

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “Board”) of Freetech Road Recycling Technology (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022.

**FINANCIAL HIGHLIGHTS**

	Year ended 31 December		(Decrease)/ Increase
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
Revenue	<b>478,257</b>	511,619	(6.5%)
(Loss)/Profit attributable to owners of the Company	<b>(32,477)</b>	31,948	(201.7%)
(Loss)/Earnings per share (Basic) <i>(HK cents)</i>	<b>(3.19)</b>	3.13	(201.9%)

## FINANCIAL RESULTS

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

Year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>REVENUE</b>	4	<b>478,257</b>	511,619
Cost of sales		<u>(379,953)</u>	<u>(383,032)</u>
Gross profit		<b>98,304</b>	128,587
Other income	6	<b>9,889</b>	9,700
Other gains and losses, net (Impairment losses)/reversal of impairment	7	<b>1,477</b>	(68)
losses on financial and contract assets	9	<b>(23,177)</b>	36,226
Selling and distribution costs		<b>(15,486)</b>	(18,406)
Administrative expenses		<b>(70,183)</b>	(76,323)
Equity-settled share-based payment expenses		<b>(386)</b>	(1,083)
Research and development costs		<b>(21,631)</b>	(21,596)
Other expenses		<b>(2,204)</b>	(268)
Share of losses of joint ventures		<b>(8,231)</b>	(2,322)
Finance costs	8	<u><b>(4,438)</b></u>	<u>(4,624)</u>
<b>(LOSS)/PROFIT BEFORE INCOME</b>			
<b>TAX EXPENSE</b>	10	<b>(36,066)</b>	49,823
Income tax expense	11	<u><b>(3,088)</b></u>	<u>(5,562)</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<u><b>(39,154)</b></u>	<u>44,261</u>

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		(1,397)	(114)
Exchange differences arising from translation		<u>(68,242)</u>	<u>18,803</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(69,639)</u>	<u>18,689</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>(108,793)</u></u>	<u><u>62,950</u></u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(32,477)	31,948
Non-controlling interests		<u>(6,677)</u>	<u>12,313</u>
		<u><u>(39,154)</u></u>	<u><u>44,261</u></u>
Total comprehensive income attributable to:			
Owners of the Company		(96,815)	49,755
Non-controlling interests		<u>(11,978)</u>	<u>13,195</u>
		<u><u>(108,793)</u></u>	<u><u>62,950</u></u>
<b>(LOSS)/EARNINGS PER SHARE</b>			
Basic	<i>13</i>	<u><u>(HK3.19) cents</u></u>	<u><u>HK3.13 cents</u></u>
Diluted		<u><u>(HK3.19) cents</u></u>	<u><u>HK3.08 cents</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		130,439	159,611
Investment property		142,445	143,117
Right-of-use assets		14,513	11,578
Goodwill		6,150	6,150
Other intangible assets		1,543	2,348
Interests in joint ventures		12,109	21,500
Equity instruments at FVTOCI		7,293	9,397
Prepayments and deposits for acquisition of leasehold land		3,679	3,997
Deferred tax assets		205	653
		318,376	358,351
<b>CURRENT ASSETS</b>			
Inventories		185,532	181,193
Bills and trade receivables	14	79,950	98,586
Contract assets		369,748	342,107
Prepayments, deposits and other receivables	15	34,527	49,738
Financial assets at fair value through profit or loss (“FVTPL”)		22,521	–
Time deposits		–	8,577
Pledged bank deposits		10,593	30,391
Restricted bank deposits		1,443	2,330
Bank balances and cash		251,780	268,995
		956,094	981,917
<b>CURRENT LIABILITIES</b>			
Bills, trade and other payables	16	388,853	348,477
Contract liabilities		14,265	751
Taxation payable		2,391	1,884
Bank borrowings		91,208	95,438
Lease liabilities		2,531	2,050
		499,248	448,600
<b>NET CURRENT ASSETS</b>		<b>456,846</b>	533,317
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>775,222</b>	891,668

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>2,527</b>	15
Deferred tax liabilities		<b>17,562</b>	27,847
		<u><b>20,089</b></u>	<u>27,862</u>
<b>NET ASSETS</b>		<u><b>755,133</b></u>	<u>863,806</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>17</i>	<b>107,900</b>	107,900
Reserves		<b>614,390</b>	711,085
		<u><b>722,290</b></u>	<u>818,985</u>
Attributable to owners of the Company		<b>32,843</b>	44,821
Non-controlling interests		<u><b>755,133</b></u>	<u>863,806</u>
<b>TOTAL EQUITY</b>		<u><b>755,133</b></u>	<u>863,806</u>

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2011 under the Companies Law, Chapter 22 of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. Its subsidiaries (the Company and its subsidiaries are collectively referred to as the “Group”) are principally engaged in the manufacturing and sales of road maintenance equipment, provision of road maintenance services and development, sales and leasing of properties in the People’s Republic of China (the “PRC”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 26 June 2013.

The Company’s functional currency is Renminbi (“RMB”). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”). The directors of the Company consider that the presentation of the consolidated financial statements in HK\$ is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders of the Company.

