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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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Freetech Road Recycling Technology (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019. For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of the Company has not been completed.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	Increase/
	Unaudited	Audited	(decrease)
	HK$'000	*HK$'000*	
Revenue	**487,323**	522,433	(6.7%)
Profit/(Loss) attributable to owners of the Company	**4,145**	(139,130)	103.0%
Earnings/(Loss) per share (Basic) *(HK cents)*	**0.39**	(13.11)	103.0%

FINANCIAL RESULTS

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019 Unaudited *HK$'000***	2018 Audited *HK$'000*
REVENUE	*4*	**487,323**	522,433
Cost of sales		**(383,935)**	(420,334)
Gross profit		**103,388**	102,099
Other income	*6*	**7,763**	9,688
Other gains and losses, net	*7*	**(2,650)**	(7,359)
Reversal of/(provision for) impairment losses on financial assets	*9*	**19,962**	(135,955)
Changes in fair value of investment property		**–**	21,076
Selling and distribution costs		**(19,581)**	(17,848)
Administrative expenses		**(72,711)**	(78,431)
Research and development costs		**(12,542)**	(12,122)
Other expenses		**(562)**	(839)
Share of losses of joint ventures		**(3,289)**	(4,213)
Finance costs	*8*	**(6,167)**	(7,378)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE	*10*	**13,611**	(131,282)
Income tax expense	*11*	**(4,541)**	(13,083)
PROFIT/(LOSS) FOR THE YEAR		**9,070**	(144,365)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 Unaudited *HK$'000*	2018 Audited *HK$'000*
PROFIT/(LOSS) FOR THE YEAR		**9,070**	(144,365)
OTHER COMPREHENSIVE INCOME 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")		**1,005**	(844)
Transferred to retained earnings on disposal of equity instrument at FVTOCI		**–**	385
Exchange differences arising from translation		**(10,443)**	(39,143)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(9,438)**	(39,602)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(368)**	(183,967)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**4,145**	(139,130)
Non-controlling interests		**4,925**	(5,235)
		9,070	(144,365)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(4,838)**	(177,284)
Non-controlling interests		**4,470**	(6,683)
		(368)	(183,967)
EARNINGS/(LOSS) PER SHARE	*13*		
Basic		**HK0.39 cents**	HK(13.11) cents
Diluted		**HK0.38 cents**	HK(13.11) cents

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019 Unaudited *HK$'000***	2018 Audited *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**164,588**	174,002
Right-of-use assets		**15,093**	–
Goodwill		**6,150**	6,150
Prepaid lease payments		**–**	9,900
Investment property		**244,173**	229,281
Other intangible assets		**228**	354
Prepayments and deposits for acquisition of land use rights and other intangible assets		**6,123**	36,762
Interests in joint ventures		**27,542**	29,846
Deferred tax assets		**942**	1,422
Equity instruments at FVTOCI		**7,976**	6,955
Contract assets		**17,329**	20,577
Other receivables-non-current	*15*	**9,168**	–
		499,312	515,249
CURRENT ASSETS			
Inventories		**44,261**	47,496
Bills and trade receivables	*14*	**112,595**	131,072
Contract assets		**269,402**	276,163
Prepayments, deposits and other receivables	*15*	**44,216**	70,219
Prepaid lease payments		**–**	290
Financial assets at fair value through profit or loss		**39,200**	11,417
Time deposits		**15,120**	1,976
Pledged bank deposits		**24,135**	24,432
Bank balances and cash		**177,571**	154,614
		726,500	717,679
CURRENT LIABILITIES			
Bills, trade and other payables	*16*	**346,674**	346,530
Contract liabilities		**3,601**	2,035
Taxation payable		**4,819**	6,412
Bank borrowings		**110,880**	123,012
Lease liabilities		**2,445**	–
		468,419	477,989
NET CURRENT ASSETS		**258,081**	239,690
TOTAL ASSETS LESS CURRENT LIABILITIES		**757,393**	754,939

	Notes	**2019** **Unaudited** ***HK$'000***	2018 Audited *HK$'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**25,254**	25,535
Lease liabilities		**3,103**	–
		28,357	25,535
Net assets		**729,036**	729,404
CAPITAL AND RESERVES			
Share capital	*17*	**107,900**	107,900
Reserves		**589,941**	594,779
Attributable to the owners of the Company		**697,841**	702,679
Non-controlling interests		**31,195**	26,725
Total equity		**729,036**	729,404

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

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 Accountant ("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 or HKFRS 16 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 participant 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 from 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 new or amended HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and 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 the consolidated financial statements.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC/properties in Hong Kong was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$2,848,000 and right-of-use assets of HK$13,038,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5%.

	1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	5,361
Less: Recognition exemption — short-term leases	(923)
Less: Reassessment — service agreements	(1,363)
Less: Future interest expenses	(227)
Lease liabilities as at 1 January 2019	2,848
Analysed as	
Current	891
Non-current	1,957
	2,848

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	2,848
Reclassified from prepaid lease payments *(Note)*	10,190
Right-of-use assets as at 1 January 2019	13,038
By class:	
Leasehold land	10,190
Buildings	2,848
	13,038

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the prepaid lease payments amounting to HK$10,190,000 were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Prepaid lease payments	9,900	(9,900)	–
Right-of-use assets	–	13,038	13,038
Current assets			
Prepaid lease payments	290	(290)	–
Current Liabilities			
Lease liabilities	–	(891)	(891)
Non-current Liabilities			
Lease liabilities	–	(1,957)	(1,957)
	10,190	–	10,190

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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:

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

A. For the year ended 31 December 2019

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019		
Segments	**Maintenance Service Unaudited** *HK$'000*	**Sales of equipment Unaudited** *HK$'000*	**Total Unaudited** *HK$'000*
Types of goods or services			
Maintenance Service			
"Hot-in-place" Projects	**200,232**	**–**	**200,232**
Non-"Hot-in-place" Projects	**215,092**	**–**	**215,092**
Sales of equipment			
Standard series	**–**	**65,819**	**65,819**
Repair and maintenance	**–**	**6,180**	**6,180**
Total	**415,324**	**71,999**	**487,323**
Geographical markets			
Mainland China	**415,324**	**67,432**	**482,756**
Overseas	**–**	**4,567**	**4,567**
Total	**415,324**	**71,999**	**487,323**
Timing of revenue recognition			
A point in time	**–**	**71,999**	**71,999**
Over time	**415,324**	**–**	**415,324**
Total	**415,324**	**71,999**	**487,323**

Segments	Maintenance Service Audited *HK$'000*	Sales of equipment Audited *HK$'000*	Total Audited *HK$'000*
	For the year ended 31 December 2018		
Types of goods or services			
Maintenance Service			
"Hot-in-place" Projects	265,755	–	265,755
Non-"Hot-in-place" Projects	202,253	–	202,253
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.

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 Unaudited *HK$'000*	Sale of equipment Unaudited *HK$'000*	Consolidated total Unaudited *HK$'000*
For the year ended 31 December 2019			
Segment revenue:			
Sales to external customers	**415,324**	**71,999**	**487,323**
Intersegment sales	**3,997**	**47,978**	**51,975**
	419,321	**119,977**	**539,298**
Reconciliation			
Elimination of intersegment sales	**(3,997)**	**(47,978)**	**(51,975)**
Revenue	**415,324**	**71,999**	**487,323**
Segment results	**26,536**	**9,667**	**36,203**
Reconciliation:			
Interest income			**5,036**
Changes in fair value of investment property			**–**
Exchange gains			**(136)**
Finance costs			**(5,990)**
Unallocated corporate expense			**(18,213)**
Share of losses of joint ventures			**(3,289)**
Profit before income tax expense			**13,611**

	Maintenance services Audited *HK$'000*	Sale of equipment Audited *HK$'000*	Consolidated total Audited *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 losses			722
Finance costs			(7,378)
Unallocated corporate expense			(18,643)
Share of losses of joint ventures			(4,213)
Loss before income tax expense			(131,282)

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 Unaudited *HK$'000*	Sale of equipment Unaudited *HK$'000*	Consolidated total Unaudited *HK$'000*
As at 31 December 2019			
Segment assets	**615,945**	**248,134**	**864,079**
Elimination of intersegment receivables			**(182,073)**
Investments in joint ventures			**27,542**
Investment property			**244,173**
Other unallocated assets			**272,091**
Total assets			**1,225,812**
Segment liabilities	**465,351**	**65,118**	**530,469**
Elimination of intersegment payables			**(182,073)**
Other unallocated liabilities			**148,380**
Total liabilities			**496,776**

	Maintenance services Audited *HK$'000*	Sale of equipment Audited *HK$'000*	Consolidated total Audited *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

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

	Maintenance services Unaudited *HK$'000*	Sale of equipment Unaudited *HK$'000*	Consolidated total Unaudited *HK$'000*
For the year ended 31 December 2019			
Impairment losses recognised in respect of property, plant and equipment	**2,452**	**–**	**2,452**
Impairment losses recognised in respect of trade receivables, contract assets and other receivables	**(16,687)**	**(3,275)**	**(19,962)**
Depreciation and amortisation	**23,569**	**1,968**	**25,537**
Capital expenditure *(Note)*	**22,525**	**339**	**22,864**

	Maintenance services Audited *HK$'000*	Sale of equipment Audited *HK$'000*	Consolidated total Audited *HK$'000*
For the year ended 31 December 2018			
Impairment losses recognised in respect of trade 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

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 2019, revenue from a related company, accounted for 10% or more of the Group's revenue and its revenue amounted to HK$172,936,000 (2018: HK$128,571,000). 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

	2019 Unaudited *HK$'000*	2018 Audited *HK$'000*
Government grants *(Note)*	**1,647**	1,738
Interest income	**5,036**	6,828
Dividend income from equity instruments at FVTOCI	**–**	662
Others	**1,080**	460
	7,763	9,688

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, NET

	2019 Unaudited *HK$'000*	2018 Audited *HK$'000*
Loss on disposal of property, plant and equipment	**(28)**	(7,325)
Impairment loss recognised in respect of goodwill	**–**	(731)
Impairment loss on property, plant and equipment	**(2,452)**	–
Net foreign exchange (losses)/gains	**(136)**	722
Others	**(34)**	(25)
	(2,650)	(7,359)

8. FINANCE COSTS

	2019 Unaudited *HK$'000*	2018 Audited *HK$'000*
Interest on:		
— Bank borrowings	**5,990**	7,378
— Lease liabilities	**177**	–
	6,167	7,378

9. REVERSAL OF/(PROVISION FOR) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Reversal of / (provision for) impairment losses on financial assets recognised on:		
Trade receivables	**20,708**	(76,745)
Other receivables	**(19,638)**	(3,503)
Contract assets	**18,892**	(55,707)
	19,962	(135,955)

10. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Profit/(Loss) before income tax expense has been arrived at after charging:		
Directors' emoluments	**6,889**	6,066
Other staff costs	**59,385**	62,103
Other staff retirement benefit scheme contributions	**11,063**	10,213
Total staff costs	**77,337**	78,382
Amortisation of prepaid lease payments	**–**	290
Amortisation of other intangible assets	**122**	165
Auditor's remuneration	**1,380**	1,770
Cost of inventories sold	**38,429**	31,554
Cost of services provided	**345,506**	388,780
Depreciation	**25,431**	31,853

No share-based payment expense was recognised in profit or loss during the year ended 31 December 2019 and 31 December 2018 in respect of share options and awards of the Company.

11. INCOME TAX EXPENSE

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("EIT"):		
— Current year	**4,060**	6,179
— Under provision in prior years	**8**	1,070
	4,068	7,249
Deferred tax charge	**473**	5,834
	4,541	13,083

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 years ended 31 December 2019 and 31 December 2018.

Except as described below, provision for EIT 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 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 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$146,000 (2018: HK$224,000) has been provided for the year ended 31 December 2019 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

12. DIVIDENDS

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
2019: 2018 final dividend of nil (2018: 2017 final dividend of nil) per ordinary share	**–**	–

No final dividend is proposed by the directors for the years ended 31 December 2019 and 31 December 2018.

13. EARNINGS/(LOSS) PER SHARE

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Earnings/(Loss):		
Earnings/(Loss) for the purposes of calculating basic and diluted earnings/(loss) per share — attributable to owners of the Company	**4,145**	(139,130)
Number of shares:		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic earnings/(loss) 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 earnings/(loss) per share	**1,079,000,000**	1,061,630,000

The computation of diluted earnings per share for the year ended 31 December 2019 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 2018 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

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Trade receivables	**447,264**	471,185
Less: Allowance for credit loss	**(335,117)**	(343,587)
	112,147	127,598
Bills receivables	**448**	3,474
	112,595	131,072

As at 31 December 2019, trade receivables from contracts with customers amounted to HK$112,147,000.

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.

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

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
0 to 180 days	**448**	3,474

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:

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 3 months	**51,034**	27,811
3 to 12 months	**16,069**	37,373
1 to 2 years	**22,037**	36,108
Over 2 years	**23,007**	26,306
	112,147	127,598

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$100,668,000 (2018: HK$127,598,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$45,623,000 (2018: 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.

At 31 December 2019, included in the trade receivables are amounts due from the Group's related companies of approximately HK$11,261,000 (2018: HK$20,025,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Other receivables	**61,058**	27,803
Less: Allowance for credit losses	**(24,112)**	(4,808)
	36,946	22,995
Portion classified as non-current assets	**(9,168)**	–
Current portion	**27,778**	22,995
Prepayments and deposits	**15,222**	42,821
Tax recoverable	**1,216**	4,403
	44,216	70,219

At 31 December 2019, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of HK$628,000 (2018: HK$920,000), which are unsecured, interest-free and have no fixed terms of repayment.

16. BILLS, TRADE AND OTHER PAYABLES

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Bills payable	**28,502**	8,201
Trade payables	**253,727**	275,274
Other tax payables	**16,101**	19,898
Other payables and accrued charges	**48,344**	43,157
	346,674	346,530

At 31 December 2019, included in the Group's trade payables are amounts due to related parties of approximately HK$4,264,000 (2018: HK$2,541,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers.

At 31 December 2019, included in the Group's other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK$26,226,000 (2018: HK$26,690,000) which is unsecured, interest-free and has no fixed terms of repayment.

The Group normally receives credit terms of 30 days to 180 days (2018: 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:

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 3 months	**141,819**	194,568
3 to 12 months	**68,075**	23,297
1 to 2 years	**23,126**	33,586
Over 2 years	**20,707**	23,823
	253,727	275,274

17. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,079,000,000	107,900

18. COMMITMENTS

	2019	2018
	Unaudited	Audited
	HK$'000	*HK$'000*
Contracted, but not provided for in respect of the acquisition of property, plant and equipment	**11,345**	9,479
Contracted, but not provided for in respect of the acquisition of land use right	**14,636**	33,108
Contracted, but not provided for capital contributions payable to equity investment at FVTOCI	**315**	315

BUSINESS REVIEW

The year of 2019 is the 70th anniversary of the founding of new China. With strong determination, it is also a crucial year for the People's Republic of China's (the "PRC") government to continue implementing the requirements put forth at the National Conference on Ecological and Environmental Protection in order to prevent and treat pollution. However, due to the escalation of trade war between the PRC and the United States, and the backdrop of slowed global economic growth, the economy in the PRC faced greater downward pressure. In order to reduce the operational cash flow risk of the Group, the Group has delayed some of the "Hot-in-Place" road maintenance projects until the customers' funds for these projects are officially in place, the asphalt pavement maintenance ("APM") services sector recorded a decrease in revenue. In addition, the APM equipment segment recorded an increase in revenue, contributed by the launching of the new APM product in the recent years, as well as the increase in the number of the standard series equipment sold in the PRC. The Group also recorded a reversal of expected credit loss of trade receivables and contract assets for the year ended 31 December 2019 due to collection of these outstanding balances had improved significantly in 2019 after Premier Li Keqiang has emphasized the settlement of overdue debts of local government to private enterprises during the State Council Executive Meeting of the People's Republic of China on 30 January 2019.

In 2019, the Group's operating revenue was approximately HK$487.3 million, representing a decrease of approximately 6.7% as compared to 2018. Since there was a reversal of expected credit loss of trade receivables and contract assets, the total profit attributable to owners of the Company was approximately HK$4.2 million, representing an increase of approximately 103.0% as compared to total loss attributable to owners of the Company of approximately HK$139.1 million for the year ended 31 December 2018. As at 31 December 2019, the Group maintained a healthy financial position as it had cash on hand in the sum of approximately HK$256.0 million and the Group's operating cash flow was significantly improved from cash outflow of approximately HK$18.3 million in 2018 to cash inflow of approximately HK$80.0 million in 2019.

Asphalt Pavement Maintenance Services

Revenue for this segment decreased in the year of 2019 compared to 2018 due to the decrease in the revenue of "Hot-in-Place" projects as the Group has delayed some of the road maintenance projects until the customers' funds for these projects are officially in place in order to reduce the operational cash flow risk of the Group. Therefore, the total serviced area of "Hot-in-Place" projects decreased by 14.7% from 3.4 million square meters in 2018 to 2.9 million square meters in 2019.

The revenue of non-"Hot-in-Place" projects contributed by Tianjin Expressway Maintenance was increased by 6.3% as more road maintenance projects were performed to cater for road inspections on highway in the second half of 2020. APM services segment of the Group recorded revenue of approximately HK$415.3 million, representing a decrease of 11.3% as against 2018. Despite the decrease in the total serviced area of "Hot-in-Place" projects, the Group has continued to be a leading integrated solution provider using "Hot-in-Place" recycling technology in the APM industry in the PRC.

APM Equipment

During the year under review, our APM equipment segment generated a revenue of HK$72.0 million, representing an increase of 32.3% as against 2018. This increase was attributable to the Group's diversify product range strategy, more revenue contributed by the new product launched in the market in the recent years and the increase in the number of the standard series equipment sold in the PRC.

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 2019, we had registered 168 patents (2018: 148), of which 18 were invention patents (2018: 17), 127 were utility model patents (2018: 113) and 23 were design patents (2018: 18), and we had 24 pending patent applications, of which 10 are invention patents, 12 are utility model patents and 2 are design patent (2018: 18 pending patent applications, of which 7 are invention patents, 9 are utility model patents and 2 are design patent).

During the year under review, the Group consistently enhanced its investment in research and development, further strengthening its research and development capabilities, and enabling it to overcome certain technological limitations in the APM service industry. The Group does not only keep improving its current products like pavement maintenance and safety attenuator vehicles, the Group also diversified its product range in road industry. During the year under review, high performance vacuum sweepers and snow removal vehicles were developed and targeted to high-end customers like airports, highways which are not satisfied with traditional domestic equipment. The Group embedded automated and smart functions in its products in order to reduce cost and provide higher quality services.

Geopolymer Injection Road Base Repair technology provides a fast, durable with minimum invasion of pavement method to repair road base. Together with the Group's designed equipment integrates drilling, mixing and injection functions, a new and independent business line is developed. In addition, a semi-flexible pavement material, its application process and equipment are developed. This pavement surface combines the driving comfort of asphalt pavement and excellent stiffness of concrete. With these equipment, it is also expected to expand the opportunities of the Group's "Hot-in Place" technology application for the roads with base problems.

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

2020 is the last year of China's "13th Five-year Plan", it will be a crucial year for the building of ecological civilization by the PRC government. The ecological and environmental industry is also entering critical year which the environmental protection efforts are expected to enter into mature phase of the country's battle against pollution. In addition, during the PRC State Council Executive Meeting on 8 January 2020, Premier Li Keqiang has reiterated that the settlement of overdue debts of local government to private enterprises must be cleared by the end of this year.

Furthermore, the COVID-19 outbreak has brought additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has so far caused operational delays. The Group has put in place contingency measures to reduce the impact arising from this outbreak. However, the situation remains fluid at this stage.

However, 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 2018, 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, the Group will continue to leverage on its state-owned partners' overseas channels 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 diversify its product range and developed new product in road industry; 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 Group has started planning the development of the investment property acquired by the Group at Jiangxinzhou, Jianye District, Nanjing, the PRC (中國南京市建鄴區江心洲) in December 2016. The investment property will be developed into the global technology research and development centre of the Group. The investment property 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 2018.

REVENUE

a. APM Services

	Year ended 31 December				
	2019		2018		
	HK$'000	**Area serviced *(square meters '000)***	*HK$'000*	Area serviced *(square meters '000)*	Increase/ (decrease)
Revenue (net of VAT)					
"Hot-in-Place" Projects	**200,232**	**2,880**	265,755	3,443	(24.7%)
Non-"Hot-in-Place" Projects	**215,092**	**–**	202,253	–	6.3%
Total	**415,324**		468,008		(11.3%)

	Year ended 31 December				
	2019		2018		
	HK$'000	***Margin***	*HK$'000*	*Margin*	Increase/ (decrease)
Gross profit					
"Hot-in-Place" Projects	**56,951**	**28.4%**	62,807	23.6%	(9.3%)
Non-"Hot-in-Place" Projects	**12,867**	**6.0%**	16,421	8.1%	(21.6%)
Total	**69,818**	**16.8%**	79,228	16.9%	(11.9%)

Revenue for this segment decreased in the year of 2019 compared to 2018 due to the decrease in the revenue of "Hot-in-Place" projects as the Group has delayed some of the road maintenance projects until the customers' funds for these projects are officially in place in order to reduce the operational cash flow risk of the Group. Therefore, the total serviced area of "Hot-in-Place" projects decreased by 14.7% from 3.4 million square meters in 2018 to 2.9 million square meters in 2019. The revenue of non-"Hot-in-Place" projects contributed by Tianjin Expressway Maintenance was increased by 6.3% as more road maintenance projects were performed to cater for road inspections on highway in the second half of 2020. The gross profit margin of "Hot-in-Place" projects increased from 23.6% in 2018 to 28.4% in 2019 due to the Group's marketing strategy to offer lower gross profit margin on some of the high profile projects and new markets in 2018.

b. APM Equipment

	Year ended 31 December				
	2019		2018		Increase/
	HK$'000	***units/sets***	*HK$'000*	*units/sets*	(decrease)
Revenue (net of VAT)					
Standard series	**65,819**	**63**	48,722	48	35.1%
Modular series	**–**	**–**	–	–	–
Repair and maintenance	**6,180**	**N/A**	5,703	N/A	8.4%
Total	**71,999**		54,425		32.3%

	2019		2018		Increase/
	HK$'000	***Margin***	*HK$'000*	*Margin*	(decrease)
Gross profit					
Standard series	**29,796**	**45.3%**	18,517	38.0%	60.9%
Modular series	**–**	**N/A**	–	N/A	–
Repair and maintenance	**3,774**	**61.1%**	4,354	76.3%	(13.3%)
Total	**33,570**	**46.6%**	22,871	42.0%	46.8%

Revenue for the APM equipment segment for 2019 increased by approximately 32.3% as compared to 2018. This increase was attributable to the Group's diversified product range strategy, more revenue contributed by the new product launched into the market in the recent years and the increase in the number of the standard series equipment sold in China.

Overall gross profit margin for this segment increased from approximately 42.0% in 2018 to approximately 46.6% in 2019 due to the increase in the revenue generated from higher gross profit margin standard series equipment.

OTHER GAINS AND LOSSES, NET

Other gains and losses, net for the year under review significantly decreased by approximately HK$4.7 million, from approximately HK$7.4 million in 2018 to approximately HK$2.7 million in 2019, primarily due to the net effect of (i) the decrease in the recognition of loss on disposal of property, plant and equipment; and (ii) the recognition of impairment loss on property, plant and equipment in 2019 as a result of unsatisfactory business performance of a subsidiary of the Company.

REVERSAL OF/(PROVISION FOR) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Expected credit loss allowance on financial assets reversed of approximately HK$20.0 million for the year under review, primarily due to the net effect of (i) the expected credit loss allowance of trade receivables and contract assets reversed, and; (ii) the recognition of expected credit loss allowance of other receivables. In 2018, expected credit loss allowance on financial assets recognized of approximately HK$136.0 million.

FAIR VALUE CHANGE OF INVESTMENT PROPERTY

The Group's investment property was revalued as at 31 December 2019 on an open market basis by an independent property valuer. During the year under review, the architecture and consultancy fees were incurred on the investment property and the Group did not record changes in fair value of investment property.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs for the year under review increased by approximately 10.1% or approximately HK$1.8 million, from approximately HK$17.8 million in 2018 to approximately HK$19.6 million in 2019, primarily due to the more marketing expenses incurred in order to promote the new product range of the Group.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 7.3%, or approximately HK$5.7 million, from approximately HK$78.4 million in 2018 to approximately HK$72.7 million in 2019, primarily due to the decrease in the administrative head count and resulted decrease in staff cost and staff quarter rental cost.

SHARE OF LOSSES OF JOINT VENTURES

The Group's share of losses from joint ventures decreased by approximately HK$0.9 million, from approximately HK$4.2 million in 2018 to approximately HK$3.3 million in 2019 primarily due to the some of the road maintenance project of the joint ventures delayed to 2020.

FINANCE COSTS

Finance costs decreased by approximately HK$1.2 million, from approximately HK$7.4 million in 2018 to approximately HK$6.2 million in 2019 primarily due to the decrease in bank borrowings.

INCOME TAX EXPENSE

Income tax expense decreased by approximately HK$8.6 million, from approximately HK$13.1 million in 2018 to approximately HK$4.5 million in 2019, mainly due to the deferred tax expense arising from changes in fair value of investment property in 2018.

PROFIT

Profit attributable to owners of the Company amounted to HK$4.2 million for the year ended 31 December 2019 compared with the loss attributable to owners of the Company of approximately HK$139.1 million for the year ended 31 December 2018, primarily due to the net effect of (i) decrease in the revenue of "Hot-in-Place" projects as the Group has delayed some of the road maintenance projects; (ii) increase in the revenue of the APM equipment due to the revenue contributed by the new product launched into the market in the recent years and the increase in the number of the standard series equipment sold in the PRC; (iii) the expected credit loss on trade receivables and contract assets reversed; (iv) the recognition of expected credit loss of other receivables; and (iii) the decrease in the recognition of loss on disposal of property, plant and equipment.

FINANCIAL POSITION

As at 31 December 2019, the total equity of the Group amounted to approximately HK$729.0 million (2018: HK$729.4 million). Decrease in the total equity of the Group was due to the net effect of (i) profit attributable to owners of the Company for the year ended 31 December 2019; and (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.

The Group's net current assets as at 31 December 2019 amounted to approximately HK$258.1 million (2018: HK$239.7 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2019, was 1.6 (31 December 2018: 1.5). The improvement in the net current assets and current ratio was mainly due to the expected credit loss on financial assets reversed and increase in cash and bank deposit balances as the collection of the outstanding trade receivable balances had improved significantly in 2019.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group's bank balances and cash, time deposits, pledged bank deposits and structured bank deposits amounted to approximately HK$256.0 million (2018: HK$192.4 million). The increase was primarily due to the effect of net cash from operating activities, purchase of property, plant and equipment, addition to investment property and repayment of bank borrowings. As at 31 December 2019, the bank borrowings of the Group amounted to HK$110.9 million (2018: HK$123.0 million). As at 31 December 2018 and 2019, the Group was in a net cash position.

During the State Council Executive Meeting of the PRC on 30 January 2019, Premier Li Keqiang has emphasized the settlement of overdue debts of local government to private enterprises. Therefore, the collection of the Group's outstanding trade receivables balances had improved in 2019. In addition, the Group has delayed some of the road maintenance projects until the customers' funds for these projects are officially in place in order to reduce the operational cash flow risk of the Group. Thus, the trade receivables and contract assets balances were reduced from HK$850.4 million as at 31 December 2018 to HK$778.8 million as at 31 December 2019. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK$142.3 million (RMB127.1 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 2019, 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 2019, the Group had total debt of HK$110.9 million (2018: HK$123.0 million) which was unsecured interest-bearing bank borrowings.

As at 31 December 2019, bank balance of approximately HK$24.1 million (2018: HK$24.4 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 2018 and 2019 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 2019 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 2019 are set out in note 40 to the financial statements. As at 31 December 2019, 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 2019, 69.7% and 30.3% (2018: 18.5% and 81.5%) 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 2019, certain time deposit, bank balances and cash, pledged bank deposits and structured bank deposits of approximately HK$238,215,000 (2018: HK$178,237,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2019, the Group's bank borrowings denominated in RMB amounted to HK$110,880,000 (equivalent to RMB99,000,000) (2018: HK$123,012,000 (equivalent to RMB108,000,000)). 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 2019, the Group had a total of 550 full time employees (2018: 572). 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).

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

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 Employee 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 2019.

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

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The unaudited annual 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 2019 report of the Company will be despatched to the shareholders of the Company and published on the above websites on or before 15 May 2020 as the Company's auditors require more time to perform their audit fieldwork due to the quarantine requirements that continue in force in the PRC for preventing more imported case of COVID-19 coronavirus.

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.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Sze Wai Pan, Ms. Sze Wan Nga and Mr. Chan Kai King; the non-executive Directors are Prof. Tong Wai Cheung Timothy, 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.