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英達公路再生科技(集團)有限公司

Fretech 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 2013

The board of directors (the “Board”) of Fretech 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 2013.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2013	2012	Increase/
	HK\$'000	HK\$'000	(decrease)
Revenue	628,709	486,003	29.4%
Profit attributable to owners of the parent before extraordinary items ¹	198,773	146,936	35.3%
Profit attributable to owners of the parent	182,526	146,593	24.5%
Earnings per share (Basic) (<i>HK cents</i>)	19.93	19.73	1.0%
Proposed final dividend per share (<i>HK cents</i>)	5.5	—	N/A

¹ profit attributable to owners of the parent excluding fair value gain from remeasurement of equity interest previously held in an acquired subsidiary and listing expenses

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
REVENUE	5	628,709	486,003
Cost of sales		<u>(287,591)</u>	<u>(222,964)</u>
Gross profit		341,118	263,039
Other income and gains	5	13,080	10,272
Selling and distribution expenses		(26,041)	(20,344)
Administrative expenses		(68,713)	(44,675)
Other expenses		(36,129)	(14,411)
Finance costs	6	(6,865)	(4,025)
Share of profits and losses of:			
Joint ventures		3,214	3,573
Associates		<u>331</u>	<u>(426)</u>
PROFIT BEFORE TAX	7	219,995	193,003
Income tax expense	8	<u>(39,944)</u>	<u>(42,630)</u>
PROFIT FOR THE YEAR		<u>180,051</u>	<u>150,373</u>
Attributable to:			
Owners of the parent		182,526	146,593
Non-controlling interests		<u>(2,475)</u>	<u>3,780</u>
		<u>180,051</u>	<u>150,373</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		<u>HK19.93 cents</u>	<u>HK19.73 cents</u>
Diluted		<u>HK19.93 cents</u>	<u>HK19.73 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2013*

	2013 HK\$'000	2012 HK\$'000
PROFIT FOR THE YEAR	180,051	150,373
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	11,230	4,874
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	11,230	4,874
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	191,281	155,247
Attributable to:		
Owners of the parent	193,138	151,275
Non-controlling interests	(1,857)	3,972
	191,281	155,247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		160,861	128,108
Prepaid land lease payments		6,780	6,788
Goodwill		731	731
Other intangible assets		100	182
Prepayments		–	3,157
Investments in joint ventures		39,433	26,832
Investments in associates		9,283	3,447
Deferred tax assets		15,320	9,277
Total non-current assets		232,508	178,522
CURRENT ASSETS			
Inventories		33,360	41,057
Trade and bills receivables	<i>11</i>	548,784	268,208
Prepayments, deposits and other receivables		39,649	17,341
Pledged deposits		75	448
Cash and bank balances		614,697	130,862
Total current assets		1,236,565	457,916
CURRENT LIABILITIES			
Trade payables	<i>12</i>	79,163	73,739
Other payables and accruals		70,510	44,671
Dividends payable		–	4,964
Due to the ultimate holding company		–	4,350
Interest-bearing bank borrowings		49,629	78,270
Tax payable		16,829	9,218
Total current liabilities		216,131	215,212
NET CURRENT ASSETS		1,020,434	242,704
TOTAL ASSETS LESS CURRENT LIABILITIES		1,252,942	421,226

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		21,772	7,463
Deferred tax liabilities		16,955	17,476
Due to the immediate holding company		<u>–</u>	<u>153,538</u>
Total non-current liabilities		<u>38,727</u>	<u>178,477</u>
Net assets		<u>1,214,215</u>	<u>242,749</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	107,900	178
Reserves		1,026,663	220,407
Proposed final dividend		<u>59,345</u>	<u>–</u>
		1,193,908	220,585
Non-controlling interests		<u>20,307</u>	<u>22,164</u>
Total equity		<u>1,214,215</u>	<u>242,749</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND GROUP REORGANISATION

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

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

Pursuant to a reorganisation (the “Reorganisation”) described in the section headed “History and Corporate structure” to the Company’s prospectus dated 14 June 2013, the Company became the holding company of all the companies now comprising the Group on 12 August 2011.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacturing and sale of road maintenance equipment and provision of road maintenance services in the People’s Republic of China (the “PRC”).

In the opinion of the directors of the Company, the ultimate holding company of the Company is Freotech Technology Limited (“Freotech Technology”), which was incorporated in Hong Kong and is wholly owned and controlled by Mr. Sze Wai Pan (the “Controlling Shareholder” and “Founder”), a director of the Company. The immediate holding company of the Company is Freotech (Cayman) Limited, which was incorporated in the Cayman Islands.

