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英達公路再生科技(集團)有限公司

Freotech 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 2015

The board of directors (the “Board”) of Freotech 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 2015.

FINANCIAL HIGHLIGHTS

| | Year ended 31 December | | Increase/ (decrease) |
|--|------------------------|----------|-------------------------|
| | 2015 | 2014 | |
| | HK\$'000 | HK\$'000 | |
| Revenue | 616,641 | 390,434 | 57.9% |
| Profit attributable to owners of the Company | 64,502 | 58,497 | 10.3% |
| Earnings per share (Basic) (HK cents) | 6.07 | 5.42 | 12.0% |
| Proposed final dividend per share (HK cents) | 1.8 | 1.5 | 20.0% |

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

| | <i>Notes</i> | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| REVENUE | 4 | 616,641 | 390,434 |
| Cost of sales | | <u>(430,793)</u> | <u>(228,427)</u> |
| Gross profit | | 185,848 | 162,007 |
| Other income | 5 | 14,156 | 16,934 |
| Other gains and losses | 6 | (3,134) | (275) |
| Selling and distribution costs | | (22,456) | (23,201) |
| Administrative expenses | | (84,154) | (64,922) |
| Research and development costs | | (13,864) | (15,406) |
| Other expenses | | (73) | (270) |
| Share of profits (losses) of joint ventures | | 2,550 | (5,406) |
| Share of losses of associates | | – | (1,393) |
| Finance costs | 7 | <u>(1,252)</u> | <u>(2,553)</u> |
| PROFIT BEFORE TAXATION | 8 | 77,621 | 65,515 |
| Taxation | 9 | <u>(11,913)</u> | <u>(11,465)</u> |
| PROFIT FOR THE YEAR | | <u>65,708</u> | <u>54,050</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

| | <i>Note</i> | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| PROFIT FOR THE YEAR | | <u>65,708</u> | <u>54,050</u> |
| OTHER COMPREHENSIVE EXPENSE FOR THE YEAR | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Exchange differences arising from translation | | <u>(68,910)</u> | <u>(4,299)</u> |
| OTHER COMPREHENSIVE EXPENSE FOR THE YEAR | | <u>(68,910)</u> | <u>(4,299)</u> |
| TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR | | <u>(3,202)</u> | <u>49,751</u> |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | 64,502 | 58,497 |
| Non-controlling interests | | <u>1,206</u> | <u>(4,447)</u> |
| | | <u>65,708</u> | <u>54,050</u> |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | (2,643) | 54,253 |
| Non-controlling interests | | <u>(559)</u> | <u>(4,502)</u> |
| | | <u>(3,202)</u> | <u>49,751</u> |
| EARNINGS PER SHARE | <i>11</i> | | |
| Basic | | <u>HK6.07 cents</u> | <u>HK5.42 cents</u> |
| Diluted | | <u>HK5.98 cents</u> | <u>HK5.42 cents</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

| | <i>Notes</i> | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 296,011 | 250,908 |
| Goodwill | | 10,507 | 4,907 |
| Prepaid lease payments | | 5,936 | 6,506 |
| Other intangible assets | | 311 | 433 |
| Prepayments for acquisition of land use rights | | 47,157 | 44,366 |
| Interests in joint ventures | | 72,457 | 34,282 |
| Deferred tax assets | | 5,788 | 10,044 |
| | | 438,167 | 351,446 |
| CURRENT ASSETS | | | |
| Inventories | | 57,954 | 58,713 |
| Bills and trade receivables | <i>12</i> | 651,217 | 548,562 |
| Prepayments, deposits and other receivables | <i>13</i> | 77,215 | 50,963 |
| Prepaid lease payments | | 193 | 205 |
| Time deposits | | 85,027 | 236,240 |
| Pledged bank deposits | | 140,098 | 6,880 |
| Structured bank deposits | | 2,030 | — |
| Bank balances and cash | | 251,880 | 110,783 |
| | | 1,265,614 | 1,012,346 |
| CURRENT LIABILITIES | | | |
| Bills, trade and other payables | <i>14</i> | 370,009 | 128,221 |
| Taxation payable | | 7,710 | 6,809 |
| Bank borrowings | | 72,325 | 634 |
| | | 450,044 | 135,664 |
| NET CURRENT ASSETS | | 815,570 | 876,682 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,253,737 | 1,228,128 |

| | <i>Note</i> | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 12,860 | 13,888 |
| Net assets | | 1,240,877 | 1,214,240 |
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | 107,900 | 107,900 |
| Reserves | | 1,035,035 | 1,061,747 |
| Attributable to the owners of the Company | | 1,142,935 | 1,169,647 |
| Non-controlling interest | | 97,942 | 44,593 |
| Total equity | | 1,240,877 | 1,214,240 |

