(181,797)	—	125,655
Prepayments, deposits and the receivables	39,276	(8,900)	76,360	106,736
Financial assets at fair value through profit or loss ("**FVTPL**")	42,960	—	—	42,960
Pledged bank deposits	7,823	(1,193)	—	6,630
Restricted bank deposits	184	(184)	—	—
Bank balances and cash	202,558	(23,619)	(970)	177,969
	839,738	(226,383)	75,390	688,745
Total assets	1,118,215	(263,615)	75,390	929,990

	The Group as at 30 June 2024	Unaudited pro forma adjustments		The Remaining Group as at 30 June 2024
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
LIABILITIES				
Current liabilities				
Bills, trade and other payables	257,514	(151,560)	—	105,954
Contract liabilities	5,472	(5,104)	—	368
Taxation payable	883	781	2,609	4,273
Bank borrowings	97,788	—	—	97,788
Lease liabilities	2,426	(782)	—	1,644
	364,083	(156,665)	2,609	210,027
Net current assets	475,655	(69,718)	72,781	478,718
Total assets less current liabilities	754,132	(106,950)	72,781	719,963
Non-current liabilities				
Lease liabilities	1,386	(1,250)	—	136
Deferred tax liabilities	16,072	—	—	16,072
	17,458	(1,250)	—	16,208
Total liabilities	381,541	(157,915)	2,609	226,235
NET ASSETS	736,674	(105,700)	72,781	703,755
EQUITY				
Capital and reserves				
Share capital	107,900	—	—	107,900
Reserves	582,033	(60,902)	72,781	593,912
Attributable to owners of the Company	689,933	(60,902)	72,781	701,812
Non-controlling interests	46,741	(44,798)	—	1,943
TOTAL EQUITY	736,674	(105,700)	72,781	703,755

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group for the year ended 31 December 2023	Unaudited pro forma adjustments		The Remaining Group for the year ended 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 4	*Note 5*	*Note 6*	
Revenue	543,103	(355,214)	—	187,889
Cost of sales	(426,256)	319,273	—	(106,983)
Gross profit	116,847	(35,941)	—	80,906
Other income	3,351	(843)	—	2,508
Other gains and losses, net	6,794	38	—	6,832
Gain on disposal of a subsidiary	—	—	29,510	29,510
Reversal of/(provision for) impairment losses on financial and contract assets	29,824	(14,483)	—	15,341
Selling and distribution costs	(17,387)	—	—	(17,387)
Administrative expenses	(75,995)	14,807	(970)	(62,158)
Equity-settled share-based payment expenses	(99)	—	—	(99)
Research costs	(24,310)	12,022	—	(12,288)
Other expenses	(646)	167	—	(479)
Share of losses of joint ventures	(4,328)	—	—	(4,328)
Finance costs	(3,240)	24	—	(3,216)
Profit before income tax expense	30,811	(24,209)	28,540	35,142
Income tax expense	(2,429)	1,516	(2,736)	(3,649)
Profit for the year	28,382	(22,693)	25,804	31,493

	The Group for the year ended 31 December 2023	Unaudited pro forma adjustments		The Remaining Group for the year ended 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 4	*Note 5*	*Note 6*	
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Fair value loss on investments in equity instruments at FVTOCI	(1,006)	—	—	(1,006)
Exchange differences arising from translation to the presentation currency	(16,295)	3,759	—	(12,536)
Other comprehensive income for the year, net of tax	(17,301)	3,759	—	(13,542)
Total comprehensive income for the year	11,081	(18,934)	25,804	17,951
Profit for the year attributable to:				
Owners of the Company	11,677	(12,481)	25,804	25,000
Non-controlling interests	16,705	(10,212)	—	6,493
	28,382	(22,693)	25,804	31,493
Total comprehensive income attributable to:				
Owners of the Company	(4,029)	(10,414)	25,804	11,361
Non-controlling interests	15,110	(8,520)	—	6,590
	11,081	(18,934)	25,804	17,951

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group for the year ended 31 December 2023	Unaudited pro forma adjustments		The Remaining Group for the year ended 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 4	*Note 5*	*Note 6*	
Operating activities				
Profit before income tax expense	30,811	(24,209)	28,540	35,142
Adjustments for:				
Interest income	(1,400)	288	—	(1,112)
Dividend income	(182)	—	—	(182)
Finance costs	3,240	(24)	—	3,216
Share of losses of joint ventures	4,328	—	—	4,328
Depreciation of property, plant and equipment	19,793	(7,303)	—	12,490
Depreciation of right-of-use assets	2,816	(936)	—	1,880
Amortisation of other intangible assets	594	(20)	—	574
Change in fair value of financial assets at FVTPL	(2,289)	—	—	(2,289)
Net gains on disposal of property, plant and equipment	(5,074)	(38)	—	(5,112)
Gain on disposal of a subsidiary	—	—	(29,510)	(29,510)
Impairment loss on property, plant and equipment	350	—	—	350
(Reversal of)/provision for impairment losses on financial and contract assets, net				
— Trade receivables	(23,701)	(7,463)	—	(31,164)
— Contract assets	(7,269)	21,644	—	14,375
— Other receivables	1,146	302	—	1,448
Equity-settled share-based payment expenses	99	—	—	99
Unrealised exchange differences	4,662	(1,160)	—	3,502
Operating cash flows before movements in working capital	27,924	(18,919)	(970)	8,035

	The Group for the year ended 31 December 2023	Unaudited pro forma adjustments		The Remaining Group for the year ended 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 4	*Note 5*	*Note 6*	
Operating cash flows before movements in working capital	27,924	(18,919)	(970)	8,035
Decrease in inventories	4,140	2,300	—	6,440
Increase in bills and trade receivables	(1,647)	1,052	—	(595)
Increase in contract assets	(2,750)	(11,038)	—	(13,788)
Decrease in prepayments, deposits and other receivables	739	1,194	—	1,933
Decrease in bills, trade and other payables	(34,747)	10,576	—	(24,171)
Decrease in contract liabilities	(13,626)	13,750	—	124
Cash used in operations	(19,967)	(1,085)	(970)	(22,022)
Income tax paid	(1,708)	(1,149)	—	(2,857)
Net cash used in operating activities	(21,675)	(2,234)	(970)	(24,879)
Investing activities				
Interest received	1,400	(288)	—	1,112
Dividend received	182	—	—	182
Purchase of property, plant and equipment	(13,295)	6,714	—	(6,581)
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	—	—	48,342	48,342
Income tax paid	—	—	(2,736)	(2,736)
Proceeds from disposal of items of property, plant and equipment	5,328	(98)	—	5,230
Additions to investment property	(1,327)	—	—	(1,327)
Placement of financial assets at FVTPL	(24,330)	—	—	(24,330)
Withdrawal of financial assets at FVTPL	48,737	—	—	48,737
Placement of pledged bank deposits	(7,485)	1,228	—	(6,257)
Withdrawal of pledged bank deposits	10,404	(2,588)	—	7,816
Placement of restricted bank deposits	(140)	140	—	—
Withdrawal of restricted bank deposits	1,417	(1,417)	—	—
Net cash generated from investing activities	20,891	3,691	45,606	70,188

	The Group for the year ended 31 December 2023	Unaudited pro forma adjustments		The Remaining Group for the year ended 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 4	*Note 5*	*Note 6*	
Financing activities				
Proceeds from bank borrowings	132,708	—	—	132,708
Repayments of bank borrowings	(122,755)	—	—	(122,755)
Repayment of principal portion of the lease liabilities	(2,550)	971	—	(1,579)
Interest paid	(3,240)	24	—	(3,216)
Purchase of shares held under the share award scheme	(2,998)	—	—	(2,998)
Net cash generated from financing activities	1,165	995	—	2,160
Net increase in cash and cash equivalents	381	2,452	44,636	47,469
Cash and cash equivalents at the beginning of the year	251,780	(31,718)	31,718	251,780
Effects of exchange rate changes on the balance of cash held in foreign currencies	(5,473)	686	—	(4,787)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	246,688	(28,580)	76,354	294,462

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 as set out in the published interim report of the Company for the six months ended 30 June 2024.

2. The adjustment represent the de-recognition of assets and liabilities of the Target Company and the goodwill arising from the acquisition of the Target Company as at 30 June 2024 and the effect on reserves attributable to the owners of the Company and non-controlling interests. The assets and liabilities of the Target Company are extracted from the unaudited statement of financial position of the Target Company as at 30 June 2024 set out in Appendix II to this circular.

3. The adjustment represents recognition of the net proceeds from the Disposal and the effects on reserves, assuming the Disposal had been taken place on 30 June 2024 and is calculated as follows:

   Translation of RMB into HK$ is based on the exchange rate of RMB1 = HK$1.074 as at 30 June 2024.

	HK$'000
Cash consideration *(Note 3(a))*	76,360
Less:	
Estimated income tax expense in relation to the Disposal *(Note 3(c))*	(2,609)
Estimated transaction costs attributable to the Disposal *(Note 3(b))*	(970)
Net proceeds receivable from the Disposal on 30 June 2024	72,781

   3(a). The amount represents the cash consideration of RMB71,099,000 (equivalent to HK$76,360,000) for the Disposal which shall be received within one month after the Completion.

   3(b). The amount represents estimated transaction costs including professional fees of legal advisors, valuers, the reporting accountants of the Company and other miscellaneous costs of approximately HK$970,000 that are directly attributable to the Disposal and it is expected to be settled in cash upon the Completion.

   3(c). The amount represents the estimated PRC enterprise income tax of RMB2,430,000 (equivalent to HK$2,609,000) in relation to the gain on the Disposal, calculated based on a tax rate of 10% (applicable to the Hong Kong incorporated equity owner of the Target Company) on the estimated taxable disposal gain arising from the Disposal, and it is assumed to be settled within one month after the Completion.

4. The amounts are extracted from the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2023 as set out in the published annual report of the Company for the year ended 31 December 2023.

5. The adjustment represents the exclusion of operating results/cash flows of the Target Company for the year ended 31 December 2023, assuming the Disposal was completed on 1 January 2023. The operating results and cash flows of the Target Company are extracted from the unaudited statement of profit or loss and other comprehensive income and unaudited statement of cash flows of the Target Company for the year ended 31 December 2023 set out in Appendix II to this circular, respectively.

6. The adjustments represent recognition of the estimated net gain in profit or loss and the net cash outflows arising on the Disposal, assuming the Disposal had been taken place on 1 January 2023 and are calculated as follows:

Translation of RMB into HK$ is based on the exchange rate of RMB1 = HK$1.126 as at 1 January 2023.

	HK$'000
Cash consideration *(Note 6(a))*	80,060
Less:	
Assets and liabilities of the Target Company as at 1 January 2023	(80,728)
Goodwill arising from acquisition of the Target Company as at 1 January 2023	(6,150)
Non-controlling interests as at 1 January 2023	36,328
Estimated gain on the Disposal on 1 January 2023	29,510
Less:	
Estimated income tax expense in relation to the Disposal *(Note 6(b))*	(2,736)
Estimated transaction costs attributable to the Disposal *(Note 3(b))*	(970)
Net effect on the profit for the year and attributable to owners of the Company	25,804

	HK$'000
Cash consideration *(Note 6(a))*	80,060
Less:	
Cash and cash equivalents held by the Target Company as at 1 January 2023	(31,718)
	48,342
Less:	
Estimated income tax expense in relation to the Disposal *(Note 6(b))*	(2,736)
Estimated transaction costs attributable to the Disposal *(Note 3(b))*	(970)
Net cash inflows from the Disposal	44,636

6(a). The amount represents the cash consideration of RMB71,099,000 (equivalent to HK$80,060,000) for the Disposal which shall be received within one month after the Completion.

6(b). The amount represents the estimated PRC enterprise income tax of RMB2,430,000 (equivalent to HK$2,736,000) in relation to the gain on the Disposal, calculated based on a tax rate of 10% (applicable to the Hong Kong incorporated equity owner of the Target Company) on the estimated taxable disposal gain arising from the Disposal, and it is assumed to be settled within one month after the Completion.

