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 2023

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 2023.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2023	2022	Increase
	HK$'000	*HK$'000*	
Revenue	**543,103**	478,257	13.6%
Profit/(loss) attributable to owners of the Company	**11,677**	(32,477)	136.0%
Earnings/(loss) per share (Basic) *(HK cents)*	**1.15**	(3.19)	136.1%

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
REVENUE	*4*	**543,103**	478,257
Cost of sales		**(426,256)**	(379,953)
Gross profit		**116,847**	98,304
Other income	*6*	**3,351**	9,889
Other gains and losses, net	*7*	**6,794**	1,477
Reversal of impairment losses/(impairment losses) on financial and contract assets	*9*	**29,824**	(23,177)
Selling and distribution costs		**(17,387)**	(15,486)
Administrative expenses		**(75,995)**	(70,183)
Equity-settled share-based payment expenses		**(99)**	(386)
Research costs		**(24,310)**	(21,631)
Other expenses		**(646)**	(2,204)
Share of losses of joint ventures		**(4,328)**	(8,231)
Finance costs	*8*	**(3,240)**	(4,438)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE	*10*	**30,811**	(36,066)
Income tax expense	*11*	**(2,429)**	(3,088)
PROFIT/(LOSS) FOR THE YEAR		**28,382**	(39,154)

	Notes	**2023** *HK$'000*	2022 *HK$'000*
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		**(1,006)**	(1,397)
Exchange differences arising from translation to presentation currency		**(16,295)**	(68,242)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(17,301)**	(69,639)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,081**	(108,793)
Profit/(loss) for the year attributable to:			
Owners of the Company		**11,677**	(32,477)
Non-controlling interests		**16,705**	(6,677)
		28,382	(39,154)
Total comprehensive income attributable to:			
Owners of the Company		**(4,029)**	(96,815)
Non-controlling interests		**15,110**	(11,978)
		11,081	(108,793)
EARNINGS/(LOSS) PER SHARE	*13*		
Basic		**1.15 cents**	(HK3.19) cents
Diluted		**1.15 cents**	(HK3.19) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**119,649**	130,439
Right-of-use assets		**11,499**	14,513
Investment property		**140,859**	142,445
Goodwill		**6,150**	6,150
Other intangible assets		**922**	1,543
Interests in joint ventures		**6,818**	12,109
Equity instruments at FVTOCI		**6,127**	7,293
Prepayments and deposits for acquisition of leasehold land		**3,598**	3,679
Deferred tax assets		**9**	205
		295,631	318,376
CURRENT ASSETS			
Inventories		**177,335**	185,532
Bills and trade receivables	*14*	**105,377**	79,950
Contract assets		**371,726**	369,748
Prepayments, deposits and other receivables	*15*	**31,895**	34,527
Financial assets at fair value through profit or loss ("FVTPL")		**–**	22,521
Pledged bank deposits		**7,454**	10,593
Restricted bank deposits		**139**	1,443
Bank balances and cash		**246,688**	251,780
		940,614	956,094
CURRENT LIABILITIES			
Bills, trade and other payables	*16*	**351,453**	388,853
Contract liabilities		**382**	14,265
Taxation payable		**2,349**	2,391
Bank borrowings		**99,117**	91,208
Lease liabilities		**1,615**	2,531
		454,916	499,248
NET CURRENT ASSETS		**485,698**	456,846
TOTAL ASSETS LESS CURRENT LIABILITIES		**781,329**	775,222

	Notes	**2023**	2022
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**985**	2,527
Deferred tax liabilities		**17,029**	17,562
		18,014	20,089
NET ASSETS		**763,315**	755,133
CAPITAL AND RESERVES			
Share capital	*17*	**107,900**	107,900
Reserves		**607,462**	614,390
Attributable to owners of the Company		**715,362**	722,290
Non-controlling interests		**47,953**	32,843
TOTAL EQUITY		**763,315**	755,133

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.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

3.1 New standards, interpretations and amendments — effective 1 January 2023

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts

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

3.2 New standards, interpretations and amendments that have been issued but are not yet effective

The following amendments to HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[1,4]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[1]
Amendments to HKAS 7 and HKFRS 17	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 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 Group is currently assessing the impact of the amendments. The Group does not expect the amendments that are issued but yet to be effective to have a material impact to the Group.