The balances with the ultimate holding company as at 31 December 2012 were unsecured, interest-free and had no fixed terms of repayment.

The balances with the immediate holding company as at 31 December 2012 were unsecured, interest-free and not repayable within one year.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets</i> (early adopted)
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in Annual Improvements 2009–2011 Cycle, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

- (b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).
- (c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of disclosure requirements for these entities.
- (d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.
- (e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.
- (f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

- (g) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.
- (h) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- *HKAS 32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the provision of road maintenance services segment; and
- (b) the manufacturing and sale of road maintenance equipment segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, exchange differences, share of profits and losses of joint ventures and associates, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and bank balances, investments in joint ventures, investments in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Geographic information

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

Information about a major customer

During the year ended 31 December 2013, revenue from sale to one of the Group's joint ventures, accounted for 10% or more of the Group's revenue and its revenue amounted to HK\$85,267,000. The sales to the above joint venture were derived from the sales of road maintenance equipment.

During the year ended 31 December 2012, there was one customer accounted for 10% or more of the Group's revenue and its revenue amounted to HK\$45,380,000. The sales to the above customer were derived from the provision of road maintenance services.

Year ended 31 December 2013

	Provision of road maintenance services HK\$'000	Manufacturing and sale of maintenance equipment HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	345,499	283,210	628,709
Intersegment sales	–	6,541	6,541
Other revenue	3,048	177	3,225
	348,547	289,928	638,475
<i>Reconciliation:</i>			
Elimination of intersegment sales			(6,541)
Revenue			631,934
Segment results	70,507	169,205	239,712
<i>Reconciliation:</i>			
Interest income			6,450
Exchange gains			3,405
Corporate and unallocated expenses			(26,252)
Share of profits and losses of joint ventures and associates			3,545
Finance costs			(6,865)
Profit before tax			219,995
Segment assets	498,383	364,681	863,064
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(84,552)
Investments in joint ventures			39,433
Investments in associates			9,283
Corporate and other unallocated assets			641,845
Total assets			1,469,073
Segment liabilities	178,898	51,955	230,853
<i>Reconciliation:</i>			
Elimination of intersegment payables			(84,552)
Corporate and other unallocated liabilities			108,557
Total liabilities			254,858
Other segment information:			
Impairment losses recognised in the statement of profit or loss	8,490	2,071	10,561
Depreciation and amortisation	11,269	7,584	18,853
Capital expenditure*	43,752	4,774	48,526

Year ended 31 December 2012

	Provision of road maintenance services <i>HK\$'000</i>	Manufacturing and sale of maintenance equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	288,399	197,604	486,003
Intersegment sales	–	15,139	15,139
Other revenue	9,242	510	9,752
	<u>297,641</u>	<u>213,253</u>	<u>510,894</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(15,139)</u>
Revenue			<u><u>495,755</u></u>
Segment results	93,694	116,521	210,215
<i>Reconciliation:</i>			
Interest income			505
Exchange gains			15
Corporate and unallocated expenses			(16,854)
Share of profits and losses of joint ventures and associates			3,147
Finance costs			<u>(4,025)</u>
Profit before tax			<u><u>193,003</u></u>
Segment assets	349,093	162,895	511,988
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(51,535)
Investments in joint ventures			26,832
Investments in associates			3,447
Corporate and other unallocated assets			<u>145,706</u>
Total assets			<u><u>636,438</u></u>
Segment liabilities	123,806	41,106	164,912
<i>Reconciliation:</i>			
Elimination of intersegment payables			(51,535)
Corporate and other unallocated liabilities			<u>280,312</u>
Total liabilities			<u><u>393,689</u></u>
Other segment information:			
Impairment losses recognised in the statement of profit or loss	7,810	288	8,098
Depreciation and amortisation	9,516	4,233	13,749
Capital expenditure*	14,470	6,168	20,638

* Capital expenditure consists of additions to property, plant and equipment, land use rights, and other intangible assets, excluding assets from the acquisition of a subsidiary.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts; and the value of services provided during the year.

An analysis of the Group's other income and gains is as follows:

	2013 HK\$'000	2012 <i>HK\$'000</i>
Other income and gains		
Government grants*	3,225	932
Interest income	6,450	505
Foreign exchange differences, net	3,405	15
Fair value gain from remeasurement of equity interest previously held in an acquired subsidiary to fair value	–	8,757
Others	–	63
	13,080	10,272

* Various government grants have been received for investments in certain provinces in Mainland China in which the Company's subsidiaries operate. There are no unfulfilled conditions for contingencies relating to these grants.