7. The adjustments in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows above are not expected to have a continuing effect on the Remaining Group.

8. The estimated gain on the Disposal, net cash inflow from the Disposal and the amount of consideration as illustrated above are subject to change. The actual carrying amount of the assets and liability of the Target Company, the net proceeds from the Disposal and thus the gain on the Disposal at the date of the Completion will likely be different from those stated in the unaudited pro forma financial information.

9. No adjustment has been made to reflect any trading or other transaction of the Group entered into subsequent to 30 June 2024 or 1 January 2023 for the purpose of the unaudited pro forma consolidated statement of financial position and unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, respectively.

The following is the text of an equity valuation report received from the Valuer in connection with their valuation of the Target Company for the purpose of inclusion in this circular.

This report is prepared in accordance with the PRC Asset Valuation Standards (中國資產評估準則)

Asset Evaluation Report

Project in relation to entire equity of shareholders of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) involving proposed transfer of entire equity interests in Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) by Freetech Smart Road Recycling Engineering Investment Limited, a subsidiary of Freetech Road Recycling Technology (Holdings) Limited

Zhong Qi Hua Ping Bao Zi (2024) No. [5364]

(First volume, Total one volume) Beijing China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司)

DECLARATION

I. The asset evaluation report is prepared in accordance with the Basic Standards for Asset Valuation issued by the Ministry of Finance and the Practice Standards and Professional Ethics Standards for Asset Valuation issued by the China Appraisal Society.

II. The asset appraisal agency and its asset appraisal professionals have complied with laws, administrative regulations and asset appraisal standards, adhering to the principles of independence, objectivity and fairness, and are liable for the asset evaluation report issued.

III. The client or other users of the asset evaluation report shall use the asset evaluation report in accordance with laws, administrative regulations and the scope of use specified in the asset evaluation report; and if the client or other users of the asset evaluation report used the asset evaluation report in violation of the aforementioned, the asset appraisal agency and its asset appraisers shall bear no responsibility for it.

This asset evaluation report is intended solely for the use by the client, other users of the asset evaluation report as agreed in the Asset Evaluation Engagement Contract and users of the asset evaluation report as stipulated in the laws and administrative regulations, to the exclusion of other institutions or individuals who are not allowed to be the users of the asset evaluation report.

The asset appraisal agency and its asset appraisers remind users of the asset evaluation report to correctly understand and use the evaluation conclusion, which may not be equivalent to the realizable price of the appraisal subject and should not be considered as the guarantee of the realizable price of the appraisal subject.

IV. The list of assets and liabilities and the business operation forecast of the appraisal subjects have been declared by the client and the assessed entity, and confirmed by their signatures, chops or other means as permitted by laws; and the client and other relevant parties shall be liable for the truthfulness, completeness and legality of the information provided.

V. The asset appraisers have conducted on-site investigation for the appraisal subjects and the assets involved; given necessary attention to the legal ownership status of the appraisal subjects and the assets involved, and examined the legal ownership documents of the appraisal subjects and the assets involved. They have also truly disclosed discovered issues, and requested the client and other relevant parties to perfect the property rights so as to fulfill the requirements for issuing the asset evaluation report.

VI. Neither the asset appraisal agencies nor the asset appraisers have any existing or expected interest or relationship with the appraisal subjects in the asset evaluation report, or any existing or expected interest or relationship with, or any prejudice against any relevant parties.

VII. The analysis, judgment and results in the asset evaluation report issued by the asset appraisal agency are subject to the assumptions and limitations stated in the asset evaluation report. Therefore, users of the asset evaluation report should fully consider the assumptions, limitations, special notes and the impact of the evaluation conclusion as stated in the asset evaluation report.

VIII. Investigation by asset appraisers over physical assets such as housing and building (structure) assets and equipment assets is conventionally limited to observation and understanding the usage and the maintenance conditions, without touching any internal parts that are covered, concealed, or difficult to access. We do not possess professional appraisal capabilities nor have we been commissioned to conduct professional technical testing and appraisal for the internal quality of the aforementioned assets. Our evaluation is based on the information provided by the client and other relevant parties. If there are defects in the intrinsic quality of these appraisal subjects, the evaluation conclusion may be affected to varying degrees.

SUMMARY OF ASSET EVALUATION REPORT

Important notice

The content in this summary is extracted from the text of the asset evaluation report. To understand the details of this valuation project and to reasonably interpret and use the evaluation conclusion, carefully reading the text of the asset evaluation report is advised.

Freetech Road Recycling Technology (Holdings) Limited (the "**Company**"):

Engaged by the Company, Beijing China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司) has appraised the market value of the entire equity of the shareholders of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) as at the assessment benchmark date in accordance with laws, administrative regulations and asset appraisal standards, adhering to the principles of independence, objectivity and fairness and following the necessary valuation procedures. The summary of the asset evaluation report is as follows:

Assessment Purpose: Freetech Smart Road Recycling Engineering Investment Limited, a subsidiary of Freetech Road Recycling Technology (Holdings) Limited, has proposed to transfer its shareholding in Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司). Therefore, it is necessary to assess the value of the entire equity of the shareholders of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) so as to provide a value reference and basis for this economic activity.

Appraisal Subject: The value of the entire equity of the shareholders of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司).

Appraisal Scope: All assets and liabilities of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司).

As of the assessment benchmark date, the assets within the appraisal scope included current assets and non-current assets (fixed assets, intangible assets and long-term deferred expenses), with the total assets of RMB333.0793 million at par; liabilities included current liabilities, with the total liabilities of RMB219.7640 million at par; and the net assets was RMB113.3153 million at par.

Assessment benchmark date: 31 December 2023

Type of Value: Market Value

Valuation Approach Evaluation Method: Asset-based approach and income approach

Evaluation Conclusion: In the asset evaluation report, the asset-based approach is adopted for assessment so as to reach the evaluation conclusion, with its details as follows:

Evaluation conclusion: As of the assessment benchmark date, the total assets of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) were RMB333.0793 million at par, with its appraised value of RMB347.5587 million, its added value of RMB14.4794 million and its appreciation rate of 4.35%; the total liabilities were RMB219.7640 million at par, with its appraised value of RMB219.7640 million, and there was no increase or decrease in the appraised value; and the net assets were RMB113.3153 million, with its appraised value of RMB127.7947 million, its added value of RMB14.4794 million and its appreciation rate of 12.78%.

For specific appraisal results under the asset-based approach, please refer to the following summary of appraisal results:

SUMMARY OF APPRAISAL RESULTS UNDER THE ASSET-BASED APPROACH

Unit: RMB ten thousand

Item	Carrying amount A	Appraised Value B	Increase or decrease in value C=B-A	Appreciation rate % D=C/A×100
I. Current Assets	30,276.56	30,262.11	-14.45	-0.05
II. Non-current assets	3,031.37	4,493.76	1,462.39	48.24
Including: Long-term equity investments	0.00	0.00	0.00	0.00
Investment properties	0.00	0.00	0.00	0.00
Fixed assets	2,608.58	3,472.04	863.46	33.10
Construction in progress	0.00	0.00	0.00	0.00
Oil and gas assets	0.00	0.00	0.00	0.00
Intangible assets	390.37	989.30	598.93	153.43
Including: Land use rights	383.57	563.30	179.73	46.86
Other non-current assets	32.42	32.42	0.00	0.00
Total assets	33,307.93	34,755.87	1,447.94	4.35
III. Current liabilities	21,976.40	21,976.40	0.00	0.00
IV. Non-current liabilities	0.00	0.00	0.00	0.00
Total liabilities	21,976.40	21,976.40	0.00	0.00
Net assets	11,331.53	12,779.47	1,447.94	12.78

The asset evaluation report only provides a value reference for the economic activity described herein, and the validity for the evaluation conclusion is one year from the assessment benchmark date.

Users of the asset evaluation report should adequately consider the assumptions, limitations, special notes and the impact of the evaluation conclusion as stated in the asset evaluation report.

Project in relation to entire equity of shareholders of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) involving proposed transfer of entire equity interests in Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) by Freetech Smart Road Recycling Engineering Investment Limited, a subsidiary of Freetech Road Recycling Technology (Holdings) Limited

Asset Evaluation Report Main Text

Freetech Road Recycling Technology (Holdings) Limited (the "**Company**"):

Beijing China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司) accepted the entrustment of the Company, adhered to the principles of independence, objectivity, and fairness in accordance with the laws, administrative regulations, and asset appraisal standards, adopted the asset-based approach and income approach, and followed the necessary evaluation procedures to appraise the market value as at 31 December 2023 of the entire equity interests of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) involved in the proposed transfer of all equity held by Freetech Smart Road Recycling Engineering Investment Limited, a subsidiary of Freetech Road Recycling Technology (Group) Co., Ltd. The report on the Asset Evaluation is as follows:

I. THE CLIENT, THE ASSESSED ENTITY AND OTHER USERS OF THE ASSET EVALUATION REPORT AS AGREED IN THE ASSET EVALUATION ENGAGEMENT CONTRACT

The client for this evaluation is Freetech Road Recycling Technology (Holdings) Limited, and the assessed entity is Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) Other users of the asset evaluation report stipulated in the asset evaluation engagement contract include the users of the asset evaluation report specified by national laws and regulations.

(I) Client Profile

Name: Freetech Road Recycling Technology (Holdings) Ltd. (abbreviated as: Freetech Road Technology Company)

Place of establishment: Hong Kong, the PRC

Type: Listed company

Company Number: F0019679

Registration Date: 1 March 2013

(II) Overview of the Assessed Entity

1. Company Overview

Name: Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) (referred to as: Expressway Maintenance Company)

Address: Room 102, No. 5 Ziyuan Road, Huayuan Industrial Zone, Tianjin

Legal representative: Yu Tao

Registered capital: RMB44.4444 million

Type: Limited liability company (joint venture between Hong Kong, Macau, Taiwan and mainland China)

Scope of business: Maintenance and repair of highways and roadside facilities; construction and maintenance of road engineering and landscaping projects; leasing of self-owned machinery and equipment; highway engineering technical consultation and services; demolition activities (excluding blasting engineering); electrical installation, pipeline and equipment installation; warehousing services (excluding hazardous, flammable, explosive, and precursor chemicals); wholesale and retail of metal products, plastic products, electrical equipment, and building materials. (For items that are subject to the approval of relevant authorities, operating activities can only be conducted after such items have been approved.)

Unified social credit code: 91120116694060189M

Date of establishment: 1 September 2009

Business Term: From 1 September 2009 to 19 August 2045

2. *Company History and Development*

On 3 December 2008, according to the "Approval for the Establishment of Expressway Maintenance by Tianjin City Infrastructure Construction and Investment Group Company Limited." (Jin Cheng Tou Jing [2008] No. 864) (《天津市基礎設施建設投資集團有限公司同意設立高速公路養護的批覆》(津城投經[2008]864號)) and the "Notice on the Establishment of 'Tianjin Expressway Maintenance Company, Limited.' (Jin Expressway Office [2010] No. 116) (《關於成立「天津市高速公路養護有限公司」的通知》(津高速辦[2010]116號)) by Tianjin Expressway Group Company Limited, the establishment of Expressway Maintenance Company was financed by Tianjin Expressway Group Company Limited. The registered capital is RMB20.0 million, contributed in monetary funds. Regarding the aforementioned capital injection, Tianjin Xingye Certified Public Accountants Limited issued the Capital Verification Report (Tianjin Xingye Verification Report [2009] No. 084). The Expressway Maintenance Company was officially established on 12 August 2009, obtaining the "Company Name Pre-approval Notice,". The equity structure of the Company at the time of establishment was as follows:

Amount unit: RMB TEN THOUSAND

Shareholders	Registered capital	Agreed Capital Contribution Ratio (%)	Paid-in Capital	Actual Contribution Ratio (%)
Tianjin Expressway Group Company Limited	2,000.00	100.00	2,000.00	100.00
Total	2,000.00	100.00	2,000.00	100.00

On 22 May 2015, according to the document "Tianjin City Infrastructure Construction and Investment Group Company Limited Document" (Jin Cheng Tou Jing [2015] No. 458) (《天津城市基礎設施建設投資集團有限公司文件》(津城投經[2015]458號)) issued by the office of Tianjin Investment Group Company, the content of the document was as follows: 1. Approval for the restructuring of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) through increasing the capital contribution and expanding the shares; 2. After this capital increase and share expansion, the registered capital of the Expressway Maintenance Company will increase from RMB20.0 million to RMB44.4444 million, with Tianjin Expressway Group Company Limited holding 45% of the equity interest and the investor holding 55% of the equity interest. Apart from the RMB24.4444 million of the investor's capital contribution being accounted for as registered capital, the remaining were recorded as capital reserve.

