Freetech
英達科技

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 2016

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 2016.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase/
	2016	2015	(decrease)
	HK$'000	*HK$'000*	
Revenue	**495,598**	616,641	(19.6%)
Profit attributable to owners of the Company	**43,138**	64,502	(33.1%)
Earnings per share (Basic) *(HK cents)*	**4.06**	6.07	(33.1%)
Proposed final dividend per share *(HK cents)*	**–**	1.8	N/A

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
REVENUE	4	**495,598**	616,641
Cost of sales		**(316,328)**	(430,793)
Gross profit		**179,270**	185,848
Other income	5	**10,555**	14,156
Other gains and losses	6	**(14,854)**	(3,134)
Selling and distribution costs		**(17,918)**	(22,456)
Administrative expenses		**(87,184)**	(84,154)
Research and development costs		**(8,807)**	(13,864)
Other expenses		**(1,190)**	(73)
Share of (losses) profits of joint ventures		**(1,878)**	2,550
Finance costs	7	**(2,884)**	(1,252)
PROFIT BEFORE TAXATION	8	**55,110**	77,621
Taxation	9	**(10,686)**	(11,913)
PROFIT FOR THE YEAR		**44,424**	65,708

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
PROFIT FOR THE YEAR		**44,424**	65,708
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation		**(77,196)**	(68,910)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR		**(77,196)**	(68,910)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(32,772)**	(3,202)
Profit for the year attributable to:			
Owners of the Company		**43,138**	64,502
Non-controlling interests		**1,286**	1,206
		44,424	65,708
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(27,003)**	(2,643)
Non-controlling interests		**(5,769)**	(559)
		(32,772)	(3,202)
EARNINGS PER SHARE	*11*		
Basic		**HK4.06 cents**	HK6.07 cents
Diluted		**HK4.00 cents**	HK5.98 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**309,856**	296,011
Goodwill		**14,700**	10,507
Prepaid lease payments		**10,750**	5,936
Other intangible assets		**454**	311
Prepayments and deposits for acquisition of land use rights		**114,299**	47,157
Interests in joint ventures		**54,793**	72,457
Deferred tax assets		**3,613**	5,788
Available-for-sale investments		**8,267**	–
Trade receivables-non-current	12	**59,664**	–
		576,396	438,167
CURRENT ASSETS			
Inventories		**30,092**	57,954
Bills and trade receivables	12	**587,985**	651,217
Prepayments, deposits and other receivables	13	**113,919**	77,215
Prepaid lease payments		**298**	193
Time deposits		**3,016**	85,027
Pledged bank deposits		**46,845**	140,098
Structured bank deposits		**1,229**	2,030
Bank balances and cash		**275,119**	251,880
		1,058,503	1,265,614
CURRENT LIABILITIES			
Bills, trade and other payables	14	**293,513**	370,009
Taxation payable		**2,401**	7,710
Bank borrowings		**139,601**	72,325
		435,515	450,044
NET CURRENT ASSETS		**622,988**	815,570
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,199,384**	1,253,737

	Note	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**9,414**	12,860
Net assets		**1,189,970**	1,240,877
CAPITAL AND RESERVES			
Share capital	*15*	**107,900**	107,900
Reserves		**988,805**	1,035,035
Attributable to the owners of the Company		**1,096,705**	1,142,935
Non-controlling interest		**93,265**	97,942
Total equity		**1,189,970**	1,240,877

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.

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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to Hong Kong Accounting Standard ("HKAS") 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012–2014 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 2016			
Segment revenue:			
Sales to external customers	**324,057**	**171,541**	**495,598**
Intersegment sales	**6,251**	**38,276**	**44,527**
Other revenue	**2,444**	**63**	**2,507**
	332,752	**209,880**	**542,632**
Reconciliation:			
Elimination of intersegment sales	**(6,251)**	**(38,276)**	**(44,527)**
Revenue	**326,501**	**171,604**	**498,105**
Allocated corporate expenses	**(320,134)**	**(119,768)**	**(439,902)**
Segment results	**6,367**	**51,836**	**58,203**
Reconciliation:			
Interest income			**8,048**
Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value			**12,766**
Exchange losses			**(2,797)**
Finance costs			**(2,884)**
Unallocated corporate expenses			**(16,348)**
Share of losses of joint ventures			**(1,878)**
Profit before tax			**55,110**