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Group 2013 HK\$'000	2012 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	6,865	4,025

7. PROFIT BEFORE TAX

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of inventories sold	87,185	61,903
Cost of services provided	200,406	161,061
Depreciation	18,543	13,421
Amortisation of other intangible assets	106	131
Amortisation of land lease payments	204	197
Auditors' remuneration	1,280	189
Employee benefit expense (including directors' remuneration):		
Wages and salaries	72,113	55,178
Pension scheme contributions**	5,112	3,913
	77,225	59,091
Minimum lease payments under operating leases of land and buildings	5,625	3,246
Loss on disposal of items of property, plant and equipment*	409	65
Impairment of trade receivables*	10,364	8,208
Impairment/(reversal of impairment) of other receivables*	197	(110)
Research and development costs*	24,658	5,989

* These items are included in "Other expenses" in the consolidated statement of profit or loss.

** At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2012: Nil).

8. INCOME TAX

	2013 HK\$'000	2012 HK\$'000
Group:		
Current:		
Mainland China	46,664	41,579
Hong Kong	–	353
Deferred	(6,720)	698
	<hr/>	<hr/>
Total tax charge for the year	39,944	42,630
	<hr/>	<hr/>

Hong Kong profits tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2013 as the Group did not generate any assessable profits arising in Hong Kong. For the year ended 31 December 2012, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

PRC corporate income tax (“PRC CIT”)

PRC CIT represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which were entitled to preferential tax rates during the year.

During the years ended 31 December 2013 and 2012, 英達熱再生有限公司 (Freotech Road Recycling Corporation*) (“Freotech Road Recycling”) and 南京英達公路養護車製造有限公司 (Nanjing Freotech Road Maintenance Vehicle Manufacturing Corporation*) (“Freotech Manufacturing”) were registered as new and high technology enterprises and were subject to PRC CIT at a rate of 15% on their assessable profits.

The share of tax attributable to joint ventures amounting to HK\$561,000 (2012: HK\$745,000) is included in the “Share of profits and losses of joint ventures” in the consolidated statement of profit or loss.

* For identification purpose only

9. DIVIDENDS

	2013 HK\$'000	2012 HK\$'000
Special dividend (<i>Note</i>)	60,000	–
Proposed final — HK5.5 cent (2012: Nil) per ordinary share	59,345	–
	<hr/>	<hr/>

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

Note: On 7 June 2013, the Company declared the dividend distribution totalling HK\$60,000,000 to its shareholders before the listing of the shares of the Company. Investors becoming shareholders of the Company after the listing of the Company on the Stock Exchange were not entitled to such dividend.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the year ended 31 December 2013 is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 916,015,819 (2012: 742,979,453) in issue during the year ended 31 December 2013, on the assumption that the issue of shares for capitalisation of the amount due to the immediate holding company had been adjusted for the bonus element on 1 January 2012 and the capitalisation issue of shares had been completed on 1 January 2012.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2013 and 2012.

The calculations of basic earnings per share are based on:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>182,526</u>	<u>146,593</u>
	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	<u>916,015,819</u>	<u>742,979,453</u>

11. TRADE AND BILLS RECEIVABLES

	Group 2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade and bills receivables from third parties	431,070	269,093
Trade receivables from joint ventures and associates	<u>154,586</u>	<u>29,575</u>
Impairment	<u>(36,872)</u>	<u>(30,460)</u>
	<u>548,784</u>	<u>268,208</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 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Within 3 months	220,444	113,726
3 to 12 months	194,645	89,436
1 to 2 years	96,760	24,520
Over 2 years	36,935	40,526
	548,784	268,208

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Within 3 months	34,715	24,965
3 to 12 months	18,070	26,631
1 to 2 years	5,297	2,282
Over 2 years	21,081	19,861
	79,163	73,739

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

Included in the Group's trade payables is an amount due to an associate of approximately HK\$2,086,000 (2012: HK\$2,240,000) which is repayable within 90 days, which represents credit terms similar to those offered by the associate to its major customers.

13. SHARE CAPITAL

Shares

	2013 HK\$'000	2012 HK\$'000
Authorised:		
10,000,000,000 (2012: 3,900,000) ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>390</u>
Issued and fully paid:		
1,079,000,000 (2012: 1,781,636) ordinary shares of HK\$0.1 each	<u>107,900</u>	<u>178</u>

A summary of the transactions during the year in the Company's authorised and issued share capital is as follows:

	<i>Notes</i>	Number of shares in issue	Issued share capital HK\$'000
Authorised:			
At 1 January 2012, 31 December 2012 and 1 January 2013		3,900,000	390
Increase in authorised share capital on 7 June 2013	(a)	<u>9,996,100,000</u>	<u>999,610</u>
At 31 December 2013		<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
At 1 January 2012, 31 December 2012 and 1 January 2013		1,781,636	178
Issuance of new shares for capitalisation of the amount due to the immediate holding company	(b)	98,218,364	9,822
Capitalisation issue of shares	(a)	680,000,000	68,000
Issuance of new shares in connection with the listing of the Company's shares on 26 June 2013	(c)	260,000,000	26,000
Issuance of new shares in connection with the listing of the Company's shares on 23 July 2013	(d)	<u>39,000,000</u>	<u>3,900</u>
At 31 December 2013		<u>1,079,000,000</u>	<u>107,900</u>

Notes:

(a) Pursuant to resolutions passed on 7 June 2013, the following changes were approved:

- (i) the authorised share capital of the Company was increased from HK\$390,000 to HK\$1,000,000,000 by the creation of additional 9,996,100,000 shares of HK\$0.10 each; and

- (ii) an aggregate of 680,000,000 ordinary shares of HK\$0.10 each were allotted and issued to the shareholders by capitalising an amount of HK\$68,000,000 standing to the credit of the share premium account of the Company. This issue and allotment of shares became unconditional on the Listing Date.
- (b) On 7 June 2013, the Company capitalised the amount due to the immediate holding company of approximately HK\$153,183,000 by the issuance of 98,218,364 ordinary shares of the Company of HK\$0.10 each.
- (c) In connection with the Company's global offering, 260,000,000 ordinary shares of the Company of HK\$0.10 each were issued at a price of HK\$2.43 per share for a total cash consideration, before expenses, of approximately HK\$631,800,000. Dealings in the shares of the Company on the Stock Exchange commenced on 26 June 2013.
- (d) On 23 July 2013, in connection with the exercise of the over-allotment option in full by the sole global co-ordinator of the Company's global offering, 39,000,000 ordinary shares of the Company of HK\$0.10 each were issued at a price of HK\$2.43 per share for a total cash consideration, before expenses, of approximately HK\$94,770,000.

14. COMMITMENTS

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Contracted, but not provided for:		
Property, plant and equipment	44,719	43,673
Capital contributions payable to a joint venture	7,838	7,613
Capital contributions payable to an associate	6,275	6,095
	58,832	57,381
Authorised, but not provided for:		
Property, plant and equipment	11,766	18,742
	70,598	76,123

BUSINESS REVIEW

In 2013, while continuing to maintain stable economic growth, the PRC government actively promoted the green economy and environmental protection industry. Environmental protection has become a core priority for Mainland China's future economic reforms and long-term development.

Following the PRC's 12th Five-Year Plan which ranked energy consumption and environmental protection first among the seven Strategic Emerging Industries in 2013, the PRC government has issued a series of guidelines and policies on environmental restoration.

We believe that: 1. the PRC government will further step up its policy in support of environmental restoration; and 2. Mainland China will continue to invest in highway construction and there will be an increasing need to replace old roads. As a result of the above, the demand for using recycling technology in the asphalt pavement industry will continue to grow, providing the Group with enormous market and development opportunities.

During the year under review, the Group continued its market expansion strategy through establishing new joint ventures and associates with local asphalt pavement maintenance ("APM") service providers and persons to provide APM services. In 2013, the Group established three (2012: four) new joint ventures and associates and as at 31 December 2013, had in total nine (as at 31 December 2012: six) joint ventures and associates engage in provision of APM service. In the fourth quarter of 2013, the Group also formed a new market expansion strategy and appointed some local experienced APM service providers as our franchisees to promote our "Hot-in-Place" recycling technology in particular cities. According to the franchise agreement, every franchisee has a minimum yearly production volume target. As at 31 December 2013, we had appointed six local APM service providers as our franchisees. As of the latest practicable date, we have appointed additional four local APM service providers as our franchisees and we have in total ten franchisees.

In 2013, the road recycling technology industry maintained a satisfactory development trend and the existing businesses of the Group recorded year-on-year growth. The Group's operating revenue was approximately HK\$628.7 million, representing an increase of approximately 29.4% as against 2012. Total profit attributable to owners of the Company and total profit attributable to owners of the Company before extraordinary items were approximately HK\$182.5 million and HK\$198.8 million, respectively, representing an increase of approximately 24.5% and 35.3%, respectively, as against 2012. The Group remains a leading and fast-growing service provider using "Hot-in-Place" recycling technology in the asphalt pavement maintenance industry in Mainland China.

APM Services

During the year under review, we remained a leading and fast-growing service provider in the PRC market using “Hot-in-Place” recycling technology in the provision of APM services. In the municipal road market, we are the key player performing APM services. In addition, we have set up a new sales office in Xinjiang Autonomous Region and generate new revenue from our city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝). The city excavation rapid backfilling restoration process uses recycled materials from the excavated road or recycled construction materials to refill the road base. Compared with the traditional excavation process which uses new sand and aggregates as filling materials and often requires lengthy road closures, this process is more environmentally friendly, lowers the cost of raw materials used and lessens the length of time for road closures and traffic diversions.

In 2013, Inner Mongolia Freetech Dongfang Road Recycling Engineering Co., Ltd* (內蒙古英達東方道路再生工程有限公司) (“Freetech Ordos”), a subsidiary of the Company, and Ordos Dongfang Road & Bridge Group Co., Ltd* (鄂爾多斯市東方路橋集團股份有限公司) entered into a contract, pursuant to which Freetech Ordos agreed to provide APM services by using “Hot-in-Place” recycling technology on a road expansion and reconstruction project at Dongkang expressway* (東康線快速路), Ordos, in the Inner Mongolia Autonomous Region of the PRC. The contract widens the application of “Hot-in-Place” technology from road maintenance projects into a new area of road expansion and reconstruction projects. The Company believes that this breakthrough could potentially lead to more business opportunities for the Group in the future.

As a result of the above, our APM services segment recorded revenue of approximately HK\$345.5 million, representing an increase of 19.8% as against 2012.

APM Equipment

During the year under review, we maintained our position as the leading APM equipment providers in the PRC market, through establishing three new joint ventures in Guangdong Province, Fujian Province and Jiangsu Province with local service providers or investors and selling four sets of modular series products to four joint ventures. In addition, due to the anticipated demand of modular series products from our franchisee, we have established a joint venture with a third party investor to become involved in the leasing business. We have sold three sets of modular series products to this joint venture. During the year, our APM equipment segment generated revenue of HK\$283.2 million, representing an increase of 43.3% as against 2012.

Research and Development

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

* For identification purpose only

New Product Series

As disclosed in the Company's prospectus dated 14 June 2013, during the year, we continued to further strengthen our research and development capabilities, and focus our efforts on overcoming certain technological limitations in the APM service industry. Recently, in the equipment research and development sector, we have developed a new and unique piece of equipment named HiPav 5, which integrates the functions of a "Hot-in-Place" recycling unit and a traditional asphalt paver. HiPav 5 incorporates 5 patented technologies and provides greater flexibility, reliability and efficiency. It will enable us to further explore new markets, including secondary or narrow asphalt roads where traditional recycling trains cannot gain access. The success of HiPav 5's technology represented a significant breakthrough in the worldwide APM industry. We believe that this equipment will provide a favourable return to the Group in the near future.

In the maintenance technology research sector, we have successfully developed our own rejuvenating agents so that they can best meet the needs of specific roads in order to optimize the performance of the recycled materials. We also invested in a multi-purposed road surveying vehicle. This will enable us to collect, analyse and generate all road quality indexes in a more accurate and much faster manner. In addition, we successfully expanded the application of "Hot-in-Place" technology from road maintenance projects into a new area of road expansion and reconstruction projects. The Company believes that this breakthrough could potentially lead to more business opportunities for the Group in the future. Also, we have successfully developed a new pavement method — thermal bonding overlay, this method has a significant quality advantage when compared with traditional method. We believe this is our Group's another new advantage in 2014.

New Patents

In addition, we continue to invest significant resources in our research and development efforts. As at 31 December 2013, we had registered 87 patents (31 December 2012: 79), of which 7 were invention patents (31 December 2012: 7), 70 were utility model patents (31 December 2012: 64) and 10 were design patents (31 December 2012: 8), and we had 18 patent pending applications (31 December 2012: 17), of which 12 were invention patents (31 December 2012: 13), 4 were utility model patents (31 December 2012: 4) and 2 were design patents (31 December 2012: nil).

Other matters

We have also recently undergone a stringent mid-year inspection conducted by the experts of Jiangsu Science and Technology Bureau (江蘇省科技廳) in connection with funding from the Jiangsu Province Science and Technology Achievement Project Fund (江蘇省科技成果轉換項目基金) granted to us in October 2012.

With strong research and development capabilities, we believe that our Group is able to adopt the most advanced technologies in the APM industry, provide customised solutions to our clients and maintain our competitive and leading status in the APM industry by using recycling technology.

Production Capacity

With the introduction of certain favorable policies by the PRC government to encourage the use of recycling technology in the APM market, we anticipate an increase in sales of our APM equipment to joint ventures and franchisees, and an increase in demand for our own services. In February 2013 we commenced the construction of a new plant to increase our APM equipment production capacity. Construction progress was slightly behind our schedule and we expect that the new production facility will become operational by the second quarter of 2014 upon partial completion. The new facility is expected to increase our production output capacity by more than double when construction is complete (due to be at the end of 2014).

OUTLOOK

The Twelfth Five-Year Plan for Transport (交通運輸“十二五”發展規劃) issued by the Ministry of Transport of the PRC (the “Ministry of Transport”) in 2011 actively promotes recycling APM technologies to reduce emissions from and the environmental impact of providing road maintenance services. The Ministry of Transport released Guidance on Promoting Road Pavement Material Recycling (關於加快推進公路路面材料迴圈利用工作的指導意見) in 2012 which stipulates that the average rate of recycling of damaged pavement materials in the PRC should reach at least 50% by the end of 2015 and at least 90% by the end of 2020. At the end of the Twelfth Five-Year Plan (“十二五”發展規劃), the Ministry of Transport will conduct road inspections on highways in the second half of 2015 to check the quality and condition of the road maintenance work and the appropriateness of the usage of funds. These policies have provided tremendous market opportunities for the Group.

As a leading service provider of “Hot-in-Place” recycling technology in the APM industry, the Group intends to build on its competitive advantages to benefit from the current favorable policies. The Group intends to strengthen its market position from “3 in 1” integrated solution provider, i.e. integrating APM technology research and development, APM equipment manufacturing and APM service contracting, extends to “4 in 1”, by setting up Road Recycling Training Institute (公路醫生學院) to develop new professional personnel of APM industry and provide a research and development interflow platform. The Group has appointed more than 30 top industry expert professors as full time or part time professors at the Road Recycling Training Institute. The Group aims to continuously strengthen its market position and increase its market share through: (i) investing more resources to maintain our leading role in providing APM services through establishing more sales offices and appointing more salesmen in different cities; (ii) increasing market penetration, particularly in cities where the use of “Hot-in-Place” recycling technology is currently relatively limited; (iii) establishing new joint ventures; (iv) appointing more local APM service providers as our franchisees; and (v) further strengthening our research and development capabilities and increasing our equipment production and service capacities.

Looking ahead, the Group remains optimistic about the business outlook. The Group is committed to upholding its development principle — “Efficient use of technology to create multi-win situations” (“善用科技，共創多贏”), and generating better returns for its shareholders.

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 is a description of the Group’s operating activities during the year, with comparisons against 2012.

REVENUE:

a. APM Services

	Year ended 31 December		Increase/ (decrease)
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	
Revenue	345,499	288,399	19.8%
Gross profit	145,093	127,338	13.9%
Gross profit margin	42.0 %	44.2%	
APM area serviced (square metres)	3,057,000	2,760,000	10.8%

Revenue and gross profit for this segment both grew compared to 2012. Revenue increased by 19.8%, primarily because the use of recycling technology is encouraged by recent policies issued by the PRC government. In addition, increase in revenue was also due to: (i) increase in the total APM area we serviced; (ii) increase in our average selling price of using “Hot-in-place” technology; and (iii) new revenue generated from our city excavation rapid backfilling restoration process, which has a higher average selling price than “Hot-in-Place” technology.

During the year under review, our Group continued to maintain a high gross profit margin in this segment.

b. APM Equipment

	Year ended 31 December				
	2013	units/	2012	units/	Increase/
	<i>HK\$'000</i>	sets	<i>HK\$'000</i>	sets	(decrease)
Revenue					
Standard series	91,410	39	59,141	34	54.6%
Modular series	186,903	8	133,761	8	39.7%
Repair and maintenance	4,897	N/A	4,702	N/A	4.2%
Total	283,210		197,604		43.3%
	2013		2012		Increase/
	<i>HK\$'000</i>	Margin	<i>HK\$'000</i>	Margin	(decrease)
Gross profit					
Standard series	52,648	57.6%	34,929	59.1%	50.7%
Modular series	140,624	75.2%	97,975	73.2%	43.5%
Repair and maintenance	2,753	56.2%	2,797	59.5%	(1.6)%
Total	196,025	69.2%	135,701	68.7%	44.5%

Revenue for the APM equipment segment for the year increased by 43.3% as compared to 2012. This increase was primarily due to strong demand of our more expensive standard series products and our business strategy of establishing joint ventures, more expensive and different combination of modular series products were sold. Thus, revenue generated from sales of standard series and modular series products during the year increased by 54.6% and 39.7% respectively, as against to 2012.

Gross profit margin improved from 68.7% in 2012 to 69.2% in 2013, primarily due to increases in sales of higher margin products, i.e. modular series products.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year increased by 28.0% as against 2012, primarily due to the penetration rate of recycling technology on road maintenance is still very low in Mainland China, more APM services demonstration works were conducted to promote our technology and to cater for foreseeable huge demand of road maintenance service before the road inspection to be conducted by the Ministry of Transport in the second half of 2015.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately HK\$24.0 million, or approximately 53.7%, from HK\$44.7 million in 2012 to HK\$68.7 million in 2013, primarily due to increases in listing expenses from approximately HK\$9.1 million in 2012 to approximately HK\$16.2 million in 2013, representing an increase of approximately 78.0%.

OTHER EXPENSES

Other expenses increased significantly by HK\$21.7 million, or approximately 150.7%, from approximately HK\$14.4 million in 2012 to approximately HK\$36.1 million in 2013, primarily as a result of more research and development costs incurred for the development of certain new APM products and technology.

FINANCE COSTS

Finance costs increased by approximately HK\$2.9 million, or approximately 72.5%, from HK\$4.0 million in 2012 to HK\$6.9 million in 2013, primarily due to the Group's average bank loan level during the year is higher than 2012. Part of the Group's bank loan was settled by the proceeds from the Company's Initial Public Offering ("IPO") in second half of 2013.

SHARE OF PROFITS AND LOSSES OF JOINT VENTURES AND ASSOCIATES

The Group's share of profits from joint ventures was approximately HK\$3.2 million in 2013, decreased by approximately HK\$0.4 million, or approximately 11.1% as compared to 2012.

The Group's share of losses from associates was approximately HK\$426,000 in 2012. In 2013, the Group's share of profits from associates was approximately HK\$331,000.

We believe that the contribution from these joint ventures and associates was not significant and are primarily due to the early stage nature of the joint ventures and associated businesses.

INCOME TAX EXPENSES

Income tax expenses decreased by approximately HK\$2.7 million, or approximately 6.3%, from approximately HK\$42.6 million in 2012 to approximately HK\$39.9 million 2013, primarily as a result of decrease in deferred tax charged on withholding taxes on dividends distributed by those subsidiaries established in Mainland China.

PROFIT

Profit attributable to owners of the Company increased by approximately HK\$35.9 million, or approximately 24.5%, from approximately HK\$146.6 million in 2012 to approximately HK\$182.5 million in 2013, primarily due to the net effect of increased revenue over higher costs such as selling and distribution expenses, administrative expenses and other expenses. Excluding extraordinary items, profit attributable to owners of the Company increased by approximately HK\$51.9 million, or approximately 35.3%, from approximately HK\$146.9 million in 2012 to approximately HK\$198.8 million in 2013.

FINANCIAL POSITION

As at 31 December 2013, total equity of the Group amounted to approximately HK\$1,214.2 million (2012: HK\$242.7 million). The increase was mainly due to (i) net profit for the year of 2013, (ii) increase in cash and bank balances due to net proceeds received from the Company's IPO in June 2013, (iii) increase in trade and bills receivables due to increase in revenue generated from the fourth quarter in 2013 when compared with the corresponding period in 2012 and (iv) decrease in amount due to the immediate holding company after capitalisation of the balance prior to the Company's listing.