On 30 June 2015, Tianjin Expressway Group Company Limited. and Freetech Smart Road Recycling Engineering Investment Limited signed the "Capital Increase and Share Expansion Agreement of Tianjin Expressway Maintenance Company Limited" (《天津市高速公路養護有限公司增資擴股協議書》). The parties completed this capital increase and share expansion by listing (掛牌) at the Property Rights Exchange, wherein Freetech Smart Road Recycling Engineering Investment Limited increased capital to the target company with offshore RMB in the amount of RMB46.8024 million, of which RMB24.4444 million was injected into the registered capital of the target company, and RMB22.3580 million was accounted into the capital reserve. After the capital increase and share expansion, Tianjin Expressway Group Company Limited holds 45% equity interest in the new subject company; Freetech Smart Road Recycling Engineering Investment Limited holds 55% equity interest in the new target company.

The subscribed capital, paid-in capital, and shareholding ratio of each shareholder after the change are as follows:

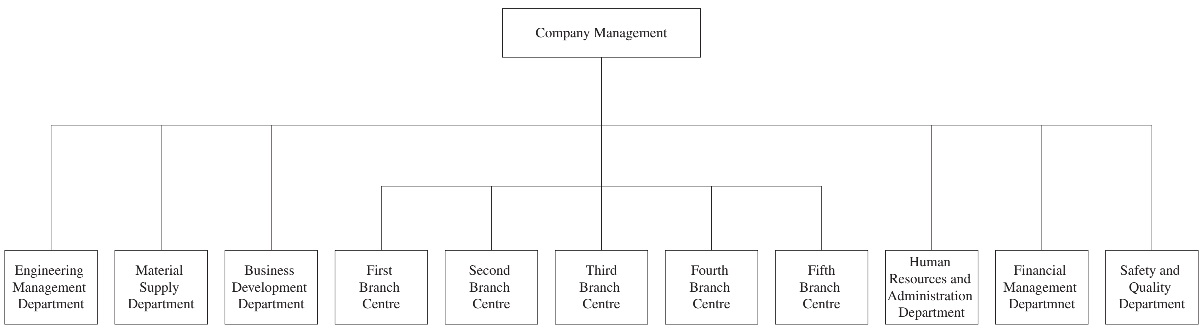
Amount unit: RMB TEN THOUSAND

Shareholders	**Registered capital**	**Agreed Capital Contribution Ratio (%)**	**Paid-in Capital**	**Actual Contribution Ratio (%)**
Freetech Smart Road Recycling Engineering Investment Limited	2,444.44	55.00	2,444.44	55.00
Tianjin Expressway Group Company Limited	2,000.00	45.00	2,000.00	45.00
Total	4,444.44	100.00	4,444.44	100.00

As of the assessment benchmark date, the shareholding/equity structure of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) has not changed.

3. *Company Management Structure*

As of the assessment benchmark date, the current management level of the highway maintenance company is two-tiered, with five comprehensive maintenance centers and six functional departments under the company management. The functional departments include the Engineering Management Department, Material Supply Department, Business Development Department, Human Resources and Administration Department, Financial Management Department, and Safety and Quality Department. The specific organizational structure is as follows:



4. *The assets, financial and operational status of the Company*

The financial status of the assessed entity as of the assessment benchmark date and for the past three years is as follows:

Amount unit: RMB TEN THOUSAND

Item	31 December 2020	31 December 2021	31 December 2022	31 December 2023
Current assets	22,476.29	23,420.76	30,963.47	30,276.56
Fixed assets	2,539.38	2,734.12	2,674.09	2,608.58
Intangible assets	423.14	412.55	401.46	390.37
Long-term deferred expenses	25.41	33.86	23.33	32.42
Total Assets	**25,464.22**	**26,601.29**	**34,062.34**	**33,307.93**
Current liabilities	15,925.60	16,409.38	23,344.42	21,976.40
Non-current liabilities	0.00	0.00	0.00	0.00
Total Liabilities	**15,925.60**	**16,409.38**	**23,344.42**	**21,976.40**
Equity	**9,538.62**	**10,191.90**	**10,717.92**	**11,331.53**

The operating conditions of the assessed entity as of the assessment benchmark date and the past three years were as follows:

Amount unit: RMB TEN THOUSAND

Item	2020	2021	2022	2023
I. Total operating revenue	**21,009.17**	**25,793.90**	**27,635.57**	**32,119.92**
Less: Operating costs	18,625.45	23,067.09	24,627.78	28,869.99
Taxes and surcharges	-40.59	69.07	91.10	76.75
Selling Expenses	0.00	0.00	0.00	0.00
Administrative expenses	1,041.09	1,148.73	1,165.26	1,254.37
Research and Development Expenses	676.30	903.35	952.46	1,087.08
Financial expense	-20.40	-37.86	-35.55	-23.48
Including: Interest expenses	0.00	0.00	0.00	0.00
Interest income	-22.44	-39.93	-37.44	-25.92
Add: Other income	0.00	0.00	0.00	0.00
Impairment loss of assets (Loss is indicated by "-")	0.00	0.00	0.00	0.00
Credit impairment losses (losses are represented by "-")	0.00	0.00	0.00	0.00
Gains from disposal of assets (loss expressed with "-")	0.00	0.00	0.00	0.00
II. Operating profit (loss is shown by "-")	**727.33**	**643.52**	**834.53**	**855.20**
Add: Non-operating income	22.00	39.26	0.85	50.33
Less: Non-operating expenses	43.07	15.90	27.29	18.61
III. Total profit (total loss is represented by "-")	**706.26**	**666.88**	**808.09**	**886.92**
Less: Income tax expenses	194.89	13.60	119.33	89.22
IV. Net profit (net loss is indicated by "-")	**511.38**	**653.28**	**688.76**	**797.70**

The financial statements of the assessed entity for the years 2020, 2021, 2022, and the assessment benchmark date have been audited by Tianjin Henghui United Certified Public Accountants (General Partnership), all of which received unqualified audit opinions.

5. ***Relationship between the client and the assessed entity***

As of the assessment benchmark date, the client is parent company of Freetech Smart Road Recycling Engineering Investment Limited, the controlling shareholder of the assessed entity, which holds 55.00% equity interest in the assessed entity.

(III) Other users of the asset evaluation report as agreed in the Asset Evaluation Engagement Contract

This asset evaluation report is only for the use of the client and the users of asset evaluation report stipulated by national laws and regulations, and shall not be used or relied upon by any other third party.

II. PURPOSE OF EVALUATION

Freetech Smart Road Recycling Engineering Investment Limited, a subsidiary of Freetech Road Recycling Technology (Holdings) Limited, intends to transfer its equity interest in Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司). Therefore, it is necessary to evaluate the value of the entire equity interest of the shareholders of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) to provide a reference basis of value for this economic transaction.

III. APPRAISAL SUBJECT AND APPRAISAL SCOPE

(I) Appraisal Subject

The appraisal subject is the total value of the shareholders' equity of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司).

(II) Appraisal Scope

The appraisal scope encompasses all assets and liabilities of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司).

(III) Types and Carrying Amount of Assets Entrusted for Evaluation

As of the assessment benchmark date, the assets within the appraisal scope consist of current assets, non-current assets (fixed assets, intangible assets and long-term deferred expenses), with a carrying amount of total assets of RMB333.0793 million; the liabilities comprise current liabilities, with a carrying amount of total liabilities of RMB219.7640 million; and a carrying amount of net assets of RMB113.3153 million.

The entrusted appraisal subject and appraisal scope align with the appraisal subject and appraisal scope involved in the economic activities. As of the assessment benchmark date, the carrying amount of assets and liabilities within the appraisal scope have been audited by Tianjin Henghui United Certified Public Accountants (General Partnership), and an unqualified opinion has been issued.

(IV) Major Assets Declared by the company

The major assets declared by the company include: inventories, fixed assets (including buildings and structures as well as equipment), intangible assets (including land use rights and other intangible assets), etc. The types and characteristics of the major assets are as follows:

1. Inventories

The inventories included in the appraisal scope as of the assessment benchmark date mainly consist of raw materials and inventory turnover materials.

The raw materials mainly include safety facilities (traffic cones, signboards, fire extinguishers, etc.), main materials (posts, asphalt concrete, spherical bearings, etc.), and flood prevention materials (woven bags, long rubber boots, raincoats, etc.), most of which were purchased and stored in 2023;

The inventory turnover materials mainly include low-value consumables such as law enforcement recorders, filing cabinets, sofas, chairs, etc., among which 161 items are pending disposal due to long-term use and damage.

The aforementioned inventories are kept in good order and are in good condition for normal production use, except for the aforementioned inventory turnover materials that are pending disposal.

2. *Buildings and structures*

The company has declared a total of 13 buildings and structures included in the appraisal scope, comprising 3 buildings and 10 structures.

A total of 3 buildings included in the appraisal scope consist of office buildings, warehouses, pump rooms, and pools, all located on the east side of the Jinji Expressway in Baodi District. They have a total gross floor area of approximately 1,177.69 square meters and were completed in March 2015. The building structures comprise brick-concrete and steel structures. As of the assessment benchmark date, all properties are in normal use, have overall good quality, and feature sound internal facilities, while their functional and technical indicators meet the established usage requirements.

A total of 10 structures included in the appraisal scope consist of outdoor (roads), gates, garages, etc., all of which were completed in March 2015. As of the assessment benchmark date, all of them are in normal use.

3. *Equipment*

The company has declared a total of 932 equipment included in the appraisal scope, including 355 machinery, 190 vehicles, and 387 electronic devices.

A total of 355 machinery and equipment included in the appraisal scope were purchased between 2010 and 2023, including heavy-duty trucks, spreaders, air compressors, diesel water pumps, etc., which are stored in the office and factory areas of the Expressway Maintenance Company, as well as at five subordinate comprehensive maintenance centers under its jurisdiction. As of the assessment benchmark date, 84 items of equipment are pending disposal, while 271 items of equipment are under normal maintenance and in normal use.

A total of 190 vehicles included in the appraisal scope were purchased between 2010 and 2023, including Nissan Teana, snow removal spreaders, sweepers, etc., currently parked in the office and factory areas of the Expressway Maintenance Company, as well as at five subordinate comprehensive maintenance centers under its jurisdiction. As of the assessment benchmark date, 36 vehicles are pending disposal, while 154 vehicles are under normal maintenance and in normal use.

A total of 387 electronic devices included in the appraisal scope were purchased between 2010 and 2023, mainly including computers, printers, air conditioners, and other equipment, which are stored in the office area of the Expressway Maintenance Company, as well as at five subordinate comprehensive maintenance centers under its jurisdiction. As of the assessment benchmark date, 96 electronic devices are pending disposal, while 291 electronic devices are under normal maintenance and in normal use.