3.3 New guidance on accounting for the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ("MPF") scheme to offset severance payment ("SP") and long service payments ("LSP") (the "Abolition"). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (the "Transition Date").

The following key changes will take effect since the Transition Date:

— Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

— The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the last month's salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there were two acceptable accounting approaches for the offsetting mechanism, being:

— Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a).

— Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation.

For the years ended 31 December 2022 and 2023, the Group's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2023		
	Maintenance services *HK$'000*	Sale of equipment *HK$'000*	Total *HK$'000*
Types of goods or services			
Maintenance Services			
"Hot-in-place" Projects	**139,299**	**–**	**139,299**
Non-"Hot-in-place" Projects	**355,214**	**–**	**355,214**
Sale of equipment			
Standard series	**–**	**26,261**	**26,261**
Modular series	**–**	**17,212**	**17,212**
Parts for repair and maintenance	**–**	**5,117**	**5,117**
Total	**494,513**	**48,590**	**543,103**
Geographical markets			
Mainland China	**494,513**	**46,656**	**541,169**
Overseas	**–**	**1,934**	**1,934**
Total	**494,513**	**48,590**	**543,103**
Timing of revenue recognition			
A point in time	**–**	**48,590**	**48,590**
Over time	**494,513**	**–**	**494,513**
Total	**494,513**	**48,590**	**543,103**

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

(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. Impairment losses are recognised on the same basis as trade receivables.

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. The Group accounts for this in accordance with HKAS 37 and has not accounted for as separate performance obligation and hence no consideration is allocated to them. The Group has not adjusted the transaction price for the existence of any financing component given the period between when the transfer of control of the services to customers and the payment date is one year or less and retention receivables are to protect the customer from the Group's failure to complete its obligation under the contract.

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

For sale of equipment, revenue is recognised when control of the equipment was 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. After this point, the Group no longer has physical possession of the asset, whilst the customer has discretion over the manner of use, and bears the risk of obsolescence and loss in relation to the equipment. 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 and has not accounted for as separate performance obligation and hence no consideration is allocated to them.

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 *HK$'000*	Sale of equipment *HK$'000*	Properties *HK$'000*	Consolidated total *HK$'000*
For the year ended 31 December 2023				
Segment revenue:				
Sales to external customers	**494,513**	**48,590**	**–**	**543,103**
Intersegment sales	**–**	**40,333**	**–**	**40,333**
	494,513	**88,923**	**–**	**583,436**
Reconciliation				
Elimination of intersegment sales	**–**	**(40,333)**	**–**	**(40,333)**
Revenue	**494,513**	**48,590**	**–**	**543,103**
Segment results	**65,568**	**(12,591)**	**(1,093)**	**51,884**
Reconciliation:				
Interest income				**1,400**
Foreign exchange losses, net				**(145)**
Change in fair value of financial assets at FVTPL				**2,289**
Finance costs				**(3,240)**
Equity-settled share-based payment expenses				**(99)**
Unallocated corporate expenses				**(16,950)**
Share of losses of joint ventures				**(4,328)**
Profit before income tax expense				**30,811**

	Maintenance services *HK$'000*	Sale of equipment *HK$'000*	Properties *HK$'000*	Consolidated total *HK$'000*
For the year ended 31 December 2022				
Segment revenue:				
Sales to external customers	454,898	23,359	–	478,257
Intersegment sales	–	3,367	–	3,367
	454,898	26,726	–	481,624
Reconciliation				
Elimination of intersegment sales	–	(3,367)	–	(3,367)
Revenue	454,898	23,359	–	478,257
Segment results	13,303	(35,063)	(813)	(22,573)
Reconciliation:				
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				(36,066)

