THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser. **If you have sold or transferred** all your shares in **Freetech Road Recycling Technology (Holdings) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Freetech
英達科技

英達公路再生科技(集團)有限公司
Freetech Road Recycling Technology (Holdings) Limited
(incorporated in the Cayman Islands with limited liability)
(stock code: 6888)

VERY SUBSTANTIAL ACQUISITION
CONSTRUCTION CONTRACT
IN RESPECT OF DEVELOPMENT OF LAND IN NANJING
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

The letter from the Board is set out on pages 4 to 15 of this circular. Notice convening the EGM to be held on Thursday, 16 December 2021 at 3:00 p.m. at Unit 5906-5912, 59/F., The Center, 99 Queen's Road Central, Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not Shareholders are able to attend the EGM, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so desire.

PRECAUTIONARY MEASURES FOR THE EGM

In order to prevent the spread of COVID-19 pandemic and to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the EGM:

1. compulsory body temperature checks and health declarations;
2. compulsory wearing of surgical face masks; and
3. no provision of refreshments.

Any person who does not comply with the precautionary measures will be denied entry into the EGM venue.

26 November 2021

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In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted on every attending Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person found to be suffering from a fever or otherwise unwell will be denied entry into the EGM venue or be required to leave the EGM venue.

(ii) All attendees are requested to wear surgical face masks at the EGM venue at all times, and to maintain a safe distance with other attendees.

(iii) No refreshments will be provided.

To the extent permitted under applicable laws, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and in response to the recent guidelines on prevention and control of COVID-19 pandemic, Shareholders are reminded that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by completing form of proxy in accordance with the instructions printed thereon, Shareholders may appoint the chairman of the EGM as proxy to attend and vote on the relevant resolutions at the EGM instead of attending the EGM or any adjourned meeting in person.

In this circular, the following expressions have the following meanings unless the context otherwise requires:

"Board"	the board of Directors
"Company"	Freetech Road Recycling Technology (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6888)
"connected persons"	has the meaning ascribed thereto under the Listing Rules
"Construction"	the construction contemplated under the Construction Contract, including pile foundation, civil engineering and water and electricity installation
"Construction Contract"	a contract dated 15 October 2021 and entered into between Freetech Nanjing and the Contractor relating to the Construction
"Contractor"	Tongzhou Construction General Contracting Group Co., Ltd., a company established in the PRC with limited liability
"Directors(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held to consider and to approve, among other things, the Construction Contract and the transactions contemplated under the Construction Contract
"Freetech Nanjing"	Freetech Ecological Technology Development (Nanjing) Co., Ltd, (formerly known as Freetech Real Estate (Nanjing) Co. Ltd.), an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Land"	the land located at lot 04–05 and 04–06 of Jiangxinzhou, Jianye District, Nanjing, the PRC* (中國南京市建鄴區江心洲)

* *For identification purpose only*

"Latest Practicable Date"	23 November 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	the ordinary share(s) of the Company of par value of HK$0.10 each
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

For the purpose of this circular, translation of amounts in RMB into HK$ have been made at the rate of HK$1.2074 to RMB1 for illustration purpose only. No representation is made that any amount in HK$ could have been or could be converted at such respective rates or at all.

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)

Executive Directors:
Mr. Sze Wai Pan
(Chairman and Chief Executive Officer)
Mr. Chan Kai King

Non-executive Directors:
Ms. Sze Wan Nga
Mr. Zhou Jichang
Prof. Tong Wai Cheung Timothy
Dr. Chan Yan Chong

Independent non-executive Directors:
Ms. Yeung Sum
Mr. Tang Koon Yiu Thomas
Dr. Lau Ching Kwong

Registered office:
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Group Headquarters and Principal Place of Business in Hong Kong:
29/F, Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

26 November 2021

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
CONSTRUCTION CONTRACT
IN RESPECT OF DEVELOPMENT OF LAND IN NANJING
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 15 October 2021 in relation to the Construction Contract.

On 15 October 2021, Freetech Nanjing and the Contractor entered into the Construction Contract, under which Freetech Nanjing has engaged the Contractor for the Construction on the Land for a contract sum of RMB279,906,287 (equivalent to approximately HK$337,970,047).

The purpose of this circular is to provide you with, among others, further information on the Construction, including (a) the relevant terms of the Construction Contract; (b) the financial information of the Group; and (c) other information as required under the Listing Rules.

2. THE CONSTRUCTION CONTRACT

On 15 October 2021, Freetech Nanjing and the Contractor entered into the Construction Contract, under which Freetech Nanjing has engaged the Contractor for the Construction on the Land for a contract sum of RMB279,906,287 (equivalent to approximately HK$337,970,047). A summary of the principal terms of the Construction Contract are as follows:

Date : 15 October 2021

Parties : (1) Freetech Nanjing

(2) The Contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject Matter : Under the Construction Contract, Freetech Nanjing has engaged the Contractor for the Construction on the Land, which includes: (1) civil engineering (pile foundation, steel structure engineering, water drainage engineering etc.); and (2) installation engineering (water, electricity and gas installation, fire service installation, heat, ventilation and air conditioning installation).

Contract Sum : RMB279,906,287 (equivalent to approximately HK$337,970,047) which comprises the followings:

	RMB
Piles foundation construction	12,892,282
Foundation pit support construction	21,534,717
Rock and earth excavation construction	24,601,088
Building construction	212,825,175
Exterior construction	8,053,025
Total	279,906,287

The Company intends to fund 80% of the contract sum by bank financing and 20% by its internal resources. Freetech Nanjing is in the process of negotiating with 5 banks for obtaining bank financing as construction permit is required for the application of bank financing and Freetech Nanjing has only recently submitted the application of construction permit to the relevant government authority and has not yet obtained the construction permit as at the Latest Practicable Date. Details of the terms of the bank financing, including the amount of the loan, the maturity of loan and interest rate will only be available when the banks have approved the bank financing after reviewing the construction permit and other application materials submitted by Freetech Nanjing.

The contract sum was determined by way of tender conducted by Freetech Nanjing. Freetech Nanjing has received 9 bids from the tender. After receiving the bids, Freetech Nanjing made a holistic assessment on the bidders by considering various factors. The relevant bidders must demonstrate the capability to complete the Construction in accordance with the construction schedule and provide high quality construction services. The bidding evaluation team of Freetech Nanjing (which lead by the Group's chief executive officer, Mr. Sze Wai Pan) had considered the commercial terms (proposed contract sum and payment terms), technical experience, professional qualifications, business reputation, project management capabilities and financial background of the relevant bidders and provided score on each bidders. The 2 highest score bidders and 3 lowest proposed contract sum bidders were invited to enter into interview session with the bidding evaluation team. After the interview session, 3 bidders had been selected to enter into the final session.

Freetech Nanjing selected the Contractor as it is a reputable contractor with 1,560 technical employees (in which 985 are qualified engineers) and it is an experienced contractor in completing large-scale projects with over 70 years of construction experience. The annual construction production volume of the Contractor is approximately 50 million square meter and able to generate revenue of approximately RMB46.8 billion per year. The Contractor is also 1 of the 3 lowest proposed contract sum bidders with favourable payment terms which allow Freetech Nanjing to pay the contract sum when the construction works have been substantially completed and passed the acceptance check by Freetech Nanjing. The Contractor had a good performance in the bidding evaluation team's interview which demonstrated their knowledge and capability to complete the Construction.

The Board considered that the contract sum is fair and reasonable based on the selection procedure above as Freetech Nanjing has made a holistic assessment on the relevant bidders with reference to different factors including experience, qualification and pricing.

Payment Terms : The contract sum shall be paid in the following manner:

(a) On completion of pile foundation and foundation pit support works with the certificate on passing the special acceptance check thereon, 80% of this stage contract sum of approximately RMB27,541,599 shall be paid within 28 days (around March 2022) upon verification and signature through process auditing.

(b) On completion of basement floor works with passing and acceptance of construction process, up to 80% of this stage contract sum of approximately RMB100,144,024 shall be paid after 30 days (around December 2022) of verification and signature through process auditing.

(c) On reaching plus-minus zero standard (except for tower crane reserved opening and construction access, etc.) of the basement, up to 80% of this contract sum of approximately RMB19,680,870 shall be paid after 30 days (around January 2023) of verification and signature through process auditing.

(d) On topping out of major structures of all individual buildings with acceptance and passing of inspection and acceptance thereof, up to 80% of this stage contract sum of approximately RMB70,116,116 shall be paid after 30 days (around June 2023) of verification and signature through process auditing.

(e) On completion of building installation works with acceptance and passing of inspection, up to 80% of this stage contract sum of approximately RMB6,442,420 shall be paid after 30 days (around August 2023) of verification and signature through process auditing.

(f) Upon completion of civil defence and fire prevention inspections as well as construction completion inspection and acceptance by the managing construction department, 10% of the total contract sum of approximately RMB27,990,629 shall be paid after 30 days (around October 2023) of verification and signature through process auditing.

(g) On completion of as-built inspection filing, the Contractor shall provide information on completion settlement as required, and the completion settlement shall be audited with final approval. After obtaining the form of as-built inspection and the Contractor had delivered the completing inspection information to the municipal urban construction archives (or relevant competent departments), the payment of up to 95% of the audited settlement price of approximately RMB13,995,314 shall be made around November 2023.

(h) 5% of the audited settlement price shall be regarded as quality deposits. 50% of such quality deposits of approximately RMB6,997,657 shall be paid after two years (around January 2026) of overall construction completion inspection without quality issues or performance of quality assurance obligations as agreed under the construction quality warranty. The remaining 50% of the quality deposits of approximately RMB6,997,657 shall be paid either in case where there are no construction and waterproofing quality issues after five years (around January 2029) of construction completion or upon completion of performance of quality assurance obligations in accordance with construction and waterproofing quality warranties.

Performance Security	:	Bank guarantee performance bond with an amount equivalent to 10% of the contract sum shall be procured by the Contractor.
Expected Date of Completion of Construction	:	The Construction is expected to be completed in November 2023.
Effectiveness of the Construction Contract	:	The Construction Contract shall take effect upon the Shareholders having approved the Construction Contract at the EGM.
Dispute resolution mechanism	:	If commencement order cannot be provided 7 days before proposed commencement date due to reason of Freetech Nanjing or if Freetech Nanjing breaches its obligations under the Construction Contract leading to a suspension of the Construction, the Construction shall delay accordingly and this shall not be considered as a breach of the Construction Contract. If the Construction has been suspended for 180 days and Freetech Nanjing has not rectified its breaches resulting that the Contractor cannot perform its obligations under the Construction Contract, the Contractor can terminate the Construction Contract.

If the Contractor breaches its obligations under the Construction Contract resulting in a delay in the Construction, this shall be considered as a breach by the Contractor and the Contractor shall pay RMB10,000 per day to Freetech Nangjing (with a maximum penalty not exceeding 2% of the contract sum), and the Contractor shall be liable for the losses incurred by Freetech Nanjing.

If the Contractor fails to provide sufficient manpower and equipment to the Construction in accordance with the Construction Contract, the Contractor shall pay a penalty of 2% of the contract sum to Freetech Nanjing and if such breach resulting in a delay in the Construction, the Contractor shall pay RMB10,000 per day to Freetech Nanjing and shall be liable for the losses incurred by Freetech Nanjing.

If the Construction cannot meet relevant national construction standard and regulations, the Contractor shall rectify and pay 10% of the contract sum to Freetech Nanjing as damages and shall be liable for losses incurred by Freetech Nanjing. If the breaches cause a delay in Construction, the Contractor shall pay RMB10,000 per day to Freetech Nanjing and shall be liable for the losses incurred by Freetech Nanjing. If the Contractor fails to meet the requirements of applicable laws and regulations and refuse to follow the management of Freetech Nanjing, apart from paying RMB5,000 for each non-compliances, Freetech Nanjing may terminate the Construction Contract and the Contractor shall be liable the losses incurred by Freetech Nanjing.

If the Contractor cannot meet the requirements and standards on the Construction as provided in the Construction Contract, the Contractor shall pay 1% of the contract sum to Freetech Nanjing and if the breach is serious, Freetech Nanjing can evict the Contractor.

If the Contractor acquires equipment and materials without the consent of Freetech Nanjing or fails to acquire equipment and materials in accordance with the Construction Contract, the Contractor can exchange such materials or equipment and Freetech Nanjing may deduct RMB30,000 from the contract sum from each breach and the Contractor shall be liable for the losses. If the Contractor uses the construction materials without the consent of Freetech Nanjing, the Contractor shall pay 5 times of the costs of the construction materials to Freetech Nanjing as compensation.

If there is any accident, the Contractor shall be liable for any penalty from the relevant government authority and pay RMB50,000 to Freetech Nanjing as compensation; if there is any accident resulting in injury and death, the Contractor shall be liable for the penalty and pay RMB100,000 to Freetech Nanjing as compensation and liable for all damages. Freetech Nanjing shall have the right to terminate the Construction Contract. The Construction shall not be delayed as a result of the accident.

If the Contractor cannot complete any target in terms of quality, schedule and standard, and have not remedied the breach, Freetech Nanjing can deduct RMB5,000 from the contract sum as compensation and request to change the management personnel of the Construction. If the construction cannot meet the safety and construction requirements in the Construction Contract, the Contractor shall rectify and if it fails to rectify, the Contractor shall pay RMB5,000 for each breach.

If the Contractor fails to fulfil its obligations under the Construction Contract and affect the schedule of the Construction, Freetech Nanjing may at its own discretion appoint other contractor to complete the relevant construction and two times of the relevant costs incurred shall be deducted from the contract sum payable to the Contractor, or if the relevant costs cannot be covered by the contract sum, the Contractor shall be liable for the balances. If the Contractor fails to fulfil its obligations under the Construction Contract, Freetech Nanjing can terminate the Construction Contract and not to pay the contract sum as well as forfeiting the performance security.

If the Contractor suspends the Construction or breaches the Construction Contract, Freetech Nanjing may elect to terminate the Construction Contract or request the Contractor to resume the Construction: (i) if the Contractor does not resume the Construction after receiving notice from Freetech Nanjing twice, Freetech Nanjing may terminate the Construction Contract and not to pay the contract sum; or (ii) if Freetech Nanjing elects to terminate the Construction Contract, the Contractor shall return the construction site to Freetech Nanjing within 7 days after the termination of the Construction Contract and for the parts of Construction which have been completed, Freetech Nanjing shall only be required to pay 70% of the relevant contract sum. The Contractor shall be liable for losses incurred by Freetech Nanjing.

During the Construction and the quality assurance period, if there is any quality or safety issue which creates material adverse impact to the Construction, the Contractor shall pay RMB50,000 as compensation.

If the technology documentation cannot be submitted on schedule due to the reason of Contractor, the Contractor shall pay RMB5,000 to Freetech Nanjing for each day of delay.

3. INFORMATION ON THE PARTIES

The Company is principally engaged in manufacturing and sale of road maintenance equipment and provision of road maintenance services in the PRC.

Freetech Nanjing is a wholly owned subsidiary of the Company and is principally engaged in property development, sale of road maintenance equipment and provision of road maintenance services.

The Contractor is a company established in the PRC with limited liability. Its principal business is general contracting of building construction project. The Contractor is owned as to approximately 57.27% by the labour union of the Contractor which held the shares for the over 200 employees of the Contractor, as to approximately 40.93% by Jiangsu Han Tian Investment Company Limited (江蘇瀚天投資有限公司) ("**Han Tian Investment**") which is owned as to approximately 41.78% by Mr. Zhang Xiaohua and the remaining shareholders each hold less than 5% shareholding in Han Tian Investment and as to approximately 1.8% by Mr. Wu Jun.

4. REASONS AND BENEFITS OF THE CONSTRUCTION

Reference is made to the announcement of the Company dated 30 December 2016. On 30 December 2016, Freetech Nanjing acquired the Land from Nanjing Municipal Land Resources Bureau* (南京市國土資源局) at the consideration of approximately RMB140,050,000 for the development of the base of the global technology research and development centre of the Group. The acquisition of the Land was completed in June 2017 and the Company has commenced preparation of the development plan of the Land since then. The Company has applied the construction project planning permit from local authority in 2019 but the construction project planning permit was only granted in December 2020. The Company resumed the development in around early 2021 and entered into the Construction Contract in October 2021.

Based on the development plan, two main office buildings with total gross floor area of approximately 25,696 square meter (the "**Main Buildings**") and seventeen small office buildings with total gross floor area of approximately 17,055 square meter (the "**Office Buildings**") will be developed under the Construction Contract.

Part of the Main Buildings will be used as the base of the global research and development centre (around 1,000 square meter) and offices of the Group. The current research and development capability of the Group is responsible for pavement maintenance machinery design, new maintenance process and material research and development. There are more than 40 professionals in mechanical and civil engineering background. The Group is able to apply about 20 new patents every year. In order to strengthen the Group's product and business integration, the Group has started to develop pavement inspection equipment, artificial intelligent pavement recognition and decision system, and nationwide pavement data analysis and platform. The existing factory is not suitable to conduct and not able to support the new research and development activities of the Group. While Jiangxinzhou (江心洲) is an Eco Hi-Tech island in Nanjing city, which is set to be an island showcasing the future of Nanjing and its aspirations to be a centre for development and practice of high-tech innovation in areas such as IT services industry, eco-environmental service and modern service industry, by locating the new research and development centre in the Land, the Group expects that this will have positive impact to attract professionals in field of software development, computer science and data analyst to join the Group. The Construction will therefore enhance the research and development capability of the Group and enable the Group to save rental expenses, and is thereby expected to bring positive impact on the performance of the Group.

As the Group will only utilize part of the Main Buildings as its new research and development center and offices, the Group intends to (i) lease the remaining office spaces of Main Buildings to third parties in order to bring additional recurring income streams to the Group; and (ii) sell the Office Buildings to third parties for repayment of the bank loan for the Construction and to gain a profit for the Group (if any). If the Construction will be carried on schedule, the Group intends to conduct a pre-sale of the Office Buildings by second quarter of 2022. As at the Latest Practicable Date, the Company has not identified and/or reached any agreement regarding the leases and pre-sales.

* *For identification purpose only*

The Company only intends to develop the Land through the Construction and to lease and sell part of the Main Buildings and the Office Buildings to bring additional income source to the Group. It does not have any intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) to downsize or dispose of the existing business.

In view of the above, the selection process of the Contractor and the terms of the Construction Contract (including the contract sum), the Board considered that the Construction is on normal commercial terms, the terms thereof are fair and reasonable and that such transaction is in the interests of the Company and the Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Construction exceeds 100%, the Construction constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

6. EGM

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

The EGM of the Company will be held on Thursday, 16 December 2021 at 3:00 p.m. at Unit 5906-5912, 59/F., The Center, 99 Queen's Road Central, Central, Hong Kong, during which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve, among other matters, the Construction Contract and the transactions contemplated thereunder.

If any Shareholder is materially interested in the Construction Contract, such Shareholder and his/her or its associates will be required to abstain from voting on the relevant resolution approving the transactions respectively contemplated under the Construction Contract. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM in respect of the Construction Contract and the transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The chairman of the EGM shall put the resolution to be proposed at the EGM by way of a poll. After the conclusion of the EGM, the results of the poll will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.freetech-holdings.hk.

The register of members of the Company will be closed from Monday, 13 December 2021 to Thursday, 16 December 2021, both days inclusive, during which period no transfer of Shares of the Company will be effected. All transfers of Shares, accompanied by the relevant share certificates, should be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10 December 2021.

A form of proxy for use at the EGM is enclosed. The form of proxy can also be downloaded from the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.freetech-holdings.hk. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so desire.

7. RECOMMENDATIONS

The Board considers that the Construction is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Construction Contract and the transactions contemplated thereunder at the EGM.

8. GENERAL

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Freetech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the annual reports of the Company for the financial years ended 31 December 2018 (pages 44–152), 31 December 2019 (pages 44–164) and 31 December 2020 (pages 46–160), respectively and unaudited consolidated financial statements of the Group for the six months ended 30 June 2021 (pages 20–46). These consolidated financial statements are incorporated by reference into this circular.

The said annual reports and interim report of the Company are available on the Company's website at www.freetech-holdings.hk and website of the Stock Exchange at www.hkexnews.hk.

2. WORKING CAPITAL SUFFICIENCY

The Directors are satisfied, after due and careful enquiry and based on the information currently available to the Directors, that after taking into account the effects of the Construction Contract and the transactions contemplated thereunder, the financial resources available to the Group, cash generated from future operations, the existing cash and bank balances of the Group, and available credit facilities, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

3. INDEBTEDNESS STATEMENT

As at 30 September 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group comprise the following:

(1) Secured bank borrowings

The Group had bank borrowings of HK$96,592,000 which were secured by corporate guarantees provided by the Company and subsidiaries within the Group. There are secured banking facility of approximately HK$97,799,000, of which HK$96,592,000 had been utilized as at 30 September 2021.

(2) Amount due to a related party

The Group had amount due to non-controlling shareholder of HK$28,015,000, which was unsecured and unguaranteed.

(3) Lease liabilities

The Group leases various properties for use as offices and warehouse. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. As at 30 September 2021, the lease liabilities were approximately HK$1,839,000, of which approximately HK$1,809,000 is due within 1 year, approximately HK$30,000 is due more than 1 year but within 2 years.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 September 2021, the Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees outstanding.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will continue to seize the market opportunities under the ‘‘14th Five-Year Plan’’ of the PRC government as it will accelerate the establishment of an economic regime featuring low-carbon green recycling development. The China's economy grew by 12.7% in the first half of 2021 and the world's second largest economy is recovering from the impact of the coronavirus pandemic, and showing strong growth momentum. Taking this opportunity, the Group will focus on integrating resources, adjusting its organizational structure, striving to improve and develop the existing business and channels. The Group will focus on the whole carbon emission industry chain of road maintenance industry and moving forward the recycling technology, with focusing on the maintenance and treatment of damage roads as well as the collection, collation and analysis of pre-road data. Establishing cooperation with a series of well-known universities, the Group strives to promote and develop more effective and refined overall solutions for regional road maintenance with district and county being the basic units, which could not only saves the cost of road maintenance for local governments at district and county levels, but also greatly reduces the carbon emission of road maintenance industry, helping to achieve the goals of ‘‘carbon peaking’’ and ‘‘carbon neutralization’’. With our patent ‘‘Hot-in-Place’’ recycling technology and other new products, the Group will benefit from the increasing demand for asphalt pavement maintenance (‘‘APM’’) and the favourable environment in the PRC, especially those using the recycling technologies.

Furthermore, China's latest COVID-19 outbreak that began at Nanjing 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 and the management of the Group remains cautiously optimistic in regarding to the operation of the Group in the year of 2021.

First, as at 31 December 2020, China has the longest expressway and the second longest highway (in terms of mileage) 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. Secondly, the Group had developed part of the South China market which enable the Group to perform APM services during the slack season. Third, 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. Fourth, 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:

1. it will increase market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited;

2. it will focus on the cities which will hold major events to gain and complete projects of high awareness;

3. it will diversify its product range and developed new product in road industry;

4. it will continue to invest on its testing and planning department by devoting more equipment and staff so as to enhance its one-stop solution and generate new revenue stream which is road doctor consultant services;

5. it will further optimize its techniques and technologies to lower the construction costs;

6. it will grasp the opportunities in the wave of state-owned enterprise reforms to acquire more maintenance companies in the express highway sector; and

7. it will leverage on its state-owned partners' overseas channels to expand the international APM equipment and services market.

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

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EFFECT OF THE CONSTRUCTION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

The consideration payable under the Construction Contract will be settled in cash by way of utilizing the Group's internal resources and external financing. Following the completion of the Construction Contract and without taking into account of any appreciation of the Group's investment property, the total of the investment property and the inventories of the Group are expected to increase by approximately the same amount as the aggregate consideration of the Construction Contract. As a result, the net asset value of the Group is expected to remain unchanged as the increase in the total investment property and inventories will be offset by the decrease in bank balances and cash. Other than the revaluation impact of the investment property, the Group does not expect the Construction Contract to have any immediate material impact upon the earnings of the Group.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2018, 2019, 2020 and six-month period ended 30 June 2021, as extracted from the annual reports of the Company for 2018, 2019, 2020 and interim reports of the Company for 2021:

(1) For the year ended 31 December 2018

Business Review

The year of 2018 is the commencing year for 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 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.

APM 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. There 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 decreased 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 local 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.

Financial Performance Review

The Group consists of two main business segments: the APM service segment, where we provide APM services under our registered trademark 公路醫生® (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where we manufacture and sell a wide range of APM equipment.

The following is a description of the Group's operating activities during the year under review, with comparisons to those of 2017.

1. *Revenue*

a. APM Services

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

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.

2. *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.

3. 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.

4. Change in Fair Value 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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). The calculation of the gearing ratio is based on the net bank borrowings (total bank borrowings minus bank balances and cash, time deposits, pledged bank deposits and financial assets at fair value through profit or loss) divided by equity attributable to owners of the Company multiplied by 100%. As the Group was in a net cash position, gearing ratio is not applicable.

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 of 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.

13. 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.

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

15. Material Acquisitions and Disposals

Save as disclosed in this Annual Report, during the year under review, there were no material acquisitions or disposals of any subsidiaries, associates or joint ventures.

16. Capital Commitments and Contingent Liabilities

The Group's capital commitments as at 31 December 2018 are set out in note 38 to the financial statements. As at 31 December 2018, the Group did not have any material contingent liabilities.

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

18. 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.

19. Environmental Policy

The Group initiates and strives to minimize our environmental impact by using its unique technology to repair the damaged asphalt payment surfaces and able to achieve 100% recycling damaged pavement materials. The Group operates in an environmental-friendly manner to promote and achieve sustainable development. Its environmental policies and measures reflect its commitment to minimising the environmental impact of its operations. During the year under review, the Group complies with the relevant environmental regulations and rules and possess all necessary permission and approval from the PRC regulators.

20. Compliance with Relevant Laws and Regulations

The Group's operations are carried out by the Company's subsidiaries in the PRC and Hong Kong. Our operations are regulated by PRC and Hong Kong law. During the year under review and up to date of this report, we have complied with the relevant laws and regulations that have significant impact in the PRC and Hong Kong.

21. Relationships with Stakeholders

The Group recognizes that employees, customers, suppliers, research partners, government and other public bodies are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services and products to its customers and enhancing cooperation with its business partners. The Group provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and industry and, at the same time, improve their ability, performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide highest standard of services and products which satisfy the needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand. The Group has also established procedures to handle customers' feedbacks and complaints to ensure customers' opinions are dealt with in a prompt and timely manner.

The Group maintains sound business relationship with suppliers, research partners, government and other public bodies through business visits, group discussion and seminars. These activities would allow the Group to better understand the stakeholders' views to develop the Group's sustainable development.

22. Principal Risks and Uncertainties

Certain principal risks and uncertainties facing the Group may affect its business, operating results and its financial conditions, including:

(i) Industry risk in the PRC

The Group generates a substantial portion of revenue from the PRC local government through selling of APM equipment and providing of APM services. Our APM equipment and services are used in the road maintenance sector and the development of our business depends on the sustained growth of this sector in the PRC. The volatility on the local government spending, business investment and inflation in the PRC which may affect our revenue and profitability.

If the PRC economy does not grow at the expected rate or the PRC local government's spending for road maintenance work declines, this could lead to less expected business and maintenance activity. In order to diversify the risk, the Group will widen its customer base.

The Group will focus on managing the existing unsatisfactory business performance of subsidiaries and joint ventures to seize the current business opportunity. In addition, the Group will appoint some local experienced APM services providers as its potential joint venture partner.

(ii) Financial credit risk

The Group is subject to the risk that trade receivables may not be collected in a timely manner and some of our customers may delay payment of the outstanding balances after due dates due to various reasons beyond our control, such as slow settlement from local government funding. There is credit risk exposure that allowance for impairment of trade receivables may increase due to above reasons. In order to minimise the risk, the Group continues to enhance and strengthen the credit control and collection policies.

(iii) Environmental and regulations compliance risks

The PRC governments has introduced and imposed stricter measures on the industrial sector in relation to environmental protection, such as low-carbon requirements. The Group has environmental compliance policy and procedures in place to ensure the discharge of pollutants and wastes and other activities are in compliance with the relevant laws and regulations. Due to increase concern over the deteriorating environment in the PRC, in order to comply with the increasingly stringent laws and regulations, the Group may incur additional costs to update the environment protection devices and take more measures and assign more personnel to make sure the compliance with such laws and regulations.

(2) For the year ended 31 December 2019

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 PRC's 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 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 emphasised 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$10.9 million in 2018 to cash inflow of approximately HK$112.1 million in 2019.

APM 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.

Financial Performance Review

The Group consists of two main business segments: the APM service segment, where we provide APM services under our registered trademark 公路醫生® (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where we manufacture and sell a wide range of APM equipment.

The following is a description of the Group's operating activities during the year under review, with comparisons to those of 2018.

1. *Revenue*

a. APM 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. 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

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.

2. *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.

3. 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 recognised of approximately HK$136.0 million.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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 (v) the decrease in the recognition of loss on disposal of property, plant and equipment.

11. 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.

12. 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 financial assets at fair value through profit or loss 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). The calculation of the gearing ratio is based on the net bank borrowings (total bank borrowings minus bank balances and cash, time deposits, pledged bank deposits and financial assets at fair value through profit or loss) divided by equity attributable to owners of the Company multiplied by 100%. As Group was in a net cash position, gearing ratio is not applicable.

During the State Council Executive Meeting of the PRC on 30 January 2019, Premier Li Keqiang has emphasised 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.

13. 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.

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

15. Material Acquisitions and Disposals

During the year under review, there were no material acquisitions or disposals of any subsidiaries, associates or joint ventures.

16. 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.

17. 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 financial assets at fair value through profit or loss 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.

18. 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.

19. Environmental Policy

The Group initiates and strives to minimize our environmental impact by using its unique technology to repair the damaged asphalt payment surfaces and able to achieve 100% recycling damaged pavement materials. The Group operates in an environmental-friendly manner to promote and achieve sustainable development. Its environmental policies and measures reflect its commitment to minimising the environmental impact of its operations. During the year under review, the Group complies with the relevant environmental regulations and rules and possess all necessary permission and approval from the PRC regulators.

20. Compliance with Relevant Laws and Regulations

The Group's operations are carried out by the Company's subsidiaries in the PRC and Hong Kong. Our operations are regulated by PRC and Hong Kong law. During the year under review and up to date of this report, we have complied with the relevant laws and regulations that have significant impact in the PRC and Hong Kong.

21. Relationships with Stakeholders

The Group recognises that employees, customers, suppliers, research partners, government and other public bodies are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services and products to its customers and enhancing cooperation with its business partners. The Group provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and industry and, at the same time, improve their ability, performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide highest standard of services and products which satisfy the needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand. The Group has also established procedures to handle customers' feedbacks and complaints to ensure customers' opinions are dealt with in a prompt and timely manner.

The Group maintains sound business relationship with suppliers, research partners, government and other public bodies through business visits, group discussion and seminars. These activities would allow the Group to better understand the stakeholders' views to develop the Group's sustainable development.

22. Principal Risks and Uncertainties

Certain principal risks and uncertainties facing the Group may affect its business, operating results and its financial conditions, including:

(i) Industry risk in the PRC

The Group generates a substantial portion of revenue from the PRC local government through selling of APM equipment and providing of APM services. Our APM equipment and services are used in the road maintenance sector and the development of our business depends on the sustained growth of this sector in the PRC. The volatility on the local government spending, business investment and inflation in the PRC which may affect our revenue and profitability.

If the PRC economy does not grow at the expected rate or the PRC local government's spending for road maintenance work declines, this could lead to less expected business and maintenance activity. In order to diversify the risk, the Group will widen its customer base.

The Group will focus on managing the existing unsatisfactory business performance of subsidiaries and joint ventures to seize the current business opportunity. In addition, the Group will appoint some local experienced APM services providers as its potential joint venture partner.

(ii) Financial credit risk

The Group is subject to the risk that trade receivables may not be collected in a timely manner and some of our customers may delay payment of the outstanding balances after due dates due to various reasons beyond our control, such as slow settlement from local government funding. There is credit risk exposure that allowance for impairment of trade receivables may increase due to above reasons. In order to minimise the risk, the Group continues to enhance and strengthen the credit control and collection policies.

(iii) Environmental and regulations compliance risks

The PRC governments has introduced and imposed stricter measures on the industrial sector in relation to environmental protection, such as low-carbon requirements. The Group has environmental compliance policy and procedures in place to ensure the discharge of pollutants and wastes and other activities are in compliance with the relevant laws and regulations. Due to increase concern over the deteriorating environment in the PRC, in order to comply with the increasingly stringent laws and regulations, the Group may incur additional costs to update the environment protection devices and take more measures and assign more personnel to make sure the compliance with such laws and regulations.

(3) For the year ended 31 December 2020

Business Review

The year of 2020 was the year that the Ministry of Transport of the PRC had performed large scale road inspections once every five years on highways and to inspect the quality and condition of the road maintenance work. It is also the concluding year for the general development of a moderately prosperous society and the "13th Five-year Plan", as well as a decisive year for winning the critical battle for prevention and treatment of pollution. However, the COVID-19 outbreak in early 2020 is a black swan event that has caused significant and far-reaching impacts on the economy of the PRC and the world. Many provinces and municipalities in the PRC government have implemented emergency public health measures since January 2020, which include, among other things, imposing quarantine orders and travel restrictions. The travel restrictions were gradually lifted in second quarter of 2020. As result of the effective measures adopted by the PRC government to address the situation and ensured positive developments under stable and normalised epidemic prevention measures, social life and production operations gradually return to normal and sound recovery trends were reported in the second half of 2020. PRC is the only major economy in the world achieving positive growth. Although the outbreak of COVID-19 had affected the operation of the APM services sector of the Group in the first half of 2020, due to (i) the economy of the PRC had recovered quickly in the second half of 2020; (ii) the road inspection performed by the Ministry of Transport in the second half of 2020; and (iii) the Group had successfully developed part of the

South China market which enable the Group to perform APM services in the fourth quarter of 2020 (previously fourth quarter was the slack season of the Group's APM service sector due to cold weather), the Group had achieved the record high of the total area serviced of the "Hot-in-Place" projects in the second half of 2020 and the APM services sector recorded an increase in revenue. Due to the outbreak of COVID-19, the local government and highway company had delayed their capital investment to 2021, the APM equipment segment of the Group recorded a decrease in revenue. The Group also recorded a reversal of expected credit loss of trade receivables and contract assets for the year ended 31 December 2020 due to collection of these outstanding balances had continued to improve in 2020 after Premier Li Keqiang has emphasised 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 8 January 2020.

In 2020, the Group's operating revenue was approximately HK$541.9 million, representing an increase of approximately 11.2% as compared to 2019. Since there were: (i) increase in revenue; (ii) a reversal of expected credit loss of trade receivables and contract assets; and (iii) decrease in selling and distribution expenses and administrative expenses, the total profit attributable to owners of the Company (the "Net Profit") was approximately HK$31.6 million, representing an increase of approximately 663.2% as compared to the Net Profit of approximately HK$4.2 million for the year ended 31 December 2019. As at 31 December 2020, the Group maintained a healthy financial position as it had cash on hand in the sum of approximately HK$293.1 million and the Group's operating cash flow was maintained in cash inflow of approximately HK$54.5 million in 2020.

APM Services

Revenue for this segment increased in the year of 2020 compared to 2019 due to the increase in the total area serviced of the "Hot-in-Place" projects in 2020 as the Ministry of Transport had performed road inspections on highway in the second half of 2020 and the Group had successfully developed part of the South China market which enable the Group to perform APM services in the fourth quarter of 2020. Therefore, the total serviced area of "Hot-in-Place" projects increased by 41.4% from 2.9 million square meters in 2019 to 4.1 million square meters in 2020.

The revenue of non-"Hot-in-Place" projects increased by 12.7% was due to the revenue contributed by the new road maintenance technology of the Group and the revenue the contributed by Tianjin Expressway Maintenance as more road maintenance projects were performed to cater for road inspections on highway in the second half of 2020. Although the outbreak of COVID-19 had affected the operation of the APM services segment of the Group in the first half of 2020, due to (i) the economy of the PRC had recovered quickly in the second half of 2020; (ii) the road inspection performed by the Ministry of Transport in the second half of 2020; and (iii) the Group had successfully developed part of the South China market which enable the Group to perform APM services in the fourth quarter of 2020, the Group had achieved the record high of the total area serviced of the "Hot-in-Place" projects in the second half of 2020.

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$57.1 million, representing a decrease of 20.7% as against 2019. This decrease was due to the outbreak of COVID-19, the local government and highway company had delayed their capital investment to 2021.

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 2020, we had registered 189 patents (2019: 168), of which 19 were invention patents (2019: 18), 145 were utility model patents (2019: 127) and 25 were design patents (2019: 23), and we had 31 pending patent applications, of which 17 are invention patents, 13 are utility model patents and 1 is design patent (2019: 24 pending patent applications, of which 10 are invention patents, 12 are utility model patents and 2 are design patent).

During the year under review, the Group enriched product lines and their performance further, such as fast-heating APM vehicles as well as municipal truck-mounted attenuators, so to increase our competitivity in the market. In addition, the Group started to develop distress AI recognition system and self-operating modular series in order to reduce cost and provide higher quality of services.

In cleansing series, the Group further enriched our cleansing series such as mechanical sweeper which is particularly suitable for large and bulky garbage, 100% electric garbage vacuum machine for municipal side walk cleaning. In addition, the Group also developed new valuable functions like disinfection system, water recycling system which have high demand from the customers.

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.

Financial Performance Review

The Group consists of two main business segments: the APM service segment, where we provide APM services under our registered trademark 公路醫生® (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where we manufacture and sell a wide range of APM equipment.

The following is a description of the Group's operating activities during the year under review, with comparisons to those of 2019.

1. *Revenue*

a. APM Services

Revenue for this segment increased in the year of 2020 compared to 2019 due to the increase in the total area serviced of the "Hot-in-Place" projects in 2020 as the Ministry of Transport had performed road inspections on highway in the second half of 2020 and the Group had successfully developed the South China market which enable the Group to perform APM services in the fourth quarter of 2020 (previously fourth quarter was the slack season of the Group's APM service sector due to cold weather). Therefore, the total serviced area of "Hot-in-Place" projects increased by 41.4% from 2.9 million square meters in 2019 to 4.1 million square meters in 2020. The revenue growth amount of the "Hot-in-Place" projects is lower than the growth of the total serviced area is mainly due to the Group's marketing strategy to offer lower selling price for some of the large projects. The revenue of non- "Hot-in-Place" projects increased by 12.7% was due to the revenue contributed by the new road maintenance technology of the Group and the revenue the contributed by Tianjin Expressway Maintenance as more road maintenance projects were performed to cater for road inspections on highway in the second half of 2020. Although the outbreak of COVID-19 had affected the operation of the APM services segment of the Group in the first half of 2020, due to (i) the economy of the PRC had recovered quickly in the second half of 2020; (ii) the road inspection performed by the Ministry of Transport in the second half of 2020; and (iii) the Group had successfully developed the South China market which enable the Group to perform APM services in the fourth quarter of 2020, the Group had achieved the record high of the total area serviced of the "Hot-in-Place" projects in the second half of 2020.

The gross profit margin of "Hot-in-Place" projects increased from 28.4% in 2019 to 32.7% in 2020 due to the increase in the revenue amount.

b. APM Equipment

Revenue for the APM equipment segment for 2020 decreased by approximately 20.7% as compared to 2019. This decrease was due to the outbreak of COVID-19, the local government and highway company had delayed their capital investment to 2021.

Overall gross profit margin for this segment decreased from approximately 46.6% in 2019 to approximately 37.3% in 2020 due to the decrease in the revenue generated from higher gross profit margin standard series equipment.

2. *Other Income*

Other income for the year under review increased by approximately HK$4.7 million, from approximately HK$7.8 million in 2019 to approximately HK$12.5 million in 2020, primarily due to the increase in the interest income generated from time deposit.

3. *Reversal of Impairment Losses on Financial Assets*

Reversal of impairment losses on financial assets decreased by 38.0% or approximately HK$7.6 million, from approximately HK$20.0 million in 2019 to approximately HK$12.4 million in 2020, primarily due to the net effect of (i) the increase in the expected credit loss allowance of trade receivables reversed; (ii) the recognition of expected credit loss allowance of contract assets; and (iii) the decrease in the recognition of expected credit loss allowance of other receivables.

4. *Fair Value Change of Investment Property*

The Group's investment property was revalued as at 31 December 2020 using income capitalisation 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.

5. *Selling and Distribution Costs*

Selling and distribution costs for the year under review decreased by approximately 23.0% or approximately HK$4.5 million, from approximately HK$19.6 million in 2019 to approximately HK$15.1 million in 2020, primarily due to the outbreak of COVID-19 and implementation of travelling restriction in the first half of 2020, resulted less travelling, entertainment and promotion expenses were incurred.

6. *Administrative Expenses*

Administrative expenses decreased by approximately 11.4%, or approximately HK$8.3 million, from approximately HK$72.7 million in 2019 to approximately HK$64.4 million in 2020, primarily due to the decrease in the travelling and motor vehicle expenses as the implementation of travelling restriction in the first half of 2020.

7. *Research and Development Costs*

Research and development costs were increased by approximately HK$6.4 million, or approximately 51.2%, from HK$12.5 million in 2019 to HK$18.9 million in 2020, primarily due to more costs incurred in: (i) the diversification of the product range of the Group in road industry; and (ii) the development of automated and smart functions in the Group's products in order to reduce cost and provide higher quality services.

8. *Share of Profits/(Losses) of Joint Ventures*

The Group's share of profits from joint ventures increased by approximately HK$4.4 million, from share of losses of joint ventures of approximately HK3.3 million in 2019 to share of profits of joint ventures of approximately HK$1.1 million in 2020 primarily due to the more APM services projects were conducted by joint ventures due to the road inspection conducted by the Ministry of Transport in the second half of 2020.

9. *Finance Costs*

Finance costs decreased by approximately HK$1.4 million, from approximately HK$6.2 million in 2019 to approximately HK$4.8 million in 2020 primarily due to the decrease in bank borrowings.

10. *Income Tax Expense*

Income tax expense increased by approximately HK$1.0 million, from approximately HK$4.5 million in 2019 to approximately HK$5.5 million in 2020 due to the increase in the profit before tax in 2020.

11. *Profit*

Profit attributable to owners of the Company increased by approximately 663.2% or approximately HK$27.4 million, from approximately HK$4.2 million in 2019 to approximately HK$31.6 million in 2020, primarily due to the net effect of (i) increase in the revenue contributed by the new road maintenance technology of the Group and increase in the total area serviced of the "Hot-in-Place" projects in 2020 as the Ministry of Transport had performed road inspections on highway in the second half of 2020; (ii) the Group had successfully developed part of the South China market which enable the Group to perform APM services in the fourth quarter of 2020; (iii) decrease in the revenue of the APM equipment due the outbreak of COVID-19, the local government and highway company had delayed their capital investment to 2021; (iv) the expected credit loss on trade receivables reversed; (v) the recognition of expected credit loss of contract assets; (vi) the recognition of expected credit loss of other receivables; and (vii) the decrease in selling and distribution expenses and administrative expenses.

12. Financial Position

As at 31 December 2020, the total equity of the Group amounted to approximately HK$807.2 million (2019: HK$729.0 million). Increase 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 2020; and (ii) changes in foreign currency translation reserve as a result of the appreciation of RMB against Hong Kong dollar as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars.

The Group's net current assets as at 31 December 2020 amounted to approximately HK$336.2 million (2019: HK$258.1 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2020, was 1.7 (31 December 2019: 1.6). 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 in 2020.

13. Liquidity and Financial Resources and Capital Structure

As at 31 December 2020, the Group's bank balances and cash, time deposits, pledged bank deposits and financial assets at fair value through profit or loss amounted to approximately HK$293.1 million (2019: HK$256.0 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 2020, the bank borrowings of the Group amounted to HK$100.0 million (2019: HK$110.9 million). The calculation of the gearing ratio is based on the net bank borrowings (total bank borrowings minus bank balances and cash, time deposits, pledged bank deposits and financial assets at fair value through profit or loss) divided by equity attributable to owners of the Company multiplied by 100%. As the Group was in a net cash position, gearing ratio is not applicable.

During the State Council Executive Meeting of the PRC on 8 January 2020, Premier Li Keqiang has emphasised the settlement of overdue debts of local government to private enterprises. Therefore, the collection of the Group's outstanding trade receivables balances had continued to improve in 2020. According to the previous experience, less project was conducted in the fourth quarter due to the cold weather. However, due to the outbreak of COVID-19, some of the road maintenance projects were performed by the Group in the fourth quarter of 2020 and the trade receivables are due to be received in the first half of 2021. Thus, the trade receivables and contract assets balances were increased from HK$778.8 million as at 31 December 2019 to HK$798.9 million as at 31 December 2020. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK$243.4 million (RMB204.5 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 2020, 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.

14. Interest-Bearing Bank Borrowings

As at 31 December 2020, the Group had total debt of HK$100.0 million (2019: HK$110.9 million) which was unsecured interest-bearing bank borrowings.

As at 31 December 2020, bank balance of approximately HK$38.7 million (2019: HK$24.1 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 2019 and 2020 were repayable within one year or on demand.

15. Use of Proceeds Raised from 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 2020 in the manner as stated in the prospectus of the Company dated 14 June 2013. The unutilised net proceeds have been deposited into short term deposits with licensed banks and authorised financial institutions in Hong Kong and the PRC.

16. Material Acquisitions and Disposals

On 16 November 2020, the Group acquired the entire interest of Flourish Rich Limited Group, a group include Flourish Rich Limited and Nanjing Golden Rich Financial Leasing Limited (南京金財匯融資租賃有限公司), which was previously a 45% owned joint venture of the Group. The purchase consideration for the acquisition was in the form of cash, with approximately HK$7,201,000 which shall be paid within three months after the change of the registration of the shareholding. Together with the 45% equity interest held before the acquisition, the Group's interest in Flourish Rich increased to 100% after the acquisition. The acquisition provide an opportunity for the Group to participate in the leasing equipment industry and allow the Group to broaden the revenue and income stream.

Save as disclosed above, during the year under review, there were no material acquisitions or disposals of any subsidiaries, associates or joint ventures.

17. Capital Commitments and Contingent Liabilities

The Group's capital commitments as at 31 December 2020 are set out in note 38 to the financial statements. As at 31 December 2020, the Group did not have any material contingent liabilities.

18. 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 2020, 100% of the Group's bank borrowings are at fixed interest rate (2019: 69.7% and 30.3% 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 2020, certain time deposit, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK$280,463,000 (2019: HK$238,215,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2020, the Group's bank borrowings denominated in RMB amounted to HK$99,960,000 (equivalent to RMB84,000,000) (2019: HK$110,880,000 (equivalent to RMB99,000,000)). 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.

19. Employees and Remuneration

As at 31 December 2020, the Group had a total of 499 full time employees (2019: 550). The Group provides competitive remuneration packages to retain its employees including discretionary bonus schemes, medical insurance and other allowances and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

20. Environmental Policy

The Group initiates and strives to minimize our environmental impact by using its unique technology to repair the damaged asphalt payment surfaces and able to achieve 100% recycling damaged pavement materials. The Group operates in an environmental-friendly manner to promote and achieve sustainable development. Its environmental policies and measures reflect its commitment to minimising the environmental impact of its operations. During the year under review, the Group complies with the relevant environmental regulations and rules and possess all necessary permission and approval from the PRC regulators.

21. Compliance with Relevant Laws and Regulations

The Group's operations are carried out by the Company's subsidiaries in the PRC and Hong Kong. Our operations are regulated by PRC and Hong Kong law. During the year under review and up to date of this report, we have complied with the relevant laws and regulations that have significant impact in the PRC and Hong Kong.

22. Relationships with Stakeholders

The Group recognises that employees, customers, suppliers, research partners, government and other public bodies are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services and products to its customers and enhancing cooperation with its business partners. The Group provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and industry and, at the same time, improve their ability, performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide highest standard of services and products which satisfy the needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand. The Group has also established procedures to handle customers' feedbacks and complaints to ensure customers' opinions are dealt with in a prompt and timely manner.

The Group maintains sound business relationship with suppliers, research partners, government and other public bodies through business visits, group discussion and seminars. These activities would allow the Group to better understand the stakeholders' views to develop the Group's sustainable development.

23. Principal Risks and Uncertainties

Certain principal risks and uncertainties facing the Group may affect its business, operating results and its financial conditions, including:

(i) Industry risk in the PRC

The Group generates a substantial portion of revenue from the PRC local government through selling of APM equipment and providing of APM services. Our APM equipment and services are used in the road maintenance sector and the development of our business depends on the sustained growth of this sector in the PRC. The volatility on the local government spending, business investment and inflation in the PRC which may affect our revenue and profitability.

If the PRC economy does not grow at the expected rate or the PRC local government's spending for road maintenance work declines, this could lead to less expected business and maintenance activity. In order to diversify the risk, the Group will widen its customer base.

The Group will focus on managing the existing unsatisfactory business performance of subsidiaries and joint ventures to seize the current business opportunity. In addition, the Group will appoint some local experienced APM services providers as its potential joint venture partner.

(ii) Financial credit risk

The Group is subject to the risk that trade receivables may not be collected in a timely manner and some of our customers may delay payment of the outstanding balances after due dates due to various reasons beyond our control, such as slow settlement from local government funding. There is credit risk exposure that allowance for impairment of trade receivables may increase due to above reasons. In order to minimise the risk, the Group continues to enhance and strengthen the credit control and collection policies.

(iii) Environmental and regulations compliance risks

The PRC governments has introduced and imposed stricter measures on the industrial sector in relation to environmental protection, such as low-carbon requirements. The Group has environmental compliance policy and procedures in place to ensure the discharge of pollutants and wastes and other activities are in compliance with the relevant laws and regulations. Due to increase concern over the deteriorating environment in the PRC, in order to comply with the increasingly stringent laws and regulations, the Group may incur additional costs to update the environment protection devices and take more measures and assign more personnel to make sure the compliance with such laws and regulations.

(4) For the six-month period ended 30 June 2021

Business Review

The year of 2021 is the first year of the "14th Five-Year Plan" of the PRC government. The PRC government also unprecedentedly included "carbon peak" and "carbon neutrality" in its overall planning for the construction of ecological civilisation and called for the accelerated establishment of an economic regime featuring low-carbon green recycling development. The PRC economy is recovering and became a new engine driving world economic growth with a profound impact on the global economic landscape, particularly through the low-carbon green economic development model which was actively advocated. Under this circumstance, the Group's business operation has gradually resumed normal and the APM services sector recorded an increase in revenue. The APM equipment segment recorded a slightly decrease in revenue. The Group also recorded a reversal of expected credit loss of trade receivables and contracts assets for the six-month period ended 30 June 2021 (the "Period") due to collection of these outstanding balances had continued to improve.

During the Period, the Group's operating revenue was approximately HK$130.6 million, representing an increase of approximately 15.0%, as against the corresponding period of 2020. Total profit attributable to owners of the Company was approximately HK$1.8 million, representing an increase of approximately 107.4% as compared to total loss attributable to owners of the Company of approximately HK$24.2 million for the six-month period ended 30 June 2020.

APM Services

Due to the outbreak of COVID-19 in early 2020 and the bad weather, the operation of the Group's "Hot-in-Place" projects had affected in the first half of 2020. However, the operation of the Group's "Hot-in-Place" projects had gradually resumed normal during the Period and the revenue increased by 26% as compared to the corresponding period in 2020.

In addition, the revenue of non-"Hot-in-Place" projects contributed by Tianjin Expressway Maintenance, a non-wholly owned subsidiary of the Group increased by 16.0% as compared to the corresponding period in 2020. The APM services segment recorded revenue of approximately HK$103.3 million, representing an increase of 20.7% as compared to the corresponding period in 2020. 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

The APM equipment segment of the Group recorded revenue of HK$27.4 million, representing a slightly decrease of 2.5% as compared to the corresponding period in 2020.

Research and Development

To maintain our leading position in using "Hot-in-Place" recycling technology in the APM industry, the Group continued to place emphasis on technological innovation.

New Patents

During the Period, despite the increase in the Group's operating revenue, the Group continued to invest resources in research and development. As at 30 June 2021, it had registered 193 patents (as at 31 December 2020: 189), of which 20 were invention patents (as at 31 December 2020: 19), 148 were utility model patents (as at 31 December 2020: 145) and 25 were design patents (as at 31 December 2020: 25). Besides, it had 24 pending patent applications (as at 31 December 2020: 31), of which 16 invention patents and 8 utility model patents (as at 31 December 2020: 17 invention patents, 13 utility model patents and 1 design patent).

During the Period, 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. A new structural polymer material has characteristics of self-expansion, high tensile strength, and excellent water resistance has been successfully developed by the Group to repair underground structures to fill voids, seal water leakages and to prevent cracks from developing. The grouting process is simple and shortens the time required as traditional extensive excavation is not necessary.

A warm-mix additive has been researched which is used to reduce the working temperature of "Hot-in-place" process. It means that it can either reduce the fuel consumption for heating, or to lower the working temperature of heat-resistant material which is commonly used in highways & bridges nowadays.

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 maintain its competitive edges and leading status in the APM industry by using the recycling technology.

Outlook

Please refer to the section headed "4. Financial and trading prospects of the Group" in Appendix I of this circular.

Financial Performance Review

The Group consists of two main business segments: the APM service segment, where we provide APM services under our registered trademark 公路醫生® (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where we manufacture and sell a wide range of APM equipment.

The following is a description of the Group's operating activities during the Period, with comparisons against the corresponding period in 2020.

1. *Revenue*

   a. APM Services

   Revenue for this segment increased as compared with that of the corresponding period in 2020 due to the outbreak of COVID-19 in early 2020 and the bad weather which had affected the operation of the Group's "Hot-in-Place" projects in the first half of 2020. However, the operation of the "Hot-in-Place" projects had gradually resumed normal during the Period. The revenue growth amount of the "Hot-in-Place" projects is higher than the growth of the total serviced area is mainly due to the road maintenance services were conducted in lower selling price market during the six-month period ended 30 June 2020.

   During the Period, the revenue of non-"Hot-in-Place" projects of approximately HK$52.8 million was contributed by Tianjin Expressway Maintenance and was involved in traditional APM method.

The gross profit margin of "Hot-in-Place" Projects improved significantly from –16.7% for the six-month period ended 30 June 2020 to 29.6% during the Period mainly due to: (1) the provision of road maintenance services for the "Hot-in Place" projects of the Group during the six-month period ended 30 June 2020 were mainly conducted in lower selling price market; and (2) the increase in the total area serviced of the "Hot-in-Place" projects during the Period.

b. APM Equipment

Revenue for the APM equipment segment for the Period was slightly decreased by 2.5% as against the corresponding period for 2020. The decrease in the gross profit margin for APM equipment from 46.6% in 2019 to 36.5% for the Period was due to the sale of lower gross profit margin of standard series.

2. *Other Income*

Other income were decreased by approximately HK$1.0 million from HK$6.3 million for the six-month period ended 30 June 2020 to HK$5.3 million for the Period, primarily due to the decrease in the interest income received.

3. *Reversal of Impairment Losses on Financial Assets*

The reversal of the expected credit loss allowance on financial assets increased from HK$13.5 million for the six-month period ended 30 June 2020 to HK$27.8 million during the Period, primarily due to the effect of (i) the reversal of the expected credit loss allowance of trade receivables and contract assets increased due to collection of these outstanding balances had continued to improve; and (ii) the reversal of the expected credit loss allowance of other receivables.

4. *Selling and Distribution Costs*

The selling and distribution costs increased by HK$0.5 million from HK$9.1 million for the six-month period ended 30 June 2020 to HK$9.6 million for the Period was mainly due to the operation of the Group gradually resumed normal during the Period.

5. *Administrative Expenses*

Administrative expenses were increased by approximately HK$1.2 million, from HK$34.8 million for the six-month period ended 30 June 2020 to HK$36.0 million for the Period primarily due the operation of the Group gradually resumed normal during the Period and the consolidation of the financial results of new subsidiaries acquired by the Group into that of the Group in the second half of 2020 through acquisition of additional interests in a joint venture of the Group.

6. Research and Development Costs

Research and development costs decreased by approximately HK$5.6 million, or approximately 56.6%, from HK$9.9 million for the six-month period ended 30 June 2020 to HK$4.3 million for the Period, primarily due to the outbreak of COVID-19 in the first half of 2020, the implementation of travelling restriction and more research and development activities were conducted by the Group during the six-month period ended 30 June 2020.

7. Finance Costs

Finance costs decreased by approximately HK$0.3 million, or approximately 11.1%, from HK$2.7 million for the six-month period ended 30 June 2020 to HK$2.4 million for the Period, primarily due to decrease in bank borrowing amount.

8. Share of Losses of Joint Ventures

The Group's share of losses from the joint ventures was approximately HK$2.0 million for the Period, increased by approximately HK$0.1 million, as compared to the corresponding period in 2020.

9. Income tax credit/(expense)

Income tax expense decreased by approximately HK$3.5 million, from income tax expense of approximately HK$2.7 million for the six-month period ended 30 June 2020 to income tax credit of approximately HK$0.8 million for the Period, which is mainly due to the overprovision of taxation in the year ended 31 December 2020.

10. Profit

Profit attributable to owners of the Company amounted to HK$1.8 million for the Period compared with loss attributable to owners of the Company of approximately HK$24.2 million for the six-month period ended 30 June 2020, primarily due to the effect of (i) the increase in revenue of APM services segment; and (ii) the increase in the recognition of reversal of expected credit loss allowance of trade receivables and contract assets.

11. Liquidity and Financial Resources and Capital Structure

As at 30 June 2021, the Group's bank balances and cash, time deposits, pledged bank deposits and financial assets at fair value through profit or loss amounted to approximately HK$273.5 million (as at 31 December 2020: HK$293.1 million). The decrease was primarily due to the net effect of (1) net cash flows generated from operating activities; (2) payments for acquisition of subsidiaries; and (3) the repayment of bank borrowings. As at 30 June 2021, the bank borrowings of the Group amounted to HK$90.0 million (as at 31

December 2020: HK$100.0 million). The calculation of the gearing ratio is based on the net bank borrowings (total bank borrowings minus bank balances and cash, time deposits, pledged bank deposits and financial assets at fair value through profit or loss) divided by equity attributable to owners of the Company multiplied by 100%. As the Group was in a net cash position, gearing ratio is not applicable.

After the PRC government has reiterated the importance of the settlement of overdue debts of local government to private enterprises in the past few years, the collection of the Group's outstanding trade receivables balances continued to improve during the Period. In addition, due to the effect of the gross carrying amount of trade receivables and contract assets balance as at 31 December 2020 which were due to receive during the Period, these balances was decreased by HK$164.5 million, or approximately 20.6%, from HK$798.9 million as of 31 December 2020 to HK$634.4 million as of 30 June 2021. The contract assets balance also includes some retention money withheld by the customers (5% to 10%) of the contract price which is to be paid after the expiration of the warranty period) which was not yet past due. As at the latest practicable date, customers had subsequently settled trade receivables amounting to HK$37.9 million (equivalent to approximately RMB31.6 million).

As at 30 June 2021, the Group's liquidity position remained stable and 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.

12. Interest-Bearing Bank Borrowings

As at 30 June 2021, the Group had total debt of HK$90.0 million (as at 31 December 2020: HK$100.0 million), which was unsecured interest-bearing bank borrowings.

As at 30 June 2021, bank balances of approximately HK$25.8 million (as at 31 December 2020: HK$38.7 million) was pledged to secure general banking facilities granted to the Group.

The maturity profile of the interest-bearing bank borrowings are as follows:

	30 June 2021 (Unaudited) *HK$'000*	**31 December 2020** (Audited) *HK$'000*
Repayable within one year or on demand	88,702	99,960
In the second year	1,245	—
	89,947	99,960

13. Use of Proceeds Raised from IPO

The Group received approximately net proceeds of HK$687.0 million, after deducting underwriting fees and other related expenses, from the Company's IPO. These net proceeds were applied up to the period ended 30 June 2021 in the manner as stated in the prospectus of the Company dated 14 June 2013. The unutilised net proceeds have been deposited into short term deposits in bank accounts maintained by the Group.

As at 30 June 2021, the unutilised net proceeds of about HK$79.7 million have not yet been used as the Group has not yet identified any ideal joint venture partner for establishing joint ventures and expanding APM service team and any appropriate APM service provider for acquisition which can provide higher returns to the Company's shareholders. The Group will continue to identify suitable joint venture partner and/or APM service provider.

14. Investment Property

As at 30 June 2021, the Group's investment property is measured using the fair value model and was approximately HK$129.1 million (as at 31 December 2020: HK$262.8 million). During the Period, the management of the Group had decided to sell 40% of the total gross floor area of the investment property upon completion. As at 30 June 2021, the investment property of approximately HK$136.5 million had transferred to inventories and is stated at cost. The investment property is located at lot 04–05 and 04–06 of Jiangxinzhou, Jianye District, Nanjing, the PRC (中國南京市建鄴區江心洲) and was acquired by the Group in December 2016. The construction work of the investment property will commence at the fourth quarter of 2021 and is expected to be completed in October 2023. The site area of the investment property is approximately 35,673 square meters, with plot ratio not more than 1.2 and gross floor area permissible for sale is no more than 40% of the total gross floor area. The investment property will be developed into the global technology research and development centre of the Group. The Group intends to lease the some office spaces of the investment property to third parties, which will bring additional income streams to the Group.

15. Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this Interim Report, there were no other significant investments held, nor were there any material acquisitions or disposals of any subsidiaries, associates or joint ventures during the Period. Except as disclosed in this Interim Report, there was no concrete plan authorised by the Board for other material investments or additions of capital assets as at the date of this Interim Report.

16. Capital Commitments and Contingent Liabilities

The Group's capital commitments are set out in note 20 to these condensed consolidated interim unaudited financial statements.

As at 30 June 2021, the Group did not have any material contingent liabilities.

17. 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 30 June 2021, 100.0% (as at 31 December 2020: 100.0%) of the Group's bank borrowings are at fixed interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk.

The Group collects most of its revenue in RMB and most of its expenditures as well as capital expenditures are also denominated in RMB. The Group's exposures 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 30 June 2021, certain time deposit, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK$259,738,000 (as at 31 December 2020: HK$280,463,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 30 June 2021, the Group's bank borrowings denominated in RMB amounted to HK$89,947,000 (equivalent to RMB74,886,000) (as at 31 December 2020: HK$99,960,000 (equivalent to RMB84,000,000)). The Group has not hedged its foreign currency risk. The changes in foreign currency translation reserve during the Period 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.

18. Employees and Remuneration

As at 30 June 2021, the Group had a total of 482 full time employees (as at 31 December 2020: 499). 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(A) Long Positions in the Shares of the Company

Name of Director	Number of Shares held	Number of awarded Share held	Corporate Interests	Total	Approximate percentage of existing issued share capital of the Company
Mr. Sze Wai Pan (“Mr. Sze”)	13,000,000	—	529,688,260[1]	542,688,260	50.30%
Ms. Sze Wan Nga (“Ms. Sze”)	—	2,200,000	29,640,000[2]	31,840,000	2.95%
Mr. Chan Kai King	2,300,000	2,186,667	—	4,486,667	0.42%
Dr. Chan Yan Chong	50,000	—	—	50,000	0.00%

Notes:

(1) Mr. Sze is the beneficial owner of all the issued share capital of Freetech (Cayman) Ltd. (“Freetech Cayman”), Freetech (BVI) Limited (“Sze BVI”) and Freetech Technology Limited (“Freetech Technology”) and therefore is deemed to be interested in a total of 529,688,260 Shares held by Freetech Cayman, Sze BVI and Freetech Technology. Mr. Sze is the director of Freetech Cayman, Sze BVI and Freetech Technology.

(2) Ms. Sze is the beneficial owner of all the issued share capital of Intelligent Executive Limited ("Intelligent Executive") and therefore is deemed to be interested in 29,640,000 Shares held by Intelligent Executive. Ms. Sze is the director of Intelligent Executive, Freetech Cayman, Sze BVI and Freetech Technology

(B) Long Positions in the Shares of Associated Corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares in associated corporation	Percentage of existing issued share capital of the associated corporation
Mr. Sze	Freetech Cayman	Beneficial owner	1,162,956	100%
Mr. Sze	Sze BVI	Beneficial owner	1	100%
Mr. Sze	Freetech Technology	Beneficial owner	100	100%
Mr. Sze	Intelligent Executive	Beneficial owner	10,000	100%

Save as disclosed above, as at Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholders	Capacity/ Nature of interests	Number of issued ordinary shares held	Approximate percentage of the total issued share capital
Bank of Communications Trustee Limited	Trustee	58,719,200	5.44%

Note: Bank of Communications Trustee Limited is the trustee of the share award scheme of the Company which holds the Shares on trust.

4. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) up to the Latest Practicable Date.

None of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group as at the Latest Practicable Date.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any competing interest (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company for the purpose of the Listing Rules).

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Group which was not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. MATERIAL CONTRACTS

Save for the Construction Contract, there are no material contracts (being contracts entered outside the ordinary course of business carried on or intended to be carried on by the Group) having been entered into by any member of the Group within the two years preceding the Latest Practicable Date.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not engaged in any material litigation or arbitration of material importance and there was no material litigation or claim of material importance known to the Directors to be pending or threatened by or against any members of the Group.

9. MISCELLANEOUS

(a) The address of the registered office of the Company is at 29/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai Hong Kong.

(b) The company secretary of the Company is Mr. Lim Eng Sun. He is an associate member of the Hong Kong Institute of Certified Public Accountants.

(c) The branch registrar of the Company is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

The material contract referred to in the paragraphs under "7. Material Contract" in this appendix will be published on the website of Stock Exchange (www.hkexnews.hk) and the website of the Company (www.freetech-holdings.hk) during the period from the date of this circular up to 14 days thereafter.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the "EGM") of Freetech Road Recycling Technology (Holdings) Limited (the "Company") will be held at Unit 5906-5912, 59/F., The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 16 December 2021 at 3.00 p.m. for the following purposes:

ORDINARY RESOLUTION

"**THAT**

(a) the contract dated 15 October 2021 entered into between Freetech Ecological Technology Development (Nanjing) Co. Ltd and Tongzhou Construction General Contracting Group Co., Ltd. (通州建總集團有限公司) (a copy of which is tabled at this meeting and marked "A" and initialled by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company as he/she may consider necessary or desirable in connection with this resolution."

By Order of the Board
Freetech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman

Hong Kong, 26 November 2021

Registered Office:
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
29/F, Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Notes:

1. All resolutions at the meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. **In view of the outbreak of COVID-19 pandemic, shareholders are strongly encouraged to appoint the chairman of the EGM as proxy to attend and vote on his/her behalf at the EGM or any adjourned meeting.**

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Monday, 13 December 2021 to Thursday, 16 December 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 December 2021.

As at the date of this notice, the executive Directors are Mr. Sze Wai Pan, and Mr. Chan Kai King; the non-executive Directors are Ms. Sze Wan Nga, Mr. Zhou Jichang, Prof. Tong Wai Cheung Timothy and Dr. Chan Yan Chong; and the independent non-executive Directors are Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Dr. Lau Ching Kwong.