4. *Intangible assets*

The intangible assets included in the appraisal scope declared by the company include land use rights, purchased software, and other intangible assets such as patent rights. The types and characteristics of the intangible assets are as follows:

(1) Intangible assets — land use rights

There is a total of 1 land use right included in the appraisal scope, which is intended for streets and alleys use. As of the assessment benchmark date, the land has obtained the real estate certificate, the particulars of which are as follows:

Land Title Certificate Number	Land Parcel Name	Registered Right Holder	Land Location	Date of Acquisition	Termination Date	Method of Acquisition	Land Use	Level of Development	Area (m^2)	Other Rights
Real Estate Certificate Jin No. 1240511500551	Land in Logistics City Industrial Zone	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)	East side of Jinji Expressway in Baodi District	2014/12/15	2064/12/14	Transfer	Streets and Alleys	Accessible	14,823.80	No

(2) Intangible assets — purchased software

There are 4 purchased software included in the appraisal scope, all of which are on-balance sheet assets, including Chanjet asset software, Yonyou financial software cost management system, the smart engineering management system, and were purchased between 2014 and 2020. As of the assessment benchmark date, Chanjet asset software and the smart engineering management system were deactivated due to technical upgrades. Apart from the aforementioned software, other purchased software is in normal use.

(3) Intangible assets — patent rights

There are a total of 20 patents included in the appraisal scope, all of which are utility model patents. The above patent rights were all independently developed by the assessed entity, and are considered off-balance sheet assets. Details of which are as follows:

Serial Number	Patent Name	Patent Type	Protection Period	Patent Number/ Application Number	Date of Application	Legal Status	Registered Right Holder
1	Highway guardrail post	Utility model	10	ZL202021037212.4	2020/06/08	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
2	A type of grouting equipment for pavement crack repair	Utility model	10	ZL202121098772.5	2021/05/20	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
3	A type of cork stopper for sealing after pavement grouting	Utility model	10	ZL202121098771.0	2021/05/20	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
4	A type of perforation device for non-excavation grouting construction of pavement cracks	Utility model	10	ZL202121096619.9	2021/05/20	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
5	A type of silane-impregnated inorganic spray machine for crash barriers	Utility model	10	ZL202121098710.4	2021/05/20	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
6	A type of water spraying tool for the maintenance of crash barriers	Utility model	10	ZL202123275633.8	2021/12/23	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
7	A type of on-board loading device	Utility model	10	ZL202123346668.6	2021/12/28	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
8	A type of chipping hammer for concrete crash barrier maintenance	Utility model	10	ZL202123274781.8	2021/12/23	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
9	A type of pavement crack sealing machine	Utility model	10	ZL202123346669.0	2021/12/28	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
10	A type of dust removal device for pavement drilling machines	Utility model	10	ZL202123346670.3	2021/12/28	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
11	A type of expansion joint device for expressways	Utility model	10	ZL202221209290.7	2022/05/12	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)

Serial Number	Patent Name	Patent Type	Protection Period	Patent Number/ Application Number	Date of Application	Legal Status	Registered Right Holder
12	A type of cleaning device based on post-road construction	Utility model	10	ZL202221329157.5	2022/05/31	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
13	A type of cleaning device based on pavement maintenance	Utility model	10	ZL202221332670.X	2022/05/31	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
14	A type of perforation device for pre-pavement repair	Utility model	10	ZL202221128131.4	2022/05/12	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
15	A type of repair device for fixing pavement cracks	Utility model	10	ZL202221209922.X	2022/05/12	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
16	A type of cleaning device for highway guardrails	Utility model	10	ZL202221329178.7	2022/05/31	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
17	A type of expressway guardrail mesh	Utility model	10	ZL202221128109.X	2022/05/12	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
18	A type of grooving device for repairing pavement	Utility model	10	ZL202221128113.6	2022/05/12	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
19	A type of elevating vehicle-mounted lighting lamp	Utility model	10	ZL202223400316.9	2022/12/09	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)
20	A type of luminous column cap for road use	Utility model	10	ZL202322472487.0	2023/09/12	Patent Maintenance	Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司)

(V) Other Off-balance Sheet Assets Declared by the company

Except for the off-balance-sheet patent assets mentioned above, the company has no other undeclared off-balance-sheet assets.

IV. TYPE OF VALUE

Based on the purpose of this valuation, market conditions and the specific conditions of the appraisal subject, the type of value of the appraisal subject is determined as market value.

Market value refers to the estimated value of the appraisal subject on the assessment benchmark date in a normal and arm's length transaction between a willing buyer and a willing seller who act in a rational manner without any compulsion.

The reasons for adopting market value are as follows:

Pursuant to Article 14 and 16 of the "Guiding Opinions on the Value Type of Asset Valuation* (《資產評估價數值型別指導意見》)":

When selecting the type of value, asset valuation professionals should consider the relevance of the type of value to the valuation assumptions.

When conducting asset valuation, if the basic elements of asset valuation such as the valuation purpose and valuation object meet the requirements of the definition of market value, market value is generally adopted as the value type for the valuation conclusion.

Given that the assessed entity is under normal and continuous operation, there is no reason to adopt value types other than market value, such as investment value or liquidation value. As such, the value type is determined as market value in this valuation.

V. ASSESSMENT BENCHMARK DATE

The assessment benchmark date of this report is 31 December 2023.

The assessment benchmark date is determined by the client. In determining the assessment benchmark date, the realization of economic behaviors and the factors at the end of the accounting period were mainly considered. Asset valuation provides a reference for the asset value at a specific point in time. Selecting the end of the accounting period as the assessment benchmark date comprehensively reflects the overall situation of the assets of the appraisal subject. At the same time, in order to ensure that the valuation results effectively serve the valuation purpose, the appraisal scope is accurately identified to efficiently verify and audit the assets, and the basis for valuation is reasonably selected, with a date closer to the planned realization date of the relevant economic behaviors determined as the assessment benchmark date.

VI. BASIS OF EVALUATION

(I) Basis of Economic Behaviors

The Asset Evaluation Engagement Contract entered into between Beijing China Enterprise Appraisals Co., Ltd. and Freetech Smart Road Recycling Engineering Investment Limited.

(II) Basis of Laws and Regulations

1. Asset Valuation Law of the People's Republic of China (adopted at the 21st Session of the Standing Committee of the 12th National People's Congress on 2 July 2016);

2. Company Law of the People's Republic of China (Fourth Revision at the 6th Session of the Standing Committee of the 13th National People's Congress on 26 October 2018);

3. Civil Code of the People's Republic of China (adopted at the 3rd Session of the 13th National People's Congress on 28 May 2020);

4. Measures for the Financial Supervision and Administration of the Asset Valuation Industry (promulgated by Order No. 86 of the Ministry of Finance of the People's Republic of China and amended by Order No. 97 of the Ministry of Finance);

5. Enterprise Income Tax Law of the People's Republic of China (Second Revision at the 7th Session of the Standing Committee of the 13th National People's Congress on 29 December 2018);

6. Urban Real Estate Administration Law of the People's Republic of China (Third Revision at the 12th Session of the Standing Committee of the 13th National People's Congress on 26 August 2019);

7. Land Administration Law of the People's Republic of China (Third Revision at the 12th Session of the Standing Committee of the 13th National People's Congress on 26 August 2019);

8. Patent Law of the People's Republic of China (revised at the 22nd Session of the Standing Committee of the 13th National People's Congress on 17 October 2020);

9. Rules for the Implementation of the Patent Law of the People's Republic of China (amended by Order No. 569 of State Council);

10. Accounting Standards for Business Enterprises — Basic Standards (Order No. 33 of Ministry of Finance), Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises — Basic Standards (Order No. 76 of Ministry of Finance);

11. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-Added Taxes (Order No. 691 of State Council);

12. Notice of the Ministry of Finance and the State Taxation Administration on Implementing the Pilot Program for Replacing Business Tax with Value-Added Tax (Cai Shui [2016] No. 36);

13. Notice of the Ministry of Finance and the State Taxation Administration on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32);

14. Announcement on Relevant Policies for Deepening Value-added Tax Reform (Announcement No. 39 of 2019 by the Ministry of Finance, State Taxation Administration, and General Administration of Customs);

15. Interim Regulations of the People's Republic of China on Urban and Town Land Use Tax (Fourth Revision by Order No. 709 of State Council on 2 March 2019);

16. Other relevant laws, regulations, notices and documents, etc.

(III) Basis of Valuation Standards

1. The Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);

2. The Professional Ethics Standards for Asset Valuation (Zhong Ping Xie [2017] No. 30);

3. The Practice Standards for Asset Valuation — Asset evaluation report (Zhong Ping Xie [2018] No. 35);

4. The Practice Standards for Asset Valuation — Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);

5. The Practice Standards for Asset Valuation — Asset Evaluation Engagement Contract (Zhong Ping Xie [2017] No.33);

6. The Practice Standards for Asset Valuation — Asset Valuation Records (Zhong Ping Xie [2018] No. 37);

7. The Practice Standards for Asset Valuation — Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);

8. The Practice Standards for Asset Valuation — Enterprise Value (Zhong Ping Xie [2018] No. 38);

9. The Practice Standards for Asset Valuation — Intangible Assets (Zhong Ping Xie [2017] No. 37);

10. The Practice Standards for Asset Valuation — Real Estate (Zhong Ping Xie [2017] No. 38);

11. The Practice Standards for Asset Valuation — Machinery and Equipment (Zhong Ping Xie [2017] No. 39);

12. Quality Control Guidelines on the Business of Asset Valuation Institutions (Zhong Ping Xie [2017] No. 46);

13. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);

14. Guidelines on Legal Ownership of Asset Appraisal Subjects (Zhong Ping Xie [2017] No. 48);

15. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49).

(IV) Basis of Ownership

1. Equity investment agreement and capital contribution certificate;

2. Property certificate;

3. Patent certificate;

4. Motor vehicle license;

5. Purchase contracts and invoices;

6. Other relevant property title certificates.

(V) Basis of Pricing

1. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (Order No. 12 of 2012 of the Ministry of Commerce, National Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection, effective from 1 May 2013);

2. Loan Prime Rate (LPR) on the assessment benchmark date;

3. Budget Base Price for Construction Projects in Tianjin (2020);

4. Budget Base Price for Decoration and Renovation Projects in Tianjin (2020);

5. Budget Base Price for Installation Projects in Tianjin (2020);

6. Market Prices of Major Construction Materials in Tianjin (December 2023);

7. Price Information Query System for Mechanical and Electrical Products (2024);

8. Notice of the Tianjin Municipal People's Government on Adjusting the Comprehensive Land Price Standards for Land Acquisition in Tianjin;

9. Financial statements and audit reports of previous years provided by the assessed entity;

10. Future annual business plans provided by the relevant departments of the assessed entity;

11. Sales and purchase contracts entered into between the assessed entity and related entities;

12. Other relevant valuation information recorded and collected by appraisers from on-site survey;

13. Wind Financial Terminal;

14. Other information related to this asset valuation.

(VI) Other Reference Basis

1. Glossary for Asset Appraisal Standards 2020 (Zhong Ping Xie [2020] No. 31);

2. Asset Valuation Expert Guidelines No. 8 — Verification and Validation in Asset Valuation (Zhong Ping Xie [2019] No. 39);

3. Asset Valuation Expert Guidelines No. 12 — Measurement of Discount Rate in the Valuation of Enterprise Value by Income Method (Zhong Ping Xie [2020] No. 38);

4. Regulations for Urban Land Price Evaluation (GB/T 18508–2014);

5. Regulations for Gradation and Classification of Urban Land (GB/T 18507–2014);

6. Technical Specifications on Land Price Evaluation for Transfer of State-owned Construction Land Use Rights (Guo Tu Zi Ting Fa [2018] No. 4);

7. Regulations for Real Estate Valuation (GB/T 50291–2015);

8. Rating Standards for Condition of Houses (For Trial Implementation) (Cheng Zhu Zi [1984] No. 678);

9. List of assets and evaluation reporting form provided by the assessed entity;

10. Audit report issued by Tianjin Henghui United Certified Public Accountants (General Partnership);

11. Information Database of Beijing China Enterprise Appraisals Co., Ltd.

VII. EVALUATION METHODS

The income approach refers to the collective term for various valuation methods that determine the value of the appraisal subject by capitalizing or discounting its expected income.

The market approach refers to a valuation method that determines the value of the appraisal subject by comparing it with comparable listed companies or comparable transaction cases.

The asset-based approach refers to a valuation method that evaluates the value of identifiable assets and liabilities on and off the balance sheet of the assessed entity or operating entity on the assessment benchmark date to determine the value of the appraisal subject.

The valuation methods selected for this appraisal are the asset-based approach and the income approach. The reasons for the selection and adoption of the valuation method are as follows:

Reasons for choosing the asset-based approach for valuation: Considering that details on various assets and liabilities of the assessed entity can be collected in this valuation, and the valuation can be conducted independently, which satisfy the conditions for the asset-based approach, the asset-based approach was selected for this valuation.

Reasons for choosing the income approach for valuation: The expressway maintenance company is principally engaged in maintenance and repair of roads and roadside facilities, while also engaging in road engineering, landscaping engineering construction and maintenance, machinery equipment leasing and other businesses, with an overall good operating condition. This assessment is conducted based on the assumption of the going concern of the appraisal subject. The expressway maintenance company can provide complete historical operational financial data. The management has analyzed and forecasted its operations in the future, where future income can be reasonably predicted and measured in monetary terms. The risks associated with obtaining such future expected income can be reasonably predicted and measured in monetary terms. The duration of future income can be reasonably predicted, thus the income approach was selected for this assessment.

Reasons for not using the market approach for valuation: The equity of expressway maintenance companies is relatively closed compared to the outstanding shares of listed companies, with no active trading in the open market. Therefore, the market approach was not adopted for this valuation.

(I) Asset-Based Approach

1. Current Assets

(1) Monetary funds, including cash and bank deposits. For cash, the appraisers and the financial personnel of the assessed entity jointly conducted a cash count, and based on the results of the count, performed a reverse valuation. The result of the reverse valuation was consistent with the book value of cash on the assessment benchmark date. For bank deposits, the appraisers referred to the bank confirmation of the auditor and obtained bank statements and balance reconciliation statements. They verified such statements line by line and found no issues that would have a significant impact on net assets. Furthermore, upon verification, the names, account numbers and other details of the bank accounts declared by the assessed entity were confirmed to be accurate. The appraised value is determined based on their verified book value.

(2) For notes receivable, the appraisers have checked the balance of the appraisal schedule, detailed accounts, general ledger and financial statements, and confirmed that the accounts and statements were consistent with the facts as at the appraisal reference date; and verified the type, serial number, issuance date and face amount of the notes receivable, as well as the name or organization name of the issuers, transferors or signees and the maturity date and other information. The appraised value of the notes receivable is based on their verified book value.

(3) For accounts receivable, the appraisers examined and understood the sales credit policy, customer composition and credit status, and the recovery of accounts receivable in historical years from the assessed entity. In accordance with the principle of materiality, a sampling inspection of the relevant contracts and vouchers for large or long-term accounts receivable was conducted. The appraised value of accounts receivable is determined using a combination of aging analysis and individual identification, while the bad debt provision for accounts receivable on the assessment benchmark date is evaluated as zero.

(4) For prepayments, the appraisers inquired with relevant personnel of the assessed entity to understand the reasons for the prepayments incurred and conducted spot checks on relevant accounting evidence. The appraised value of prepayments is determined based on the recoverable value of the rights, and for those rights that can be recovered, the verified book value is used as the appraised value.

(5) For other receivables, the appraisers examined and understood the reasons for the other receivables incurred, the credit status of the units and individuals, and the recovery of other receivables in historical years from the assessed entity. In accordance with the principle of materiality, a sampling inspection of the relevant contracts and vouchers was conducted. The appraised value of other accounts receivable is determined using a combination of the aging analysis and individual identification, while the bad debt provision for accounts receivable on the assessment benchmark date is evaluated as zero.

(6) For raw materials, the appraisers examined and understood the procurement model, supply and demand relation, market price as well as other information of the raw materials from the assessed entity. In accordance with the principle of materiality, a sampling inspection of the large procurement contracts was conducted, and jointly took inventory of raw materials with the inventory management personnel of the assessed entity. The raw materials of the assessed entity are accounted for at actual cost, including purchase price, reasonable transportation fees and losses. For the assessment of raw materials, the market approach is adopted. For raw materials with little change in recent market prices on the assessment benchmark date, the verified book value is used as the appraised value. For raw materials with significant fluctuations in recent market prices on the assessment benchmark date, and the appraised value is determined based on the recent procurement cost on the assessment benchmark date.

(7) For inventory turnover materials, the appraisers understood the procurement model and market price information of inventory turnover materials, and a sampling inspection of the procurement contracts, purchase invoices and usage records of inventory turnover materials was conducted. Upon verification, the purchase dates of the inventory turnover materials declared range from 2010 to 2023. As the inventory turnover materials mainly consist of electronic and furniture equipment such as law enforcement recorders, employee's workplace, filing cabinets, conference chairs, and sofas, this assessment refers to the pricing method for electronic equipment and uses either the cost approach or market approach for evaluation. For details, please refer to the technical description of equipment evaluation.

(8) For other current assets, the appraisers examined and understood the reasons for other current assets incurred from the assessed entity and reviewed the relevant evidences and books. The appraised value of other current assets is determined based on their verified book value.

2. Buildings or structures assets

According to the characteristics of the buildings or structures, type of evaluation, data collection conditions, and other relevant conditions, the cost approach is used for evaluation.

The formula for calculating the cost approach is as follows:

Appraised value = replacement cost × integrated newness rate

(1) Determination of Replacement Cost

The replacement cost of building assets generally includes: tax-exclusive construction and installation costs, tax-exclusive preliminary and other costs, and capital costs. The formula for calculating the replacement cost of buildings is as follows:

Replacement cost = construction and installation costs + preliminary and other expenses + capital costs – deductible value-added tax (VAT)

① Construction and Installation Costs

For large-scale buildings or structures with materials on budget estimate and budget and final account, the budget and final account adjustment approach is adopted to calculate the construction and installation costs, which means appraisers calculate the construction and installation costs according to the quantities under the budget and final account, quotas and applicable price documents as of the assessment benchmark date;

Construction and installation costs with low value and simple structure, such as building assets, is determined using the unilateral cost approach.

② Preliminary and Other Costs

The preliminary and other costs of construction projects are calculated based on the construction investment amount of the assessed entity, according to the fee standards stipulated by the industry, national or local government.

③ Capital Costs

The capital costs are adjusted based on the reasonable construction period of the assessed entity, with reference to the People's Bank of China Announcement [2019] No. 15, using the effective quotation rate of the loan market as of the assessment benchmark date. They are calculated on the basis of the total sum of construction and installation costs, preliminary and other costs, assuming uniform capital investment. The formula for calculating the capital costs is as follows:

Cost of capital = (Construction and installation costs + Preliminary and other costs) × Reasonable construction period × Quotation rate of loan market × 1/2

④ Deductible VAT

According to "Cai Shui [2016] No. 36" and "Announcement No. 39 of 2019 by the Ministry of Finance, State Administration of Taxation and General Administration of Customs", for general taxpayers who meet the conditions for VAT deduction, the replacement cost shall be net of the corresponding VAT.

A. Deductible VAT in the construction and installation costs

According to the locally implemented quota standards and the engineering pricing adjustment plan following the Business Tax to Value-Added Tax reform, calculate the deductible VAT included in the construction and installation costs.

Deductible VAT = construction and installation costs/1.09 × 9%

B. Deductible VAT in preliminary and other costs

Deductible VAT = Construction and installation costs × (Project supervision fee rate + Project bidding agency service fee rate + Feasibility study fee rate + Environmental impact assessment fee rate + Survey and design fee rate)/1.06 × 6%

(2) Determination of Integrated Newness Rate

Based on the economic lifespan and used life of buildings or structures, through on-site inspection, judgments are made on the actual usage conditions of various parts such as structure, decoration, and ancillary equipment. The remaining useful life is comprehensively determined, and then the integrated newness rate is calculated using the following formula.

Integrated newness rate = remaining useful life/(remaining useful life + used life) × 100%

(3) Determination of appraised value

Appraised value = replacement cost × integrated newness rate

3. Equipment assets

According to the characteristics of various types of equipment, type of evaluation, data collection conditions, and other relevant conditions, the cost approach is primarily used for evaluation, while the market approach is used for some machines and equipment pending scrapping, as well as some vehicles and electronic equipment with longer service lives.

(1) Cost Approach

The formula for calculating the cost approach is as follows:

Appraised value = replacement cost × integrated newness rate

① Determination of Replacement Cost

A. Determination of Equipment Replacement Cost

The replacement cost of equipment Assets is determined based on the purchase price of the equipment, taking into account various costs required to bring the equipment to a normal operating condition.

In accordance with the document (Cai Shui [2008] No.170) issued by the Ministry of Finance and the State Administration of Taxation, since 1 January 2009, the input tax incurred by general VAT taxpayers due to the purchase or self-made (including alteration, expansion, and installation) of fixed assets may be deducted from the output tax in accordance with the relevant provisions of State Council Decree No.538 and Ministry of Finance and State Administration of Taxation Decree No.50. The formula for calculating the replacement value of machinery and equipment is as follows:

Replacement cost of equipment = Equipment purchase price + Transportation charges – Deductible VAT

a. Equipment purchase price

It is primarily determined by inquiring with manufacturers or trading companies, or with reference to the Mechanical and Electrical Product Price Information Query System (2024) and recent contract prices for similar equipment; for small equipment, the purchase price is mainly determined by inquiring market quotation information on the assessment benchmark date; for equipment without market quotation information, the purchase price is mainly determined by referencing the purchase price of similar equipment.

b. Transportation costs

According to the estimated indicators for equipment transportation costs in the machinery industry, based on the purchase price of the equipment, the transportation costs are calculated at different rates depending on the distance between the manufacturer and the equipment location. The local production equipment transportation cost rate is 0.2–0.5% (or estimated by mileage). The comprehensive transportation cost rate for domestic and foreign production equipment by railway, waterway and highway is calculated in segments based on transportation distance: within 100 km is 1.0%, for distances exceeding 100 km, the rate increases by 0.20% for additional 100 km, and for distances less than 100 km, it is calculated as

100 km (imported equipment and instrument equipment are charged at 40% of the above standard). The formula of the calculation is as follows:

Domestic transportation costs for domestic equipment = Equipment purchase price × Domestic transportation cost rate

c. Deductible VAT

In accordance with the provisions of the VAT-related documents (i.e. the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (No. 39 of 2019) (《關於深化增值稅改革有關政策的公告》(2019年第39號)) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on 20 March 2019), the deductible VAT shall be calculated for the equipment that meets the deduction criteria of the VAT.

Deductible VAT = Purchase price of equipment/(1+13%) × 13

B. Determination of Replacement Cost of Vehicles

For vehicles, the replacement cost is determined based on the market purchase price as of the benchmark date, plus vehicle purchase tax and licence fees. The formula for calculating the vehicle replacement cost is as follows:

Replacement cost = Purchase price + Vehicle purchase tax + Licence fees – Deductible VAT

C. Determination of Replacement Cost of Electronic Equipment

The purchase price of electronic equipment as of the assessment benchmark date is determined based on recent market price data, including local market information. Under normal conditions, the supplier provides free transportation, installation, and commissioning. The replacement cost is calculated as follows:

Replacement cost = Equipment purchase price – Deductible VAT

② Determination of Integrated Newness Rate

A. Specialised Equipment and General Machinery

For specialised equipment and general machinery, the remaining useful life is determined based on the economic life of the equipment, years used, and an on-site inspection of the equipment's usage and technical condition. The calculation formula is as follows:

Integrated newness rate = Remaining useful life/(Remaining useful life + Years used) × 100%

B. Vehicles

For vehicles, according to the Regulations on Compulsory Scrap Standard for Motor Vehicles (Order No. 12 [2012]) (《機動車強制報廢標準規定》(2012第12號令)) jointly issued by the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection on 27 December 2012, the theoretical newness rate is determined based on the principle of selecting the lowest value: vehicle miles travelled and useful life. This rate is then adjusted based on on-site inspection results. The calculation formula is as follows:

Newness rate under useful life approach = (Economic useful life – Years used)/Economic useful life × 100%

Newness rate under vehicle miles travelled approach = (Guided scrapping mileage – Mileage travelled)/Guidance scrapping mileage × 100%

The theoretical newness rate is determined based on the principle of selecting the lowest value. That is:

Theoretical Newness Rate = MIN (Newness rate under useful life approach, Newness rate under vehicle miles travelled approach)

The observational newness rate of a vehicle is determined based on on-site inspection.

Integrated newness rate = Theoretical newness rate × 50% + Observational newness rate × 50%

C. Electronic equipment and other small equipment

For small equipment, such as electronic equipment, the remaining useful life is determined based on the economic life of the equipment, years used, and an on-site inspection of the equipment's usage and technical condition. The calculation formula is as follows:

Integrated newness rate = Remaining useful life/(Remaining useful life + Years used) × 100%

③ Determination of Appraised Value

Appraised value = Replacement cost × Integrated newness rate

(2) Market Approach

① Machinery and Equipment

For machinery and equipment to be scrapped, the appraised value is determined based on the unit price of recyclable materials and the weight of the equipment as at the assessment benchmark date. The calculation formula is as follows:

Appraised value = Recyclable scrap equipment weight × Door-to-door recycling price of recyclable materials

② Vehicles

For vehicles with an earlier purchase date, their value is assessed based on the second-hand market price as at the assessment benchmark date using the market approach. The market approach involves comparing the appraisal subject with similar assets with recent transactions around the assessment benchmark date. Appropriate adjustments are made to the known transaction prices of these similar assets to estimate a fair and reasonable price or value for the appraisal subject.

Valuation using the market approach should be conducted according to the following steps:

A. Collecting transaction examples;

B. Selecting comparable instances;

C. Establishing a basis for price comparison;

D. Making adjustments for transaction conditions;

E. Making adjustments for transaction dates;

F. Making adjustments for individual factors;

G. Determining the benchmark price.

The valuation formula for the market approach is as follows:

Appraised value of the vehicle (equipment) to be appraised = Transaction price of comparable instances × Normal transaction condition/ Transaction condition of comparable instances × Price index on the assessment benchmark date for the vehicle (equipment) to be appraised/ Price index on the transaction date of comparable instances × Individual factor value of the vehicle (equipment) to be appraised/Individual factor value of comparable instances

③ Electronic Equipment

For equipment such as computers and printers with an earlier purchase date, the appraised value is assessed based on the second-hand market price as of the assessment benchmark date.

4. Land use rights

Based on the on-site inspection, considering that the appraised parcel of land is used for streets and alleys, and in accordance with appraisal criteria, taking into account the location, nature of land use, utilisation conditions, and local land market conditions, the cost approach has been adopted for this valuation.

Calculation Formula under Cost Approach:

Land Price = (Land Acquisition Cost + Land Development Cost + Taxes + Interest + Profit + Land Value-added Income) × Life Adjustment Coefficient × Location Adjustment Coefficient × Individual Coefficient

Formula for the Life Adjustment Coefficient: K = 1 – 1/(1 + r)n

Where: K — Life Adjustment Coefficient

r — Land Restoration Rate

n — Land Use Term

5. Other Intangible Assets

The intangible assets included in this valuation primarily consist of patent rights and purchased software.

(1) Purchased Software

The valuation was conducted using the market approach, based on the characteristics of the intangible assets, the purpose of the valuation, the type of value, the data collected, and other relevant conditions. For software customized where quotations from software developers were available as of the assessment benchmark date, the appraised value was based on the quoted prices from the software developers. For purchased software in normal use, where market prices or quotations from software developers were not available as of the assessment benchmark date, the appraised value was determined using the price index method, adjusted based on the original recorded value of the intangible assets. For purchased software that had been discontinued as of the benchmark date, the appraised value was recognised as nil in this valuation.

(2) Other Intangible Assets — Patent Rights

Based on the characteristics of the intangible assets, the purpose of the valuation, the type of values, the data collected, and other relevant conditions, the income approach was adopted for valuing those intangible assets for which the present value of future earnings can be reasonably determined. Given the characteristics of the economic activities related to the purpose of the valuation and the assessment of information of business operation gathered on-site, and through an analysis of the applicability of the income, market, and cost approaches, the appraisers concluded that the market approach was inappropriate due to the current scarcity of similar or identical patent rights in both domestic and international markets, which made it impossible to gather comparable transaction cases. Considering that the costs associated with the patents rights being appraised have already been expensed, the cost approach was also deemed inappropriate. Since the patents demonstrate profitability within the business operations and are expected to continue to play a role and generate economic benefits in the future, with revenue forecasts being obtainable, they meet the conditions for using the income approach for valuation. Therefore, the income approach was adopted for this valuation.

The income approach is a method that estimates the future expected earnings of appraised asset from an income perspective and values the intangible asset using specific discount factors. The specific applications of the income approach include the discounted relief-from-royalty method, the discounted incremental income method, and the discounted multi-period excess earnings method. The specific application of the income approach used in this valuation is the discounted relief-from-royalty method. This method calculates the excess earnings by considering the expected revenue from the use of the intangible assets and the asset's proportional contribution to that revenue. The formula is specified as follows:

$$P = \sum_{t=1}^{n} \frac{kR_t}{(1+i)^t}$$

Where:

P: The appraised value of the intangible asset;

t: The year number for which the calculation is performed;

k: The profit-sharing ratio of the intangible asset, i.e., the royalty rate;

R_t: The base of the intangible asset's share in year t;

n: The benefit period of the intangible asset;

i: The discount rate.

6. Long-term deferred expenses

For the valuation of long-term deferred expenses, the appraisers sampled all original accounting evidence, contracts, invoices, etc., to verify the truthfulness and completeness of the accounting records. Upon verification, it was confirmed that the original amount of the long-term deferred expenses was true and accurate, the amortisation balance was correct, and their entitlement to relevant rights or assets remained effective for the future benefit period. The appraised value is determined based on the balance that needs to be deferred over the remaining benefit period.

7. Liabilities

The liabilities of the assessed entity include accounts payable, advance receipts, employee remunerations payable, taxes payable, and other payables. The appraisers first verified the consistency between the subsidiary ledger and the general ledger, and scrutinised the detailed items. Additionally, they sampled the relevant accounting evidence and other documents related to the payments. Based on the results from the evidence sampling, they confirmed whether the book values of the liabilities were accurate and determined the appraised value based on the verified book values.

(II) Income Approach

The discounted cash flow method is used to indirectly determine the total equity value of shareholders by assessing the overall enterprise value. This overall enterprise value comprises both the value of operating assets generated from normal business activities and the value of non-operating assets that are unrelated to these activities. The value of operating assets is determined using the corporate free cash flow discount model. This model projects the enterprise's free cash flows for several upcoming years and calculates the value by totaling these cash flows after discounting them at an appropriate discount rate.

Calculation Model is as follows:

Total Equity Value of Shareholders = Overall Enterprise Value – Value of Interest-Bearing Debt

1. Overall Enterprise Value

The Overall Enterprise Value refers to the sum of the Total Equity Value of Shareholders and the Value of Interest-Bearing Debt. Based on the asset allocation and usage of the assessed entity, the formula for calculating the Overall Enterprise Value is as follows:

Overall Enterprise Value = Value of Operating Assets + Value of Surplus Assets + Value of Non-operating Assets – Value of Non-operating Liabilities

(1) Value of Operating Assets

Operating assets refer to the assets and liabilities related to the production and operations of the assessed entity, and are involved in the forecast of the enterprise's free cash flow beyond the assessment benchmark date. The formula for calculating the value of operating assets is as follows:

$$P = \sum_{i=1}^{n} \frac{F_i}{(1 + r)^{i-0.5}} + \frac{F_{n+1}}{r \times (1 + r)^{n-0.5}}$$

Where:

P: The value of the enterprise's operating assets as of the assessment benchmark date;

F_i: The expected free cash flow from the enterprise for the i-th year following the assessment benchmark date;

F_{n+1}: The enterprise's free cash flow after the forecast period;

r: The discount rate (in this case, the Weighted Average Cost of Capital, WACC);

n: The detailed forecast period;

i: The i-th year within the detailed forecast period.

As described above, the formula for calculating the enterprise's free cash flow is as follows:

Enterprise Free Cash Flow = Net Profit Before Interest After Taxes + Depreciation and Amortisation – Capital Expenditures – Increase in Working Capital

As described above, the formula for calculating the discount rate (Weighted Average Cost of Capital, WACC) is as follows:

$$WACC = K_e \times \frac{E}{E+D} + K_d \times (1-t) \times \frac{D}{E+D}$$

K_e: Cost of Equity Capital;

K_d: Cost of Interest-bearing Debt Capital;

E: Market Value of Equity;

D: Market Value of Interest-bearing Debt;

t: Income Tax Rate.

As described above, the cost of equity capital is calculated using the Capital Asset Pricing Model (CAPM). The calculation formula is as follows:

$$K_e = r_f + \mathrm{MRP} \times \beta + r_c$$

r_f: Risk-Free Rate;

MRP: Market Risk Premium;

β : Equity Systematic Risk Coefficient;

r_c: Enterprise-Specific Risk Adjustment Coefficient.

(2) Value of Surplus Assets

Surplus assets are those assets that exceed the requirements for the enterprise's production and operations as of the assessment benchmark date and are not involved in the forecast of the enterprise's free cash flow subsequent to the assessment benchmark date. Surplus assets are analysed and assessed separately.

(3) Value of Non-operating Assets and Non-operating Liabilities

Non-operating assets and non-operating liabilities refer to those assets and liabilities that are unrelated to the production and operations of the assessed entity and are not involved in the forecast of the enterprise's free cash flow subsequent to the assessment benchmark date. Non-operating assets and non-operating liabilities are analysed and assessed separately.

2. Value of Interest-Bearing Debt

Interest-bearing debt refers to the liabilities on which the assessed entity is required to pay interest as of the assessment benchmark date. The interest-bearing debt of the assessed entity as of the assessment benchmark date is analysed and assessed separately.

VIII. VALUATION PROCEDURES IMPLEMENTATION PROCESS AND SITUATION

The appraisers conducted a valuation of the assets involved with the appraisal subjects from 17 April 2024 to 10 July 2024. The implementation process and situation of the main valuation procedures are as follows:

(I) Appointment acceptance

On 17 April 2024, we reached an agreement with the client on the basic matters of the valuation business such as the purpose of the valuation, the appraisal subject and scope, and the assessment benchmark date, as well as the rights and obligations of each party, and negotiated with the client to formulate the corresponding valuation plan.

(II) Early Preparation

After accepting the appointment, the project team formulated a specific evaluation work plan based on the purpose of the valuation, characteristics of the appraisal subject and the schedule. At the same time, a list of required information for the valuation and declaration forms is prepared based on the actual needs of the project.

(III) On-site investigation

The appraisers conducted the necessary inventory verification of the assets and liabilities involved in the appraisal subject from 18 April 2024 to 24 April 2024, and carried out the necessary investigation on the operational management status of the assessed entity.

1. Asset Verification

(1) Guide the assessed entity to fill out forms and prepare information to be provided to the assessment institution

The appraisers guide the financial and asset management personnel of the assessed entity to, based on their own asset inventory, meticulously and accurately fill in the assets included in the appraisal scope according to the "Asset Evaluation List" provided by the appraisal agencies and its filling requirements, list of materials, etc., while also collect and prepare the property ownership documents of the assets and documents reflecting their performance, condition, economic and technical indicators, etc.

(2) Preliminary review and improvement of the Asset Evaluation List submitted by the assessed entity

The appraisers review relevant information to understand the details of specific assets included in the assessment scope, then carefully examine various "Asset Evaluation List", identify any incomplete entries, incorrectness, unclear asset items, etc. Based on their experience and the information available, any omission in the "Asset Evaluation List" was also checked and provide feedback to the assessed entity to improve the "Asset Evaluation List".

(3) On-site Field Survey

According to the types, quantities, and distribution of assets included in the assessment scope, the appraisers, with the cooperation of relevant personnel from the assessed entity, conducted on-site inspections of each asset in accordance with the relevant provisions of the asset appraisal standards. Different inspection methods were adopted based on the nature and characteristics of various assets.

(4) Supplement, modify and improve the Asset Evaluation List

Based on the results of the on-site survey, the appraisers further improved the "Asset Evaluation List" after thorough communication with the relevant personnel of the assessed entity to ensure consistency among the accounts, forms, and actual circumstances.

(5) Verify Property Rights Documents

The appraisers conducted an inspection of the ownership documentation for assets such as vehicles, land use rights, and patent rights included in the assessment scope. In cases where ownership documentation was incomplete or unclear, the company was requested to provide relevant property rights documents.

2. *Due Diligence*

In order to fully understand the operational management status and risks faced by the assessed entity, the appraisers conducted necessary investigations. The main contents of the survey are as follows:

(1) The historical development of the assessed entity, its major shareholders and shareholding proportions, and the necessary property rights and operation and management structure;

(2) The previous valuations and transaction conditions of the assessed entity;

(3) The assessed entity's assets, financial, production, operation and management status;

(4) The historical annual revenue from principal business of the assessed entity and its changes, analyzing the reasons for changes in revenue from principal business;

(5) The composition and changes of the historical annual operating costs of the assessed entity;

(6) The gross profit margin of various products and services of the assessed entity in historical years, analyzing the main reasons for changes in the gross profit margin;

(7) Various financial indicators and fixed asset depreciation policy of the assessed entity in historical years;

(8) The assessed entity's business plans, investment plans, etc. in future years;

(9) The assessed entity's historical annual income tax settlement assurance report, tax and other preferential policies;

(10) Information related to the industry in which the assessed entity operates, understanding the current condition of the industry, regional market conditions, and future development trends;

(11) The surplus assets, non-operating assets, and non-operating liabilities of the assessed entity and their asset status;

(12) Other relevant information.

(IV) Data Collection

The appraisers collected evaluation data based on the specific circumstances of the evaluation project, including individual data obtained directly from market and other channels, data obtained from the client and other relevant parties, as well as data obtained from government departments, various professional institutions, and other relevant departments. They conducted necessary analysis, summarization, and collation of the collected evaluation data to form the basis for the assessment and estimation.

(V) Valuation and Estimation

The appraisers selected the corresponding formulas and parameters to conduct analysis, calculation, and judgment based on the specific circumstances of various assets and the selected evaluation methods, forming preliminary valuation conclusions. The project leader consolidates the preliminary conclusions of various asset valuations, drafts and forms a preliminary asset evaluation report.

(VI) Internal Audit

According to the regulations of valuation of our business process management measures, the project leader submits the preliminary asset evaluation report for internal company review after completion. After completing the internal review, we communicated with the client or other relevant parties agreed by the client regarding the contents of the asset evaluation report, provided that it does not affect the independent judgment of the evaluation conclusions. Upon completion of the above asset evaluation process, a formal asset evaluation report will be issued and submitted.

IX. VALUATION ASSUMPTIONS

The assumptions used in the analysis and estimation of this asset evaluation report are as follows:

(I) Assuming all assessed targets are already in the transaction process, the appraisal professionals simulate the market based on the transaction conditions of the assessed assets for valuation;

(II) It is assumed that both parties to the assets traded or intended to be traded in the market have equal status with each other, each has the opportunity and time to obtain sufficient market information, and the transaction behavior is voluntary and rational, and both are able to make sensible judgments on the functions, uses, and transaction prices of assets;

(III) Assuming there are no material changes in the current national laws, regulations and policies, the national macroeconomic situation, and the political, economic and social environment of the regions where the parties to this transaction are located;

(IV) Assuming the enterprise continues to operate, based on the actual condition of the assets on the assessment benchmark date;

(V) Assuming that the interest rates, tax bases and rates, policy levies, and other assessment bases related to the assessed entity do not undergo material changes after the assessment benchmark date;

(VI) Assuming that the management of the assessed entity after the assessment benchmark date is responsible, stable, and capable of performing their duties;

(VII) Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations;

(VIII) Assuming that there are no force majeure and unforeseen factors causing material adverse effects on the assessed entity after the assessment benchmark date;

(IX) Assuming that the accounting policies adopted by the assessed entity after the assessment benchmark date are consistent in material aspects with the accounting policies used in the preparation of this asset evaluation report;

(X) Assuming that after the assessment benchmark date, the assessed entity maintains consistency in its scope and mode of operation based on the existing management approach and management level;

(XI) Assuming that after the assessment benchmark date, the cash inflows of the assessed entity are average inflows, and the cash outflows are average outflows;

(XII) Assuming the assessed entity's research and development capabilities and technological advancement remain at the current level after the assessment benchmark date;

(XIII) Assuming the assessed entity can continue to be recognized as a high-tech enterprise in the future and enjoy preferential income tax policies at the income tax rate applicable as of the assessment benchmark date.

The valuation conclusion of this asset evaluation report is valid on the assessment benchmark date under the above assumptions. If there are significant changes in the above assumptions, the signing asset appraiser and this valuation institution will not bear responsibility for deriving different valuation conclusions due to changes in the assumptions.

X. EVALUATION CONCLUSION

(I) Asset-Based Approach Valuation Result

The book value of total assets of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) as of the assessment benchmark date is RMB333.0793 million, the appraised value is RMB347.5587 million, increased by RMB14.4794 million or 4.35%; the book value of total liabilities is RMB219.7640 million, the appraised value is RMB219.7640 million, with no appraisal increase or decrease; the book value of net assets is RMB113.3153 million and the appraised value is RMB127.7947 million, increased by RMB14.4794 million or 12.78%.

Specific appraisal results using the asset-based approach are set out in the following summary of appraisal results:

Summary of Appraisal Results using Asset-Based Valuation Approach

Amount unit: RMB ten thousand

Item	Carrying amount A	Appraised Value B	Increase or decrease in value C=B-A	Appreciation Rate % D=C/A×100
I. Current Assets	30,276.56	30,262.11	-14.45	-0.05
II. Non-current assets	3,031.37	4,493.76	1,462.39	48.24
In which: Long-term equity investments	0.00	0.00	0.00	0.00
Investment properties	0.00	0.00	0.00	0.00
Fixed assets	2,608.58	3,472.04	863.46	33.10
Construction in progress	0.00	0.00	0.00	0.00
Oil and Gas Assets	0.00	0.00	0.00	0.00
Intangible assets	390.37	989.30	598.93	153.43
In which: Land use rights	383.57	563.30	179.73	46.86
Other Non-current Assets	32.42	32.42	0.00	0.00
Total Assets	33,307.93	34,755.87	1,447.94	4.35
III. Current liabilities	21,976.40	21,976.40	0.00	0.00
IV. Non-current liabilities	0.00	0.00	0.00	0.00
Total Liabilities	21,976.40	21,976.40	0.00	0.00
Net Assets	11,331.53	12,779.47	1,447.94	12.78

Analysis of value increase and decrease in assessment items:

1. *Fixed assets*

Fixed assets mainly consist of building (office building and store room) and equipment (road maintenance machinery and vehicles).

There was an increase in appraised value as compared to the carrying value as the depreciation life of the fixed assets is shorter than the economic life of these assets, resulting in an increase in the appraised value. The appreciated value for the fixed assets in this report was determined based on the actual use and condition of fixed assets with reference the second hand prices of the fixed assets in the market, while the carrying value of the fixed assets was recorded based on its book value and was depreciated with reference to applicable accounting standards.

2. *Intangible assets*

Intangible assets mainly consist of land use rights, patent rights and softwares.

The appraised value of the land use rights was higher than the carrying value as the appraised value of the land use right was based on the market price of the land while the carrying value was based on the amortised value with reference to the applicable standards.

The appraised value of the patent rights was higher than the carrying value as the appraised value of the patent rights was based on the economic benefits of these patent rights while the value of these patent rights was fully depreciated to zero in the accounts. Details of the key inputs for determining the appraised value of the patent rights are set out below.

Summary Table of Major Key Inputs for determining the Value of the Patent Rights

Amount unit: RMB TEN THOUSAND

No.	Item	2024	2025	2026	2027	2028	2029	*Note*
1	Total operating revenue	33,591.70	35,610.00	37,632.00	39,658.40	41,690.10	41,690.10	*(i)*
2	Contribution rate	0.4563%	0.4056%	0.3042%	0.2535%	0.1521%	0.1014%	*(ii)*
3	Discount rate	19.56%	19.56%	19.56%	19.56%	19.56%	19.56%	

Note:

(i) Based on the company forecast revenue.

(ii) With reference to the sales commission rate for relevant industries announced by the China Intellectual Property Administration. The rate decreases each year because potential technological advancement may reduce the competitiveness of the patent.

(iii) Calculated by the risk accumulation method, the discount rate = risk free rate + risk-reward rate (2.56% + 17.00% = 19.56%). Among them, the risk-reward rate includes technical risk, market risk, capital risk and management risk, and is determined based on the characteristics of intangible assets and current evaluation practices.

(II) Income Approach Valuation Result

The book value of total assets of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) as of the assessment benchmark date is RMB333.0793 million, book value of total liabilities is RMB219.7640 million, and book value of net asset is RMB113.3153 million.

The value of all shareholders' equity after the income approach assessment is RMB127.6193 million, increased by RMB14.3040 million or 12.62%.

For major key inputs of the income approach, please see the following summary table:

Summary Table of Major Key Inputs of Income Approach

Amount unit: RMB TEN THOUSAND

No.	Item	2024(i)	2025	2026	2027	2028	Perpetual	Note
1	**I. Total operating revenue**	**33,591.70**	**35,610.00**	**37,632.00**	**39,658.40**	**41,690.10**	**41,690.10**	
2	Revenue growth rate	4.58%	6.01%	5.68%	5.38%	5.12%	0.00%	*(ii)*
	II. Expenses							
3	Operating Cost	30,201.60	31,999.85	33,687.32	35,384.31	36,930.28	37,112.57	*(iii)*
4	Taxes and surcharges	39.35	79.00	86.03	90.24	94.88	90.14	*(iv)*
5	Administrative expenses	1,399.18	1,454.68	1,511.86	1,571.21	1,627.71	1,633.70	*(v)*
6	Research and Development Expenses	1,133.02	1,195.73	1,257.83	1,321.46	1,384.54	1,386.82	*(vi)*
7	Income tax expenses	71.80	78.30	106.74	134.21	185.60	157.62	*(iv)*
8	**Discount rate**	**8.67%**	**8.67%**	**8.67%**	**8.67%**	**8.67%**	**8.67%**	*(vii)*

Notes:

(i) Revenue and expenses for 2024 were estimated based on 2024 interim results of Tianjin Expressway Maintenance Company Limited.

(ii) The revenue growth rate was based on the revenue growth rate of Tianjin Expressway Maintenance Company Limited in 2021, 2022 and 2023 and the management's forecast.

(iii) Operating cost was calculated based on 10% of revenue with reference to the gross profit margin in the past 3 years.

(iv) Taxes and surcharges were calculated at 0.23% of revenue in accordance with applicable law. Income tax expense was calculated at 15% of operating profit in accordance with applicable law.

(v) Administrative expenses were calculated based on approximately 4% of revenue with reference to the gross profit margin in the past 3 years.

(vi) Research and Development expenses were calculated based on approximately 3.34% of revenue with reference to the gross profit margin in the past 3 years.