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, change in fair value of financial assets at FVTPL, 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 *HK$'000*	**Sale of equipment** *HK$'000*	**Properties** *HK$'000*	**Consolidated total** *HK$'000*
As at 31 December 2023				
Segment assets	**662,261**	**380,766**	**283,484**	**1,326,511**
Elimination of intersegment receivables				**(370,434)**
Bank balances and cash				**246,688**
Interests in joint ventures				**6,818**
Other unallocated assets				**26,662**
Total assets				**1,236,245**
Segment liabilities	**411,939**	**78,331**	**228,025**	**718,295**
Elimination of intersegment payables				**(370,434)**
Bank borrowings				**99,117**
Other unallocated liabilities				**25,952**
Total liabilities				**472,930**

	Maintenance services *HK$'000*	Sale of equipment *HK$'000*	Properties *HK$'000*	Consolidated total *HK$'000*
As at 31 December 2022				
Segment assets	653,747	188,732	287,562	1,130,041
Elimination of intersegment receivables				(164,989)
Bank balances and cash				251,780
Interests in joint ventures				12,109
Other unallocated assets				45,529
Total assets				1,274,470
Segment liabilities	437,369	103,578	4,241	545,188
Elimination of intersegment payables				(164,989)
Bank borrowings				91,208
Other unallocated liabilities				47,930
Total liabilities				519,337

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

	Maintenance services *HK$'000*	**Sale of equipment** *HK$'000*	**Properties** *HK$'000*	**Consolidated total** *HK$'000*
For the year ended 31 December 2023				
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, contract assets and other receivables	**(30,278)**	**367**	**87**	**(29,824)**
Depreciation and amortisation	**19,583**	**3,620**	**–**	**23,203**
Capital expenditure *(Note)*	**7,139**	**6,267**	**1,327**	**14,733**

	Maintenance services *HK$'000*	Sale of equipment *HK$'000*	Properties *HK$'000*	Consolidated total *HK$'000*
For the year ended 31 December 2022				
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 *(Note)*	3,405	6,671	10,286	20,362

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

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

- all assets are allocated to operating segments other than 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 2023, revenue from a customer, which is also a connected party, accounted for 10% or more of the Group's revenue and its revenue amounted to approximately HK$232,773,000 (2022: HK$160,163,000). 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

	2023	2022
	HK$'000	*HK$'000*
Government grants *(Note)*	**631**	585
Interest income	**1,400**	8,637
Dividend income from equity instruments at FVTOCI	**182**	–
Others	**1,138**	667
	3,351	9,889

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

	2023	2022
	HK$'000	*HK$'000*
Net gains/(losses) on disposal of property, plant and equipment	**5,074**	(110)
Foreign exchange losses, net	**(145)**	(286)
Change in fair value of financial assets at FVTPL	**2,289**	2,052
Impairment loss on property, plant and equipment	**(350)**	–
Others	**(74)**	(179)
	6,794	1,477

8. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on:		
— Bank borrowings	**3,101**	4,333
— Lease liabilities	**139**	105
	3,240	4,438

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

	2023	2022
	HK$'000	*HK$'000*
Reversal of impairment losses/(impairment losses) on financial and contract assets recognised on:		
— Trade receivables	**23,701**	(4,501)
— Contract assets	**7,269**	(13,156)
— Other receivables	**(1,146)**	(5,520)
	29,824	(23,177)

10. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Profit/(loss) before income tax expense has been arrived at after charging/(crediting):		
Directors' emoluments	**6,518**	6,448
Other staff costs	**59,540**	61,857
Other staff retirement benefit scheme contributions	**13,264**	12,282
Other staff equity-settled share-based payment expense	**81**	316
Total staff costs	**79,403**	80,903
Amortisation of other intangible assets	**594**	640
Auditor's remuneration	**1,820**	1,733
Cost of inventories sold	**27,206**	12,252
Cost of services provided	**399,050**	367,701
Net (gains)/losses on disposal of property, plant and equipment	**(5,074)**	110
Impairment loss on property, plant and equipment	**350**	–
Depreciation charge:		
— Owned property, plant and equipment	**19,793**	26,153
— Right-of-use assets included within:		
— Leasehold land	**419**	117
— Buildings	**2,397**	2,232
Interest on lease liabilities	**139**	105
Short-term lease expenses	**13,681**	13,733

Note: Equity-settled share-based payment expenses of HK$99,000 (2022: HK$386,000) were included in staff costs and recognised in profit or loss during the year ended 31 December 2023 in respect of share awards of the Company.

11. INCOME TAX EXPENSE

	2023 *HK$'000*	2022 *HK$'000*
PRC Enterprise Income Tax ("EIT"):		
— Current year	**2,996**	2,792
— Withholding tax	**–**	8,825
— Over provision in prior years	**(1,282)**	–
	1,714	11,617
Deferred tax charge/(credit)	**715**	(8,529)
	2,429	3,088

No provision for Hong Kong Profit tax has been made since there is no tax assessable profit for the years ended 31 December 2022 and 2023.

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

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

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

天津市高速公路養護有限公司 Tianjin Expressway Maintenance Limited was recognised as a High-Tech company in 2020 and 2023 respectively and the applicable tax rate is 15% from 1 January 2020 to 30 November 2023 and from 8 December 2023 to 7 December 2026.

Withholding tax of approximately HK$604,000 (2022: HK$1,000) has been provided for the year ended 31 December 2023 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

12. DIVIDENDS

No final dividend and interim dividend were proposed by the directors for the years ended 31 December 2023 and 2022.

13. EARNINGS/(LOSS) PER SHARE

	2023	2022
	HK$'000	*HK$'000*
Earnings/(loss):		
Earnings/(loss) for the purposes of calculating basic and diluted earnings/(loss) per share — attributable to owners of the Company	**11,677**	(32,477)
Number of shares:		
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 earnings/(loss) per share	**1,011,055,830**	1,018,930,088
Effect of dilutive potential ordinary shares:		
Unvested share award	**–**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**1,011,055,830**	1,018,930,088

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.

During the year, the awarded shares were not vested and expired. There were no dilutive potential ordinary shares during the year ended 31 December 2023.

14. BILLS AND TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**341,644**	344,692
Less: Allowance for credit losses	**(238,139)**	(267,213)
	103,505	77,479
Bills receivables	**1,872**	2,471
	105,377	79,950

As at 31 December 2023 and 2022, trade receivables from contracts with customers amounted to approximately HK$103,505,000 and HK$77,479,000 respectively.

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

	2023	2022
	HK$'000	*HK$'000*
0 to 180 days	**1,872**	2,471

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

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

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**8,042**	3,815
3 to 12 months	**38,743**	38,865
1 to 2 years	**33,291**	13,422
Over 2 years	**23,429**	21,377
	103,505	77,479

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$90,322,000 (2022: HK$77,479,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$69,383,000 (2022: HK$58,918,000) 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 2023, included in the trade receivables are amounts due from the Group's related and connected parties of approximately HK$4,733,000 (2022: HK$8,877,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Other receivables	**39,905**	47,894
Less: Allowance for credit losses	**(31,082)**	(30,543)
	8,823	17,351
Prepayments and deposits	**19,731**	16,979
Other tax recoverable	**3,341**	197
	31,895	34,527

At 31 December 2023, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of approximately HK$1,091,000 (2022: 459,000), which are unsecured, interest-free and have no fixed terms of repayment.

16. BILLS, TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Bills payables	**5,497**	6,488
Trade payables	**268,887**	290,912
Other tax payables	**25,502**	26,204
Other payables and accrued charges	**51,567**	65,249
	351,453	388,853

At 31 December 2023, included in the Group's trade payables are amounts due to related parties of approximately HK$351,000 (2022: HK$1,654,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers.

At 31 December 2023, included in the Group's other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK$24,900,000 (2022: HK$26,237,000) which is unsecured, interest-free and has no fixed terms of repayment.

The Group normally receives credit terms of 30 days to 180 days (2022: 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:

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**124,679**	106,712
3 to 12 months	**77,932**	66,661
1 to 2 years	**37,129**	80,781
Over 2 years	**29,147**	36,758
	268,887	290,912

17. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,079,000,000	107,900

18. CAPITAL COMMITMENTS

	2023 *HK$'000*	2022 *HK$'000*
Contracted, but not provided for in respect of the acquisition of property, plant and equipment	**1,073**	2,906
Contracted, but not provided for in respect of the acquisition of leasehold land	**14,391**	14,714
Contracted, but not provided for in respected of construction contract	**296,551**	306,093

BUSINESS REVIEW

In 2023, the world's economic growth momentum was weak and the global trade growth slowed down. However, one of the world's major economies China's GDP in 2023 beat government growth targets due to a strong performance in the last three quarters in 2023. According to the "14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035", and the "Program of Building National Strength in Transportation" (交通強國建設綱要), China has achieved historic achievements in its comprehensive transportation system in the past five years, especially in responding to the COVID-19 pandemic, strengthening transportation guarantees, and promoting resumption of work and production. After the end of the COVID-19 pandemic, the concentrated burst of the accumulated maintenance demand over the past three years will force the road management mindset to shift towards "maintenance first", and the widespread application of deep maintenance such as medium-and-large-scale repairs and pre-maintenance will accelerate the increase of investment in road maintenance. Therefore, the Group's business operation has gradually resumed normal, the total service area of the "Hot-in-Place" project under the asphalt pavement maintenance ("APM") services sector recorded an increase during the year under review and resulted its gross profit margin recorded an increase. The APM equipment segment of the Group recorded an increase in revenue during the year under review due to (i) many local governments and highway companies postponed their capital investment to 2023 due to the outbreak of COVID-19 in 2022; and (ii) the successful of sale a set of modular series equipment. During the year under review, the Group also recorded a reversal of expected credit loss of trade receivables and contracts assets for the year ended 31 December 2023.

In 2023, the Group's revenue was approximately HK$543.1 million, representing an increase of approximately 13.6% as compared to 2022. The profit attributable to owners of the Company amounted to approximately HK$11.7 million in 2023 as compared with the loss attributable to owners of the Company of approximately HK$32.5 million in 2022. The improvement of results of the Group was mainly due to: (i) increase in the revenue of APM service and equipment segments; (ii) the reversal of expected credit loss of trade receivables and contract assets; and (iii) decrease in share of losses of joint ventures. As at 31 December 2023, the Group maintained a healthy financial position as it had cash on hand in the sum of approximately HK$254.3 million.

Asphalt Pavement Maintenance Services

Due to the increase in the total service area of the Group's "Hot-in-Place" projects and more road maintenance works were performed by 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") in 2023, the APM service segment recorded revenue of approximately HK$494.5 million, representing an increase of 8.7% as compared to 2022. The gross profit margin of the Group's "Hot-in-Place" projects was increased from 38.8% in 2022 to 42.7% during the year under review due to an increase in the total service area of the Group's "Hot-in-Place" projects.

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

APM Equipment

During the year under review, our revenue for the APM equipment segment for 2023 significantly increased by 108.0% as compared to the corresponding period for 2022. This was mainly due to many local governments 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 during the year under review.

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 2023, we had registered 238 patents (2022: 222), of which 30 were invention patents (2022: 25), 181 were utility model patents (2022: 171) and 27 were design patents (2022: 26), and we had 22 pending patent applications, of which 20 are invention patents and 2 are utility model patents (2022: 24 pending patent applications, of which 21 are invention patents and 3 are utility model patents).

* *For identification purposes only*

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

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

Others

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

OUTLOOK

After the completion of the China's "two sessions", the annual gatherings of the National People's Congress and the Chinese People's Political Consultative Conference National Committee, it is optimistic about China's potential for economic and social development, looking forward to China injecting more positive energy into world economic recovery. China's economy will continue to provide stable macro policy and economic environment for the high-quality development of the environmental protection industry, which will continue to play an important part in facilitating China's green economic development. In addition, according to the "20th National Congress", which provides a profound exposition on "Realizing Chinese-style Modernization", it has pointed out the fundamental guideline and development direction for the comprehensive improvement of road maintenance management and the promotion of sustainable and healthy growth of the maintenance industry. It is expected that by 2026, China will have built a national expressway network, ordinary national highway network, and other road networks totaling approximately 460,000 kilometers. The PRC government's investment in road maintenance is expected to continue to grow at a high rate, with fiscal expenditures expected to reach over RMB100 billion, marking the arrival of an "era of full-road maintenance". With our patent "Hot-in-Place" recycling technology and other new products, the Group will benefit from the increasing demand for APM and the favourable environment in the PRC, especially those using the recycling technologies.

Firstly, as at 31 December 2022, China has the longest expressway and the second longest highway (in terms of mileage) in the world. The overall growth of the APM industry in the PRC remains sustainable and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal and has significant potential for expansion. Secondly, the Group has developed part of the South China market which enables the Group to perform APM services during slack season. Thirdly, 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. Fourthly, 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 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 (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 2022.

REVENUE

a. APM Services

	Year ended 31 December				
	2023		2022		
	HK$’000	**Area serviced *(square meters ’000)***	*HK$’000*	Area serviced *(square meters ’000)*	Increase
Revenue (net of VAT)					
“Hot-in-Place” Projects	**139,299**	**3,123**	137,391	2,299	1.4%
Non-“Hot-in-Place” Projects	**355,214**	**–**	317,507	–	11.9%
Total	**494,513**		454,898		8.7%

	Year ended 31 December				
	2023		2022		
	HK$'000	***Margin***	*HK$'000*	*Margin*	Increase
Gross profit					
"Hot-in-Place" Projects	**59,522**	**42.7%**	53,291	38.8%	11.7%
Non-"Hot-in-Place" Projects	**35,941**	**10.1%**	33,906	10.7%	6.0%
Total	**95,463**	**19.3%**	87,197	19.2%	9.5%

Revenue for this segment increased in the year of 2023 compared to 2022 due to the effect of: (i) the growth in revenue of the Group's "Hot-in-Place" projects was relatively lower than the growth in the total service area was due to there was a revenue deduction adjustment in relation to prior years project after the completion of the settlement with the customer; and (ii) more road maintenance works were performed by Tianjin Expressway Maintenance in 2023 and the revenue of non-"Hot-in-Place" projects recorded an 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				
	2023		2022		
	HK$'000	***units/sets***	*HK$'000*	*units/sets*	Increase
Revenue (net of VAT)					
Standard series	**26,261**	**23**	20,198	15	30.0%
Modular series	**17,212**	**–**	–	–	N/A
Repair and maintenance	**5,117**	**N/A**	3,161	N/A	61.9%
Total	**48,590**		23,359		108.0%

	Year ended 31 December				
	2023		2022		
	HK$'000	***Margin***	*HK$'000*	*Margin*	Increase
Gross profit					
Standard series	**15,072**	**57.4%**	9,262	45.9%	62.7%
Modular series	**3,520**	**20.5%**	–	N/A	N/A
Repair and maintenance	**2,792**	**54.6%**	1,845	58.4%	51.3%
Total	**21,384**	**44.0%**	11,107	47.5%	92.5%

Revenue for the APM equipment segment for 2023 significantly increased by 108.0% as compared to the corresponding period for 2022. This was mainly due to many local government and highway companies delayed their capital investment to 2023 due to the outbreak of COVID-19 in 2022. In addition, the Group had successfully sold a set of modular series equipment during the year under review. 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.

OTHER INCOME

Other income for the year under review decreased by approximately HK$6.5 million, from approximately HK$9.9 million in 2022 to approximately HK$3.4 million in 2023 primarily due to the decrease in interest income received.

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

The reversal of impairment losses on financial and contract assets of approximately HK$29.8 million primarily due to the net effect of (i) the settlement of long aged of trade receivables and contract assets; and (ii) the recognition of impairment loss on other receivables.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs for the year under review increased by approximately 12.3% or approximately HK$1.9 million, from approximately HK$15.5 million in 2022 to approximately HK$17.4 million in 2023, primarily due to more marketing and promotion activities were conducted in 2023.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 8.3%, or approximately HK$5.8 million, from approximately HK$70.2 million in 2022 to approximately HK$76.0 million in 2023, primarily due to (i) the strict COVID-19 pandemic control implemented in the first half of 2022 had been relieved in the fourth quarter of 2022, resulted more travelling and entertainment expenses were incurred in 2023; and (ii) increased in staff costs due to an increase in number of employees.

RESEARCH COSTS

Research costs increased by approximately 12.5%, or approximately HK$2.7 million, from approximately HK$21.6 million in 2022 to approximately HK$24.3 million in 2023, primarily due to more cost to incurred in the upgrading and diversification of the product range of the Group in road industry.

SHARE OF LOSSES OF JOINT VENTURES

The Group's share of losses from joint ventures decreased by approximately HK$3.9 million, from approximately HK$8.2 million in 2022 to approximately HK$4.3 million in 2023 primarily due to the business of the joint ventures were affected by the recent years COVID-19 pandemic outbreak, and more impairment losses had been recognised on the property, plant and equipment in 2022.

FINANCE COSTS

Finance costs decreased by approximately HK$1.2 million, from approximately HK$4.4 million in 2022 to approximately HK$3.2 million in 2023 primarily due to the decrease in the interest rate of the bank borrowings.

INCOME TAX EXPENSE

Income tax expense decreased by approximately HK$0.7 million, from approximately HK$3.1 million in 2022 to approximately HK$2.4 million in 2023 due to the over provision of income tax expense in prior years.

PROFIT

Profit attributable to owners of the Company amounted to approximately HK$11.7 million in 2023 compared with the loss attributable to owners of the Company of approximately HK$32.5 million in 2022, primarily due to the net effect of (i) the increase in the revenue of the APM service and APM equipment segments; (ii) the expected credit loss on trade receivables and contract assets reversed; (iii) the increase in selling and distribution expenses and administrative expenses; and (iv) the decrease in share of losses of joint ventures.

FINANCIAL POSITION

As at 31 December 2023, the total equity of the Group amounted to approximately HK$763.3 million (2022: HK$755.1 million). Increase in the total equity of the Group was due to the net effect of (i) the profit attributable to owners of the Company for the year ended 31 December 2023; 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 2023 amounted to approximately HK$485.7 million (2022: HK$456.8 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2023, was 2.1 (31 December 2022: 1.9). The increase in the net current assets and current ratio was mainly due to the net effect of (i) the recognition of expected credit loss on financial assets reversed: and (ii) the decrease in cash and bank deposit balances.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group's bank balances and cash, pledged bank deposits, restricted bank deposit and financial assets at fair value through profit or loss amounted to approximately HK$254.3 million (2022: HK$286.3 million). The decrease was primarily due to the effect of net cash used in operating activities and purchase of property, plant and equipment. As at 31 December 2023, the bank borrowings of the Group amounted to HK$99.1 million (2022: HK$91.2 million). As at 31 December 2022 and 2023, the Group was in a net cash position.