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. Its subsidiaries (the Company and its subsidiaries are 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 (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 DISCLOSURE

The Group has applied for the first time in the current year the following amendments to HKFRSs:

| | |
|-----------------------|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

| | |
|----------------------|--|
| Maintenance services | — Provision of road maintenance services |
| Sale of equipment | — Manufacturing and 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 2015 | | | |
| Segment revenue: | | | |
| Sales to external customers | 535,709 | 80,932 | 616,641 |
| Intersegment sales | 23,933 | 22,534 | 46,467 |
| Other revenue | 4,020 | — | 4,020 |
| | <u>563,662</u> | <u>103,466</u> | <u>667,128</u> |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment sales | <u>(23,933)</u> | <u>(22,534)</u> | <u>(46,467)</u> |
| Revenue | 539,729 | 80,932 | 620,661 |
| Allocated corporate expenses | <u>(483,031)</u> | <u>(64,514)</u> | <u>(547,545)</u> |
| Segment results | <u>56,698</u> | <u>16,418</u> | 73,116 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 10,136 |
| Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value | | | 16,173 |
| Exchange losses | | | (3,638) |
| Finance costs | | | (1,252) |
| Unallocated corporate expenses | | | (19,464) |
| Share of profits of joint ventures | | | <u>2,550</u> |
| Profit before tax | | | <u>77,621</u> |

| | 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 |
| | <u>349,273</u> | <u>59,678</u> | <u>408,951</u> |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment sales | <u>(8,549)</u> | <u>(4,982)</u> | <u>(13,531)</u> |
| Revenue | 340,724 | 54,696 | 395,420 |
| Allocated corporate expenses | <u>(300,373)</u> | <u>(43,677)</u> | <u>(344,050)</u> |
| Segment results | <u>40,351</u> | <u>11,019</u> | 51,370 |
| <i>Reconciliation:</i> | | | |
| 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 | | | <u>(6,799)</u> |
| Profit before tax | | | <u>65,515</u> |

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

The accounting policies of the operating and reportable segments information are the same as the Group's accounting policies. Segment results 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 CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

| | Maintenance services HK\$'000 | Sale of equipment HK\$'000 | Consolidated total HK\$'000 |
|---|--|---|--|
| As at 31 December 2015 | | | |
| Segment assets | 1,083,688 | 302,025 | 1,385,713 |
| Elimination of intersegment receivables | | | (298,904) |
| Investments in joint ventures | | | 72,457 |
| Other unallocated assets | | | 544,515 |
| Total assets | | | 1,703,781 |
| Segment liabilities | 476,967 | 179,089 | 656,056 |
| Elimination of intersegment payables | | | (298,904) |
| Other unallocated liabilities | | | 105,752 |
| Total liabilities | | | 462,904 |
| 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 |

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 |
|--|--|---|--|
| For the year ended 31 December 2015 | | | |
| Impairment losses in respect of | | | |
| trade and other receivables | 6,164 | 5,832 | 11,996 |
| Depreciation and amortisation | 31,874 | 3,372 | 35,246 |
| Capital expenditure (<i>Note</i>) | 43,600 | 289 | 43,889 |
| For the year ended 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 (<i>Note</i>) | 32,281 | 2,437 | 34,718 |

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, structured bank 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 2015, revenue from a related company, accounted for 10% or more of the Group's revenue and its revenue amounted to HK\$168,354,000. The sales to the above related party were derived from the provision of road maintenance services. 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.

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Government grants (<i>Note</i>) | 2,839 | 3,996 |
| Interest income | 10,136 | 11,948 |
| Others | 1,181 | 990 |
| | <u>14,156</u> | <u>16,934</u> |

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Loss on disposal of property, plant and equipment | (810) | (1,069) |
| Impairment loss recognised in respect of goodwill | (2,863) | – |
| Impairment of trade receivables | (11,869) | (18,175) |
| (Recognition)/reversal of impairment of other receivables | (127) | 782 |
| Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value | 16,173 | 24,596 |
| Net foreign exchange losses | <u>(3,638)</u> | <u>(6,409)</u> |
| | <u>(3,134)</u> | <u>(275)</u> |

7. FINANCE COSTS

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Interest on: | | |
| — Bank borrowings wholly repayable within five years | <u>1,252</u> | <u>2,553</u> |
| Less: amounts capitalised | <u>–</u> | <u>–</u> |
| | <u>1,252</u> | <u>2,553</u> |

8. PROFIT BEFORE TAXATION

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation has been arrived at after charging: | | |
| Directors' emoluments | 6,349 | 5,812 |
| Other staff retirement benefit scheme contributions | 7,114 | 3,426 |
| Other staff costs | 60,165 | 62,452 |
| Share-based payment expense for other staff | 1,689 | 435 |
| | <u>75,317</u> | <u>72,125</u> |
| Total staff costs | | |
| Amortisation of prepaid lease payments | 193 | 205 |
| Amortisation of other intangible assets | 102 | 60 |
| Auditor's remuneration | 1,480 | 1,380 |
| Cost of inventories sold | 37,738 | 25,544 |
| Cost of services provided | 393,055 | 202,883 |
| Depreciation | 34,951 | 23,679 |

Share-based payment expense of approximately HK\$2,148,000 (2014: HK\$555,000) were recognised in profit or loss during the year ended 31 December 2015 in respect of share options and awards of the Company.

9. TAXATION

| | 2015 HK\$'000 | 2014 HK\$'000 |
|------------------------------------|------------------|------------------|
| PRC Enterprise Income Tax ("EIT"): | | |
| — Current year | 8,530 | 6,465 |
| — Over provision in prior years | (1,239) | (553) |
| | <u>7,291</u> | <u>5,912</u> |
| Deferred tax charge | 4,622 | 5,553 |
| | <u>11,913</u> | <u>11,465</u> |

No provision for Hong Kong profits tax has been made for the years ended 31 December 2015 and 2014 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 both years.

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 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 Vehicle Manufacturing") was recognised as a High-Tech company in 2009, 2012 and 2015 respectively and the applicable tax rate is 15% from 1 January 2009 to 3 November 2018.

Withholding tax of approximately HK\$1,074,000 (2014: HK\$529,000) has been provided for in the year ended 31 December 2015 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

10. DIVIDENDS

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Dividends recognised as distribution: | | |
| 2014 final dividend of HK1.5 cents (2013: final dividend of HK5.5 cents) per ordinary share | <u>16,185</u> | <u>59,345</u> |
| 2015 final dividend proposed of HK1.8 cents (2014: HK1.5 cents) per ordinary share | <u>19,422</u> | <u>16,185</u> |

A final dividend of HK1.8 cents per ordinary share (2014: HK1.5 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Earnings: | | |
| Earnings for the purposes of calculating basic and diluted earnings per share | | |
| — attributable to the owners of the Company | <u>64,502</u> | <u>58,497</u> |
| Number of shares: | | |
| Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic earnings per share | 1,062,795,068 | 1,079,000,000 |
| Effect of dilutive potential ordinary shares: | | |
| Unvested share award | <u>16,204,932</u> | <u>—</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u>1,079,000,000</u> | <u>1,079,000,000</u> |

The computation of diluted earnings per share for the year ended 31 December 2015 and 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.

12. BILLS AND TRADE RECEIVABLES

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables | 714,633 | 602,906 |
| Less: Allowance for bad and doubtful debts | <u>(63,416)</u> | <u>(55,231)</u> |
| | <u>651,217</u> | <u>547,675</u> |
| Bills receivables | <u>–</u> | <u>887</u> |
| | <u><u>651,217</u></u> | <u><u>548,562</u></u> |

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

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 to 180 days | <u><u>–</u></u> | <u><u>887</u></u> |

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

The following is an 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:

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within 3 months | 232,746 | 150,869 |
| 3 to 12 months | 128,731 | 166,000 |
| 1 to 2 years | 148,305 | 159,978 |
| Over 2 years | <u>141,435</u> | <u>70,828</u> |
| | <u><u>651,217</u></u> | <u><u>547,675</u></u> |

At 31 December 2015, included in the trade receivables are amounts due from the Group's related companies of HK\$153,838,000 (2014: HK\$67,328,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2015, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$217,119,000 (2014: HK\$170,788,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Other receivables | 31,466 | 33,967 |
| Less: Allowance for bad and doubtful debts | (442) | (1,425) |
| | <u>31,024</u> | <u>32,542</u> |
| Prepayments and deposits | 45,975 | 17,718 |
| Tax recoverable | 216 | 703 |
| | <u>77,215</u> | <u>50,963</u> |

At 31 December 2015, included in the Group's other receivables are amounts due from related companies of HK\$941,000 (2014: HK\$10,247,000), which are unsecured, interest-free and have no fixed terms of repayment.

14. BILLS, TRADE AND OTHER PAYABLES

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Bills payable | 8,267 | – |
| Trade payables | 235,984 | 77,396 |
| Other tax payables | 33,001 | 21,041 |
| Advance from customers, other payables and accrued charges | 92,757 | 29,784 |
| | <u>370,009</u> | <u>128,221</u> |

At 31 December 2015, included in the Group's trade payables are amounts due to related parties of approximately HK\$24,589,000 (2014: HK\$7,255,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers.

At 31 December 2015, included in the Group's advance from customers, other payables and accrued charges is an amount due to a related party of approximately HK\$36,131,000 (2014: nil) which is unsecured, interest-free and have no fixed terms of repayment.

At 31 December 2015, included in the Group's advance from customers, other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK\$27,679,000 (2014: nil) which is unsecured, interest-free and have no fixed terms of repayment.

At 31 December 2015, included in the Group's advance from customers, other payables and accrued charges is an amount of HK\$11,183,000 (2014: HK\$12,760,000), 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 (2014: 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:

| | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| Within 3 months | 162,127 | 43,087 |
| 3 to 12 months | 32,690 | 22,338 |
| 1 to 2 years | 33,505 | 2,425 |
| Over 2 years | 7,662 | 9,546 |
| | <u>235,984</u> | <u>77,396</u> |

15. SHARE CAPITAL

| | Number of shares | Amount <i>HK\$'000</i> |
|--|-----------------------------|----------------------------------|
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | <u>10,000,000,000</u> | <u>1,000,000</u> |
| Issued and fully paid: | | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | <u>1,079,000,000</u> | <u>107,900</u> |

16. COMMITMENTS

| | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Contracted for but not provided for in respect of the acquisition of property, plant and equipment | <u>20,475</u> | <u>30,555</u> |
| Contracted for but not provided for in respect of the acquisition of land use right | <u>35,826</u> | <u>38,028</u> |
| Contracted for but not provided for capital contributions payable to a joint venture | <u>–</u> | <u>9,100</u> |
| Authorised but not provided for in respect of the acquisition of property, plant and equipment | <u>6,678</u> | <u>10,815</u> |

BUSINESS REVIEW

In 2015, although the economy of the People's Republic of China (the "PRC") saw a change from a rapid growth to a normal stable growth, the PRC government actively encouraged a green economy emphasizing green, low carbon emission and sustainable development, and therefore the road recycling technology industry maintained a satisfactory development momentum.

During the year under review, the existing businesses of the Group recorded an increase in revenue and profit mainly due to the organic growth of the Company's asphalt pavement maintenance ("APM") services segment, the consolidated results of Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) ("Tianjin Expressway Maintenance") since September 2015, and the sale of the Company's modular series equipment. The Group continued to be a leading integrated solution provider using "Hot-in-Place" technology in the APM industry in the PRC. As of 31 December 2015, the Group had a total of eleven (2014: ten) joint ventures and associates engaging in the provision of APM services and twelve franchisees (2014: twelve) to promote the Group's "Hot-in-Place" technology in certain cities in the PRC.

In 2015, the Group's operating revenue was approximately HK\$616.6 million, representing an increase of approximately 57.9% as against 2014. Total profit attributable to owners of the Company was approximately HK\$64.5 million, representing an increase of approximately 10.3%, as against 2014. In addition, the Group's operating cash flow was significantly improved from cash outflow of HK\$18.8 million in 2014 to cash inflow of HK\$69.0 million in 2015.

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. As a result of the organic growth during the year, the Group completed 3.9 million square meters of APM services (2014: 3.1 million square meters), representing an increase 25.8% as against 2014. In addition, as a result of the completion of capital injection into Tianjin Expressway Maintenance on 31 August 2015, the results of Tianjin Expressway Maintenance were consolidated into the financial statements of the Group from September 2015 onwards. The APM services segment recorded a revenue of approximately HK\$535.7 million, representing an increase of 59.6% as against 2014.

APM Equipment

During the year under review, as a result of the Group's success in sale of its modular series equipment and more revenue generated from repair and maintenance of standard series previously sold, our APM equipment segment generated a revenue of HK\$80.9 million, representing an increase of 48.0% as against 2014. In light of the above, the management of the Company believes 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 of 31 December 2015, we had registered 111 patents (31 December 2014: 97), of which 11 were invention patents (31 December 2014: 11), 87 were utility model patents (31 December 2014: 74) and 13 were design patents (31 December 2014: 12), and we had 11 pending invention patent applications (31 December 2014: 14 patent pending applications, of which 5 invention patents, 8 utility model patents and 1 design patent).

During the year under review, the Group consistently enhanced its investment in research and development, further strengthening its research and development capabilities, and enabling it to overcome certain technological limitations in the APM service industry. In order to provide higher quality road maintenance services and reduce costs, the Group upgraded its existing modular series equipment to improve efficiency and reduce its dependence on labour.

The Company entered into a cooperation agreement with the School of Management of University of Chinese Academy of Sciences (中國科學院大學管理學院) (“Management School UCAS”), pursuant to which the UCAS Freetech Ecological Science and Technology Research Centre (“UCAS Freetech Centre”) was jointly set up by the Company and Management School UCAS and was officially unveiled in Beijing on 28 May 2015. UCAS Freetech Centre will conduct research on the areas of energy saving, environmental protection and green economy in transportation and municipal construction areas, as well as incubate and develop new technologies and products and provide application analysis on new technologies and products.

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.

OUTLOOK

For the coming year, we have identified valuable opportunities for the Group's development. First, while China's demand for APM continues to expand, the penetration rate of the recycling technology is relatively low. Second, as the first year of China's 13rd Five-Year Plan, the year 2016 will see a massive demand for intercity and municipal road renovation and maintenance due to the continuing urbanization. Third, the Group's 11 joint ventures including Tianjin Expressway Maintenance will gradually migrate from traditional APM method into the Group's "Hot-in-Place" recycling technology in order to strengthen their profitability and will result in a better return and enhance influences of the "Hot-in-Place" recycling technology in different regions. Fourth, the cooperation agreement signed among the Group, 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) will be implemented this year as the Group successfully won a bid for the public-private partnership road construction project ("PPP Project") in Jurong City. The Group and Jurong Municipal Construction Investment Co., Ltd.* (句容市城市投資建設有限責任公司) are responsible for the investment, management and operation of the PPP Project. Fifth, the strategic cooperation between the Company, other listed company and several potential large-sized state-owned enterprises will help market the recycling maintenance equipment and projects overseas.

As a leading provider of the "Hot-in-Place" recycling technology in the APM sector and a provider of one-stop solution covering "detection, planning, equipment and construction", the Group will leverage its competitive advantages and the favorable policies to achieve a healthy growth. The Group plans to enhance its market position, enter new markets and enlarge its share in existing markets by the following means: first, it will increase its investment to set up more sales offices in different cities and dispatch more salespersons to maintain its leading position in the provision of APM services; second, it will increase its investment to add equipment and staff to its detecting and planning departments, so as to enhance its one-stop solution; third, it will focus on the cities which will hold major events to gain and complete projects of high awareness; fourth, it will grasp the opportunities in the wave of state-owned enterprise reform to acquire more maintenance companies in the express highway sector; fifth, it will appoint more local APM service providers as its franchisees; sixth, it will further optimize its techniques and technologies to lower the construction costs; seventh, it will leverage its state-owned partners' overseas channels to expand the international APM equipment and services market.

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

** For identification purpose 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 2014.

REVENUE:

a. APM Services

| | Year ended 31 December | | 2014 | | Increase/ (decrease) |
|--------------------|------------------------|--|----------------|--|-------------------------|
| | 2015 | Area serviced (square meters '000) | 2014 | Area serviced (square meters '000) | |
| | HK\$'000 | | HK\$'000 | | |
| Revenue | | | | | |
| “Hot-in-Place” | | | | | |
| Projects | 366,660 | 3,926 | 335,738 | 3,106 | 9.2% |
| Non-“Hot-in-Place” | | | | | |
| Projects | 169,049 | – | – | – | N/A |
| Total | <u>535,709</u> | | <u>335,738</u> | | 59.6% |

| | Year ended 31 December | | 2014 | | Increase/ (decrease) |
|---------------------|------------------------|--------|----------------|--------|-------------------------|
| | 2015 | Margin | 2014 | Margin | |
| | HK\$'000 | | HK\$'000 | | |
| Gross profit | | | | | |
| “Hot-in-Place” | | | | | |
| Projects | 134,667 | 36.7% | 132,855 | 39.6% | 1.4% |
| Non-“Hot-in-Place” | | | | | |
| Projects | 7,987 | 4.7% | – | – | N/A |
| Total | <u>142,654</u> | 26.6% | <u>132,855</u> | 39.6% | 7.4% |

Revenue and gross profit for this segment both increased as compared to 2014. Despite the total area serviced for “Hot-in-Place” projects increased by 25.8% from 3.1 million square meters in 2014 to 3.9 million square meters in 2015, the revenue was increased by 9.2% as more projects were conducted on highways and expressway which have lower selling price. In addition, the revenue of Tianjin Expressway Maintenance (mainly were non-“Hot-in-Place” projects) were consolidated into the Group from September 2015 onward as a result of the completion of capital injection into Tianjin Expressway Maintenance on 31 August 2015, revenue in 2015 was increased by 59.6% as compared to 2014.

The gross profit margin in this segment decreased from 39.6% in 2014 to 26.6% in 2015. This was mainly due to revenue contributed from Tianjin Expressway Maintenance was non-“Hot-in-Place” projects which have lower gross profit margin. In addition, as more “Hot-in-Place” projects were conducted on highways and expressways which have lower selling price, the gross profit margin decreased from 39.6% in 2014 to 36.7% in 2015. In overall, the gross profit margin in this segment was decreased from 39.6% in 2014 to 26.6% in 2015.

b. APM Equipment

| | Year ended 31 December | | | | Increase/ (decrease) |
|---------------------------|------------------------|------------------------|-----------------|------------------------|---------------------------------|
| | 2015 | 2014 | 2015 | 2014 | |
| | <i>HK\$'000</i> | <i>units/ sets</i> | <i>HK\$'000</i> | <i>units/ sets</i> | |
| Revenue | | | | | |
| Standard series | 51,028 | 35 | 49,811 | 38 | 2.4% |
| Modular series | 23,388 | 1 | – | – | N/A |
| Repair and maintenance | 6,516 | N/A | 4,885 | N/A | 33.4% |
| Total | 80,932 | | 54,696 | | 48.0% |
| | 2015 | 2014 | | | |
| | <i>HK\$'000</i> | <i>Margin</i> | <i>HK\$'000</i> | <i>Margin</i> | <i>Increase/ (decrease)</i> |
| Gross profit | | | | | |
| Standard series | 24,347 | 47.7% | 25,978 | 52.2% | (6.3%) |
| Modular series | 15,480 | 66.2% | – | N/A | N/A |
| Repair and maintenance | 3,367 | 51.7% | 3,174 | 65.0% | 6.1% |
| Total | 43,194 | 53.4% | 29,152 | 53.3% | 48.2% |

Revenue for the APM equipment segment for 2015 increased by 48.0% as compared to 2014. This increase was primarily due to the sale of modular series and more revenue generated from repair and maintenance of the standard series previously sold.

Overall gross profit margin for this segment was relatively stable.

OTHER GAINS AND LOSSES

Other gains and losses for the year were increased by approximately HK\$2.8 million, from HK\$0.3 million in 2014 to HK\$3.1 million in 2015, primarily due to the net effect of (i) recognition of impairment loss of goodwill; (ii) decrease in impairment of trade receivables; (iii) decreased in net foreign exchange losses; and (iv) decreased in 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 were decreased by approximately HK\$0.7 million, from HK\$23.2 million in 2014 to HK\$22.5 million in 2015 which was relatively stable.

ADMINISTRATIVE EXPENSES

Administrative expenses were increased by 29.6% as against 2014, primarily due to the consolidation of the full year results of the subsidiaries acquired in 2014 and the results of Tianjin Expressway Maintenance from September 2015.

SHARE OF PROFITS AND LOSSES OF JOINT VENTURES AND ASSOCIATES

The Group's share of profits from joint ventures was approximately HK\$2.6 million in 2015. In 2014, the Group's share of losses from joint ventures was approximately HK\$5.4 million.

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 were decreased by approximately HK\$1.3 million, or approximately 50.0%, from HK\$2.6 million in 2014 to HK\$1.3 million in 2015, primarily due to the Group's bank loans being settled in 2014 by the proceeds from the Company's initial public offering in the second half of 2013 and new loans were drawn down in 2015.

TAXATION

Income tax expenses were increased by approximately HK\$0.4 million, or approximately 3.5%, from approximately HK\$11.5 million in 2014 to approximately HK\$11.9 million in 2015 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 was increased by approximately HK\$6.0 million, or approximately 10.3%, from approximately HK\$58.5 million in 2014 to approximately HK\$64.5 million in 2015, primarily due to the net effect of (i) the increase in revenue from the APM services segment due to the increased in total area serviced for “Hot-in-Place” projects and the consolidated results of Tianjin Expressway Maintenance; (ii) the increase in revenue from the APM equipment segment due to the sale of modular series; (iii) decrease in gross profit margin of APM services segment due to non-“Hot-in-Place” projects contributed from Tianjin Expressway Maintenance and more “Hot-in-Place” projects were conducted on highway and expressway which have lower gross profit margin and (iv) the increase in administrative expenses as a result of consolidated the results of subsidiaries acquired in 2014 and 2015.

FINANCIAL POSITION

As at 31 December 2015, the total equity of the Group amounted to approximately HK\$1,240.9 million (2014: HK\$1,214.2 million). This remained stable due to the net effect of (i) increased in net profit for the year of 2015; (ii) distribution of dividend; (iii) acquisition of subsidiaries; and (iv) changes in foreign currency translation reserve as a result of devaluation of RMB against Hong Kong dollar, as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollar.

The Group’s net current assets as at 31 December 2015 amounted to approximately HK\$815.6 million (2014: HK\$876.7 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 December 2015 was 2.8 (31 December 2014: 7.5). The decrease in net current assets and current ratio was mainly due to the consolidation of the financial results of Tianjin Expressway Maintenance, which has lower current ratio when compared to that of the Group, into the Group.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, the Group’s bank balances and cash, time deposits, pledged bank deposits and structured bank deposits amounted to approximately HK\$479.0 million (31 December 2014: HK\$353.9 million). The increase was primarily due to the net effect of net cash generated from operating activities, investment in joint ventures, net cash inflow on acquisitions of subsidiaries and bank borrowing raised. As at 31 December 2015, the bank borrowings of the Group amounted to HK\$72.3 million (31 December 2014: HK\$0.6 million). As at 31 December 2014 and 2015, the Group was in a net cash position.

Due to the consolidation of the financial results of Tianjin Expressway Maintenance into the Group, the trade receivables balance was increased accordingly from HK\$602.9 million as of 31 December 2014 to HK\$714.6 million as of 31 December 2015. If excluding the trade receivables balance of Tianjin Expressway Maintenance as at 31 December 2015 of HK\$140.5 million, the trade receivables balance was decreased by HK\$28.8 million from HK\$602.9 million as at 31 December 2014 to HK\$574.1 million as at 31 December 2015. As at latest

practicable date, third party customers had settled trade receivables amounting to HK\$140.9 million (RMB118.0 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 2015, the Group's liquidity position remained strong and the management of the Company believes that this will enable the Group to expand in accordance with their plans. The Group strives to efficiently use its financial resources and adopts a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

INTEREST-BEARING BANK BORROWINGS

As at 31 December 2015, the Group had total debt of HK\$72.3 million which was secured interest-bearing bank borrowings. As at 31 December 2014, the Group had total debt of HK\$0.6 million which was unsecured interest-bearing bank borrowings.

As at 31 December 2015, the secured interest-bearing bank borrowings were secured by pledge of bank balances of approximately HK\$125.2 million.

The maturity profile of the interest-bearing bank borrowings as at 31 December 2014 and 2015 were repayable within one year or on demand.

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 2015 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

| | Available <i>HK\$ million</i> | Net Proceeds Utilised <i>HK\$ million</i> | Unutilised <i>HK\$ million</i> |
|--|---|---|--|
| Investment in research and development activities | 137.4 | 137.4 | – |
| Establishing joint ventures and expanding APM service teams | 137.4 | 75.7 | 61.7 |
| Manufacturing APM equipment and expanding our APM service teams | 103.1 | 42.1 | 61.0 |
| Acquisitions of other APM service providers | 103.0 | 27.8 | 75.2 |
| Constructing new production facility | 68.7 | 57.2 | 11.5 |
| Establishing sales offices in new markets and marketing expenses | 68.7 | 44.7 | 24.0 |
| General corporate purposes and working capital requirements | 68.7 | 68.7 | – |
| | <u>687.0</u> | <u>453.6</u> | <u>233.4</u> |

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

On 30 June 2015, Freetech Smart Road Recycling Engineering Investment Limited (“Freetech Smart Road”), an indirect subsidiary, in which the Company owns 51% equity interest, and 天津高速公路集團有限公司(Tianjin Expressway Group Co., Ltd) (“Tianjin Expressway Group”), which was the existing shareholder of Tianjin Expressway Maintenance, entered into a capital injection agreement, pursuant to which Freetech Smart Road has agreed to acquire 55% equity interests in Tianjin Expressway Maintenance by way of subscribing for an additional registered capital of RMB24,444,400 (equivalent to approximately of HK\$30,556,000) at the total consideration of RMB46,802,400 (equivalent to approximately of HK\$58,503,000) (representing RMB24,444,400 (equivalent to approximately of HK\$30,556,000) as payment for the additional registered capital and RMB22,358,000 (equivalent to approximately of HK\$27,947,000) as capital reserve of Tianjin Expressway Maintenance). The investment consideration for the acquisition was fully paid in cash on 12 August 2015. Upon completion on 31 August 2015, the registered capital of Tianjin Expressway Maintenance was RMB44,444,400 and Tianjin Expressway Maintenance was owned as to 55% and 45% equity interests by Freetech Smart Road and Tianjin Expressway Group respectively. On the same day, a revised Articles of Association of Tianjin Expressway Maintenance was approved by the board of directors of Tianjin Expressway Maintenance, and the Group obtained the control in Tianjin Expressway Maintenance, and Tianjin Expressway Maintenance became a non-wholly owned subsidiary of the Group. Tianjin Expressway Maintenance 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 Tianjin, PRC.

On 22 December 2015, the Group entered into a share purchase agreement with its joint venture partner, to acquire a 25% equity interest in Futech Road Recycling Engineering Limited (“Futech Road”), which was previously a 50% owned joint venture of the Group. The purchase consideration for the acquisition was in the form of cash, with approximately HK\$13,388,000 paid at the acquisition date. Together with the 50% equity interest held before the acquisition, the Group’s interest in Futech Road increased to 75% after the acquisition. On the same day, the Group obtained the control in Futech Road, and Futech Road became a subsidiary of the Group. The acquisition was completed on 22 December 2015. Futech Road 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 Fujian, PRC.

Save 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 2015 are set out in note 16 to the financial statements. As at 31 December 2015, 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 and interest-bearing bank borrowings 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 2015, the Group had a total of 667 full time employees (as at 31 December 2014: 550). 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 separate and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Sze Wai Pan (“Mr. Sze”) to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group’s continual growth and development. When the Group has developed to a more sizeable organization, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the directors, they do not expect any issues would arise due to the combined role of Mr. Sze. The Group also has in place an internal control system to perform a check and balance function. There are also three independent non-executive directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power safeguards in place to enable the Company to make and implement decisions promptly and effectively.

AUDIT COMMITTEE

The audit committee of the Company has been set up in accordance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Ms. Yeung Sum (Chairman), 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 2015.

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 “Employee 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 2015.

The directors have recommended the payment of a final dividend of HK1.8 cents per share for the year ended 31 December 2015. 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.freotech-holdings.hk.

The 2015 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
Freotech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman and Chief Executive Officer

Hong Kong, 23 March 2016

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.