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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 2017

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 2017.

## FINANCIAL HIGHLIGHTS

| | **Year ended 31 December** | | Increase/ |
|---|---|---|---|
| | **2017** | 2016 | (decrease) |
| | ***HK$'000*** | *HK$'000* | |
| Revenue | **475,528** | 495,598 | (4.0)% |
| (Loss) Profit attributable to owners of the Company | **(265,004)** | 43,138 | (714.3)% |
| (Loss) Earnings per share (Basic) *(HK cents)* | **(24.96)** | 4.06 | (714.8)% |

## FINANCIAL RESULTS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2017*

| | *Notes* | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|---|
| REVENUE | *4* | **475,528** | 495,598 |
| Cost of sales | | **(361,989)** | (316,328) |
| Gross profit | | **113,539** | 179,270 |
| Other income | *5* | **9,371** | 10,555 |
| Other gains and losses | *6* | **(270,011)** | (14,854) |
| Changes in fair value of investment property | | **42,418** | – |
| Selling and distribution costs | | **(19,995)** | (17,918) |
| Administrative expenses | | **(95,175)** | (87,184) |
| Research and development costs | | **(14,234)** | (8,807) |
| Other expenses | | **(722)** | (1,190) |
| Share of losses of joint ventures | | **(31,331)** | (1,878) |
| Finance costs | *7* | **(6,107)** | (2,884) |
| (LOSS) PROFIT BEFORE TAXATION | *8* | **(272,247)** | 55,110 |
| Taxation | *9* | **(15,835)** | (10,686) |
| (LOSS) PROFIT FOR THE YEAR | | **(288,082)** | 44,424 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*Year ended 31 December 2017*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| (LOSS) PROFIT FOR THE YEAR | | **(288,082)** | 44,424 |
| OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Exchange differences arising from translation | | **76,763** | (77,196) |
| OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR | | **76,763** | (77,196) |
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | | **(211,319)** | (32,772) |
| (Loss) Profit for the year attributable to: | | | |
| Owners of the Company | | **(265,004)** | 43,138 |
| Non-controlling interests | | **(23,078)** | 1,286 |
| | | **(288,082)** | 44,424 |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | **(194,299)** | (27,003) |
| Non-controlling interests | | **(17,020)** | (5,769) |
| | | **(211,319)** | (32,772) |
| (LOSS) EARNINGS PER SHARE | *11* | | |
| Basic | | **HK(24.96) cents** | HK4.06 cents |
| Diluted | | **HK(24.96) cents** | HK4.00 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **196,904** | 309,856 |
| Goodwill | | **6,881** | 14,700 |
| Prepaid lease payments | | **10,747** | 10,750 |
| Investment property | | **218,018** | – |
| Other intangible assets | | **540** | 454 |
| Prepayments and deposits for acquisition of land use rights | | **38,748** | 114,299 |
| Interests in joint ventures | | **35,075** | 54,793 |
| Deferred tax assets | | **2,284** | 3,613 |
| Available-for-sale investments | | **13,652** | 8,267 |
| Trade receivables-non-current | *12* | **43,782** | 59,664 |
| | | **566,631** | 576,396 |
| CURRENT ASSETS | | | |
| Inventories | | **44,407** | 30,092 |
| Bills and trade receivables | *12* | **552,301** | 587,985 |
| Prepayments, deposits and other receivables | *13* | **69,336** | 113,919 |
| Prepaid lease payments | | **306** | 298 |
| Time deposits | | **15,914** | 3,016 |
| Pledged bank deposits | | **5,698** | 46,845 |
| Structured bank deposits | | **38,919** | 1,229 |
| Bank balances and cash | | **200,037** | 275,119 |
| | | **926,918** | 1,058,503 |
| CURRENT LIABILITIES | | | |
| Bills, trade and other payables | *14* | **336,836** | 293,513 |
| Taxation payable | | **2,795** | 2,401 |
| Bank borrowings | | **153,754** | 139,601 |
| | | **493,385** | 435,515 |
| NET CURRENT ASSETS | | **433,533** | 622,988 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,000,164** | 1,199,384 |