	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
	563,662	103,466	667,128
Reconciliation:			
Elimination of intersegment sales	(23,933)	(22,534)	(46,467)
Revenue	539,729	80,932	620,661
Allocated corporate expenses	(483,031)	(64,514)	(547,545)
Segment results	56,698	16,418	73,116
Reconciliation:			
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			2,550
Profit before tax			77,621

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 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 2016			
Segment assets	1,003,503	302,173	1,305,676
Elimination of intersegment receivables			(228,362)
Investments in joint ventures			54,793
Other unallocated assets			502,792
Total assets			1,634,899
Segment liabilities	371,980	149,665	521,645
Elimination of intersegment payables			(228,362)
Other unallocated liabilities			151,646
Total liabilities			444,929
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

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 2016			
Impairment losses in respect of trade and other receivables	**15,055**	**8,717**	**23,772**
Depreciation and amortisation	**41,422**	**2,972**	**44,394**
Capital expenditure *(Note)*	**46,905**	**129**	**47,034**
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 *(Note)*	43,600	289	43,889

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 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 2016, revenue from a related company, accounted for 10% or more of the Group's revenue and its revenue amounted to HK$98,528,000 (2015: HK$168,354,000). The sales to the above related company 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

	2016 ***HK$'000***	2015 *HK$'000*
Government grants *(Note)*	**347**	2,839
Interest income	**8,048**	10,136
Others	**2,160**	1,181
	10,555	14,156

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

	2016 *HK$'000*	2015 *HK$'000*
Loss on disposal of property, plant and equipment	**(1,051)**	(810)
Impairment loss recognised in respect of goodwill	**–**	(2,863)
Impairment of trade receivables	**(22,833)**	(11,869)
Impairment of other receivables	**(939)**	(127)
Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value	**12,766**	16,173
Net foreign exchange losses	**(2,797)**	(3,638)
	(14,854)	(3,134)

7. FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000*
Interest on:		
— Bank borrowings wholly repayable within five years	**2,884**	1,252
Less: amounts capitalised	**–**	–
	2,884	1,252

8. PROFIT BEFORE TAXATION

	2016 *HK$'000*	2015 *HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**5,356**	6,349
Other staff retirement benefit scheme contributions	**8,696**	7,114
Other staff costs	**54,561**	60,165
Share-based payment expense for other staff	**159**	1,689
Total staff costs	**68,772**	75,317
Amortisation of prepaid lease payments	**298**	193
Amortisation of other intangible assets	**132**	102
Auditor's remuneration	**1,580**	1,480
Cost of inventories sold	**61,848**	37,738
Cost of services provided	**254,480**	393,055
Depreciation	**43,964**	34,951

Share-based payment expense of approximately HK$195,000 (2015: HK$2,148,000) were recognised in profit or loss during the year ended 31 December 2016 in respect of share options and awards of the Company.

9. TAXATION

The charge comprises:

	2016	2015
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("EIT"):		
— Current year	**7,472**	8,530
— Under (over) provision in prior years	**740**	(1,239)
	8,212	7,291
Deferred tax charge	**2,474**	4,622
	10,686	11,913

No provision for Hong Kong profits tax has been made for the years ended 31 December 2016 and 2015 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 ("Nanjing 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$814,000 (2015: HK$1,074,000) has been provided for in the year ended 31 December 2016 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

10. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
2015 final dividend of HK1.8 cents (2014: final dividend of HK1.5 cents) per ordinary share	**19,422**	16,185

No final dividend is proposed by the directors for the year ended 31 December 2016. Final dividend of HK1.8 cents per share was proposed by the directors for the year ended 31 December 2015.

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

	2016	2015
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share — attributable to the owners of the Company	**43,138**	64,502
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	**1,061,630,000**	1,062,795,068
Effect of dilutive potential ordinary shares:		
Unvested share award	**17,370,000**	16,204,932
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,079,000,000**	1,079,000,000

The computation of diluted earnings per share for the year ended 31 December 2016 and 31 December 2015 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

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**727,104**	714,633
Less: Allowance for bad and doubtful debts	**(79,678)**	(63,416)
	647,426	651,217
Portion classified as non-current assets	**(59,664)**	–
Current portion	**587,762**	651,217
Bills receivables	**223**	–
	587,985	651,217

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

	2016	2015
	HK$'000	*HK$'000*
0 to 180 days	**223**	–

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:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**308,143**	232,746
3 to 12 months	**100,881**	128,731
1 to 2 years	**127,717**	148,305
Over 2 years	**110,685**	141,435
	647,426	651,217

At 31 December 2016, included in the trade receivables are amounts with the Group's related companies of HK$134,214,000 (2015: HK$153,838,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2016, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$249,993,000 (2015: HK$217,119,000) 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

	2016	2015
	HK$'000	*HK$'000*
Other receivables	**35,395**	31,466
Less: Allowance for bad and doubtful debts	**(1,124)**	(442)
	34,271	31,024
Prepayments and deposits	**78,893**	45,975
Tax recoverable	**755**	216
	113,919	77,215

At 31 December 2016, included in the Group's other receivables are amounts with related companies of HK$20,422,000 (2015: HK$941,000), which are unsecured, interest-free and have no fixed terms of repayment.

14. BILLS, TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Bills payable	**5,641**	8,267
Trade payables	**158,950**	235,984
Other tax payables	**37,312**	33,001
Advance from customers, other payables and accrued charges	**91,610**	92,757
	293,513	370,009

At 31 December 2016, included in the Group's trade payables are amounts with related parties of approximately HK$6,996,000 (2015:HK$24,589,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers.

At 31 December 2016, included in the Group's advance from customers, other payables and accrued charges is an amount with a related party of approximately HK$33,733,000 (2015: HK$36,131,000) which is unsecured, interest-free and have no fixed terms of repayment.

At 31 December 2016, 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$26,056,000 (2015: HK$27,679,000) which is unsecured, interest-free and have no fixed terms of repayment.

At 31 December 2016, included in the Group's advance from customers, other payables and accrued charges is an amount of HK$7,486,000 (2015: HK$11,183,000), 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 (2015: 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:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**85,588**	162,127
3 to 12 months	**32,652**	32,690
1 to 2 years	**19,375**	33,505
Over 2 years	**21,335**	7,662
	158,950	235,984

15. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 31 December 2016	1,079,000,000	107,900

16. COMMITMENTS

	2016 *HK$'000*	2015 *HK$'000*
Contracted for but not provided for in respect of the acquisition of property, plant and equipment	**14,528**	20,475
Contracted for but not provided for in respect of the acquisition of land use right	**110,696**	35,826
Contracted for but not provided for capital contributions payable to a joint venture	**16,421**	–
Contracted for but not provided for capital contributions payable to available-for-sale investments	**2,616**	–
Authorised but not provided for in respect of the acquisition of property, plant and equipment	**6,250**	6,678

BUSINESS REVIEW

The Year 2016 was a challenging and volatile year as the global monetary market fluctuated and the PRC economic growth slowed down. Regardless of the above, green economy development remained a top priority for the national development as suggested by the PRC government in the 13th Five-year Plan. Therefore, the road recycling technology industry maintained a relatively stable development.

During the year under review, the existing businesses of the Group recorded a decrease in revenue and profit mainly due to the net effect of the following factors: (1) after the Ministry of Transport conducting road inspections on highways in 2015 and the beginning year of PRC's 13th Five-year Plan, the local government has made more effort in the overall road construction and maintenance planning and therefore, fewer road maintenance projects were assigned, therefore the revenue of the Group's asphalt pavement maintenance ("APM") services segment decreased in 2016, and (2) the continuing demand of the Group's standard and modular series equipment as more local government is focusing on green economy development on road maintenance industry, the Group successfully bid an equipment bulk procurement project with Hainan Province Highway Department* (海南省公路管理局) and stepped into the international market through selling a modular series equipment to a customer in the Republic of Korea, which marked a milestone of the Group's business, therefore the revenue of the Group's APM equipment segment increased. The Group continued to be a leading integrated solution provider using "Hot-in-Place" technology in the APM industry in the PRC. As at 31 December 2016, the Group had a total of 11 joint ventures engaging in the provision of APM services and 12 franchisees to promote the Group's "Hot-in-Place" technology in certain cities in the PRC.