(vii) The discount rate was calculated with reference to the data of comparable listed companies, and the final value of WACC is 8.67%. Calculation process data: risk-free rate of return is 2.5553%, βL is 0.9081, debt-equity ratio is 50.47%, market risk premium is 6.81%, specific risk adjustment coefficient is 2.50%, and expected return on debt is 4.20%.

(III) Evaluation Conclusion

The value of the total equity of shareholders after the income approach evaluation is RMB127.6193 million, the value of the total equity of shareholders after the asset-based approach evaluation is RMB127.7947 million, the difference between the above two values is RMB0.1754 million, and the difference rate is 0.14%.

The assessed entity operates steadily and has been in business for a long time, but its main business relies on highway maintenance projects and has a strong correlation with the superior unit, resulting in significant uncertainty in the company's future cash flow. The factors affecting future earnings are relatively significant, and there is considerable uncertainty regarding future annual income. The asset-based approach determines the value of the appraisal subject based on current standards from the perspective of reacquisition or replacement, and it adequately considers the depreciation of assets. Considering the purpose of this appraisal, the appraisal subject, the type of value, the information collection situation, and other relevant conditions, the market fairness of the appraisal results using the asset-based approach is more fair and reasonable.

According to the above analysis, the valuation conclusion of this asset evaluation report adopts the result of the asset-based approach, namely: the valuation result of the total equity value of shareholders of Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) is RMB127.7947 million.

XI. SPECIAL MATTERS EXPLANATION

The following are matters identified during the evaluation process that may affect the evaluation conclusion but are beyond the appraisers' professional level and ability to estimate:

(I) In this asset evaluation report, for all tables or textual descriptions with amounts expressed in ten thousand yuan, any discrepancies between the total and the sum of sub-items are due to rounding.

(II) This evaluation utilized the audit report No. HL0079 (2024) issued by Tianjin Henghui United Accounting Firm (General Partnership) on 29 January 2024. According to Article 12 of the "Asset Appraisal Practice Standards — Enterprise Value": Asset appraisal professionals analyze and judge the requirements for using financial statements based on the adopted appraisal methods, but it is not the responsibility of asset appraisal professionals to express professional opinions on whether the relevant financial statements fairly reflect the financial position on the assessment benchmark date and the operating results and cash flows of the current period.

(III) According to the Asset Valuation Law and the Guidelines on Legal Ownership of Asset Appraisal Subjects, the client and relevant parties who commission asset valuation services shall be responsible for the authenticity, completeness, and legality of the ownership certificates, financial accounting information, and other materials they provide. The purpose of conducting asset appraisal business is to estimate the value of the asset appraisal subject and express professional opinions. Confirming or expressing opinions on the legal ownership of the asset appraisal subject is beyond the professional scope of asset appraisal personnel. Asset valuation professionals do not provide guarantees on the legal ownership of the asset appraisal subject.

(IV) The appraisers' survey of physical assets such as housing constructions, equipment assets, etc., is conventionally limited to observation, understanding of usage conditions, and maintenance conditions, without exposing to internal covered, concealed, and difficult-to-access parts. The appraisers do not possess professional identification capabilities and have not been commissioned to conduct professional technical testing and identification of the internal quality of the aforementioned assets. The assessment is based on the information provided by the client and other relevant parties. If there are defects in the intrinsic quality of these appraisal subjects, the assessment conclusion may be affected to varying degrees.

(V) The three housing buildings included in the assessment scope have not yet obtained the property ownership certificates as of the assessment benchmark date, with a book original value of RMB3,811,980.94, and a book net value of RMB3,534,659.22. The total floor area is approximately 1,177.69 square meters. The assessed entity has provided ownership proof documents such as a letter of commitment for property rights, proving that the aforementioned houses are owned by the assessed entity and committing to bear corresponding legal responsibilities if any issues arise with the property rights of the aforementioned houses. The construction area of the aforementioned building is primarily declared by the assessed entity based on the construction engineering permit, relevant construction contracts, budget and final accounts documents, etc., and confirmed through on-site visual inspection by the appraisers.

(VI) After verification by the appraisers and asset management personnel through on-site inventory, a total of 161 items of in-stock turnover materials are in a scrapped state within the scope of this evaluation; 84 items of machinery and equipment are in a scrapped state; 36 vehicles are in a scrapped state; 96 items of electronic equipment are in a scrapped state. The assessed entity bears the corresponding legal responsibility for the declaration of the quantity and status of the aforementioned assets, as well as the authenticity and reliability of the obtained information.

(VII) The assessed entity holds 5.7053% of the equity interest in Tianjin Xincheng No. 3 Enterprise Management Partnership (Limited Partnership). After communication with the assessed entity, as of the assessment benchmark date, the actual capital contribution for the aforementioned long-term equity investment has not been made, and the financial statements of the aforementioned investee entity have not been obtained, making it impossible to acquire its actual operating conditions. The current assessment recognizes the above investee entity as zero.

(VIII) After the assessment benchmark date and before the valuation report date, the 5-year LPR was adjusted to 3.95%. This evaluation does not take into account the impact of the aforementioned LPR adjustment, and users are advised to pay attention.

(IX) On the assessment benchmark date, the assessed entity does not have matters such as pledges, guarantees, contingent liabilities, or contingent assets.

Users of the asset evaluation report should pay attention to the impact of the above special matters on the valuation conclusion.

XII. LIMITATIONS ON USE OF THE ASSETS EVALUATION REPORT

(I) Scope of Use of Asset Evaluation Report

1. The users of the asset evaluation report are: the client and the users of the asset evaluation report as stipulated by national laws and administrative regulations.

2. The valuation conclusions disclosed in the asset evaluation report are only effective for the economic activities corresponding to this project.

3. The validity period for the use of the evaluation conclusion in the asset evaluation report is one year from the assessment benchmark date. The client or other users of the asset evaluation report should use the asset evaluation report within the specified validity period of the evaluation conclusion.

4. Without the written permission of the client, the asset valuation agency and its professional asset appraisers shall not provide or disclose the content of the asset evaluation report to any third party, unless otherwise provided by laws and administrative regulations.

5. Without the consent of the asset valuation agency, the contents of the asset evaluation report shall not be extracted, quoted or disclosed in public media, unless otherwise provided by laws, administrative regulations, and agreed by relevant parties.

(II) If the client or other users of the asset evaluation report do not use the asset evaluation report in accordance with the laws, administrative regulations, and the scope of use specified in the asset evaluation report, the asset valuation agency and its asset valuation professionals shall not bear any responsibility.

(III) Except for the client, other users of the asset evaluation report as agreed in the Asset Evaluation Engagement Contract and users of the asset evaluation report as stipulated in the laws and administrative regulations, no other institution or individual can become the user of the asset evaluation report.

(IV) Users of the asset evaluation report should correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realizable price of the appraisal subject, and it should not be considered as a guarantee of the realizable price of the appraisal subject.

(V) The asset evaluation report refers to the professional report issued by the asset appraisal agency and its professional personnel in compliance with laws, administrative regulations, and asset appraisal standards. It is based on the necessary appraisal procedures performed upon entrustment, and it reflects the value of the appraisal subject for a specific purpose on the assessment benchmark date. This report can only be officially used after it is signed by the asset appraisers responsible for the assessment and stamped with the official seal of the appraisal institution.

XIII. ASSET EVALUATION REPORT DATE

The date of this asset evaluation report is: 10 July 2024.

Asset Appraiser: Gao Guijin

Asset Appraiser: Ze Hequn

Beijing China Enterprise Appraisals Co., Ltd.

10 July 2024

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(A) Long Positions in the Shares of the Company

Name of Director	Number of Shares held	Corporate Interests	Total	Approximate percentage of existing issued share capital of the Company
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:

(1) 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 held by Freetech Cayman, Sze BVI and Freetech Technology. Mr. Sze is the director of Freetech Cayman, Sze BVI and Freetech Technology.

(2) 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 held by Intelligent Executive. Ms. Sze is the director of Intelligent Executive, Freetech Cayman, Sze BVI and Freetech Technology.

(B) Long Positions in the shares of Associated Corporation of the Company

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

Save as disclosed above, as at Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholders	Capacity/Nature of interests	Number of issued Shares held	Approximate percentage of the total issued share capital
Freetech Technology[(1)]	Interest in controlled corporation	529,688,260	49.09%
Sze BVI[(1)]	Interest in controlled corporation	529,688,260	49.09%
Freetech Cayman[(1)]	Beneficial owner	529,688,260	49.09%
Bank of Communications Trustee Limited ("**BOCM Trustee**")[(2)]	Trustee	91,126,200	8.45%

Note:

(1) The relationship between Freetech Technology, Sze BVI, Freetech Cayman and Mr. Sze is disclosed under the heading "2. Interests and short positions of Directors and the chief executive in the shares, underlying shares and debentures of the company and its associated corporations" above.

(2) BOCM Trustee is appointed by the Company to purchase such the Shares 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.

4. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up) up to the Latest Practicable Date.

None of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group as at the Latest Practicable Date.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any competing interest (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company for the purpose of the Listing Rules).

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Group which was not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. MATERIAL CONTRACTS

Save for the SPA, there are no material contracts (being contracts entered outside the ordinary course of business carried on or intended to be carried on by the Group) having been entered into by any member of the Group within the two years preceding the Latest Practicable Date.

8. EXPERTS AND CONSENTS

The name and qualification of the professional advisers who have been named in this circular or given their opinion or advice which are contained in this circular is set forth below:

Name	**Qualification**
BDO Limited	Certified public accountants
Beijing Chinese Enterprise China Assets Evaluation Co., Ltd.* (北京中企華資產評估有限責任公司)	Professional valuer

BDO Limited and the Valuer have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letters and/or reference to their names or opinions in the form and context in which they appear.

As at the Latest Practicable Date:

(a) the above experts did not have any direct or indirect interests in any assets which have been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group; and

(b) the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not engaged in any material litigation or arbitration of material importance and there was no material litigation or claim of material importance known to the Directors to be pending or threatened by or against any members of the Group.

10. MISCELLANEOUS

(a) The address of the registered office of the Company is at 29/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai Hong Kong.

(b) The company secretary of the Company is Mr. Lim Eng Sun. He is an associate member of the Hong Kong Institute of Certified Public Accountants.

(c) The branch registrar of the Company is Tricor Investor Services Limited 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

11. DOCUMENTS ON DISPLAY

The following documents are available on (i) the website of Stock Exchange (www.hkexnews.hk) and (ii) the website of the Company (www.freetech-holdings.hk) during the period from the date of this circular up to 14 days thereafter.

(a) the SPA;

(b) the written consents referred to in the paragraphs under "8. Experts and Consents" in this appendix;

(c) the report on review of financial information on the Target Company issued by BDO Limited, the text of which is set out in Appendix II to this circular;

(d) the letter on the unaudited pro forma financial information of the Remaining Group issued by BDO Limited, the text of which is set out in Appendix III to this circular; and

(e) the valuation report of the Target Company, the text of which is set out in Appendix IV to this circular.

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

(incorporated in the Cayman Islands with limited liability)

(stock code: 6888)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Freetech Road Recycling Technology (Holdings) Limited (the "**Company**") will be held at Unit 5906–5912, 59/F., The Center, 99 Queen's Road Central, Central, Hong Kong on 31 December 2024 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

"**THAT**

(a) the contract dated 22 November 2024 entered into between Freetech Smart Road Recycling Engineering Investment Limited and Tianjin Expressway Group Company Limited* (a copy of which is tabled at this meeting and marked "A" and initialled by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company as he/she may consider necessary or desirable in connection with this resolution."

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

Hong Kong, 16 December 2024

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

Principal Place of Business in Hong Kong:
29/F, Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Notes:

1. Unless otherwise defined herein, capitalised terms used in this notice shall have the same meanings as those defined in the circular dated 16 December 2024.

2. All resolutions at the meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

3. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the Shareholders to vote at the EGM will be 30 December 2024. In order to qualify for attending and voting at the EGM, unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 30 December 2024.

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