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | **21,358** | 9,414 |
| Net assets | | **978,806** | 1,189,970 |
| CAPITAL AND RESERVES | | | |
| Share capital | *15* | **107,900** | 107,900 |
| Reserves | | **794,661** | 988,805 |
| Attributable to the owners of the Company | | **902,561** | 1,096,705 |
| Non-controlling interest | | **76,245** | 93,265 |
| Total equity | | **978,806** | 1,189,970 |

# 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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 *Share-based Payment,* leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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")

**Amendments to HKFRSs that are mandatorily effective for the current year**

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 Hong Kong Accounting Standard ("HKAS") 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 | *As part of the Annual Improvements to HKFRSs 2014–2016 Cycle* |

**New and revised HKFRSs in issue but not yet effective**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[4] |
| HK(IFRIC)-Interpretation 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC)-Interpretation 23 | Uncertainty over Income Tax Treatments[2] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to HKAS 40 | Transfer of Investment Property[1] |
| Amendments to HKAS 28 | As part of Annual Improvements to HKFRSs 2014–2016 Cycle[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle[2] |

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

## 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 2017** | | | |
| **Segment revenue:** | | | |
| Sales to external customers | **431,606** | **43,922** | **475,528** |
| Intersegment sales | **8,368** | **18,441** | **26,809** |
| | **439,974** | **62,363** | **502,337** |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | **(8,368)** | **(18,441)** | **(26,809)** |
| Revenue | **431,606** | **43,922** | **475,528** |
| **Segment results** | **(255,893)** | **(8,221)** | **(264,114)** |
| *Reconciliation:* | | | |
| Interest income | | | **5,813** |
| Changes in fair value of investment property | | | **42,418** |
| Exchange losses | | | **(2,932)** |
| Finance costs | | | **(6,107)** |
| Unallocated corporate expenses | | | **(15,994)** |
| Share of losses of joint ventures | | | **(31,331)** |
| Loss before tax | | | **(272,247)** |

| | 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 |
| | 330,308 | 209,817 | 540,125 |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | (6,251) | (38,276) | (44,527) |
| Revenue | 324,057 | 171,541 | 495,598 |
| **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 |

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, changes in fair value of investment property, 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 2017** | | | |
| **Segment assets** | **742,931** | **328,751** | **1,071,682** |
| Elimination of intersegment receivables | | | **(154,226)** |
| Investments in joint ventures | | | **35,075** |
| Investment property | | | **218,018** |
| Other unallocated assets | | | **323,000** |
| Total assets | | | **1,493,549** |
| **Segment liabilities** | **429,633** | **61,366** | **490,999** |
| Elimination of intersegment payables | | | **(154,226)** |
| Other unallocated liabilities | | | **177,970** |
| Total liabilities | | | **514,743** |
| **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 |

**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 2017** | | | |
| Impairment losses recognised in respect of trade and other receivables | **156,843** | **1,059** | **157,902** |
| Impairment losses on property, plant and equipment | **100,458** | **–** | **100,458** |
| Depreciation and amortisation | **49,021** | **2,300** | **51,321** |
| Capital expenditure *(Note)* | **19,744** | **1,582** | **21,326** |
| **For the year ended 31 December 2016** | | | |
| Impairment losses recognised 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 |

*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, investment property, 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.

**Revenue from major products and services**

| | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| Maintenance services — "Hot-in-Place" Projects | **267,734** | 209,787 |
| Maintenance services — Non-"Hot-in-Place" Projects | **163,872** | 114,270 |
| Sale of equipment — standard series | **40,869** | 63,678 |
| Sale of equipment — modular series | **–** | 102,624 |
| Sale of equipment — repair and maintenance | **3,053** | 5,239 |
| | **475,528** | 495,598 |

During the year ended 31 December 2017, revenue from a related company, accounted for 10% or more of the Group's revenue and its revenue amounted to HK$127,791,000 (2016: HK$98,528,000). 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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Government grants *(Note)* | **2,993** | 347 |
| Interest income | **5,813** | 8,048 |
| Others | **565** | 2,160 |
| | **9,371** | 10,555 |

*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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss on disposal of property, plant and equipment | **(900)** | (1,051) |
| Impairment loss recognised in respect of goodwill | **(7,819)** | – |
| Impairment of trade receivables | **(157,510)** | (22,833) |
| Impairment of other receivables | **(392)** | (939) |
| Impairment loss on property, plant and equipment | **(100,458)** | – |
| Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value | **–** | 12,766 |
| Net foreign exchange losses | **(2,932)** | (2,797) |
| | **(270,011)** | (14,854) |

## 7. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| — Bank borrowings wholly repayable within five years | **6,107** | 2,884 |
| Less: amounts capitalised | **–** | – |
| | **6,107** | 2,884 |

## 8. (LOSS) PROFIT BEFORE TAXATION

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss) Profit before taxation has been arrived at after charging: | | |
| Directors' emoluments | **6,195** | 5,356 |
| Other staff costs | **61,278** | 54,561 |
| Other staff retirement benefit scheme contributions | **9,623** | 8,696 |
| Share-based payment expense for other staff | **122** | 159 |
| Total staff costs | **77,218** | 68,772 |
| Amortisation of prepaid lease payments | **306** | 298 |
| Amortisation of other intangible assets | **144** | 132 |
| Auditor's remuneration | **1,530** | 1,580 |
| Cost of inventories sold | **23,678** | 61,848 |
| Cost of services provided | **338,311** | 254,480 |
| Depreciation | **50,871** | 43,964 |

Share-based payment expense of approximately HK$155,000 (2016: HK$195,000) were recognised in profit or loss during the year ended 31 December 2017 in respect of share options and awards of the Company.

## 9. TAXATION

The charge comprises:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PRC Enterprise Income Tax ("EIT"): | | |
| — Current year | **1,379** | 7,472 |
| — Under provision in prior years | **1,506** | 740 |
| | **2,885** | 8,212 |
| Deferred tax charge | **12,950** | 2,474 |
| | **15,835** | 10,686 |

No provision for Hong Kong profits tax has been made for the years ended 31 December 2017 and 2016 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, 2014 and 2017 respectively and the applicable tax rate is 15% from 1 January 2010 to 31 October 2020.

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$221,000 (2016: HK$814,000) has been provided for the year ended 31 December 2017 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

## 10. DIVIDENDS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends recognised as distribution: | | |
| 2016 final dividend of nil (2015: final dividend of HK1.8 cents) per ordinary share | **–** | 19,422 |

No final dividend is proposed by the directors for the years ended 31 December 2017 and 31 December 2016.

## 11. (LOSS) EARNINGS PER SHARE

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(Loss) Earnings:** | | |
| (Loss) Earnings for the purposes of calculating basic and diluted (loss) earnings per share — attributable to the owners of the Company | **(265,004)** | 43,138 |
| **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 (loss) earnings per share | **1,061,630,000** | 1,061,630,000 |
| Effect of dilutive potential ordinary shares: | | |
| Unvested share award | **–** | 17,370,000 |
| Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share | **1,061,630,000** | 1,079,000,000 |

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

The computation of diluted loss per share for the year ended 31 December 2017 did not assume the exercise of the Company's outstanding share options and the share awards as that would decrease the loss per share for the year presented.

## 12. BILLS AND TRADE RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | **843,779** | 727,104 |
| Less: Allowance for bad and doubtful debts | **(249,099)** | (79,678) |
| | **594,680** | 647,426 |
| Portion classified as non-current assets | **(43,782)** | (59,664) |
| Current portion | **550,898** | 587,762 |
| Bills receivables | **1,403** | 223 |
| | **552,301** | 587,985 |

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

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 to 180 days | **1,403** | 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 aging 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:

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 3 months | **209,075** | 308,143 |
| 3 to 12 months | **121,458** | 100,881 |
| 1 to 2 years | **195,370** | 127,717 |
| Over 2 years | **68,777** | 110,685 |
| | **594,680** | 647,426 |

At 31 December 2017, included in the trade receivables are amounts with the Group's related companies of HK$160,657,000 (2016: HK$134,214,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$266,013,000 (2016: HK$249,993,000) 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

| | 2017 | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other receivables | **23,990** | 35,395 |
| Less: Allowance for bad and doubtful debts | **(1,502)** | (1,124) |
| | **22,488** | 34,271 |
| Prepayments and deposits | **46,687** | 78,893 |
| Tax recoverable | **161** | 755 |
| | **69,336** | 113,919 |

At 31 December 2017, included in the Group's prepayments, deposits and other receivables are amounts with related companies of HK$2,147,000 (2016: HK$20,422,000), which are unsecured, interest-free and have no fixed terms of repayment.

## 14. BILLS, TRADE AND OTHER PAYABLES

| | 2017 | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bills payable | **17,766** | 5,641 |
| Trade payables | **243,193** | 158,950 |
| Other tax payables | **28,496** | 37,312 |
| Advance from customers, other payables and accrued charges | **47,381** | 91,610 |
| | **336,836** | 293,513 |

At 31 December 2017, included in the Group's trade payables are amounts with related parties of approximately HK$678,000 (2016: HK$6,996,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers.

At 31 December 2017, included in the Group's advance from customers, other payables and accrued charges is an amount with a related party of approximately HK$770,000 (2016: HK$33,733,000) which is unsecured, interest-free and have no fixed terms of repayment.

At 31 December 2017, 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$27,910,000 (2016: HK$26,056,000) 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, which represents the excess balance of the unrealized profits of sales to joint ventures over the share of their net assets. There was no such balance as at 31 December 2017.

The Group normally receives credit terms of 30 days to 180 days (2016: 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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **147,634** | 85,588 |
| 3 to 12 months | **36,083** | 32,652 |
| 1 to 2 years | **41,841** | 19,375 |
| Over 2 years | **17,635** | 21,335 |
| | **243,193** | 158,950 |

## 15. SHARE CAPITAL

| | **Number of shares** | **Amount** |
|---|---|---|
| | | *HK$'000* |
| **Ordinary shares of HK$0.10 each** | | |
| Authorised: | | |
| At 1 January 2015, 31 December 2015, 31 December 2016 and 31 December 2017 | 10,000,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| At 1 January 2015, 31 December 2015, 31 December 2016 and 31 December 2017 | 1,079,000,000 | 107,900 |

## 16. COMMITMENTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contracted for but not provided for in respect of the acquisition of property, plant and equipment | **5,128** | 14,528 |
| Contracted for but not provided for in respect of the acquisition of land use right | **34,916** | 110,696 |
| 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 | **1,036** | 2,616 |
| Authorised but not provided for in respect of the acquisition of property, plant and equipment | **1,114** | 6,250 |

## BUSINESS REVIEW

In the year of 2017, while due to the improvement of the external environment and the internal supply-side structural reform, the economic growth of the People's Republic of China (the "PRC") remained within a reasonable range with it maintaining stable, coordinated and sustainable development, the growth of investment in certain sectors — environmental protection and management, water management, transport, storage and post service, and education — has achieved great development. Therefore, the road recycling technology industry maintained a positive momentum and the asphalt pavement maintenance ("APM") services of the Group recorded a growth in revenue and gross profit during the year under review. However, due to the deleveraging campaign pushed forward by the PRC authorities in year 2017 to slow down credit growth, the available funds for capital investment in the acquisition of machinery have not yet been made by the local government as planned. As a result of the delay in closure of the sales, the number of modular series being sold has significantly declined and the revenue of APM equipment segment has decreased significantly in year 2017. In addition, the management of the Company has prudently increased the provision for impairment of trade receivables in light of the deleveraging reason as described above and the tightened cash flow occurring at the local government level in the PRC which hindered the collection of certain long outstanding trade receivables of the Group. Further, as a result of unsatisfactory business performance of certain subsidiaries of the Company and joint ventures of the Group, an impairment losses has been recognised on the property, plant and equipment of these subsidiaries and joint ventures.

The Group continues to be a leading integrated solution provider using "Hot-in-Place" technology in the APM industry in the PRC. As at 31 December 2017, 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 2017, the Group's operating revenue was approximately HK$475.5 million, representing a decrease of approximately 4.0% as compared to 2016. However, since the provision for impairment of trade receivables has been increased and an impairment losses has been recognised on the property, plant and equipment of some of the subsidiaries and joint ventures, the total loss attributable to owners of the Company was approximately HK$265.0 million, representing a decrease of approximately 714.3% as compared to total profit attributable to owners of the Company of approximately HK$43.1 million for the year ended 31 December 2016. As at 31 December 2017, the Group maintained a healthy financial position as it had cash on hand in the sum of approximately HK$260.6 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 a result of the local government having made significant efforts in the overall road construction and maintenance planning in the year of 2016, more projects were conducted in year 2017 and the total serviced area of "Hot-in-Place" projects increased by 34.5% from 2.9 million square meters in 2016 to 3.9 million square meters during the year under review.

In addition, the revenue of non-"Hot-in-Place" projects contributed by Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) ("Tianjin Expressway Maintenance"), a non-wholly owned subsidiary of the Group, was increased by 43.4% as against 2016. The APM services segment of the Group recorded revenue of approximately HK$431.6 million, representing an increase of 33.2% as against 2016.

**APM Equipment**

During the year under review, the deleveraging campaign has been pushed forward by the PRC authorities in year 2017 to slow down credit growth and therefore the available funds for capital investment in the acquisition of machinery have not yet been made by the local government as planned. As a result of the delay in closure of the sales, the number of modular series being sold has significantly declined in year 2017. In addition, most of the standard series of the APM equipment sold in 2017 were of lower selling prices and the revenue in 2016 also included an equipment bulk procurement project (13 units of standard series) successfully bid by the Group. Thus, our APM equipment segment generated a revenue of HK$43.9 million, representing a decrease of 74.4% as against 2016. Notwithstanding the above, the management of the Company believes that the Group has maintained its position as the leading APM equipment provider in the 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 2017, we had registered 131 patents (31 December 2016: 120), of which 16 were invention patents (31 December 2016: 13), 98 were utility model patents (31 December 2016: 91) and 17 were design patents (31 December 2016: 16), and we had 27 pending patent applications, of which 10 are invention patents, 16 are utility model patents and 1 is design patent (31 December 2016: 17 pending patent applications, of which 9 are invention patents and 8 are utility model patents).

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.

A complete new product, named Truck Mounted Attenuator (TMA) is developed during the year under review. A new product under the TMA was manufactured and had successfully been sold to a customer. TMA is a vehicle with an impact attenuator mounted at the back to absorb the energy from the colliding vehicle, so as to minimize the damage or casualties, emphasizing workers and drivers' safety. This new product line does not only equip with the safety device but also integrates functions such as warning signal board, semi- or full-automatic traffic cone placement system. These new functions and devices are highly useful when road work is being conducted. The PRC nowadays has the biggest road network in the world but the road safety precaution and measures are still lagging behind compared to many developed countries. As the road management authorities in the PRC continues to pay more and more attention to the safety aspect, we expect that this new product line will contribute significantly to the revenue of the Group from our equipment sales business sector.

### Others

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

## OUTLOOK

Green economy development remains a top priority for the PRC government according to the 13th Five-year Plan. During the 19th National Congress of the Communist Party, President Xi Jinping initiated to "promote the green development and focus on and solve the prominent issues, further strengthen the ecological system protection and reform the ecological environmental regulation mechanism". The awareness of the local government on the safety and quality requirement also gradually increased. With our patent Hot-in-Place recycling technology and other new products, the Group will benefit from the increasing demand for APM in the PRC, especially those using the recycling technologies.

First, as at 31 December 2016, the expressway mileage in the PRC was the longest in the world and the total mileage for highway was the second longest in the world. In addition, the overall sustained growth of the APM industry in the PRC and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal. Therefore, it offers us the largest road maintenance market and huge room to grow. Second, the PRC government has encouraged the adoption of Public-Private-Partnership ("PPP") model, a collaborative investment model between the 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 the related technology, it would be favourable to the Group to be involved into the road projects offered by the government. 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 March 2017, the PRC government had signed 1,729 PPP-funded projects and amounted to a combined investment of RMB2.9 trillion. 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. Third, subsequent to the Company's sale of a modular series equipment to a customer in the Republic of Korea in 2016 and the successful completion of a road maintenance project in Gwangju City of the Republic of Korea in August 2017, the Company will continue to explore overseas business opportunities and strategic cooperations with other companies, such as some listed companies and large-scale or state-owned enterprises in the country. Fourth, on 11 April 2017, the Group has entered into a cooperation agreement with China Highway Engineering Consulting Corporation (a wholly-owned subsidiary of China Communications Construction Company Limited, a large state-owned enterprise) and agreed to share their resources on the strategic level such as investing and financing, public-private partnership project, merger & acquisition and overseas business. The Group is making effort to promote its overseas business opportunities in the countries along the "One Belt One Road" and four Asian tigers. In light of these, the Group is well positioned to benefit from the government's policies and the positive development prospects in the environmental protection sector.

As a leading provider of the "Hot-in-Place" recycling technology in the APM sector and a provider of one-stop solution covering "testing, planning, equipment and construction", the Group will leverage its competitive advantages and implement favorable policies to achieve a healthy growth in its business and its revenue. The Group plans to enhance its market position, enter into new markets and enlarge its share in existing markets by the following means: first, it will increase market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; second, it will increase its investment by providing equipment and human resources to its testing 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 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 table is a description of the Group's operating activities during the year under review, with comparisons to those of 2016.

## REVENUE

### a. APM Services

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2017** | | 2016 | | |
| | ***HK$'000*** | ***Area serviced (square meters'000)*** | *HK$'000* | *Area serviced (square meters'000)* | **Increase/ (decrease)** |
| **Revenue (net of VAT)** | | | | | |
| "Hot-in-Place" Projects | **267,734** | **3,951** | 209,787 | 2,910 | 27.6% |
| Non-"Hot-in-Place" Projects | **163,872** | **–** | 114,270 | – | 43.4% |
| Total | **431,606** | | 324,057 | | 33.2% |

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2017** | | 2016 | | |
| | ***HK$'000*** | ***Margin*** | *HK$'000* | *Margin* | Increase/ (decrease) |
| **Gross profit** | | | | | |
| "Hot-in-Place" Projects | **81,849** | **30.6%** | 63,045 | 30.1% | 29.8% |
| Non-"Hot-in-Place" Projects | **11,446** | **7.0%** | 6,532 | 5.7% | 75.2% |
| Total | **93,295** | **21.6%** | 69,577 | 21.5% | 34.1% |

Revenue for this segment increased in the year of 2017 compared to 2016 due to the effect of the increase in the revenue of "Hot-in-Place" projects and non-"Hot-in-Place" projects. As a result of the local government having made more effort in the overall road construction and maintenance planning in the year of 2016, more projects were conducted during the year and the total serviced area of "Hot-in-Place" projects increased by 34.5% from 2.9 million square meters in 2016 to 3.9 million square meters during the year under review. The growth on revenue amount is lower than the total serviced area of "Hot-in-Place" projects due to the reduced selling price of some of the APM project 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). During the year under review, the revenue of non-"Hot-in-Place" projects increased by 43.4% from HK$114.3 million in 2016 to HK$163.9 million in 2017. This revenue was contributed by Tianjin Expressway Maintenance and involved in traditional APM method which the Group will gradually migrate the project of Tianjin Expressway Maintenance from traditional APM method into the Group's "Hot-in-Place" recycling technology in order to strengthen its profitability.

The gross profit margin in this segment was relatively stable during the year under review.

### b. APM Equipment

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2017** | | 2016 | | Increase/ |
| | ***HK$'000*** | ***units/sets*** | *HK$'000* | *units/sets* | (decrease) |
| **Revenue (net of VAT)** | | | | | |
| Standard series | **40,869** | **39** | 63,678 | 52 | (35.8)% |
| Modular series | **–** | **–** | 102,624 | 5 | (100.0)% |
| Repair and maintenance | **3,053** | **N/A** | 5,239 | N/A | (41.7)% |
| Total | **43,922** | | 171,541 | | (74.4)% |

| | **2017** | | 2016 | | Increase/ |
|---|---|---|---|---|---|
| | ***HK$'000*** | ***Margin*** | *HK$'000* | *Margin* | (decrease) |
| **Gross profit** | | | | | |
| Standard series | **17,886** | **43.8%** | 35,883 | 56.4% | (50.2)% |
| Modular series | **–** | **N/A** | 70,362 | 68.6% | (100.0)% |
| Repair and maintenance | **2,358** | **77.2%** | 3,448 | 65.8% | (31.6)% |
| Total | **20,244** | **46.1%** | 109,693 | 63.9% | (81.5)% |

Revenue for the APM equipment segment for 2017 was decreased by approximately 74.4% as compared to 2016. This decrease was attributable to the deleveraging campaign which was pushed forward by the PRC authorities in year 2017 to slow down credit growth and therefore the available funds for capital investment in the acquisition of machinery have not yet been granted by the local government as planned. As a result of the delay in closure of the sales, the number of modular series being sold has significantly declined in year 2017. In addition, most of the standard series sold in 2017 were of the lower selling price models and the revenue in 2016 also included an equipment bulk procurement project successfully bid by the Group. Thus, the revenue of the standard series model decreased by 35.8%.

Overall gross profit margin for this segment decreased from approximately 63.9% in 2016 to approximately 46.1% in 2017 due to the significant decline in the revenue generated from higher gross profit margin modular series equipment and standard series equipment.

## OTHER GAINS AND LOSSES

Other gains and losses for the year under review significantly increased by approximately HK$255.1 million, from approximately HK$14.9 million in 2016 to approximately HK$270.0 million in 2017, primarily due to the net effect of (i) the recognition of impairment loss of goodwill in 2017; (ii) the increase in impairment of trade receivables as the tightened cash flow occurred at the local government level in the PRC and thus hindered the collection of certain long outstanding trade receivables of the Group; (iii) the recognition of impairment loss on property, plant and equipment in 2017 as a result of unsatisfactory business performance of certain subsidiaries of the Company; and (iv) the recognition of fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value in 2016.

## FAIR VALUE CHANGE OF INVESTMENT PROPERTY

The Group's investment property is revalued as at 31 December 2017 on an open market basis by an independent property valuer. During the year under review, the Group recorded fair value change of investment property of approximately HK$42.4 million.

## SELLING AND DISTRIBUTION COSTS

Selling and distribution costs for the year under review was increased by approximately 11.7% or approximately HK$2.1 million, from approximately HK$17.9 million in 2016 to approximately HK$20.0 million in 2017, primarily due to the costs incurred to explore overseas business opportunities.

## ADMINISTRATIVE EXPENSES

Administrative expenses were increased by approximately 9.2%, or approximately HK$8.0 million, from approximately HK$87.2 million in 2016 to approximately HK$95.2 million in 2017, primarily due to the consolidation of the results of the subsidiaries acquired in 2016 and increase in the salary level during the year under review.

## SHARE OF PROFITS AND LOSSES OF JOINT VENTURES

The Group's share of losses from joint ventures was increased by approximately HK$29.4 million, from approximately HK$1.9 million in 2016 to approximately HK$31.3 million in 2017 primarily due to the recognition of impairment losses on the property, plant and equipment of certain joint ventures as a result of unsatisfactory business performance of these joint ventures.

## FINANCE COSTS

Finance costs were increased by approximately HK$3.2 million, from approximately HK$2.9 million in 2016 to approximately HK$6.1 million in 2017, 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 increased by approximately HK$5.1 million, from approximately HK$10.7 million in 2016 to approximately HK$15.8 million in 2017 which is mainly due to the deferred tax expense arising from changes in fair value of investment property.

## LOSS

Loss attributable to owners of the Company amounted to HK$265.0 million for the year ended 31 December 2017 compared with the profit attributable to owners of the Company of approximately HK$43.1 million for the year ended 31 December 2016, primarily due to the net effect of (i) the increase in revenue from the APM services segment due to the increase in total area serviced for "Hot-in-Place" projects and the revenue of "non-Hot-in-Place" projects; (ii) the significant decrease in revenue from the APM equipment segment due to the decrease in sale of standard and modular series; (iii) the increase in impairment of trade receivables; (iv) the recognition of impairment loss on property, plant and equipment; (v) the increase in share of losses from joint ventures; and (v) the recognition of changes in fair value of investment property.

## FINANCIAL POSITION

As at 31 December 2017, the total equity of the Group amounted to approximately HK$978.8 million (2016: HK$1,190.0 million). Decrease in the total equity of the Group was due to the net effect of (i) loss attributable to owners of the Company for the year ended 31 December 2017; and (ii) changes in foreign currency translation reserve as a result of the appreciation 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 2017 amounted to approximately HK$433.5 million (2016: HK$623.0 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2017, was 1.9 (31 December 2016: 2.4). The decrease in the net current assets and current ratio was mainly due to the decrease in cash and bank deposit balances for the acquisition of land use rights and the purchase of property, plant and equipment.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group's bank balances and cash, time deposits, pledged bank deposits and structured bank deposits amounted to approximately HK$260.6 million (31 December 2016: HK$326.2 million). The decrease was primarily due to the net effect of net cash from operating activities, purchase of property, plant and equipment, acquisition of land use rights and bank borrowing raised. As at 31 December 2017, the bank borrowings of the Group amounted to HK$153.8 million (31 December 2016: HK$139.6 million). As at 31 December 2016 and 2017, the Group was in a net cash position.

Due to the deleveraging campaign has been pushed forward by the PRC authorities in the year of 2017 and the tightened cash flow occurring at the local government level in the PRC, which hindered the collection of certain long outstanding trade receivables of the Group. The Group believes that this was an industry wide phenomenon in the PRC. In addition, part of APM services project performed near end of 2017 that are due to be received in the first half of 2018. Accordingly, the trade receivables balance increased from approximately HK$727.1 million as of 31 December 2016 to approximately HK$843.8 million as of 31 December 2017. Notwithstanding the increased trade receivables balance as at 31 December 2017, the Group was able to achieve positive net cash from its operating activities for the year under review. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK$114.9 million (RMB95.7 million).

Though the Group does not have any collateral over most of the receivables, the management considers that there is no recoverability problem as the remaining amounts are due from the local PRC government authorities. The Group has credit policy and internal control procedures in place to review and collect the outstanding trade receivables of the Group. In order to minimise the risk of placing heavy reliance on obtaining project from the local PRC government and to further diversify the overall credit risk, the Group will widen its customer base. For those customers whose credit terms are extended by the Group, the Group has policies in place to evaluate the credit risk for these customers, taking into account of its repayment ability and long term relationship with the Group.

As at 31 December 2017, 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 2017, the Group had total debt of HK$153.8 million which was unsecured 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 2017, bank balances of approximately HK$5.7 million was pledged to secure general banking facilities granted to the Group.

The maturity profile of the interest-bearing bank borrowings as at 31 December 2016 and 2017 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 2017 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 | 96.7 | 40.7 |
| Manufacturing APM equipment and expanding our APM service teams | 103.1 | 88.2 | 14.9 |
| Acquisitions of other APM service providers | 103.0 | 53.6 | 49.4 |
| Constructing new production facility | 68.7 | 65.8 | 2.9 |
| Establishing sales offices in new markets and marketing expenses | 68.7 | 68.7 | – |
| General corporate purposes and working capital requirements | 68.7 | 68.7 | – |
| | 687.0 | 579.1 | 107.9 |

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

## MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, 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 2017 are set out in note 16 to the financial statements. As at 31 December 2017, the Group did not have any material contingent liabilities.

## FINANCIAL RISK MANAGEMENT

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. As at 31 December 2017, approximately 88.3% and 11.7% (as at 31 December 2016: 78.4% and 21.6%) 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. As at 31 December 2017, certain time deposit, bank balances and cash, pledged bank deposits and structured bank deposits of approximately HK$234,311,000 (2016: HK$313,862,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2017, the Group's bank borrowings denominated in RMB amounted to HK$153,754,000 (equivalent to RMB128,000,000). As at 31 December 2016, the Group's bank borrowings denominated in RMB, HK$ and US$ amounted to HK$109,476,000 (equivalent to RMB98,000,000), HK$3,000,000 and 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 appreciation 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 2017, the Group had a total of 598 full time employees (as at 31 December 2016: 637). 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 Dr. 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 2017.

## 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 2017.

The directors do not recommend the payment of any dividend for the year ended 31 December 2017. 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 2017 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, 29 March 2018

*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 Dr. Lau Ching Kwong.*