### 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### 3.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new or amended HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Amendment to HKFRS 16	Covid-19-Related Rent Concession Beyond 30 June 2021

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

#### 3.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”) <sup>2,4</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

The directors of the Company do not anticipate that the application of the new and amendments to HKFRSs in the future will have a material impact on the consolidated financial statements.

#### 4. REVENUE

##### (i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2022		
	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services</b>			
Maintenance Services			
“Hot-in-place” Projects	137,391	–	137,391
Non-“Hot-in-place” Projects	317,507	–	317,507
	<hr/>	<hr/>	<hr/>
Sale of equipment			
Standard series	–	20,198	20,198
Parts for repair and maintenance	–	3,161	3,161
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>454,898</b>	<b>23,359</b>	<b>478,257</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Geographical markets</b>			
Mainland China	454,898	21,252	476,150
Overseas	–	2,107	2,107
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>454,898</b>	<b>23,359</b>	<b>478,257</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Timing of revenue recognition</b>			
A point in time	–	23,359	23,359
Over time	454,898	–	454,898
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>454,898</b>	<b>23,359</b>	<b>478,257</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



Segments	For the year ended 31 December 2021		
	Maintenance services HK\$'000	Sale of equipment HK\$'000	Total HK\$'000
<b>Types of goods or services</b>			
Maintenance Services			
“Hot-in-place” Projects	175,973	–	175,973
Non-“Hot-in-place” Projects	266,866	–	266,866
Sale of equipment			
Standard series	–	63,432	63,432
Parts for repair and maintenance	–	5,348	5,348
<b>Total</b>	<b>442,839</b>	<b>68,780</b>	<b>511,619</b>
<b>Geographical markets</b>			
Mainland China	442,839	67,664	510,503
Overseas	–	1,116	1,116
<b>Total</b>	<b>442,839</b>	<b>68,780</b>	<b>511,619</b>
<b>Timing of revenue recognition</b>			
A point in time	–	68,780	68,780
Over time	442,839	–	442,839
<b>Total</b>	<b>442,839</b>	<b>68,780</b>	<b>511,619</b>

(ii) **Performance obligations for contracts with customers**

*Maintenance Services (with milestone payments)*

The Group provides asphalt pavement maintenance (“APM”) services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these APM services based on the stage of completion of the contract using output method.

The Group’s APM services contracts include payment schedules which require stage payments over the APM services period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum, when the Group receives a deposit before APM services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the APM services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group's typical timing of transferring the contract assets to trade receivables is ranging from three months to one year.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the APM services. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the APM services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

***Sale of equipment (revenue recognised at one point in time)***

For sale of equipment, revenue is recognised when control of the equipment has transferred, being at the point when the equipment has been shipped to the customer's specific location (delivery), being at the point that the customer obtains the control of the equipment and the Group has present right to payment and collection of the consideration is probable. The normal credit term of the standard series equipment and parts for repairs and maintenance are 7 days upon delivery. The normal credit term of the modular series equipment is 6 months to 12 months upon delivery with upfront deposits range from 10% to 30%.

Sales-related warranties associated with equipment cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

## **5. OPERATING SEGMENTS**

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance. The Group's operating and reportable segments are as follows:

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

## Segment revenue and results

	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<b>For the year ended</b>				
<b>31 December 2022</b>				
<b>Segment revenue:</b>				
Sales to external customers	454,898	23,359	–	478,257
Intersegment sales	–	3,367	–	3,367
	<u>454,898</u>	<u>26,726</u>	<u>–</u>	<u>481,624</u>
<i>Reconciliation</i>				
Elimination of intersegment sales	–	(3,367)	–	(3,367)
Revenue	<u>454,898</u>	<u>23,359</u>	<u>–</u>	<u>478,257</u>
<b>Segment results</b>	<u>13,303</u>	<u>(35,063)</u>	<u>(813)</u>	<u>(22,573)</u>
<i>Reconciliation:</i>				
Interest income				8,637
Foreign exchange losses, net				(286)
Change in fair value of financial assets at FVTPL				2,052
Finance costs				(4,438)
Equity-settled share-based payment expenses				(386)
Unallocated corporate expenses				(10,841)
Share of losses of joint ventures				(8,231)
Loss before income tax expense				<u><u>(36,066)</u></u>

	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
For the year ended 31 December 2021				
Segment revenue:				
Sales to external customers	442,839	68,780	–	511,619
Intersegment sales	<u>24</u>	<u>19,984</u>	<u>–</u>	<u>20,008</u>
	<u>442,863</u>	<u>88,764</u>	<u>–</u>	<u>531,627</u>
<i>Reconciliation</i>				
Elimination of intersegment sales	<u>(24)</u>	<u>(19,984)</u>	<u>–</u>	<u>(20,008)</u>
Revenue	<u>442,839</u>	<u>68,780</u>	<u>–</u>	<u>511,619</u>
Segment results	<u>70,641</u>	<u>(7,783)</u>	<u>(637)</u>	62,221
<i>Reconciliation:</i>				
Interest income				8,537
Foreign exchange gains, net				102
Change in fair value of financial assets at FVTPL				13
Finance costs				(4,624)
Equity-settled share-based payment expenses				(1,083)
Unallocated corporate expenses				(13,021)
Share of losses of joint ventures				<u>(2,322)</u>
Profit before income tax expense				<u><u>49,823</u></u>

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The accounting policies of the operating and reportable segments information are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of head office and corporate expenses, interest income, exchange gains and losses, equity-settled share-based payment expenses, share of profits or losses of joint ventures and finance costs. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

## Segment assets and liabilities

	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<b>As at 31 December 2022</b>				
<b>Segment assets</b>	<u>653,747</u>	<u>188,732</u>	<u>287,562</u>	<b>1,130,041</b>
Elimination of intersegment receivables				(164,989)
Bank balances and cash				251,780
Interests in joint ventures				12,109
Other unallocated assets				<u>45,529</u>
Total assets				<u><u>1,274,470</u></u>
<b>Segment liabilities</b>	<u>437,369</u>	<u>103,578</u>	<u>4,241</u>	<b>545,188</b>
Elimination of intersegment payables				(164,989)
Bank borrowings				91,208
Other unallocated liabilities				<u>47,930</u>
Total liabilities				<u><u>519,337</u></u>
	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<b>As at 31 December 2021</b>				
<b>Segment assets</b>	<u>650,344</u>	<u>215,396</u>	<u>286,932</u>	1,152,672
Elimination of intersegment receivables				(164,455)
Bank balances and cash				268,995
Interests in joint ventures				21,500
Other unallocated assets				<u>61,556</u>
Total assets				<u><u>1,340,268</u></u>
<b>Segment liabilities</b>	<u>450,506</u>	<u>60,210</u>	<u>1,556</u>	512,272
Elimination of intersegment payables				(164,455)
Bank borrowings				95,438
Other unallocated liabilities				<u>33,207</u>
Total liabilities				<u><u>476,462</u></u>

**Other segment information (included in the measure of segment results and segment assets)**

	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<b>For the year ended</b>				
<b>31 December 2022</b>				
Provision for impairment losses recognised in respect of trade receivables, contract assets and other receivables	6,943	16,234	–	23,177
Depreciation and amortisation	26,275	2,867	–	29,142
Capital expenditure ( <i>Note</i> )	<u>3,405</u>	<u>6,671</u>	<u>10,286</u>	<u>20,362</u>
	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<b>For the year ended</b>				
<b>31 December 2021</b>				
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, contract assets and other receivables	(39,196)	2,970	–	(36,226)
Depreciation and amortisation	31,636	1,363	–	32,999
Capital expenditure ( <i>Note</i> )	<u>21,865</u>	<u>1,335</u>	<u>11,859</u>	<u>35,059</u>

*Note:* Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets and other intangible assets, excluding assets from the acquisition of subsidiaries.

For the purposes of assessing segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than time deposits, pledged bank deposits, restricted bank deposits, bank balances and cash, interests in joint ventures, deferred tax assets, equity instruments at FVTOCI, financial assets at FVTPL and other unallocated head office and corporate assets as these assets are managed on a group basis; and
- all liabilities are allocated to operating segments other than deferred tax liabilities, bank borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

During the year ended 31 December 2022, revenue from a connected party, accounted for 10% or more of the Group's revenue and its revenue amounted to approximately HK\$160,163,000 (2021: HK\$216,475,000). The sales to the above connected party were derived from the provision of road maintenance services.

The Group's revenue from external customers is derived substantially from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

## 6. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants ( <i>Note</i> )	585	943
Interest income	8,637	8,537
Others	667	220
	<u>9,889</u>	<u>9,700</u>

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

## 7. OTHER GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net (losses)/gains on disposal of property, plant and equipment	(110)	107
Foreign exchange (losses)/gains, net	(286)	102
Change in fair value of financial assets at FVTPL	2,052	13
Others	(179)	(290)
	<u>1,477</u>	<u>(68)</u>

## 8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
— Bank borrowings	4,333	4,518
— Lease liabilities	105	106
	<u>4,438</u>	<u>4,624</u>

**9. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS**

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
(Impairment losses)/reversal of impairment losses on financial and contract assets recognised on:		
— Trade receivables	<b>(4,501)</b>	39,395
— Contract assets	<b>(13,156)</b>	(4,105)
— Other receivables	<b>(5,520)</b>	936
	<u><b>(23,177)</b></u>	<u>36,226</u>

**10. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE**

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit before income tax expense has been arrived at after charging/(crediting):		
Directors' emoluments	<b>6,448</b>	6,907
Other staff costs	<b>61,857</b>	73,519
Other staff retirement benefit scheme contributions	<b>12,282</b>	11,320
Other staff equity-settled share-based payment expense	<b>316</b>	893
	<u><b>80,903</b></u>	<u>92,639</u>
Amortisation of other intangible assets	<b>640</b>	640
Auditor's remuneration	<b>1,733</b>	1,650
Cost of inventories sold	<b>12,252</b>	42,774
Cost of services provided	<b>367,701</b>	340,258
Net losses/(gains) on disposal of property, plant and equipment	<b>110</b>	(107)
Depreciation charge:		
— Owned property, plant and equipment	<b>26,153</b>	29,500
— Right-of-use assets included within:		
— Leasehold land	<b>117</b>	330
— Buildings	<b>2,232</b>	2,529
Interest on lease liabilities	<b>105</b>	106
Short-term lease expenses	<b>13,733</b>	12,842
	<u><b>13,733</b></u>	<u>12,842</u>

*Note:* Equity-settled share-based payment expenses of approximately HK\$386,000 (2021: HK\$1,083,000) were recognised in profit or loss during the year ended 31 December 2022 in respect of share awards of the Company.



## 11. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC Enterprise Income Tax (“EIT”):		
— Current year	2,792	6,401
— Withholding tax	8,825	—
— Over provision in prior years	—	(1,378)
	<u>11,617</u>	<u>5,023</u>
Deferred tax (credit)/charge	<u>(8,529)</u>	<u>539</u>
	<u><u>3,088</u></u>	<u><u>5,562</u></u>

No provision for Hong Kong Profit tax has been made since there is no tax assessable profit for the years ended 31 December 2021 and 31 December 2022.

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

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

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

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

Withholding tax of approximately HK\$1,000 (2021: HK\$234,000) has been provided for the year ended 31 December 2022 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

## 12. DIVIDENDS

No final dividend is proposed by the directors for the years ended 31 December 2022 and 31 December 2021.

### 13. (LOSS)/EARNINGS PER SHARE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(Loss)/earnings:</b>		
(Loss)/earnings for the purposes of calculating basic and diluted (loss)/earnings per share		
— attributable to owners of the Company	<u>(32,477)</u>	<u>31,948</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic (loss)/earnings per share	<b>1,018,930,088</b>	1,019,325,615
Effect of dilutive potential ordinary shares:		
Unvested share award	<u>—</u>	<u>17,803,901</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u><b>1,018,930,088</b></u>	<u>1,037,129,516</u>

The computation of diluted loss per share for the year ended 31 December 2022 did not assume the vesting of the Company's outstanding share awards as that would decrease the loss per share for the year presented.

### 14. BILLS AND TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<b>344,692</b>	389,748
Less: Allowance for credit losses	<u>(267,213)</u>	<u>(299,379)</u>
	<u><b>77,479</b></u>	<u>90,369</u>
Bills receivables	<u><b>2,471</b></u>	<u>8,217</u>
	<u><b>79,950</b></u>	<u>98,586</u>

As at 31 December 2022, trade receivables from contracts with customers amounted to approximately HK\$77,479,000 (2021: HK\$90,369,000).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 180 days	<u><b>2,471</b></u>	<u>8,217</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group's trade customers are principally government agencies. The credit period is determined on a case by case basis, subject to the fulfillment of conditions as stipulated in the respective sales contracts. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	<b>3,815</b>	14,485
3 to 12 months	<b>38,865</b>	6,959
1 to 2 years	<b>13,422</b>	20,329
Over 2 years	<b>21,377</b>	48,596
	<u><b>77,479</b></u>	<u>90,369</u>

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$77,479,000 (2021: HK\$90,369,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$58,918,000 (2021: HK\$71,699,000) has been past due 90 days or more and is not considered as in default as most of the Group's customers are government agencies and the risk of default is not high.

At 31 December 2022, included in the trade receivables are amounts due from the Group's related and connected parties of approximately HK\$8,877,000 (2021: HK\$11,480,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other receivables	<b>47,894</b>	54,472
Less: Allowance for credit losses	<b>(30,543)</b>	(27,094)
	<u><b>17,351</b></u>	<u>27,378</u>
Prepayments and deposits	<b>16,979</b>	21,331
Other tax recoverable	<b>197</b>	1,029
	<u><b>34,527</b></u>	<u>49,738</u>

At 31 December 2022, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of approximately HK\$459,000 (2021: Nil), which are unsecured, interest-free and have no fixed terms of repayment.

## 16. BILLS, TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bills payables	6,488	13,155
Trade payables	290,912	264,169
Other tax payables	26,204	19,713
Other payables and accrued charges	65,249	51,440
	<u>388,853</u>	<u>348,477</u>

At 31 December 2022, included in the Group's trade payables are amounts due to related parties of approximately HK\$1,654,000 (2021: HK\$3,178,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers.

At 31 December 2022, included in the Group's other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK\$26,237,000 (2021: HK\$28,535,000) which is unsecured, interest-free and has no fixed terms of repayment.

The Group normally receives credit terms of 30 days to 180 days (2021: 30 days to 180 days) from its suppliers. The following is an aging analysis of trade payables at the end of the reporting period, presented based on the invoice date:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	106,712	84,492
3 to 12 months	66,661	96,291
1 to 2 years	80,781	62,395
Over 2 years	36,758	20,991
	<u>290,912</u>	<u>264,169</u>

## 17. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.10 each</b>		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	1,079,000,000	107,900

## 18. CAPITAL COMMITMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted, but not provided for in respect of the acquisition of property, plant and equipment	<u>2,906</u>	<u>12,787</u>
Contracted, but not provided for in respect of the acquisition of leasehold land	<u>14,714</u>	<u>15,989</u>
Contracted, but not provided for in respected of construction contract	<u>306,093</u>	<u>347,098</u>

## **BUSINESS REVIEW**

In 2022, as many local governments in the People's Republic of China (the "PRC") have implemented strict COVID-19 pandemic control since second quarter of 2022 in order to avoid mass spending 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, the Group was unable to provide road maintenance services across other provinces within the PRC from our operational base in Nanjing and the logistic arrangement of the spare parts were affected. Therefore, most of the "Hot-in-Place" road maintenance services and equipment projects of the Group could not be completed and implemented within 2022. Under this circumstance, the Group's "Hot-in-Place" projects under the asphalt pavement maintenance ("APM") services sector and the APM equipment segment recorded decrease in revenue during the year under review. In addition, due to the recent years COVID-19 pandemic outbreak had affected the business of the Group's customer and increase in the recoverability risks of trade receivables, the Group also recorded expected credit loss of trade receivables for the year ended 31 December 2022.

In 2022, the Group's operating revenue was approximately HK\$478.3 million, representing a decrease of approximately 6.5% as compared to 2021. The loss attributable to owners of the Company amounted to approximately HK\$32.5 million in 2022 compared with the profit attributable to owners of the Company of approximately HK\$32.0 million in 2021. Due to there were: (i) decrease in the revenue of the "Hot-in-Place" projects in APM service segment; (ii) decrease in the revenue of APM equipment segment; (iii) the recognition of expected credit loss of trade receivables, contract assets and other receivables; (iv) decrease in selling and distribution expenses and administrative expenses; and (v) the increase in share of losses of joint ventures. As at 31 December 2022, the Group maintained a healthy financial position as it had cash on hand in the sum of approximately HK\$286.3 million.

## **Asphalt Pavement Maintenance Services**

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, the operation of the Group's "Hot-in-Place" projects had been affected and the Group was unable to provide road maintenance services across other provinces within the PRC from our operational base in Nanjing, revenue of "Hot-in-Place" projects therefore decreased by 21.9% as compared to 2021.

However, the impact of COVID-19 pandemic control on the operation of Tianjin Expressway Maintenance Company Limited\* (天津市高速公路養護有限公司) (a non-wholly owned subsidiary of the Group) ("Tianjin Expressway Maintenance") was minimal as all of the road maintenance projects of Tianjin Expressway Maintenance were within Tianjin. In addition to the project from the connected party, Tianjin Expressway Maintenance was able to obtain more road maintenance project from third party and revenue of non-"Hot-in-Place" projects recorded an increase during the year under review. The APM service segment recorded revenue of approximately HK\$454.9 million, representing an increase of 2.7% as compared to 2021.

The Group has continued to be a leading integrated solution provider using "Hot-in-Place" recycling technology in the APM industry in the PRC.

## **APM Equipment**

During the year under review, our revenue for the APM equipment segment for 2022 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.

## **Research and Development**

To maintain our leading position in the use of "Hot-in-Place" recycling technology in the APM industry, the Group continued to invest in technological innovation.

## **New Patents**

The Group continued to pay efforts and invest significant resources in our research and development. As of 31 December 2022, we had registered 222 patents (2021: 210), of which 25 were invention patents (2021: 22), 171 were utility model patents (2021: 162) and 26 were design patents (2021: 26), and we had 24 pending patent applications, of which 21 are invention patents, and 3 are utility model patents (2021: 37 pending patent applications, of which 22 are invention patents and 15 are utility model patents).

\* For identification purpose only

During the year under review, the Group consistently enriched product lines and their performance further. As at 31 December 2022, the research and development process of the Group's highspeed sweeper has completed. The marketing activities of this product was under progress and we expect a high demand for this equipment in highways market as customers do not need to block the traffic for cleaning so it improves safety for other drivers.

A new asphalt pavement preventive maintenance technology, named ultra-thin asphalt overlay, have been successfully developed by the Group. This technology involves special grading design of aggregates and high bonding power of specific asphalt material. The overlay layer has excellent resistance to wear and crack with minimum thickness increased. It is very suitable for maintenance for defects on top surface and concrete pavement upgrading. The Group expects a high demand for this technology in the APM industry.

## **Others**

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

## **OUTLOOK**

Although the PRC's economy was being hit hard by the COVID-19 pandemic in 2022, the PRC's economy will return to potential growth in 2023 as according to the International Monetary Fund, the real GDP of the PRC will gradually recover, rising from 3.2% in 2022 to 4.4% in 2023. In addition, market demand on the PRC's road maintenance sector has been continuously increasing and has resulted in promising development prospects. The low-end market as a whole is comparatively inaccessible as it is predominated by local suppliers, while the mid-to-high-end market is gradually forming nation-wide and market-oriented competition with certain qualifications and technical barriers. The development of wholechain service capability and promotion of industry-academia-research collaboration is the development trend. In order to adapt to the development, the Group will seize the significant opportunity of the development trend of "smart maintenance," promote its development strategy, optimize its management mechanism and system, accumulate qualification resources and improve the quality of employees, so as to gain an advantageous position in sector competition. The Group has already made a full-range beneficial attempts in technology research and development, equipment upgrade, material development and service expansion, including the distress AI recognition system and self-operating modular series. With our patent "Hot-in-Place" recycling technology and other new products, the Group will benefit from the increasing demand for APM and the favourable environment in the PRC, especially those using the recycling technologies.



First, as at 31 December 2021, China has the longest expressway and the second longest highway (in terms of mileage) in the world. The overall growth of the APM industry in the PRC remains sustainable and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal and has significant potential for expansion. Secondly, the Group has developed part of the South China market which enable the Group to perform APM services during slack season. Third, subsequent to the Company's sale of a modular series equipment to a customer in the Republic of Korea and standard series equipment to customers in Macau, Malaysia and Taiwan, the Company will continue to explore the overseas business opportunities and strategic cooperation with other companies, such as some listed companies and large-scale or state-owned enterprises. Fourth, as the border restrictions between Hong Kong, China and other countries had been lifted, the Group will continue to leverage on its state-owned partners' overseas channels to explore overseas business opportunities. The Group is making an effort to promote its overseas business opportunities in the countries along the "One Belt One Road" and four Asian tigers. In light of these, the Group is well positioned to benefit from the government's policies and the positive development prospects in the environmental protection sector.

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

1. it will increase market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited;
2. it will focus on the cities which will hold major events to gain and complete projects of high awareness;
3. it will diversify its product range and developed new product in road industry;
4. 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;
5. it will further optimize its techniques and technologies to lower the construction costs;
6. it will grasp the opportunities in the wave of state-owned enterprise reforms to acquire more maintenance companies in the express highway sector; and
7. it will leverage on its state-owned partners' overseas channels to expand the international APM equipment and services market.

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

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

## FINANCIAL PERFORMANCE REVIEW

The Group consists of two main business segments: the APM service segment, where we provide APM services under our registered trademark 公路醫生 (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where we manufacture and sell a wide range of APM equipment.

The following table is a description of the Group’s operating activities during the year under review, with comparisons to those of 2021.

### REVENUE

#### a. APM Services

	Year ended 31 December				(Decrease)/ Increase
	2022		2021		
	Area serviced (square meters '000)	Area serviced (square meters '000)	Area serviced (square meters '000)	Area serviced (square meters '000)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Revenue (net of VAT)</b>					
“Hot-in-Place” Projects	137,391	2,299	175,973	2,514	(21.9%)
Non-“Hot-in-Place” Projects	317,507	–	266,866	–	19.0%
Total	<u>454,898</u>		<u>442,839</u>		2.7%

	Year ended 31 December				(Decrease)/ Increase
	2022	Margin	2021	Margin	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Gross profit					
“Hot-in-Place” Projects	<b>53,291</b>	<b>38.8%</b>	71,727	40.8%	(25.7%)
Non-“Hot-in-Place” Projects	<u><b>33,906</b></u>	<b>10.7%</b>	<u>30,854</u>	11.6%	9.9%
Total	<u><b>87,197</b></u>	<b>19.2%</b>	<u>102,581</u>	23.2%	(15.0%)

Revenue for this segment increased slightly in the year of 2022 compared to 2021 due to the net effect of: (i) strict COVID-19 pandemic control since second quarter of 2022 in order to avoid mass spending 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 other provinces within the PRC from our operational base in Nanjing, revenue of “Hot-in-Place” projects recorded decrease during the year under review; and (ii) the impact of COVID-19 pandemic control on the operation of Tianjin Expressway Maintenance was minimal as all of the road maintenance projects of Tianjin Expressway Maintenance were within Tianjin. Other than the project from the connected party, Tianjin Expressway Maintenance was able to obtain more road maintenance project from third party and revenue of non-“Hot-in-Place” projects recorded a significant increase during the year under review.

The gross profit margin of “Hot-in-Place” and non-“Hot-in-Place” projects was relatively stable during the year under review.

## b. APM Equipment

	Year ended 31 December				
	2022		2021		Decrease
	HK\$'000	units/sets	HK\$'000	units/sets	
<b>Revenue (net of VAT)</b>					
Standard series	20,198	15	63,432	85	(68.2%)
Modular series	–	–	–	–	–
Repair and maintenance	3,161	N/A	5,348	N/A	(40.9%)
Total	<u>23,359</u>		<u>68,780</u>		(66.0%)

	Year ended 31 December				
	2022		2021		Decrease
	HK\$'000	Margin	HK\$'000	Margin	
<b>Gross profit</b>					
Standard series	9,262	45.9%	22,049	34.8%	(58.0%)
Modular series	–	N/A	–	N/A	–
Repair and maintenance	1,845	58.4%	3,957	74.0%	(53.4%)
Total	<u>11,107</u>	47.5%	<u>26,006</u>	37.8%	(57.3%)

Revenue for the APM equipment segment for 2022 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 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.

## OTHER INCOME

Other income for the year under review was relatively stable and increased by approximately HK\$0.2 million, from approximately HK\$9.7 million in 2021 to approximately HK\$9.9 million in 2022.

## (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

The recognition of provision for impairment losses on financial and contract assets of approximately HK\$23.2 million primarily due to the recognition of the expected credit loss allowance of trade receivables, contract assets and other receivables.

## **SELLING AND DISTRIBUTION COSTS**

Selling and distribution costs for the year under review decreased by approximately 15.8% or approximately HK\$2.9 million, from approximately HK\$18.4 million in 2021 to approximately HK\$15.5 million in 2022, primarily due to strict COVID-19 pandemic control in 2022 including lockdown measures which resulted in less travelling and entertainment expenses incurred.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses decreased by approximately 8.0%, or approximately HK\$6.1 million, from approximately HK\$76.3 million in 2021 to approximately HK\$70.2 million in 2022, primarily due to (i) the strict COVID-19 pandemic control in 2022 including lockdown measures which resulted in less travelling and entertainment expenses incurred; and (ii) decreased in staff costs due to a decrease in number of employees.

## **RESEARCH AND DEVELOPMENT COSTS**

Research and development costs were approximately HK\$21.6 million for 2021 and 2022, respectively and were relatively stable.

## **SHARE OF LOSSES OF JOINT VENTURES**

The Group's share of losses from joint ventures increased by approximately HK\$5.9 million, from approximately HK\$2.3 million in 2021 to approximately HK\$8.2 million in 2022 primarily due to the business of the joint ventures were affected by the recent years COVID-19 pandemic outbreak and impairment losses had been recognised on (i) the property, plant and equipment; and (ii) trade receivables and contract assets of the joint ventures.

## **FINANCE COSTS**

Finance costs decreased by approximately HK\$0.2 million, from approximately HK\$4.6 million in 2021 to approximately HK\$4.4 million in 2022 primarily due to the decrease in the interest rate of the bank borrowings.

## **INCOME TAX EXPENSE**

Income tax expense decreased by approximately HK\$2.5 million, from approximately HK\$5.6 million in 2021 to approximately HK\$3.1 million in 2022 due to the decrease in profit before tax of the PRC's subsidiaries.

## **LOSS**

Loss attributable to owners of the Company amounted to approximately HK\$32.5 million in 2022 compared with the profit attributable to owners of the Company of approximately HK\$32.0 million in 2021, primarily due to the net effect of (i) the decrease in the revenue of "Hot-in-Place" projects of the APM service; (ii) the decrease in the revenue of the APM equipment; (iii) the recognition of the expected credit loss on trade receivables, contract assets, and other receivables; (iv) the decrease in selling and distribution expenses and administrative expenses; and (v) the increase in share of losses of joint ventures.

## **FINANCIAL POSITION**

As at 31 December 2022, the total equity of the Group amounted to approximately HK\$755.1 million (2021: HK\$863.8 million). Decrease in the total equity of the Group was due to (i) the loss attributable to owners of the Company for the year ended 31 December 2022; and (ii) changes in foreign currency translation reserve as a result of the depreciation of RMB against Hong Kong dollar as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars.

The Group's net current assets as at 31 December 2022 amounted to approximately HK\$456.8 million (2021: HK\$533.3 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2022, was 1.9 (31 December 2021: 2.2). The decrease in the net current assets and current ratio was mainly due to the recognition of expected credit loss on financial assets and decrease in cash and bank deposit balances.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the Group's bank balances and cash, time deposits, pledged bank deposits, restricted bank deposit and financial assets at fair value through profit or loss amounted to approximately HK\$286.3 million (2021: HK\$310.3 million). The decrease was primarily due to the effect of net cash used in operating activities, and the depreciation of RMB against Hong Kong dollars 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. As at 31 December 2022, the bank borrowings of the Group amounted to HK\$91.2 million (2021: HK\$95.4 million). As at 31 December 2021 and 2022, the Group was in a net cash position.

The strict COVID-19 pandemic control since second quarter of 2022 and the new wave of COVID-19 pandemic outbreak in the PRC in the fourth quarter of 2022 had affected the settlement of the overdue of the Group's trade receivables and delayed the settlement to first half of 2023. Thus, the trade receivables and contract assets balances were decreased from HK\$766.0 million as at 31 December 2021 to HK\$758.3 million as at 31 December 2022. The contract assets balance also includes some retention money withheld by the customers (5% to 10%) of the contract price which is to be paid after the expiration of the warranty period and not yet past due. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK\$106.5 million (RMB94.6 million).

Though the Group does not have any collateral over most of the receivables, the management considers that there is no recoverability problem as the remaining amounts are due from the local PRC government authorities. The Group has credit policy and internal control procedures in place to review and collect the outstanding trade receivables of the Group. In order to minimise the risk of placing heavy reliance on obtaining project from the local PRC government and to further diversify the overall credit risk, the Group will widen its customer base. For those customers whose credit terms are extended by the Group, the Group has policies in place to evaluate the credit risk for these customers, taking into account of its repayment ability and long term relationship with the Group.

As at 31 December 2022, the Group's liquidity position remained strong and the management of the Company believes that this will enable the Group to expand in accordance with their plans. The Group strives to efficiently use its financial resources and adopts a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

## **INTEREST-BEARING BANK BORROWINGS**

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

As at 31 December 2022, bank balance of approximately HK\$10.6 million (2021: HK\$30.4 million) was pledged to secure general banking facilities granted to the Group.

The maturity profile of the interest-bearing bank borrowings as at 31 December 2021 and 2022 were repayable within one year or on demand.

## **INVESTMENT PROPERTY**

As at 31 December 2022, the Group's investment property is measured using the fair value model and was approximately HK\$142.4 million (as at 31 December 2021: HK\$143.1 million). The investment property is a parcel of land and is located at lot 04–05 and 04–06 of Jiangxinzhou, Jianye District, Nanjing, the PRC (中國南京市建鄴區江心洲). It was acquired by the Group in December 2016 and shall be developed for research and development use. The construction work of the investment property had commenced in the first quarter of 2022. Due to the strict COVID-19 pandemic control in second quarter of 2022, the expected completion date of the investment property has delayed from fourth quarter of 2023 to fourth quarter of 2024. The Group intends to fund 80% of the contract cost by bank financing and 20% by its internal resources. The site area of the investment property is approximately 35,673 square meters, with plot ratio not more than 1.2 and gross floor area permissible for sale is no more than 40% of the total gross floor area. The investment property will be developed into the global technology research and development centre of the Group, two main office buildings with total gross floor area of approximately 25,696 square meter (the “Main Buildings”) and seventeen small office buildings with total gross floor area of approximately 17,055 square meter (the “Office Buildings”) will be developed. Upon the completion of the construction, the Group intends to lease some office spaces of the Main Buildings to third parties, which will bring additional income streams to the Group. The Group also decides to sell the Office Buildings to repay the construction cost. During the year ended 31 December 2021, as the management of the Group had decided to sell Office Buildings upon completion and the investment property of approximately HK\$136.5 million had been transferred to inventories and is stated at cost as at 31 December 2021 and 31 December 2022. The Group intends to develop the investment property to bring additional income to the Group, it is an one-off transaction and the Group does not have the intention to enter into real estate development industry.



## USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERING (“IPO”)

The Group received approximately HK\$687.0 million net proceeds, after deducting underwriting fees and other related expenses, from the Company’s IPO. These net proceeds were applied in the year ended 31 December 2022 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Available <i>HK\$ million</i>	Net Proceeds Utilised during the year <i>HK\$ million</i>	Net Proceeds Utilised Up to 31 December 2022 <i>HK\$ million</i>	Unutilised <i>HK\$ million</i>	Expected Timeline for unutilised net proceeds
Investment in research and development activities	137.4	–	137.4	–	
Establishing joint ventures and expanding APM service teams	137.4	–	99.9	37.5	End of 2023
Manufacturing APM equipment and expanding our APM service teams	103.1	–	103.1	–	
Acquisitions of other APM service providers	103.0	–	60.8	42.2	End of 2023
Constructing new production facility	68.7	–	68.7	–	
Establishing sales offices in new markets and marketing expenses	68.7	–	68.7	–	
General corporate purposes and working capital requirements	68.7	–	68.7	–	
	<u>687.0</u>	<u>–</u>	<u>607.3</u>	<u>79.7</u>	

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

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

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

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

The Group's capital commitments as at 31 December 2022 are set out in note 18 to the financial statements. As at 31 December 2022, the Group did not have any material contingent liabilities.

## **FINANCIAL RISK MANAGEMENT**

The Group's business is exposed to a variety of financial risks, such as interest rate risk, foreign currency risk and credit risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. As at 31 December 2022, 87.7% and 12.3% of the Group's bank borrowings are at fixed interest rate and floating interest rate, respectively (2021: 61.5% and 38.5%). The Group has not used any interest rate swaps to hedge its interest rate risk.

The Group collects most of its revenue in RMB and most of its expenditures as well as capital expenditures are also denominated in RMB. The 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 2022, certain time deposit, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK\$259,152,000 (2021: HK\$305,079,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2022, the Group's bank borrowings denominated in RMB amounted to HK\$91,208,000 (equivalent to RMB81,000,000) (2021: HK\$95,438,000 (equivalent to RMB78,000,000)). The Group has not hedged its foreign currency risk. The changes in foreign currency translation reserve during the year under review was the result of the depreciation of RMB against Hong Kong dollar as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars.

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

## **EMPLOYEES AND REMUNERATION**

As at 31 December 2022, the Group had a total of 456 full time employees (2021: 489). The Group provides competitive remuneration packages to retain its employees including discretionary bonus schemes, medical insurance and other allowances and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC. 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.

## **CORPORATE GOVERNANCE CODE**

The Board is committed to achieving high standards of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability by further expand into the APM business which has been further discussed in the directors' report of this annual report on the performance of the Group. The Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except code provision C.2.1 as more particularly described below.

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

CG Code provision B.2.4(a) provides that where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting. The Company has inadvertently failed to

comply with such CG Code provision in the annual general meeting circular of the Company dated 28 April 2022 by failing to disclose the length of tenure of each existing INEDs on a named basis in the AGM circular of the Company. The Company has appointed two new independent non-executive directors to the Board in December 2022 and complied with CG code provision C.2.4(b).

## **AUDIT COMMITTEE**

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

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2022.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this annual results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the annual results announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year.

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

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

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

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

## **DIVIDEND**

Directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2022.

The directors do not recommend the payment of any dividend for the year ended 31 December 2022. As at the date of this announcement, there was no arrangement with any Shareholder of the Company under which he/she/it has waived or agreed to waive any dividends.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.freotech-holdings.hk](http://www.freotech-holdings.hk).

The 2022 report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

## **APPRECIATION**

The Chairman of the Company wishes to express his sincere gratitude to the management and staff members of the Group for their dedication and hard work during the year under review. He would like to extend thanks to all the business partners, customers and Shareholders for their support. He believes that they will continue to render support to the Group for our continuous growth and success in the future.

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

Hong Kong, 31 March 2023

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