In 2016, the Group's operating revenue was approximately HK$495.6 million, representing a decrease of approximately 19.6% as compared to 2015. Total profit attributable to owners of the Company was approximately HK$43.1 million, representing a decrease of approximately 33.1% as compared to 2015. As at 31 December 2016, the Group remained a healthy financial position as it had cash on hand in the sum of approximately HK$326.2 million.

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 disclosed above, the local government has made more effort in the overall road construction and maintenance planning and therefore, fewer road maintenance projects were assigned during the year. As a result, the Group completed 2.9 million square meters of APM services (2015: 3.9 million square meters), representing a decrease of 25.6% as against 2015. In addition, as RMB has weakened and the Value-Added Tax ("VAT") reform was implemented, and the reduced selling price of some of the APM projects conducted during the year as a result of the exclusion of the raw material cost of asphalt mixture at the request of certain customer(s), the APM services segment recorded revenue of approximately HK$324.1 million, representing a decrease of 39.5% as against 2015.

APM Equipment

During the year under review, as a result of the local government's focus on green economy development on road maintenance industry, there is a continuing demand on the Group's standard and modular series equipment. The Group successfully bid an equipment bulk procurement project with Hainan Province Highway Department and stepped into the international market through selling a modular series equipment to a customer in the Republic of Korea, our APM equipment segment generated a revenue of HK$171.5 million, representing an increase of 112.0% as against 2015. 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 2016, we had registered 120 patents (31 December 2015: 111), of which 13 were invention patents (31 December 2015: 11), 91 were utility model patents (31 December 2015: 87) and 16 were design patents (31 December 2015: 13), and we had 17 pending patent applications, of which 9 are invention patents and 8 are utility model patents (31 December 2015: 11 pending invention patent applications).

During the year under review, the Group consistently enhanced its investment in research and development, and further strengthened its research and development capabilities so as to overcome certain technological limitations in the APM service industry.

After UCAS Freetech Ecological Science and Technology Research Centre ("UCAS Freetech Centre") (jointly set up by the Company and Management of University of Chinese Academy of Sciences (中國科學院大學管理學院) ("Management School UCAS")) was officially unveiled in Beijing last year, the Master of Business Administration and the Master of Engineering programs jointly set up by the Company and Management School UCAS officially commenced in the first half of 2016. In order to fill the gaps in the training and education of the senior talents in road maintenance and management, these courses are the first domestic master courses focus on road maintenance and management direction, integrating the resources from the Management School UCAS and the Company. This will bring changes in training talents and upgrading research and development of future road maintenance industry, as well as incubate and develop new technologies and products and provide application analysis on new technologies and products.

During the year under review, The Technical Specification for Urban Road Excavation and Quick Backfill《城市道路開挖及快速回填技術規程》compiled by the Group has been approved for publication by the Professional Committee of Urban Transportation (城市交通專業委員會) affiliated to the China Association of Engineering Construction Standardization (中國工程建設標準化協會), which came into effect on 1 March 2017. The official release and implementation of Technical Specification for Urban Road Excavation and Quick Backfill will provide guidance for material selection and mix design, and support cycle-time reduction, operation standardization and quality assurance. It can also help to guide operation, accelerate the implementation of the new technology, and finally further enhance the Group's leading position in this field.

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

Green economy development remains a top priority for the PRC government according to the 13th Five-year Plan. The plan also suggested the transportation system adhering to the use of environmental friendly and recycling road maintenance technologies. With our Hot-in-Place recycling technology, the Group will benefit from the increasing demand for APM in the PRC, especially those using the recycling technologies.

In the coming year, we have identified valuable opportunities for the Group's development. Firstly, as at 31 December 2015, the total mileage for highway in the PRC has reached 4.6 million miles (second longest in the world) and the expressway mileage has reached 120,000 miles (the longest in the world). Therefore, it offers us the largest road maintenance market and huge room to grow. Secondly, the PRC government has encouraged the adoption of PPP, a collaborative investment model between government and private companies, in infrastructure projects amid concerns over heavy local government debt. As the government tends to choose experienced partners with mature development of related technology, it is favorable to the Group to acquire more projects. Following the Group's successfully bid for the public-private partnership road construction project ("PPP Project") in Jurong City, the Group will continue to seek for other PPP Project opportunities in other cities in the PRC. By the end of 2015, 1,351 PPP-funded projects signed has a combined investment of 2.2 trillion yuan. We expect the PPP Projects opportunities to further improve our business performance with a massive demand for intercity and municipal road renovation and maintenance due to the continuing urbanization. Thirdly, it is a breakthrough for the Company to enter into the international market by selling a modular series equipment to a customer in the Republic of Korea. The Company will continue to explore the overseas business opportunities and strategic cooperations with other companies, such as some listed companies and large-scale or state-owned enterprises. The Group is putting effort to promote its overseas business opportunities in the countries along the "One Belt One Road" and four Asian tigers. In light of these, the Group is well positioned to benefit from the government's policies and the positive development prospects in the environmental protection sector.

As a leading provider of the "Hot-in-Place" recycling technology in the APM sector and a provider of one-stop solution covering "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 into new markets and enlarge its share in the existing markets by the following: first, it will increase its investment in setting up more sales offices in different PRC cities and dispatch more salespersons to maintain its leading position in the provision of APM services; second, it will increase its investment in adding 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 relevant state-owned enterprise reforms 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").

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 under review, with comparisons against 2015.

* *For identification purpose only*

REVENUE

a. APM Services

	Year ended 31 December				
	2016		2015		
	HK$'000	***Area serviced (square meters '000)***	*HK$'000*	*Area serviced (square meters '000)*	Increase/ (decrease)
Revenue (net of VAT and BT)					
"Hot-in-Place" Projects	**209,787**	**2,910**	366,660	3,926	(42.8%)
Non-"Hot-in-Place" Projects	**114,270**	**—**	169,049	—	(32.4%)
Total	**324,057**		535,709		(39.5%)

	Year ended 31 December				
	2016		2015		Increase/
	HK$'000	***Margin***	*HK$'000*	*Margin*	(decrease)
Gross profit					
"Hot-in-Place" Projects	**63,045**	**30.1%**	134,667	36.7%	(53.2%)
Non-"Hot-in-Place" Projects	**6,532**	**5.7%**	7,987	4.7%	(18.2%)
Total	**69,577**	**21.5%**	142,654	26.6%	(51.2%)

Revenue and gross profit for this segment both decreased as compared to 2015. 2016 was the year after the Ministry of Transport conducting road inspections on highways in 2015 and the beginning year of PRC's 13th Five-year Plan, the local government has made more effort in the overall road construction and maintenance planning, and therefore, fewer road maintenance projects were assigned. Therefore the Company's APM services segment for "Hot-in-Place" projects and non-"Hot-in-Place" projects decreased accordingly. In addition, due to the weakening of RMB, the implementation of the VAT reform resulting the Group to incur 11% VAT instead of 3% business tax, and the reduced selling price of some of the APM projects conducted during the year as a result of the exclusion of the raw material cost of asphalt mixture at the request of certain customer(s), revenue in 2016 decreased by approximately 39.5% as compared to 2015. However, after the road construction and maintenance planning stage conducted by the local government in 2016, it is expected that the number of road construction and maintenance projects will start to roll out in 2017 onwards.

The gross profit margin in this segment decreased from approximately 26.6 % in 2015 to approximately 21.5% in 2016. This was mainly due to net effect of (i) the implementation of VAT reform; and (ii) the decrease in APM serviced area of "Hot-in-Place" projects resulted a higher cost per square meter as the requirement of incurring some fixed cost regardless of the total serviced area, resulting decrease in gross profit of "Hot-in-Place" projects.

b. APM Equipment

	Year ended 31 December				
	2016		2015		
	HK$'000	***units/ sets***	*HK$'000*	*units/ sets*	Increase/ (decrease)
Revenue (net of VAT)					
Standard series	**63,678**	**52**	51,028	35	24.8%
Modular series	**102,624**	**5**	23,388	1	338.8%
Repair and maintenance	**5,239**	**N/A**	6,516	N/A	(19.6%)
Total	**171,541**		80,932		112.0%

	2016		2015		Increase/
	HK$'000	***Margin***	*HK$'000*	*Margin*	(decrease)
Gross profit					
Standard series	**35,883**	**56.4%**	24,347	47.7%	47.4%
Modular series	**70,362**	**68.6%**	15,480	66.2%	354.5%
Repair and maintenance	**3,448**	**65.8%**	3,367	51.7%	2.4%
Total	**109,693**	**63.9%**	43,194	53.4%	154.0%

Revenue for the APM equipment segment for 2016 was increased by approximately 112.0% as compared to 2015. This increase was primarily due to the continuing demand of the Group's standard and modular series equipment as more local government in the PRC is focusing on green economy development on road maintenance industry, the Group successfully bid an equipment bulk procurement project and stepped into the international market through selling a modular series equipment to a customer in the Republic of Korea.

Overall gross profit margin for this segment increased from approximately 53.4% in 2015 to approximately 63.9% in 2016 due to the fact that more revenue was generated from higher gross profit margin modular series equipment.

OTHER GAINS AND LOSSES

Other gains and losses for the year under review increased by approximately HK$11.8 million, from approximately HK$3.1 million in 2015 to approximately HK$14.9 million in 2016, primarily due to the net effect of (i) the recognition of impairment loss of goodwill in 2015; (ii) the increase in impairment of trade receivables; (iii) the decreased in net foreign exchange losses; and (iv) the decreased in fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs for the year under review was decreased by approximately 20.4% or approximately HK$4.6 million, from approximately HK$22.5 million in 2015 to approximately HK$17.9 million in 2016 which was in line with the decrease in revenue.

ADMINISTRATIVE EXPENSES

Administrative expenses were increased by approximately 3.6%, as against 2015 which was relatively stable.

SHARE OF PROFITS AND LOSSES OF JOINT VENTURES

The Group's share of losses from joint ventures was approximately HK$1.9 million in 2016. In 2015, the Group's share of profits from joint ventures was approximately HK$2.6 million.

The losses from these joint ventures are primarily due to the instability of their businesses and the local government has made more effort in the overall road construction and maintenance planning, and therefore, fewer road maintenance projects were assigned.

FINANCE COSTS

Finance costs were increased by approximately HK$1.6 million, or approximately 123.1%, from approximately HK$1.3 million in 2015 to approximately HK$2.9 million in 2016, primarily due to the new loans drawn down during the year under review in order to cope with the Group's business development.

TAXATION

Income tax expenses was decreased by approximately HK$1.2 million, or approximately 10.1%, from approximately HK$11.9 million in 2015 to approximately HK$10.7 million in 2016 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 decreased by approximately HK$21.4 million, or approximately 33.1%, from approximately HK$64.5 million in 2015 to approximately HK$43.1 million in 2016, primarily due to the net effect of (i) the decrease in revenue from the APM services segment due to the decreased in total area serviced for "Hot-in-Place" projects and the revenue of "non-Hot-in-Place" projects; (ii) the increase in revenue from the APM equipment segment due to the increase in sale of standard and modular series; (iii) the decrease in gross profit margin of APM services segment due to the implementation of the VAT reform in the PRC and the decrease in APM serviced area of "Hot-in-Place" projects which resulted in a higher cost per square meter as the requirement of incurring some fixed cost regardless of the total serviced area; and (iv) the increases in other gains and losses, the decreases in selling and distribution costs and the decreases in research and development costs.

FINANCIAL POSITION

As at 31 December 2016, the total equity of the Group amounted to approximately HK$1,190.0 million (2015: HK$1,240.9 million). Decreases in the total equity of the Group was due to the net effect of (i) decreased in net profit for the year of 2016; (ii) distribution of dividend; and (iii) changes in foreign currency translation reserve as a result of the 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 dollars.

The Group's net current assets as at 31 December 2016 amounted to approximately HK$623.0 million (2015: HK$815.6 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2016, was 2.4 (31 December 2015: 2.8). The decrease in the net current assets and current ratio was mainly due to the decreased in cash and bank deposit balances for the acquisition of land use rights and subsidiaries, and the purchase of property, plant and equipment.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group's bank balances and cash, time deposits, pledged bank deposits and structured bank deposits amounted to approximately HK$326.2 million (31 December 2015: HK$479.0 million). The decrease was primarily due to the net effect of net cash used in operating activities, purchase of property, plant and equipment, investment in joint ventures, net cash outflow on acquisitions of subsidiaries, prepayment for acquisition of land use rights and bank borrowing raised. As at 31 December 2016, the bank borrowings of the Group amounted to HK$139.6 million (31 December 2015: HK$72.3 million). As at 31 December 2015 and 2016, the Group was in a net cash position.

In order to expand the market share of road recycling maintenance industry, the Group is willing to provide a longer credit term to specific customers. As a result, the trade receivables balance of approximately HK$59.7 million was classified as non-current assets. Accordingly, the trade receivables balance increased from approximately HK$714.6 million as of 31 December 2015 to approximately HK$727.1 million as of 31 December 2016. As at latest practicable date, third party customers had settled trade receivables amounting to approximately HK$76.8 million (RMB68.8 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 the local PRC government authorities. In order to minimise the risk of placing heavy reliance on obtaining project from the local PRC government and to further diversify the overall credit risk, the Group will widen its customer base. For those customers whose credit terms are extended by the Group, the Group has policies in place to evaluate the credit risk for these customers, taking into account of its repayment ability and long term relationship with the Group.

As at 31 December 2016, 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 2016, the Group had total debt of HK$139.6 million, which comprised of secured interest-bearing bank borrowings of HK$86.0 million and unsecured interest-bearing bank borrowings of HK$53.6 million. 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 2016, the secured interest-bearing bank borrowings were secured by pledge of bank balances of approximately HK$46.8 million and trade receivables of approximately HK$49.1 million.

The maturity profile of the interest-bearing bank borrowings as at 31 December 2015 and 2016 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 2016 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	137.4	–
Establishing joint ventures and expanding APM service teams	137.4	78.3	59.1
Manufacturing APM equipment and expanding our APM service teams	103.1	73.5	29.6
Acquisitions of other APM service providers	103.0	53.6	49.4
Constructing new production facility	68.7	60.7	8.0
Establishing sales offices in new markets and marketing expenses	68.7	56.5	12.2
General corporate purposes and working capital requirements	68.7	68.7	–
	687.0	528.7	158.3

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

(i) Pursuant to the cooperation agreement dated 27 March 2015 entered between the Company and 江蘇省句容市住房和城鄉建設局 (Jurong City Housing and Urban Rural Development Bureau*), on 23 August 2016, Freetech Road Recycling Corporation, an indirect wholly-owned subsidiary of the Company, and 句容市城市投資建設有限責任公司 (Jurong Municipal Construction Investment Co., Ltd.*) ("JV Partner") entered into the joint venture contract ("Joint Venture Contract"), pursuant to which the parties to the Joint Venture Contract agreed to establish the public-private-partnership company ("PPP Company") in Jurong City (句容市), Jiangsu Province, the PRC with registered capital of RMB100,000,000. Pursuant to the terms of the Joint Venture Contract, the PPP Company shall be owned as to 80% and 20% by Freetech Road Recycling Corporation and the JV Partner, respectively, and the PPP Company would be a platform for a series of projects involving management, supervision and operation of a new public road in Shanglupian District* (上路片區) of Jurong City. For details, please refer to the Company's announcement dated 23 August 2016.

* *For identification purpose only*

(ii) In December 2016, the Group entered into a share purchase agreement with its joint venture partner, 南京浩德科技發展有限公司 (Nanjing Haode Technology Development Co., Ltd.*), to acquire further 65% equity interest in 福州速達道路養護工程有限公司 (Fuzhou Suda Road Maintenance Engineering Co., Ltd.*) ("Fuzhou Suda"), which was previously a 35% owned joint venture of the Group. The purchase consideration for the acquisition was RMB10,750,000 (equivalent to approximately HK$12,009,000) which shall be paid within two months after change of the registration of the shareholding. Together with the 35% equity interest held before the acquisition, the Group's interest in Fuzhou Suda increased to 100% after the acquisition. On the same date, a revised Articles of Association was approved by the board of directors of Fuzhou Suda and Fuzhou Suda became a wholly-owned subsidiary of the Group. Fuzhou Suda is principally engaged in provision of road maintenance services. The acquisition was as part of the Group's strategy to penetrate into the market of road maintenance services in Fuzhou, the PRC.

(iii) On 30 December 2016, the Group subscribed for additional capital of RMB13,300,000 (equivalent to approximately HK$14,165,000) in 廣東穗通道路再生工程有限公司 (Guangdong Suitong Road Recycling Engineering Co., Ltd.*) ("Guangdong Suitong"). Upon completion of the subscription, the Group's interest in Guangdong Suitong increased from 51% to 94.19%. On the same date, a revised Articles of Association was approved by the board of directors of Guangdong Suitong, and the Group obtained the control in Guangdong Suitong, and Guangdong Suitong became a subsidiary of the Group. Guangdong Suitong is principally engaged in provision of road maintenance services. The acquisition was as part of the Group's strategy to penetrate into the market of road maintenance services in Guangdong, the PRC; and

(iv) On 30 December 2016, Freetech Real Estate (Nanjing) Co. Ltd. ("Freetech Nanjing"), an indirect wholly-owned subsidiary of the Company, and 南京市國土資源局 (Nanjing Municipal Land Resources Bureau*) ("Land Bureau") entered into a contract, pursuant to which Freetech Nanjing agreed to purchase and the Land Bureau agreed to sell the land use rights of a parcel of land in Nanjing, the PRC, at a consideration of approximately RMB140,050,000 (the "Consideration"), which shall be payable by Freetech Nanjing to the Land Bureau in cash. The Consideration was fully settled on 21 March 2017. For details, please refer to the Company's announcement dated 30 December 2016.

Save as disclosed above, during the year under review, there were no other 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 2016 are set out in note 16 to the financial statements. As at 31 December 2016, the Group did not have any material contingent liabilities.

* *For identification purpose only*

FINANCIAL RISK MANAGEMENT

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. As at 31 December 2016, approximately 78.4% and 21.6% (as at 31 December 2015: nil and 100%) of the Group's bank borrowings are at fixed interest rate and floating interest rate, respectively. 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. At at 31 December 2016, certain time deposit, bank balances and cash, pledged bank deposits and structured bank deposits of approximately HK$313,862,000 (2015: HK$465,672,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2016, the Group's bank borrowings denominated in RMB, HK$ and US$ amounted to HK$109,476,000 (equivalent to RMB98,000,000) (as at 31 December 2015: nil), HK$3,000,000 (as at 31 December 2015: HK$45,200,000) and HK$27,125,000 (equivalent to US$3,500,000) (as at 31 December 2015: HK$27,125,000 (equivalent to US$3,500,000)). The Group has not hedged its foreign currency risk. The changes in foreign currency translation reserve during the year under review was the result of the 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 dollars.

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

EMPLOYEES AND REMUNERATION

As at 31 December 2016, the Group had a total of 637 full time employees (as at 31 December 2015: 667). 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.

Code 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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIVIDEND

Directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2016.

The directors do not recommend the payment of any dividend for the year ended 31 December 2016. As at the date of this announcement , there was no arrangement with any Shareholder of the Company under which he/she/it has waived or agreed to waive any dividends.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.freetech-holdings.hk.

The 2016 report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 30 March 2017

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 Dr. Chan Yan Chong and Mr. Wang Lei; and the independent non-executive Directors are Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong.