Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2018

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 2018.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase/
	2018	2017	(decrease)
	HK$'000	*HK$'000*	
Revenue	**522,433**	475,528	9.9%
Loss attributable to owners of the Company	**(139,130)**	(265,004)	(47.5)%
Loss per share (Basic) *(HK cents)*	**(13.11)**	(24.96)	(47.5)%

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
REVENUE	4	**522,433**	475,528
Cost of sales		**(420,334)**	(361,989)
Gross profit		**102,099**	113,539
Other income	6	**9,688**	9,371
Other gains and losses	7	**(7,359)**	(112,109)
Impairment losses, net of reversal	9	**(135,955)**	(157,902)
Changes in fair value of investment property		**21,076**	42,418
Selling and distribution costs		**(17,848)**	(19,995)
Administrative expenses		**(78,431)**	(95,175)
Research and development costs		**(12,122)**	(14,234)
Other expenses		**(839)**	(722)
Share of losses of joint ventures		**(4,213)**	(31,331)
Finance costs	8	**(7,378)**	(6,107)
LOSS BEFORE TAXATION	10	**(131,282)**	(272,247)
Taxation	11	**(13,083)**	(15,835)
LOSS FOR THE YEAR		**(144,365)**	(288,082)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
LOSS FOR THE YEAR		**(144,365)**	(288,082)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		**(844)**	–
Transferred to retained earnings on disposal of equity instrument at FVTOCI		**385**	–
Exchange differences arising from translation		**(39,143)**	76,763
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR		**(39,602)**	76,763
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(183,967)**	(211,319)
Loss for the year attributable to:			
Owners of the Company		**(139,130)**	(265,004)
Non-controlling interests		**(5,235)**	(23,078)
		(144,365)	(288,082)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(177,284)**	(194,299)
Non-controlling interests		**(6,683)**	(17,020)
		(183,967)	(211,319)
LOSS PER SHARE	*13*		
Basic		**HK(13.11) cents**	HK(24.96) cents
Diluted		**HK(13.11) cents**	HK(24.96) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**174,002**	196,904
Goodwill		**6,150**	6,881
Prepaid lease payments		**9,900**	10,747
Investment property		**229,281**	218,018
Other intangible assets		**354**	540
Prepayments and deposits for acquisition of land use rights		**36,762**	38,748
Interests in joint ventures		**29,846**	35,075
Deferred tax assets		**1,422**	2,284
Equity instruments at FVTOCI		**6,955**	–
Available-for-sale investments		**–**	13,652
Contract assets		**20,577**	–
Trade receivables-non-current	*14*	**–**	43,782
		515,249	566,631
CURRENT ASSETS			
Inventories		**47,496**	44,407
Bills and trade receivables	*14*	**131,072**	552,301
Contract assets		**276,163**	–
Prepayments, deposits and other receivables	*15*	**70,219**	69,336
Prepaid lease payments		**290**	306
Financial assets at fair value through profit or loss ("FVTPL")		**11,417**	–
Time deposits		**1,976**	15,914
Pledged bank deposits		**24,432**	5,698
Structured bank deposits		**–**	38,919
Bank balances and cash		**154,614**	200,037
		717,679	926,918
CURRENT LIABILITIES			
Bills, trade and other payables	*16*	**346,530**	336,836
Contract liabilities		**2,035**	–
Taxation payable		**6,412**	2,795
Bank borrowings		**123,012**	153,754
		477,989	493,385
NET CURRENT ASSETS		**239,690**	433,533
TOTAL ASSETS LESS CURRENT LIABILITIES		**754,939**	1,000,164

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**25,535**	21,358
Net assets		**729,404**	978,806
CAPITAL AND RESERVES			
Share capital	*17*	**107,900**	107,900
Reserves		**594,779**	794,661
Attributable to the owners of the Company		**702,679**	902,561
Non-controlling interests		**26,725**	76,245
Total equity		**729,404**	978,806

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 and financial instruments 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.*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participate that would use the asset in its highest and best use.

For investment properties which are transacted 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 at initial recognition 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.

Non-controlling interests in subsidiaries are presented separately form the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation,

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the above 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 disclosures set out in these consolidated financial statements.

3.1.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Provision of maintenance services; and

- Manufacturing and sale of road maintenance equipment.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no impact on the timing and amounts of revenue recognised in the retained earnings at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
		HK$'000	*HK$'000*	*HK$'000*
Non-current Assets				
Trade receivables – non current	*(a)*	43,782	(43,782)	–
Contract assets	*(a)*	–	43,782	43,782
Current Assets				
Bills and trade receivables	*(a)*	552,301	(286,248)	266,053
Contract assets	*(a)*	–	286,248	286,248
Current Liabilities				
Bills, trade and other payables	*(b)*	336,836	(1,674)	335,162
Contract liabilities	*(b)*	–	1,674	1,674

* The amounts in this column are before the adjustments from the application of HKFRS 9.

(a) At the date of initial application, unbilled revenue of HK$330,030,000 arising from sales of equipment contracts and maintenance services contracts are conditional on the Group's achieving specified milestones as stipulated in the contracts, and hence such balance was reclassified from trade receivables — non current and bills and trade receivables to contract assets.

(b) As at 1 January 2018, advance from customers of HK$1,674,000 in respect of sales of equipment contracts, previously included in bills, trade and other payables, were reclassified to contract liabilities.

3.1.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	**Available-for-sale investments**	**Equity instruments at FVTOCI**	**Structured bank deposits**	**Financial assets at FVTPL required by HKFRS9**	**Investment revaluation reserve**	**Bills and trade receivables**	**Trade receivables-non-current**	**Contract assets**	**Retained earnings**	**Non-controlling interests**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Closing balance at 31 December 2017 – HKAS 39		13,652	–	38,919	–	–	552,301	43,782	–	9,770	76,245
Effect arising from initial application of HKFRS 15		–	–	–	–	–	(286,248)	(43,782)	330,030	–	–
Effect arising from initial application of HKFRS 9:											
Reclassification of											
From available-for-sale investments	*(a)*	(13,652)	13,652	–	–	–	–	–	–	–	–
From structured bank deposits	*(b)*	–	–	(38,919)	38,919	–	–	–	–	–	–
Remeasurement											
Impairment under ECL model	*(c)*	–	–	–	–	–	(32,630)	–	(33,254)	(23,047)	(42,837)
From amortised cost to fair value	*(a)*	–	449	–	–	449	–	–	–	–	–
Opening balance at 1 January 2018		–	14,101	–	38,919	449	233,423	–	296,776	(13,277)	33,408

(a) Available-for-sale ("AFS") investments

From AFS equity investments to FVTOCI

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as available-for-sale investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$13,652,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$13,652,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of HK$449,000 relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve.

(b) Structured bank deposits

At the date of initial application of HKFRS 9, the Group's structured bank deposits did not meet the HKFRS 9 criteria for classification at amortised cost and FVTOCI, as their cash flows did not represent solely payments of principal and interest. As a result, the carrying amounts of structured bank deposits of HK$38,919,000 were reclassified to financial assets at FVTPL.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, the balances of contract assets and trade receivables are grouped based on internal credit rating. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

ECL for other financial assets at amortised cost, including other receivables, time deposits, pledged bank deposits and bank balances are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$65,884,000 has been recognised against retained earnings and non-controlling interests. The additional loss allowance is charged against the respective asset.

All loss allowance, including contract assets and trade receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 are as follows:

	Contract assets *HK$'000*	**Trade receivables** *HK$'000*
At 31 December 2017 — HKAS 39	N/A	249,099
Amounts remeasured through opening retained earnings	33,254	32,630
At 1 January 2018	33,254	281,729

3.1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretations

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current Assets				
Available-for-sale investments	13,652	–	(13,652)	–
Equity instruments at FVTOCI	–	–	14,101	14,101
Trade receivables-non-current	43,782	(43,782)	–	–
Contract assets	–	43,782	–	43,782
Others with no adjustments	509,197	–	–	509,197
	566,631	–	449	567,080
Current assets				
Bills and trade receivables	552,301	(286,248)	(32,630)	233,423
Contract assets	–	286,248	(33,254)	252,994
Structured bank deposits	38,919	–	(38,919)	–
Financial assets at FVTPL	–	–	38,919	38,919
Others with no adjustments	335,698	–	–	335,698
	926,918	–	(65,884)	861,034
Current Liabilities				
Bills, trade and other payables	336,836	(1,674)	–	335,162
Contract liabilities	–	1,674	–	1,674
Others with no adjustments	156,549	–	–	156,549
	493,385	–	–	493,385
Net Current Assets	433,533	–	(65,884)	367,649
Total assets less current liabilities	1,000,164	–	(65,435)	934,729
Non-current liabilities				
Others with no adjustments	21,358	–	–	21,358
Net assets	978,806	–	(65,435)	913,371

	31 December 2017 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 January 2018 (Restated) *HK$'000*
Capital and Reserves				
Share capital	107,900	–	–	107,900
Reserves	794,661	–	(22,598)	772,063
Equity attributable to the owners of the Company	902,561	–	(22,598)	879,963
Non-controlling interests	76,245	–	(42,837)	33,408
Total Equity	978,806	–	(65,435)	913,371

3.2 New and amendments to 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 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015–2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows.

Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$5,361,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$513,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

4. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018		
Segments	**Maintenance Service**	**Sales of equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Types of goods			
Maintenance Service			
"Hot-in-place" Projects	265,756	–	265,756
Non-"Hot-in-place" Projects	202,252	–	202,252
Sales of equipment			
Standard series	–	48,722	48,722
Repair and maintenance	–	5,703	5,703
Total	468,008	54,425	522,433
Geographical markets			
Mainland China	468,008	44,160	512,168
Overseas	–	10,265	10,265
Total	468,008	54,425	522,433
Timing of revenue recognition			
A point in time	–	54,425	54,425
Over time	468,008	–	468,008
Total	468,008	54,425	522,433

(ii) Performance obligations for contracts with customers

Maintenance Services (with milestone payments)

The Group provides asphalt pavement maintenance ("APM") services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these APM services based on the stage of completion of the contract using output method.

The Group's APM services contracts include payment schedules which require stage payments over the APM services period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum, when the Group receives a deposit before APM services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the APM services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group's typical timing of transferring the contract assets to trade receivables is ranging from three months to one year.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the APM services. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the APM services performed comply with agreed- upon specifications and such assurance cannot be purchased separately.

Sales of equipment (revenue recognised at one point in time)

For sales of equipment, revenue is recognised when control of the equipment has transferred, being at the point when the equipment has been shipped to the customer's specific location (delivery), being at the point that the customer obtains the control of the equipment and the Group has present right to payment and collection of the consideration is probable. The normal credit term of the standard series equipment is 7 days upon delivery. The normal credit term of the modular series equipment is 6 months to 12 months upon delivery with upfront deposits range from 10% to 30%.

Sales-related warranties associated with equipment cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its previous accounting treatment.

B. For the year ended 31 December 2017

	2017
	HK$'000
Maintenance services-"Hot-in-Place" Projects	267,734
Maintenance services-Non-"Hot-in-Place" Projects	163,872
Sale of equipment-Standard series	40,869
Sale of equipment-Repair and maintenance	3,053
	475,528

5. OPERATING SEGMENT

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 2018			
Segment revenue:			
Sales to external customers	**468,008**	**54,425**	**522,433**
Intersegment sales	**24,601**	**17,391**	**41,992**
	492,609	**71,816**	**564,425**
Reconciliation			
Elimination of intersegment sales	**(24,601)**	**(17,391)**	**(41,992)**
Revenue	**468,008**	**54,425**	**522,433**
Segment results	**(61,618)**	**(68,056)**	**(129,674)**
Reconciliation:			
Interest income			**6,828**
Changes in fair value of investment property			**21,076**
Exchange gains			**722**
Finance costs			**(7,378)**
Unallocated corporate expenses			**(18,643)**
Share of losses of joint ventures			**(4,213)**
Loss before tax			**(131,282)**

	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)

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, changes in fair value of investment property, interest income, exchange gains and losses, share of profits or 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 2018			
Segment assets	**622,500**	**271,007**	**893,507**
Elimination of intersegment receivables			**(166,884)**
Investments in joint ventures			**29,846**
Investment property			**229,281**
Other unallocated assets			**247,178**
Total assets			**1,232,928**
Segment liabilities	**467,916**	**47,065**	**514,981**
Elimination of intersegment payables			**(166,884)**
Other unallocated liabilities			**155,427**
Total liabilities			**503,524**
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

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 2018			
Impairment losses recognised in respect of trade receivables contract assets and other receivables	**86,373**	**49,582**	**135,955**
Depreciation and amortisation	**29,585**	**2,723**	**32,308**
Capital expenditure *(Note)*	**25,797**	**798**	**26,595**
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

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.

During the year ended 31 December 2018, revenue from a related company, accounted for 10% or more of the Group's revenue and its revenue amounted to HK$128,571,000 (2017: HK$127,791,000). 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.

6. OTHER INCOME

	2018 *HK$'000*	2017 *HK$'000*
Government grants *(Note)*	**1,738**	2,993
Interest income	**6,828**	5,813
Dividend income from equity instruments at FVTOCI	**662**	–
Others	**460**	565
	9,688	9,371

Note: The government grants mainly represent unconditional subsidies from the 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.

7. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(7,325)**	(900)
Impairment loss recognised in respect of goodwill	**(731)**	(7,819)
Impairment loss on property, plant and equipment	**–**	(100,458)
Net foreign exchange gains (losses)	**722**	(2,932)
Others	**(25)**	–
	(7,359)	(112,109)

8. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
— Bank borrowings wholly repayable within five years	**7,378**	6,107
Less: amounts capitalised	**–**	–
	7,378	6,107

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018	2017
	HK$'000	*HK$'000*
Impairment losses recognised on:		
Trade receivables	**(76,745)**	(157,510)
Other receivables	**(3,503)**	(392)
Contract assets	**(55,707)**	–
	(135,955)	(157,902)

10. LOSS BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' emoluments	**6,066**	6,195
Other staff costs	**62,103**	61,278
Other staff retirement benefit scheme contributions	**10,213**	9,623
Share-based payment expense for other staff	**–**	122
Total staff costs	**78,382**	77,218
Amortisation of prepaid lease payments	**290**	306
Amortisation of other intangible assets	**165**	144
Auditor's remuneration	**1,770**	1,530
Cost of inventories sold	**31,554**	23,678
Cost of services provided	**388,780**	338,311
Depreciation	**31,853**	50,871

No share-based payment expense was recognised in profit or loss during the year ended 31 December 2018 in respect of share options and awards of the Company. Share-based payment expense of approximately HK$155,000 was recognised in profit or loss during the year ended 31 December 2017 in respect of share options and awards of the Company.

11. TAXATION

The charge comprises:

	2018	2017
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("EIT"):		
— Current year	**6,179**	1,379
— Under provision in prior years	**1,070**	1,506
	7,249	2,885
Deferred tax charge	**5,834**	12,950
	13,083	15,835

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Since there's no tax assessable profit for the year ended 31 December 2018.

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, 2015 and 2018 respectively and the applicable tax rate is 15% from 1 January 2009 to 28 November 2021.

Withholding tax of approximately HK$224,000 (2017: HK$221,000) has been provided for the year ended 31 December 2018 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

12. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
2018: 2017 final dividend of nil (2017: 2016 final dividend of nil) per ordinary share	**–**	–

No final dividend is proposed by the directors for the years ended 31 December 2018 and 31 December 2017.

13. LOSS PER SHARE

	2018	2017
	HK$'000	*HK$'000*
Loss:		
Loss for the purposes of calculating basic and diluted loss per share — attributable to owners of the Company	**(139,130)**	(265,004)
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 per share	**1,061,630,000**	1,061,630,000
Effect of dilutive potential ordinary shares:		
Unvested share award	**–**	–
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**1,061,630,000**	1,061,630,000

The computation of diluted loss per share for the years ended 31 December 2018 and 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.

14. BILLS AND TRADE RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables	**471,185**	843,779
Less: Allowance for credit loss	**(343,587)**	(249,099)
	127,598	594,680
Portion classified as non-current assets	**–**	(43,782)
Current portion	**127,598**	550,898
Bills receivables	**3,474**	1,403
	131,072	552,301

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$127,598,000 and HK$232,020,000 respectively.

As at 31 December 2017, included in the trade receivables are retention amounts of HK$11,801,000, of which HK$1,993,000 are due after one year. Upon application of HKFRS 15, the retentions receivables were reclassified to contract assets.

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

	2018 *HK$'000*	2017 *HK$'000*
0 to 180 days	**3,474**	1,403

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:

	2018 *HK$'000*	2017 *HK$'000*
Within 3 months	**27,811**	209,075
3 to 12 months	**37,373**	121,458
1 to 2 years	**36,108**	195,370
Over 2 years	**26,306**	68,777
	127,598	594,680

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$127,598,000 which are past due as at the reporting date. Out of the past due balances, HK$90,092,000 has been past due 90 days or more and is not considered as in default as most of the Group's customers are government agencies and the risk of default is not high.

As at 31 December 2017, the trade receivables balances of HK$328,666,000 that are neither past due nor impaired at the end of the reporting period for which the Group has not provided for impairment loss since they have no default history and of good credit quality.

At 31 December 2018, included in the trade receivables are amounts due from the Group's related companies of HK$20,025,000 (2017: HK$160,657,000), which are repayable on credit terms similar to those offered to the major customers of the Group, details of which are set out in note 43.

At 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$266,013,000 which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Other receivables	**27,803**	23,990
Less: Allowance for credit losses	**(4,808)**	(1,502)
	22,995	22,488
Prepayments and deposits	**42,821**	46,687
Tax recoverable	**4,403**	161
	70,219	69,336

At 31 December 2018, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of HK$920,000 (2017: HK$2,147,000), which are unsecured, interest-free and have no fixed terms of repayment.

16. BILLS, TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Bills payable	**8,201**	17,766
Trade payables	**275,274**	243,193
Other tax payables	**19,898**	28,496
Advance from customers, other payables and accrued charges	**43,157**	47,381
	346,530	336,836

At 31 December 2018, included in the Group's trade payables are amounts due to related parties of approximately HK$2,541,000 (2017: HK$678,000) 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 due to a related party of approximately HK$770,000 which is unsecured, interest-free and has no fixed terms of repayment.

At 31 December 2018, 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$26,690,000 (2017: HK$27,910,000) which is unsecured, interest-free and has no fixed terms of repayment.

The Group normally receives credit terms of 30 days to 180 days (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**194,568**	147,634
3 to 12 months	**23,297**	36,083
1 to 2 years	**33,586**	41,841
Over 2 years	**23,823**	17,635
	275,274	243,193

17. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	1,079,000,000	107,900

18. COMMITMENTS

	2018 *HK$'000*	2017 *HK$'000*
Contracted for but not provided for in respect of the acquisition of property, plant and equipment	**9,479**	5,128
Contracted for but not provided for in respect of the acquisition of land use right	**33,108**	34,916
Contracted for but not provided for capital contributions payable to equity investment at FVTOCI/available-for-sale investments	**315**	1,036
Authorised but not provided for in respect of the acquisition of property, plant and equipment	**1,057**	1,114

BUSINESS REVIEW

The year of 2018 is the commencing year for the People's Republic of China's (the "PRC") full implementation of the principles of the 19th National Congress of the Communist Party and also a crucial year for the implementation of "National 13th Five-Year Plan". Some of the important policy documents on environmental protection had come into effect in 2018, such as "Reform Program of the Ecological Environmental Protection Tax Law" and "Opinions on Strengthening the Protection of the Ecological Environment in all aspects and firmly winning the battle of the Preventing and Controlling Environmental Pollution", which is a significant move to step up with reforms of the ecological civilization regime and drive green development. While more municipal road maintenance projects were conducted by Tianjin Expressway Maintenance 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, during the year, which resulted the revenue of non-"Hot-in-Place" projects increased. There was a decrease in total serviced area of "Hot-in-Place" projects due to haze pollution problems near the end of 2018 and the prohibition by the Bureau of Ecology and Environment of the PRC local government of the performance of construction work including road maintenance work, and some of the asphalt pavement maintenance ("APM") service projects were delayed to 2019. Overall, the APM service segment recorded an increase in revenue. In addition, the APM equipment segment also recorded an increase in revenue, contributed by the launching of the new APM product, namely Truck Mounted Attenuator, into the market at the end of 2017, as well as the increase in the number of the standard series equipment sold in Hong Kong, Malaysia and Taiwan. Despite the growth in revenue, the management of the Company has prudently recognised significant amount of impairment of trade receivables and contract assets in light of the deleveraging campaign being continuingly implemented by the PRC authorities in the year of 2018 and the tightened cash flow occurring at the local government level in the PRC, which dragged down the collection of certain long outstanding trade receivables and contract assets of the Group. On the other hand, due to the unsatisfactory business performance of certain subsidiaries of the Company and joint ventures of the Group, a significant amount of impairment losses had been recognised on the property, plant and equipment of these subsidiaries and joint ventures in 2017, but not in 2018.

In 2018, the Group's operating revenue was approximately HK$522.4 million, representing an increase of approximately 9.9% as compared to 2017. Since there was a decrease in the recognition for impairment of trade receivables and contract assets while less significant impairment losses were recognised on the property, plant and equipment in 2018 than 2017, the total loss attributable to owners of the Company was approximately HK$139.1 million, representing a decrease of approximately 47.5% as compared to total loss attributable to owners of the Company of approximately HK$265.0 million for the year ended 31 December 2017. As at 31 December 2018, the Group maintained a healthy financial position as it had cash on hand in the sum of approximately HK$192.4 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. These was an increase in the revenue of non-"Hot-in-Place" projects involved in traditional APM method contributed by Tianjin Expressway Maintenance. However, the total serviced area of "Hot-in-Place" projects decrease by 12.8% from 3.9 million square meters in 2017 to 3.4 million square meters in 2018, mainly due to haze pollution problems near the end of 2018 and the prohibition by the Bureau of Ecology and Environment of the PRC government of the performance of construction work which including road maintenance work. This resulted some of the APM services projects delayed to 2019. APM services segment of the Group recorded revenue of approximately HK$468.0 million, representing an increase of 8.4% as against 2017.

APM Equipment

During the year under review, our APM equipment segment generated a revenue of HK$54.4 million, representing an increase of 23.9% as against 2017. This was contributed by the new APM product (i.e. Truck Mounted Attenuator) launched into the market at the end of 2017 and the increase in the number of the standard series equipment sold in Hong Kong, Malaysia and Taiwan. In addition, the revenue derived from repair and maintenance increased by 86.8% as against the corresponding period for 2017 primarily because upgrade services (i.e. change of new chassis or other major components) were provided to the standard equipment which had been sold more than 10 years ago. 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 continued to invest in technological innovation.

New Patents

The Group continued to pay efforts and invest significant resources in our research and development. As of 31 December 2018, we had registered 148 patents (2017: 131), of which 17 were invention patents (2017: 16), 113 were utility model patents (2017: 98) and 18 were design patents (2017: 17), and we had 18 pending patent applications, of which 7 are invention patents, 9 are utility model patents and 2 are design patent (2017: 27 pending patent applications, of which 10 are invention patents, 16 are utility model patents and 1 is design patent). As at 31 December 2018, the Group's patents including 18 expired patents, of which 13 were utility model patents and 5 were design 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.

In 2017, a complete new product, namely Truck Mounted Attenuator (TMA) was developed. During the year under review, we enhanced the features of TMA. TMA is a vehicle with an impact attenuator mounted at the back to absorb force from a colliding vehicle so as to minimize risk of damage or casualties, which is particularly important to the workers and drivers safety. TMA is not only equipped with safety devices, but is also integrated with other features which enable it to perform other daily maintenance works. The PRC now owns the biggest road network in the world, and therefore we expect TMA will contribute significant revenue to our equipment sales business sector.

The PRC national standard of "Technical Specifications for Urban Road Asphalt Pavement Hot-in-Place Recycling" was officially published and implemented during the year under review, which was drafted and edited by the Group. It proves, once again, that the Group is a leading developer of technical standards in the field of Hot-in-Place recycling technology. The Group will develop its "Hot-in-Place" recycling technology in the urban road market based on this standard.

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

In 2019, the PRC government will be celebrating the 70th anniversary of the founding of the PRC and it will be a crucial year for the building of ecological civilization by the PRC government. In addition, it will continue to thoroughly fulfill the requirements put forth at the National Conference on Ecological and Environmental Protection and seek to win the critical battle for the prevention and treatment of pollution, such that the quality of the ecological environment in the PRC will be further improved. During the PRC State Council Executive Meeting on 30 January 2019, President Li has emphasized that "the overdue debts of central enterprises to private enterprises must be cleared by the end of the year". With our patented Hot-in-Place recycling technology and other new products, the Group will benefit from the increasing demand for APM and the favourable environment in the PRC, especially those using the recycling technologies.

First, as at 31 December 2017, the total mileage for expressway in the PRC was the longest in the world and the highway mileage was the second longest in the world. The overall growth of the APM industry in the PRC remains sustainable and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal and has significant potential for expansion. In addition, the Ministry of Transport will perform road inspections on highways in the second half of 2020 to inspect the quality and condition of the road maintenance work. Therefore, it offers us the largest road maintenance market and huge room to grow. Secondly, subsequent to the Company's sale of a modular series equipment to a customer in the Republic of Korea and standard series equipment to customers in Macau, Malaysia and Taiwan, the Company will continue to explore the overseas business opportunities and strategic cooperation with other companies, such as some listed companies and large-scale or state-owned enterprises. Third, on 28 December 2018, the Group and Harcan Engineering Co., Ltd. (a wholly-owned subsidiary of China Nuclear Engineering & Construction Corporation Limited, a large state-owned enterprise) entered into a cooperation agreement, pursuant to which the parties agreed to share their resources such as overseas business information on the strategic level to explore overseas business opportunities. The Group is making an 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 on its competitive advantages and implement favourable policies to achieve a healthy growth in its business. 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; secondly, it will increase its investment on its testing and planning department by devoting more equipment and staff so as to enhance its one-stop solution; thirdly, it will focus on the cities which will hold major events to gain and complete projects of high awareness; fourthly, it will grasp the opportunities in the wave of state-owned enterprise reforms to acquire more maintenance companies in the express highway sector; fifthly, it will appoint more local APM service providers as its franchisees; sixthly, it will further optimize its techniques and technologies to lower the construction costs; seventhly, it will leverage on its state-owned partners' overseas channels to expand the international APM equipment and services market.

In addition, the investment property acquired by the Group in December 2016, which will be a new base of the global technology research and development centre of the Group, does not only enable the Group to enhance its research and development capabilities, but also has good potential as a long term investment.

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，共創多赢").

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 2017.