Due to the Group's long aged outstanding trade receivables balances had continued to improve in 2023, the gross amount of trade receivables and contract assets balances were decreased from HK$758.3 million as at 31 December 2022 to HK$748.9 million as at 31 December 2023. The contract assets balance also includes some retention money withheld by the customers (5% to 10%) of the contract price which is to be paid after the expiration of the warranty period and not yet past due. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK$182.0 million (RMB165.2 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 2023, 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 2023, the Group had total debt of HK$99.1 million (2022: HK$91.2 million), which was comprised of secured interest-bearing bank borrowings of HK$44.6 million (2022: HK$46.2 million) and unsecured interest-bearing bank borrowings of HK$54.5 million (2022: HK$45.0 million).

As at 31 December 2023, bank balance of approximately HK$7.5 million (2022: HK$10.6 million) was pledged to secure general banking facilities granted to the Group.

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

INVESTMENT PROPERTY

As at 31 December 2023, the Group's investment property was measured using the fair value model and was approximately HK$140.9 million (as at 31 December 2022: HK$142.4 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 will 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 to the fourth quarter of 2025. The Group intends to fund 80% of the contract cost by bank financing and 20% by its internal resources. The site area of the investment property is approximately 35,673 square meters, with plot ratio not more than 1.2 and gross floor area permissible for sale is no more than 40% of the total gross floor area. The investment property will be developed into the global technology research and development centre of the Group, two main office buildings with total gross floor area of approximately 25,696 square meter (the "Main Buildings") and seventeen small office buildings with total gross floor area of approximately 17,055 square meter (the "Office Buildings") will be developed. Upon the completion of the construction, the Group intends 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.

USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERING ("IPO")

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

These net proceeds were applied in the year ended 31 December 2023 in the manner as stated in the prospectus of the Company dated 14 June 2013, the Change in Use of Proceeds Announcement and the Clarification Announcement, as follows:

	Original allocation of net proceeds as set out in the Prospectus	Unutilised amount of net proceeds before allocation	Unutilised amount of net proceeds after allocation	Net proceeds utilised during the year	Net proceeds utilised up to 31 December 2023	Unutilised	Expected timeline for unutilised net proceeds
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	
Investment in research and development activities	137.4	–	30.0	2.8	140.2	27.2	End of 2025
Establishing joint ventures and expanding APM service teams	137.4	37.5	–	–	99.9	–	
Manufacturing APM equipment and expanding our APM service teams	103.1	–	–	–	103.1	–	
Acquisitions of other APM service providers	103.0	42.2	–	–	60.8	–	
Constructing new production facility	68.7	–	14.7	–	68.7	14.7	End of 2025
Establishing sales offices in new markets and marketing expenses	68.7	–	–	–	68.7	–	
General corporate purposes and working capital requirements	68.7	–	35.0	3.0	71.7	32.0	End of 2025
	687.0	79.7	79.7	5.8	613.1	73.9	

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 2023 are set out in note 37 to the financial statements. As at 31 December 2023, 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 2023, 88.9% and 11.1% of the Group's bank borrowings are at fixed interest rate and floating interest rate, respectively (2022: 87.7% and 12.3%). 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 2023, certain pledged bank deposits, restricted bank deposits and bank balances and cash of approximately HK$249,327,000 (2022: HK$259,152,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2023, the Group's bank borrowings denominated in RMB amounted to approximately HK$99,117,000 (equivalent to RMB90,000,000) (2022: HK$91,208,000 (equivalent to RMB81,000,000)). The Group has not hedged its foreign currency risk. The changes in foreign currency translation reserve during the 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 2023, the Group had a total of 475 full time employees (2022: 456). 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 achieve 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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2023, 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.

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 2023.

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 2023 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 C3 to the Listing Rules.

Specific enquiries have been made of all the directors of the Company 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 2023.

Taking into the factors set out in the Company's dividend policy, the directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2023. 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 and the website of the Company at www.freetech-holdings.hk.

The 2023 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
Freetech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman and Chief Executive Officer

Hong Kong, 28 March 2024

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.