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 2014

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 2014.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2014	2013	Increase/
	Audited	Audited	(decrease)
	HK\$'000	*HK\$'000*	
Revenue	**390,434**	628,709	(37.9%)
Profit attributable to owners of the Company	**58,497**	182,526	(68.0%)
Earnings per share (Basic) *(HK cents)*	**5.42**	19.93	(72.8%)
Proposed final dividend per share *(HK cents)*	**1.5**	5.5	(72.7%)

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
REVENUE	*4*	**390,434**	628,709
Cost of sales		**(228,427)**	(287,591)
Gross profit		**162,007**	341,118
Other income	*5*	**16,934**	9,675
Other gains and losses	*6*	**(275)**	(7,565)
Selling and distribution costs		**(23,201)**	(26,041)
Administrative expenses		**(64,922)**	(68,713)
Research and development costs		**(15,406)**	(24,658)
Other expenses		**(270)**	(501)
Share of (losses) profits of joint ventures		**(5,406)**	3,214
Share of (losses) profits of associates		**(1,393)**	331
Finance costs	*7*	**(2,553)**	(6,865)
PROFIT BEFORE TAXATION	*8*	**65,515**	219,995
Taxation	*9*	**(11,465)**	(39,944)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**54,050**	180,051

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**54,050**	180,051
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR			
Item that will not be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(4,299)**	11,230
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		**(4,299)**	11,230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**49,751**	191,281
Profit (loss) for the year attributable to:			
Owners of the Company		**58,497**	182,526
Non-controlling interests		**(4,447)**	(2,475)
		54,050	180,051
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**54,253**	193,138
Non-controlling interests		**(4,502)**	(1,857)
		49,751	191,281
EARNINGS PER SHARE	*11*		
Basic		**HK5.42 cents**	HK19.93 cents
Diluted		**HK5.42 cents**	HK19.93 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**250,908**	160,861
Goodwill		**4,907**	731
Prepaid lease payments		**6,506**	6,780
Other intangible assets		**433**	100
Prepayments for acquisition of land use rights		**44,366**	–
Interests in associates		**–**	9,283
Interests in joint ventures		**34,282**	39,433
Deferred tax assets		**10,044**	15,320
		351,446	232,508
CURRENT ASSETS			
Inventories		**58,713**	33,360
Bills, trade and other receivables	*12*	**599,525**	588,226
Prepaid lease payments		**205**	207
Time deposits		**236,240**	353,577
Pledged bank deposits		**6,880**	75
Bank balances and cash		**110,783**	261,120
		1,012,346	1,236,565
CURRENT LIABILITIES			
Trade and other payables	*13*	**128,221**	149,673
Taxation payable		**6,809**	16,829
Bank borrowings — current portion		**634**	49,629
		135,664	216,131
NET CURRENT ASSETS		**876,682**	1,020,434
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,228,128**	1,252,942

	Notes	2014	2013
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Bank borrowings — non-current portion		**–**	21,772
Deferred tax liabilities		**13,888**	16,955
		13,888	38,727
Net assets		**1,214,240**	1,214,215
CAPITAL AND RESERVES			
Share capital	*14*	**107,900**	107,900
Reserves		**1,061,747**	1,086,008
Attributable to the owners of the Company		**1,169,647**	1,193,908
Non-controlling interests		**44,593**	20,307
Total equity		**1,214,240**	1,214,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. During the year, the Company and its subsidiaries (collectively referred to as the "Group") are 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").

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. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. 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 by the Hong Kong Companies Ordinance (Cap. 32), which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordnance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied for the first time in the current year the following amendments to HKFRSs, and a new Interpretation:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

— obtain funds from one or more investors for the purpose of providing them with investment management services;

— commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

— measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)-Int 21 Levies

The Group has applied HK(IFRIC)-Int 21 Levies for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the executive directors of the Company. The information reported to the chief operating decision maker for purposes of resource allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

Maintenance services	— Provision of road maintenance services
Sale of equipment	— Manufacturing and sale of road maintenance equipment

Segment revenue and results

	Maintenance services *HK$'000*	Sale of equipment *HK$'000*	Consolidated total *HK$'000*
For the year ended 31 December 2014			
Segment revenue:			
Sales to external customers	**335,738**	**54,696**	**390,434**
Intersegment sales	**8,549**	**4,982**	**13,531**
Other revenue	**4,986**	**–**	**4,986**
	349,273	**59,678**	**408,951**
Reconciliation:			
Elimination of intersegment sales	**(8,549)**	**(4,982)**	**(13,531)**
Revenue	**340,724**	**54,696**	**395,420**
Allocated corporate expenses	**(300,373)**	**(43,677)**	**(344,050)**
Segment results	**40,351**	**11,019**	**51,370**
Reconciliation:			
Interest income			**11,948**
Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value			**24,596**
Exchange losses			**(6,409)**
Finance costs			**(2,553)**
Unallocated corporate expenses			**(6,638)**
Share of profits and losses of joint ventures and associates			**(6,799)**
Profit before tax			**65,515**

	Maintenance services *HK$'000*	Sale of equipment *HK$'000*	Consolidated total *HK$'000*
For the year ended 31 December 2013			
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
Reconciliation:			
Elimination of intersegment sales	–	(6,541)	(6,541)
Revenue	348,547	283,387	631,934
Allocated corporate expenses	(278,040)	(114,182)	(392,222)
Segment results	70,507	169,205	239,712
Reconciliation:			
Interest income			6,450
Exchange gains			3,405
Finance costs			(6,865)
Unallocated corporate expenses			(26,252)
Share of profits and losses of joint ventures and associates			3,545
Profit before tax			219,995

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 represents the profit earned by each segment without allocation of head office and corporate expenses, fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value, interest income, exchange gains and losses, share of profits and losses of joint ventures and associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Maintenance services *HK$'000*	Sale of equipment *HK$'000*	Consolidated total *HK$'000*
As at 31 December 2014			
Segment assets	**633,218**	**326,876**	**960,094**
Elimination of intersegment receivables			**(84,552)**
Investments in joint ventures			**34,282**
Other unallocated assets			**453,968**
Total assets			**1,363,792**
Segment liabilities	**177,799**	**33,222**	**211,021**
Elimination of intersegment payables			**(84,552)**
Other unallocated liabilities			**23,083**
Total liabilities			**149,552**
As at 31 December 2013			
Segment assets	498,383	364,681	863,064
Elimination of intersegment receivables			(84,552)
Investments in joint ventures			39,433
Investments in associates			9,283
Other unallocated assets			641,845
Total assets			1,469,073
Segment liabilities	178,898	51,955	230,853
Elimination of intersegment payables			(84,552)
Other unallocated liabilities			108,557
Total liabilities			254,858

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

	Maintenance services *HK$'000*	**Sale of equipment** *HK$'000*	**Consolidated total** *HK$'000*
As at 31 December 2014			
Impairment losses in respect of trade and other receivables	**16,266**	**1,127**	**17,393**
Depreciation and amortisation	**21,325**	**2,619**	**23,944**
Capital expenditure *(note)*	**32,281**	**2,437**	**34,718**
As at 31 December 2013			
Impairment losses in respect of trade and other receivables	8,490	2,071	10,561
Depreciation and amortisation	11,269	7,584	18,853
Capital expenditure *(note)*	43,752	4,774	48,526

Note: Capital expenditure consists of additions to property, plant and equipment, land use rights, and other intangible assets, excluding assets from the acquisition of subsidiaries.

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

- all assets are allocated to operating segments other than pledged bank deposits, time deposits, cash and cash equivalents, interests in associates, interests in joint ventures, deferred tax assets 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 2014, there was one customer accounted for 10% or more of the Group's revenue and its revenue amounted to HK$51,218,000. The sales to the above customer were derived from the provision of road maintenance services. 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.

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.

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Government grants *(note)*	**3,996**	3,225
Interest income	**11,948**	6,450
Others	**990**	–
	16,934	9,675

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

6. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(1,069)**	(409)
Impairment of trade receivables	**(18,175)**	(10,364)
Reversal of impairment/(impairment) of other receivables	**782**	(197)
Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value	**24,596**	–
Net foreign exchange (losses)/gains	**(6,409)**	3,405
	(275)	(7,565)

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
— Bank borrowings wholly repayable within five years	**2,553**	6,865
Less: amounts capitalised	**–**	–
	2,553	6,865

8. PROFIT BEFORE TAXATION

	2014 *HK$'000*	2013 *HK$'000*
Profit before taxation has been arrived after charging:		
Directors emoluments	**5,812**	5,957
Other staff retirement benefit scheme contributions	**3,426**	5,052
Other staff costs	**62,452**	66,114
Share-based payment expense for other staff	**435**	–
Total staff costs	**72,125**	77,123
Amortisation of prepaid lease payments	**205**	204
Amortisation of other intangible assets	**60**	106
Auditor's remuneration	**1,380**	1,280
Cost of inventories sold	**25,544**	87,185
Cost of services provided	**202,883**	200,406
Depreciation	**23,679**	18,543

Share-based payment expense of approximately HK$555,000 (2013: Nil) were recognized in profit or loss during the year ended 31 December 2014 in respect of share options and awards of the Company.

9. TAXATION

	2014 *HK$'000*	2013 *HK$'000*
PRC Enterprise Income Tax ("EIT"):		
— Current tax	**6,465**	43,369
— Over provision in prior years	**(553)**	–
	5,912	43,369
Deferred tax (credit) charge	**5,553**	(3,425)
	11,465	39,944

No provision for Hong Kong profits tax has been made for the year ended 31 December 2014 and 2013 as the Group did not generate any assessable profits arising in Hong Kong or had available tax losses brought forward from prior years to offset the assessable profits generated during the year.

Except as described below, provision for PRC Enterprise Income Tax 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* ("Freetech Road Recycling") was recognised new and high technology enterprise as a High-Tech company in 2010 and 2014 respectively and the applicable tax rate is 15% from 1 January 2010 to 31 October 2017.

南京英達公路養護車製造有限公司 Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation* ("Freetech Manufacturing") was recognised as a High-Tech company in 2009 and 2012 respectively and the applicable tax rate is 15% from 1 January 2009 to 29 June 2015.

Withholding tax of approximately HK$529,000 (2013: HK$2,256,000) has been provided for in the year ended 31 December 2014 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

* *For identification purpose only*

10. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
Special dividend *(Note)*	**–**	60,000
2013 final dividend of HK5.5 cents (2012: Nil) per ordinary share	**59,345**	–
2014 final dividend proposed of HK1.5 cents (2013: HK5.5 cents) per ordinary share	**16,185**	59,345

A final dividend of HK1.5 cents per ordinary share (2013: HK5.5 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Note: On 7 June 2013, the Company declared a special dividend of totalling HK$60,000,000 to its shareholders before the listing of the shares of the Company on the Hong Kong Stock Exchange.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

	2014	2013
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share — attributable to the owners of the Company	**58,497**	182,526
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,079,000,000**	916,015,819
Effect of dilutive potential ordinary shares — share options	**–**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,079,000,000**	916,015,819

The calculation of the weighted average number of ordinary shares for the purpose of basic earnings per share has taken into account the assumption that the Capitalisation Issue has been effective on 1 January 2013 and also been retrospectively adjusted for the bonus element of the Special Capitalisation Issue (as defined in note 14).

The computation of diluted earnings per share for the year ended 31 December 2014 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price during the year. Accordingly, the diluted earnings per share was same as the basic earnings per share for the year ended 31 December 2014.

For the year ended 31 December 2013, diluted earnings per share were the same as basic earnings per share as there was no dilutive potential ordinary share outstanding.

12. BILLS, TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Bills receivables	**887**	768
Trade receivables	**602,906**	584,887
Less: Allowance for bad and doubtful debts	**(55,231)**	(36,872)
	547,675	548,015
Other receivables	**33,967**	33,166
Less: Allowance for bad and doubtful debts	**(1,425)**	(2,228)
	32,542	30,938
Prepayments and deposits	**17,718**	8,337
Tax recoverable	**703**	168
	599,525	588,226

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

	2014	2013
	HK$'000	*HK$'000*
0 to 180 days	**887**	768

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

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**150,869**	219,675
3 to 12 months	**166,000**	194,645
1 to 2 years	**159,978**	96,760
Over 2 years	**70,828**	36,935
	547,675	548,015

At 31 December 2014, included in the trade receivables are amounts due from the Group's joint ventures and associates of HK$67,328,000 (2013: HK$150,360,000) and Nil (2013: HK$4,226,000) respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2013, included in the Group's other receivables is an amount due from a joint venture of HK$8,645,000, which is unsecured, bears interest at a rate of 5% per annum and is repayable within one year. There is no such balance at 31 December 2014.

At 31 December 2014, included in the Group's other receivables are amounts due from joint ventures of HK$10,247,000 (2013: HK$292,000), which are unsecured, interest-free and have no fixed terms of repayment.

13. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**77,396**	79,163
Other tax payables	**21,041**	26,907
Advance from customers, other payables and accrued charges	**29,784**	43,603
	128,221	149,673

At 31 December 2014, included in the Group's trade payables are amounts due to joint ventures of approximately HK$7,255,000 which is repayable within 90 days, which represents credit terms similar to those offered by joint ventures to their major customers. There is no such balance at 31 December 2013.

At 31 December 2013, included in the Group's trade payables is an amount due to an associate of approximately HK$2,086,000 which is repayable within 90 days, which represents credit terms similar to those offered by the associate to its major customers. There is no such balance at 31 December 2014.

At 31 December 2014, included in the Group's advance from customers, other payables and accrued charges is an amount of HK$12,760,000 (2013: HK$12,451,000), which represents the excess balance of the unrealized profits of sales to joint ventures over the share of their net assets.

The Group normally receives credit terms of 30 days to 180 days (2013: 30 days to 180 days) from its suppliers. The following is an aged analysis of trade payables at the end of the reporting period, presented based on the invoice date:

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**43,087**	34,715
3 to 12 months	**22,338**	18,070
1 to 2 years	**2,425**	5,297
Over 2 years	**9,546**	21,081
	77,396	79,163

14. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Authorised:			
At date of incorporation		3,900,000	390
Increase in authorised share capital on 7 June 2013	*(a)*	9,996,100,000	999,610
At 31 December 2013, 1 January 2014 and 31 December 2014		10,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2013		1,781,636	178
Issuance of new shares for capitalisation of the amount due to the then 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 over-allotment option	*(d)*	39,000,000	3,900
At 31 December 2013 and 31 December 2014		1,079,000,000	107,900

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 (the "Capitalisation Issue").

(b) On 7 June 2013, the Company capitalised the amount due to the then 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 (the "Special Capitalisation Issue").

(c) In connection with the Company's global offering and listing of its shares on the Hong Kong Stock Exchange, 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 Hong Kong 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 coordinator 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.

15. COMMITMENTS

	2014 *HK$'000*	2013 *HK$'000*
Contracted for but not provided for in respect of the acquisition of property, plant and equipment	**30,555**	44,719
Contracted for but not provided for in respect of the acquisition of land use rights	**38,028**	–
Contracted for but not provided for capital contributions payable to joint ventures	**9,100**	7,838
Contracted for but not provided for capital contributions payable to an associate	**–**	6,275
Authorised but not provided for in respect of the acquisition of property, plant and equipment	**10,815**	11,766

BUSINESS REVIEW

2014 was a challenging year for the Group. Despite the PRC government actively promoting the green economy and road recycling technology industry maintaining a satisfactory development trend, the tightening of the domestic credit market has somewhat dragged on the otherwise positive momentum.

During the year under review, the existing businesses of the Group recorded a significant decline in revenue and profit mainly due to the adjustment of the Group's business strategies to control the number of new joint venture set up and as a result, the number of modular series sold and the sales of Asphalt Pavement Maintenance ("APM") equipment decreased significantly. There was also decrease in the gross profit margin of the APM services segment as the APM services projects were carried out in lower selling price areas and the Group performed more non-"Hot-in-Place" technology APM services projects including "Optimized Cold-in-Place" technology and road base maintenance projects. The Group also experienced an increase in impairment of trade receivables. As at 31 December 2014, the Group had a total of ten (2013: nine) joint ventures and associates engaging in the provision of APM services. During the year under review, the Group appointed an additional six local APM service providers as its franchisees to promote the Group's "Hot-in-Place" recycling technology in particular cities and as at 31 December 2014, it had total of twelve franchisees (2013: six).

In 2014, the Group's operating revenue was approximately HK$390.4 million, representing a decrease of approximately 37.9% against 2013. Total profit attributable to owners of the Company was approximately HK$58.5 million, representing a decrease of approximately 68.0% against 2013. Notwithstanding the above, the Group remains a leading service provider using "Hot-in-Place" recycling technology in the APM industry in the PRC.

Asphalt Pavement Maintenance Services

During the year under review, we remained a leading service provider in the PRC market using "Hot-in-Place" recycling technology in the provision of APM services. Especially in the municipal road market, the Group remained the key player performing APM services. The Group successfully completed two trial APM maintenance contracts using its "Hot-in-Place" recycling technology at the runway of the Changsa Huanghua International Airport (長沙黃花國際機場), the Hunan Province of the PRC and Zhanjiang Airport* (湛江機場), the Guangdong Province of the PRC. In addition, the Group performed other non-"Hot-in-Place" technology APM services projects including "Optimized Cold-in-Place" technology and road base maintenance projects. In 2014, the total APM areas serviced remained stable, and the Group completed 3.11 million square meters (2013: 3.06 million square meters). During the year under review, as part of the APM services projects were performed in lower selling price areas and the Group performed more non-"Hot-in-Place" technology APM services projects, and the corresponding period of 2013 included revenue generated from the city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝) which had higher selling price than other "Hot-in-Place" road maintenance projects, the APM services segment recorded revenue of approximately HK$335.7 million, representing a decrease of 2.8% against the corresponding period of 2013.

APM Equipment

During the year under review, as a result of the Group's business strategies to appoint some local experienced APM service providers as its franchisees and the Company focusing on managing the existing joint ventures and assist them to seize the business opportunity of road inspection which will be conducted in the second half of 2015, no modular series equipment was sold to new joint ventures and associates. During the year, our APM equipment segment generated a revenue of HK$54.7 million, representing a decrease of 80.7% against 2013. Notwithstanding this, the Board considers that the Group has maintained its position as the leading APM equipment provider in PRC market.

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.

New Patents

The Group continued to invest significant resources in our research and development efforts. As at 31 December 2014, we had registered 97 patents (31 December 2013: 87), of which 11 were invention patents (31 December 2013: seven), 74 were utility model patents (31 December 2013: 70) and 12 were design patents (31 December 2013: 10), and we had 14 patent pending applications (31 December 2013: 18), of which five were invention patents (31 December 2013: 12), eight were utility model patents (31 December 2013: four) and one was design patent (31 December 2013: two).

New Product Series

During the year under review, the Group continued to further strengthen its research and development capabilities, and focused its efforts on overcoming certain technological limitations in the APM service industry. In the equipment research and development sector, the Group introduced new standard series equipment under "Hot-in-Place" patching vehicles ("PM series") and traditional patching vehicles ("TM series") into the market. The new PM and TM series products did not only enrich our product line, they are also competitive in terms of performance and price, and are favourable particularly to those customers with limited budget. These new PM and TM series models are embedded with energy saving technologies and designed to adopt various kinds of optional features to meet different customer needs. The Company believes that this equipment will provide a favourable return to the Group in the near future.

In addition, we have developed a new equipment named RM8800, which works with the existing modular series by using "Hot-in-Place" recycling technology to repair deeper layer of damaged asphalt road. The development of RM8800 enables the Group to further explore new markets, and also broaden the application of the Group's "Hot-in-Place" recycling technology to echo the PRC government's guidelines on environmental restoration.

In the maintenance technology research sector, the Group successfully completed two trial APM maintenance contracts using its "Hot-in-Place" technology at the runway of the Changsha Huanghua International Airport (長沙黃花國際機場), Hunan Province of the PRC and Zhanjiang Airport* (湛江機場), Guangdong Province of the PRC ("Trial Projects"). The successful application of the Group's "Hot-in-Place" recycling technology in this new market demonstrated the high flexibility and efficiency of the Group's advanced technology. In addition, a qualified independent third party testing institution issued a report stating that the test results for the maintenance services provided under the Trial Projects satisfied the requirements of the Specifications For Asphalt Concrete Pavement Construction Of Civil Airports (民用機場瀝青混凝土道面施工技術規範).

The Group also had developed "Optimized Cold-in-Place" technology for asphalt surface and road base layers, which substantially shorten the curing time and traffic closures period compared to traditional Cold-in-Place recycling. The Company believes that these breakthroughs and developments could potentially lead to more business opportunities for the Group in the future.

Others

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

In February 2013, the Group commenced the construction of a new plant to increase its APM equipment production capacity. The new production facility was completed at the second quarter of 2014 and had increased the production output capacity of the Group by more than double.

* *For identification purpose only*

OUTLOOK

The management of the Company believes that there will be tremendous market opportunities for the Group in view of (i) the overall sustained growth of the APM industry in the PRC and the current low existing penetration rate of recycling technology; (ii) the Ministry of Transport conducting road inspections on highways in the second half of 2015 to check the quality and condition of the road maintenance work; (iii) the Group having research and development capabilities which widen the application of "Hot-in-Place" technology from road maintenance projects to airport runway project and road expansion and reconstruction project and having diversified its APM services to include "Optimized Cold-in-Place" and road base maintenance projects; (iv) the Group having set up a joint venture company (a 51% owned subsidiary) with COSCO (H.K.) Industry & Trade Holdings Limited to promote the application of the Group's "Hot-in-Place" recycling technology in the agreed region; (v) the Group having signed a strategic cooperation agreement with Jiangsu Provincial Communication Highway Department* (江蘇省交通運輸廳公路局) to cooperate in the development of new maintenance materials, technology, machinery products, marketing, promotion, industrialization and research and development in areas including recycling technology in asphalt pavement maintenance and the production of road maintenance equipment; and (vi) the Group having signed a cooperation agreement with Nanjing Lishui Economy Technology Development Company* (南京溧水經濟技術開發總公司) and Jurong City Housing and Urban Rural Development Bureau* (江蘇省句容市住房和城鄉建設局) to assist them to launch the asphalt pavement projects with a total contract amount of approximately RMB90 million and RMB500 million, respectively.

As a leading service provider of "Hot-in-Place" recycling technology in the APM industry, the Group continues to build on its competitive advantages in order to capture the opportunities from the current favorable government policies. The Group aims to continuously strengthen its market position and expand 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 salesman in different cities; (ii) increasing market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; (iii) appointing more local APM service providers as our franchisees; (iv) establishing new joint ventures; (v) further strengthening our research and development capabilities; (vi) cooperating with local highway department and well known research institutions to develop and promote new recycling technology in the APM industry; (vii) cooperating with local cities and regions to assist them to launch the local city or region asphalt pavement projects; and (viii) actively developing the international market by the provision of APM services and selling APM equipment overseas.

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, 共創多赢"), and generating better returns for its shareholders.

* *For identification purposes only*

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 2013.

REVENUE:

a. APM Services

	Year ended 31 December		
	2014	2013	Increase/
	HK$'000	*HK$'000*	(decrease)
Revenue	**335,738**	345,499	(2.8%)
Gross profit	**132,855**	145,093	(8.4%)
Gross profit margin	**39.6%**	42.0%	
APM area serviced (square metres)	**3,106,000**	3,057,000	1.6%

Revenue and gross profit for this segment both decreased as compared to 2013. Although the total area serviced remained stable against 2013 due to part of the APM services projects being performed in lower selling price areas and the Group performing more non-"Hot-in-Place" technology APM service projects during the year under review. In addition, our 2013 results included revenue generated from the city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝) which had higher selling price than other "Hot-in-Place" road maintenance projects, revenue in 2014 decreased by 2.8% as compared to 2013.

The gross profit margin in this segment decreased from 42.0% in 2013 to 39.6% in 2014. This was mainly due to part of the APM services projects were conducted in lower selling price areas and the Group performing more non-"Hot-in-Place" technology APM services projects including "Optimized Cold-in-Place" technology and road base maintenance projects which has lower gross profit margin.

b. APM Equipment

	Year ended 31 December				
	2014	**units/**	2013	units/	Increase/
	HK$'000	**sets**	*HK$'000*	sets	(decrease)
Revenue					
Standard series	**49,811**	**38**	91,410	39	(45.5%)
Modular series	**–**	**–**	186,903	8	(100.0%)
Repair and maintenance	**4,885**	**N/A**	4,897	N/A	(0.3%)
Total	**54,696**		283,210		(80.7%)

	2014		2013		Increase/
	HK$'000	**Margin**	HK$'000	Margin	(decrease)
Gross profit					
Standard series	**25,978**	**52.2%**	52,648	57.6%	(50.7%)
Modular series	**–**	**N/A**	140,624	75.2%	(100.0%)
Repair and maintenance	**3,174**	**65.0%**	2,753	56.2%	15.3%
Total	**29,152**	**53.3%**	196,025	69.2%	(85.1%)

Revenue for the APM equipment segment for 2014 decreased by 80.7% as compared to 2013. This decrease was primarily due to the adjustment of the Group's business strategies to appoint some local experienced APM service providers as its franchisees and the Company focusing on managing the existing joint ventures and assist them to seize the business opportunity of road inspections which will be conducted in the second half of 2015. Thus, although one new joint venture was set up, no modular series equipment was sold during the year under review (2013: four new joint ventures set up and seven sets of modular series sold). The revenue generated from sales of modular series equipment in 2014 decreased significantly as against in 2013. In addition, due to the tightened cash flow at the local government level in the PRC and most of the standard series sold in 2014 being lower selling price models, revenue generated from sales of standard series products for the year decreased by 45.5% as compared to 2013.

Gross profit margin decreased from 69.2% in 2013 to 53.3% in 2014, primarily due to significant decreases in sales of higher margin products, i.e. modular series products.

OTHER GAINS AND LOSSES

Other gains and losses for the year decreased by approximately HK$7.3 million, or approximately 96.1%, from HK$7.6 million in 2013 to HK$0.3 million in 2014, primarily due to the net effect of (i) increase in impairment of trade receivables; (ii) exchange losses were recorded in 2014 as a result of devaluation of RMB; and (iii) fair value gain from measurement of equity interest previously held in acquired subsidiaries to fair value.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs for the year decreased by 10.9% as against 2013, primarily due to the net effect of increase in the number of employees in the sales department and decrease in demonstration expenses as more APM services demonstration work was conducted in 2013 to promote our "Hot-in-Place" technology and to cater for the huge demand of road maintenance services before the road inspection to be conducted by the Ministry of Transport in the second half of 2015.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 5.5% as against 2013, primarily due to the net effect of (i) the administrative expenses in 2013 included one-off listing expenses of approximately HK$16.2 million; (ii) increase in the number of staffs and salary level during the year under review; and (iii) increase in professional expenses after the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

SHARE OF (LOSSES) PROFITS OF JOINT VENTURES AND ASSOCIATES

The Group's share of profits from joint ventures was approximately HK$3.2 million in 2013. In 2014, the Group's share of losses from joint ventures was approximately HK$5.4 million.

The Group's share of profits from associates was approximately HK$331,000 in 2013. In 2014, the Group's share of losses from associates was approximately HK$1.4 million.

We believe that the relatively small contribution from these joint ventures and associates is primarily due to the early stage nature of the joint ventures and associated businesses.

FINANCE COSTS

Finance costs decreased by approximately HK$4.3 million, or approximately 62.3%, from HK$6.9 million in 2013 to HK$2.6 million in 2014, primarily due to the Group's bank loans being settled by the proceeds from the Company's initial public offerings in second half of 2013.

TAXATION

Taxation decreased by approximately HK$28.4 million, or approximately 71.2%, from approximately HK$39.9 million in 2013 to approximately HK$11.5 million 2014, which is in line with the trend in the profit before taxation for the year under review.

PROFIT

Profit attributable to owners of the Company decreased by approximately HK$124.0 million, or approximately 68.0%, from approximately HK$182.5 million in 2013 to approximately HK$58.5 million in 2014, primarily due to the net effect of (i) the decrease in revenue from the APM equipment segment due to the number of new joint ventures being set up and number of modular series being sold significantly declining; (ii) the decrease in gross profit margin of the APM services segment due to the part of the APM services project being performed in lower selling price areas and performing more non-"Hot-in-Place" technology APM services projects; and (iii) the share of losses of joint ventures and associates.

FINANCIAL POSITION

As at 31 December 2014, total equity of the Group amounted to approximately HK$1,214.2 million (2013: HK$1,214.2 million). This remained stable due to the net effect of (i) decreased in net profit for the year of 2014; (ii) distribution of dividend; and (iii) acquisition of subsidiaries.

The Group's net current assets as at 31 December 2014 amounted to approximately HK$876.7 million (2013: HK$1,020.4 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 December 2014 was 7.5x (31 December 2013: 5.7x). The decrease in net current assets was mainly due to the net effect of distribution of dividend, prepayment for acquisition of land use rights and repayment of bank loans. The increase in current ratio was as a result of total current liabilities as at 31 December 2014 decreased by approximately HK$80.5 million, or approximately 37.2%, after repayment of bank loan, whereas total current assets decreased by approximately HK$224.2 million, or approximately 18.1% only, compared with the equivalent amounts as at 31 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the Group's bank balances and cash and time deposits amounted to approximately HK$347.0 million (31 December 2013: HK$614.7 million). The decrease was primarily due to the purchase of property, plant and equipment, acquisition of subsidiaries, prepayment for acquisition of land use rights, repayment of bank loans and distribution of dividends. As at 31 December 2014, the bank borrowings of the Group amounted to HK$0.6 million (31 December 2013: HK$71.4 million). As at 31 December 2013 and 2014, the Group was in a net cash position due to net cash proceeds received from the Company's initial public offering.

Due to the restrictions on cash flow at the local government level in the PRC and revenue with shorter turnover days (APM equipment) decreased by 80.7% in 2014, as a result the trade receivables balance increased accordingly from HK$584.9 million as of 31 December 2013 to HK$613.1 million as of 31 December 2014. As at latest practicable date, third party customers had settled trade receivables amounting to HK$120.1 million (RMB94.8 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 local PRC government authorities. In order to minimize 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.

As at 31 December 2014, the Group's liquidity position remained strong 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 adopts 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 2014 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

		Net Proceeds	
	Available	**Utilised**	**Unutilised**
	HK$ million	*HK$ million*	*HK$ million*
Investment in research and development activities	137.4	117.5	19.9
Establishing joint ventures and expanding APM service teams	137.4	29.0	108.4
Manufacturing APM equipment and expanding our APM service teams	103.1	38.2	64.9
Acquisitions of other APM service providers	103.0	16.0	87.0
Constructing new production facility	68.7	45.0	23.7
Establishing sales offices in new markets and marketing expenses	68.7	30.2	38.5
General corporate purposes and working capital requirements	68.7	68.7	–
	687.0	344.6	342.4

The unutilised net proceeds have been deposited into short term deposits with licensed banks and authorised financial institutions in Hong Kong and the PRC.

MATERIAL ACQUISITIONS AND DISPOSALS

In July 2014, the Group entered into a share purchase agreement with its joint venture partner, 岳陽市通衢興路公司 (Yueyang Tongqu Road Maintenance Corporation), to acquire a 4% equity interest in 湖南英達通衢道路再生工程有限公司 Hunan Freetech Tongqu Road Recycling Engineering Co., Ltd. ("Hunan Freetech Tongqu"), which was previously a 55% owned joint venture of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB1,680,000 (equivalent to approximately of HK$2,125,000) paid at the acquisition date. Together with the 55% equity interest held before the acquisition, the Group's interest in Hunan Freetech Tongqu increased to 59% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Hunan Freetech Tongqu, and the Group obtained the control in Hunan Freetech Tongqu, and Hunan Freetech Tongqu became a subsidiary of the Group. The acquisition was completed on 25 August 2014. Hunan Freetech Tongqu is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Hunan, PRC.

In October 2014, the Group entered into a share purchase agreement with its associate partner, 新疆交建宏升公路養護工程有限公司 (Xinjiang Jiaojian Hongshen Road Maintenance Co., Ltd.), to acquire a 40% equity interest in 新彊建達道路工程有限公司 Xinjiang Jianda Road Engineering Co., Ltd. ("Xinjiang Jianda"), which was previously a 49% owned associate of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB4,000,000 (equivalent to approximately of HK$5,074,000) paid at the acquisition date. In addition, the Group is committed to contribute a further RMB4,000,000 (equivalent to approximately HK$5,074,000) on or before 31 December 2015. Together with the 49% equity interest held before the acquisition, the Group's interest in Xinjiang Jianda increased to 89% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Xinjiang Jianda, and the Group obtained the control in Xinjiang Jianda, and Xinjiang Jianda became a subsidiary of the Group. The acquisition was completed on 3 November 2014. Xinjiang Jianda is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Xinjiang, PRC.

In November 2014, the Group entered into two share purchase agreements with its associate partners, 宿遷市交通投資有限公司 (Suqian Transportation Investment Co., Ltd.) and 城投(中國)資產管理有限公司 (City Investment (China) management Co., Ltd.), to acquire 16% and 14% equity interests in 宿遷恒通道路再生工程有限公司 Suqian Hengtong Road Recycling Constructions Co., Ltd. ("Suqian Hengtong") respectively, which was previously a 35% owned associate of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB5,600,000 and RMB4,900,000 (equivalent to approximately of HK$7,069,000 and HK$6,199,000) paid at the acquisition date respectively. Together with the 35% equity interest held before the acquisition, the Group's interest in Suqian Hengtong increased to 65% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Suqian Hengtong, and the Group obtained the control in Suqian Hengtong, and Suqian Hengtong became a subsidiary of the Group. The acquisition was completed on 27 November 2014. Suqian Hengtong is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Suqian, PRC.

Saved as disclosed above, 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 2014 are set out in note 15 to the financial statements. As at 31 December 2014, 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 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 denominated in foreign currency of the relevant group entities. 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 2014, the Group had a total of 550 full time employees (as at 31 December 2013: 558). 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 interests of the Company's shareholders and to enhance corporate value and accountability. The Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), except code provision 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 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), 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 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

The Company has also established written guidelines on no less exacting terms than the Model Code (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 during the year.

DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2014.

The directors have recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2014. The proposed final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting.

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 2014 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 Period. 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
Freetech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman and Chief Executive Officer

Hong Kong, 30 March 2015

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.