REVENUE

a. APM Services

	Year ended 31 December				
	2018		2017		
	HK$'000	**Area serviced *(square meters'000)***	*HK$'000*	Area serviced *(square meters'000)*	Increase/ (decrease)
Revenue (net of VAT)					
"Hot-in-Place" Projects	**265,755**	**3,443**	267,734	3,951	(1.0%)
Non-"Hot-in-Place" Projects	**202,253**	**–**	163,872	–	23.4%
Total	**468,008**		431,606		8.4%

	Year ended 31 December				
	2018		2017		
	HK$'000	***Margin***	*HK$'000*	*Margin*	Increase/ (decrease)
Gross profit					
"Hot-in-Place" Projects	**62,807**	**23.6%**	81,849	30.6%	(23.3%)
Non-"Hot-in-Place" Projects	**16,421**	**8.1%**	11,446	7.0%	43.5%
Total	**79,228**	**16.9%**	93,295	21.6%	(15.1%)

Revenue for this segment increased in the year of 2018 compared to 2017 due to the increase in the revenue of non-"Hot-in-Place" projects contributed by Tianjin Expressway Maintenance and involved in traditional APM method. As a result of more municipal road maintenance projects being conducted by Tianjin Expressway Maintenance during the year, the revenue of non-"Hot-in-Place" projects increased by 23.4%. The total serviced area of "Hot-in-Place" projects decreased by 12.8% from 3.9 million square meters in 2017 to 3.4 million square meters in 2018 was mainly due to haze pollution problems near the end of 2018 and the Bureau of Ecology and Environment of the PRC local government prohibiting the performance of construction work including road maintenance work, which resulted in some of the APM services projects delayed to 2019. The gross profit margin of "Hot-in-Place" projects decreased from 30.6% in 2017 to 23.6% in 2018 due to the Group's marketing strategy to offer lower gross profit margin on high profile projects and new markets.

b. APM Equipment

	Year ended 31 December				
	2018		2017		Increase/
	HK$'000	***units/sets***	*HK$'000*	*units/sets*	(decrease)
Revenue (net of VAT)					
Standard series	**48,722**	**48**	40,869	39	19.2%
Modular series	**–**	**–**	–	–	–
Repair and maintenance	**5,703**	**N/A**	3,053	N/A	86.8%
Total	**54,425**		43,922		23.9%

	2018		2017		Increase/
	HK$'000	***Margin***	*HK$'000*	*Margin*	(decrease)
Gross profit					
Standard series	**18,517**	**38.0%**	17,886	43.8%	3.5%
Modular series	**–**	**N/A**	–	N/A	–
Repair and maintenance	**4,354**	**76.3%**	2,358	77.2%	84.6%
Total	**22,871**	**42.0%**	20,244	46.1%	13.0%

Revenue for the APM equipment segment for 2018 increased by approximately 23.9% as compared to 2017. This increase was attributable to the revenue contributed by the new product (Truck Mounted Attenuator) launched into the market at the end of 2017 and the increase in the number of the standard series equipment sold in Hong Kong, Malaysia and Taiwan. The revenue of repair and maintenance increased by 86.8% as against the corresponding period for 2017, primarily because, other than the revenue generated from routine repair and maintenance services, more upgrade services (i.e. change of new chassis or other major components) were provided to the standard equipment which had been sold 10 years ago.

Overall gross profit margin for this segment decreased from approximately 46.1% in 2017 to approximately 42.0% in 2018 due to the decline in the revenue generated from higher gross profit margin standard series equipment.

OTHER GAINS AND LOSSES

Other gains and losses for the year under review significantly decreased by approximately HK$104.7 million, from approximately HK$112.1 million in 2017 to approximately HK$7.4 million in 2018, primarily due to the net effect of (i) the increase in the recognition of loss on disposal of property, plant and equipment; and (ii) the recognition of significant amount of impairment loss on property, plant and equipment in 2017 as a result of unsatisfactory business performance of certain subsidiaries of the Company.

IMPAIRMENT LOSSES, NET OF REVERSAL

Impairment losses for the year under review decreased by approximately HK$21.9 million, from approximately HK$157.9 million in 2017 to approximately HK$136.0 million in 2018, primarily due to the effect of the decrease in impairment of trade receivables and contract assets.

FAIR VALUE CHANGE OF INVESTMENT PROPERTY

The Group's investment property was revalued as at 31 December 2018 on an open market basis by an independent property valuer. During the year under review, the fair value change of investment property decreased by approximately HK$21.3 million from approximately HK$42.4 million in 2017 to approximately HK$21.1 million in 2018.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs for the year under review decreased by approximately 11.0% or approximately HK$2.2 million, from approximately HK$20.0 million in 2017 to approximately HK$17.8 million in 2018, primarily due to the decrease in travelling and entertainment expenses incurred after cost control had been implemented.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 17.6%, or approximately HK$16.8 million, from approximately HK$95.2 million in 2017 to approximately HK$78.4 million in 2018, primarily due to the decrease in depreciation expense after the recognition of significant amount of impairment loss on property, plant and equipment in 2017 as a result of unsatisfactory business performance of certain subsidiaries of the Company.

SHARE OF PROFITS AND LOSSES OF JOINT VENTURES

The Group's share of losses from joint ventures decreased by approximately HK$27.1 million, from approximately HK$31.3 million in 2017 to approximately HK$4.2 million in 2018 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 in 2017.

FINANCE COSTS

Finance costs increased by approximately HK$1.3 million, from approximately HK$6.1 million in 2017 to approximately HK$7.4 million in 2018, primarily due to the increase in the interest rate of the bank borrowings of the Group.

TAXATION

Income tax expenses decreased by approximately HK$2.7 million, from approximately HK$15.8 million in 2017 to approximately HK$13.1 million in 2018, mainly due to the decrease in deferred tax expense arising from changes in fair value of investment property.

LOSS

Loss attributable to owners of the Company amounted to HK$139.1 million for the year ended 31 December 2018 compared with the loss attributable to owners of the Company of approximately HK$265.0 million for the year ended 31 December 2017, primarily due to the net effect of (i) decrease in the gross profit margin of "Hot-in-Place" projects as a result of the Group's marketing strategy to offer lower gross profit margin on high profile project and new market; (ii) the decrease in impairment of trade receivables and contract assets; (iii) the significant decrease in the recognition of impairment loss on property, plant and equipment; (iv) the decrease in changes in fair value of investment property; and (v) the decrease in share of losses from joint ventures.

FINANCIAL POSITION

As at 31 December 2018, the total equity of the Group amounted to approximately HK$729.4 million (2017: HK$978.8 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 2018; (ii) changes in foreign currency translation reserve as a result of the depreciation 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; and (iii) the impact of the initial application of new accounting standards as at 1 January 2018 (for details of the impact, please refer to note 2 to the consolidated financial statements).

The Group's net current assets as at 31 December 2018 amounted to approximately HK$239.7 million (2017: HK$433.5 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2018, was 1.5 (31 December 2017: 1.9). The decrease in the net current assets and current ratio was mainly due to the recognition of impairment of trade receivables and decrease in cash and bank deposit balances for the purchase of property, plant and equipment, and the repayment of bank borrowings.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group's bank balances and cash, time deposits, pledged bank deposits and structured bank deposits amounted to approximately HK$192.4 million (2017: HK$260.6 million). The decrease was primarily due to the effect of net cash used in operating activities, purchase of property, plant and equipment and repayment of bank borrowings. As at 31 December 2018, the bank borrowings of the Group amounted to HK$123.0 million (2017: HK$153.8 million). As at 31 December 2017 and 2018, the Group was in a net cash position.

The deleveraging campaign continuingly implemented by the PRC authorities in the year of 2018 and the tightened cash flow occurring at the local government level in the PRC dragged down the collection of certain long outstanding trade receivables and contract assets of the Group. Thus, the trade receivables and contract assets balances were HK$850.4 million (2017: HK$843.8 million) as at 31 December 2018. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK$144.1 million (RMB126.5 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 2018, 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 2018, the Group had total debt of HK$123.0 million (2017: HK$153.8 million) which was unsecured interest-bearing bank borrowings.

As at 31 December 2018, bank balance of approximately HK$24.4 million (2017: 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 2017 and 2018 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 2018 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	98.6	38.8
Manufacturing APM equipment and expanding our APM service teams	103.1	103.1	–
Acquisitions of other APM service providers	103.0	53.6	49.4
Constructing new production facility	68.7	68.7	–
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	598.8	88.2

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 2018 are set out in note 18 to the financial statements. As at 31 December 2018, 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 2018, 18.5% and 81.5% (2017: 88.3% and 11.7%) 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 2018, certain time deposit, bank balances and cash, pledged bank deposits and structured bank deposits of approximately HK$178,237,000 (2017: HK$234,311,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2018, the Group's bank borrowings denominated in RMB amounted to HK$123,012,000 (equivalent to RMB108,000,000) (2017: HK$153,754,000 (equivalent to RMB128,000,000)). 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 2018, the Group had a total of 572 full time employees (2017: 598). 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 2018.

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 2018.

The directors do not recommend the payment of any dividend for the year ended 31 December 2018. 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 2018 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, 28 March 2019

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.