The Group's net current assets as at 31 December 2013 amounted to approximately HK\$1,020.4 million (2012: HK\$242.7 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 December 2013 was 5.7 (2012: 2.1). The increases in both the Group's net current assets and current ratio were mainly due to increase in cash and bank balances due to net proceeds received from the Company's IPO in June 2013 and increase in trade and bills receivables due to increase in revenue generated from the fourth quarter in 2013 when compared with the corresponding period in 2012.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, the Group's cash and bank balances amounted to approximately HK\$614.7 million (31 December 2012: HK\$130.9 million). The increase was primarily due to the net cash proceeds of HK\$687.0 million raised from the Company's IPO. As at 31 December 2013, the bank borrowings of the Group amounted to HK\$71.4 million (31 December 2012: HK\$85.7 million). As at 31 December 2013, the Group was in a net cash position due to net cash proceeds received from the Company's IPO (31 December 2012: gearing ratio, which is calculated by the Group's net debts divided by equity attributable to owners of the Company plus net debts was 51.7%).

Due to the restrictions on cash flow at the local government level in China has slowed down receivables collection, the completed APM area serviced in the fourth quarter of 2013 was approximately 20% higher than the corresponding period in 2012 and the modular series products sold in the fourth quarter of 2013, as a result the trade receivables balance increased accordingly from HK\$268.2 million as of 31 December 2012 to HK\$548.8 million as of 31 December 2013. As at latest practicable date, third party customers had subsequently settled trade receivables amounting to HK\$51.2 million (equivalent to approximately RMB39.9 million) and joint ventures and associates had subsequently settled trade receivables amounting to HK\$69.2 million (equivalent to approximately RMB54.1 million).

Though the Group did not have any collateral over the receivables, the management considered that there is no recoverability problem as to its receivables as the remaining amounts are due from local PRC government. In order to minimise the risk of placing heavy reliance on entering into collaboration with local PRC government projects and to further diversify the overall credit risk, the Group will widen its customer base to healthy liquidity local PRC government.

Following the listing of the shares of the Company on 26 June 2013 on Main Board of the Stock Exchange, the Group's liquidity position has strengthened and the Directors believe that this will enable the Group to expand in accordance with their plans.

The Group strives to efficiently use its financial resources and adopt a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

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

	Available	Net Proceeds	
	Available	Utilised	Unutilised
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Investment in research and development activities	137.4	26.0	111.4
Establishing joint ventures and expanding APM service teams	137.4	20.6	116.8
Manufacturing APM equipment and expanding our APM service teams	103.1	–	103.1
Acquisitions of other APM service providers	103.0	–	103.0
Constructing new production facility	68.7	20.4	48.3
Establishing sales offices in new markets and marketing expenses	68.7	4.9	63.8
General corporate purposes and working capital requirements	68.7	34.6	34.1
	<u>687.0</u>	<u>106.5</u>	<u>580.5</u>

The unutilised net proceeds pending their usage were held by us in short-term deposits with licensed banks and authorised financial institutions in Hong Kong.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the Company's prospectus dated 14 June 2013, during the year, there were no material acquisitions or disposals of any subsidiaries, associates or joint ventures.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments as at 31 December 2013 are set out in note 14 to the financial statements. As at 31 December 2013, 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. The Group has not used any interest rate swaps to hedge its interest rate risk.

The business of the Group is principally conducted in the PRC and most of the transactions are denominated in RMB, except for certain bank deposits which are denominated in United States dollars and Hong Kong dollars. The Group has not hedged its foreign currency risk.

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 2013, the Group had a total of 558 full time employees (as at 31 December 2012: 506). The Group provides competitive remuneration packages to retain its employees including discretionary bonus schemes, medical insurance and other allowances and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the period after its listing date up to 31 December 2013, 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 (the "Listing Rules"), except code provision A.2.1 as more particularly described below.

Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Sze Wai Pan ("Mr. Sze") to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable 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 the 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 and 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), Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong, (including one independent non-executive director with the appropriate professional qualifications).

During the year under review, the audit committee, along with the management of the Company, reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

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 between the date of listing and 31 December 2013.

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

No incident of non-compliance with the Employees Written Guidelines was noted by the Company.

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 from the date of listing up to 31 December 2013.

DIVIDEND

On 7 June 2013, the Company declared the dividends distribution totaling HK\$60,000,000 to its shareholders before the listing shares of the Company. Investor becoming shareholders of the Company after the listing of the Company on the Stock Exchange were not entitled to such dividends.

The directors have recommended the payment of a final dividend of HK5.5 cents per share for the year ended 31 December 2013. The proposed final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the financial position.

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.freotech-holdings.hk.

The 2013 report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 26 March 2014

As at the date of this announcement, the executive Directors are Mr. Sze Wai Pan, Ms. Sze Wan Nga, Mr. Zhang Yifu and Mr. Chan Kai King; the non-executive Directors are Mr. Yeung Chin Chiu and Mr. Wang Lei; and the independent non-executive Directors are Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong.