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

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The board of directors (the “Board”) of Freetech Road Recycling Technology (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase
	2020	2019	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	541,911	487,323	11.2%
Profit attributable to owners of the Company	31,636	4,145	663.2%
Earnings per share (Basic) (<i>HK cents</i>)	2.99	0.39	666.7%

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	541,911	487,323
Cost of sales		(423,769)	(383,935)
Gross profit		118,142	103,388
Other income	6	12,495	7,763
Other gains and losses, net	7	(649)	(2,650)
Reversal of impairment losses on financial assets	9	12,355	19,962
Selling and distribution costs		(15,097)	(19,581)
Administrative expenses		(64,360)	(72,711)
Equity-settled share based payment expenses		(848)	–
Research and development costs		(18,897)	(12,542)
Other expenses		(1,028)	(562)
Share of profits/(losses) of joint ventures		1,129	(3,289)
Finance costs	8	(4,758)	(6,167)
PROFIT BEFORE INCOME TAX EXPENSE	10	38,484	13,611
Income tax expense	11	(5,480)	(4,541)
PROFIT FOR THE YEAR		33,004	9,070

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR		<u>33,004</u>	<u>9,070</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)		945	1,005
Exchange differences arising from translation		<u>45,439</u>	<u>(10,443)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>46,384</u>	<u>(9,438)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>79,388</u></u>	<u><u>(368)</u></u>
Profit for the year attributable to:			
Owners of the Company		31,636	4,145
Non-controlling interests		<u>1,368</u>	<u>4,925</u>
		<u><u>33,004</u></u>	<u><u>9,070</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		77,678	(4,838)
Non-controlling interests		<u>1,710</u>	<u>4,470</u>
		<u><u>79,388</u></u>	<u><u>(368)</u></u>
EARNINGS PER SHARE	<i>13</i>		
Basic		<u><u>HK2.99 cents</u></u>	<u><u>HK0.39 cents</u></u>
Diluted		<u><u>HK2.93 cents</u></u>	<u><u>HK0.38 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		168,866	164,588
Investment property		262,759	244,173
Right-of-use assets		13,111	15,093
Goodwill		6,150	6,150
Other intangible assets		2,766	228
Interests in joint ventures		23,544	27,542
Equity instruments at FVTOCI		9,252	7,976
Prepayments and deposits for acquisition of leasehold land and other intangible assets		3,888	6,123
Other receivables	<i>15</i>	–	9,168
Contract assets		6,952	17,329
Deferred tax assets		872	942
		498,160	499,312
CURRENT ASSETS			
Inventories		54,261	44,261
Bills and trade receivables	<i>14</i>	128,427	112,595
Contract assets		305,763	269,402
Prepayments, deposits and other receivables	<i>15</i>	50,560	44,216
Taxation recoverable		4,086	–
Financial assets at fair value through profit or loss (“FVTPL”)		4,760	39,200
Time deposits		12,366	15,120
Pledged bank deposits		38,676	24,135
Bank balances and cash		237,300	177,571
		836,199	726,500
CURRENT LIABILITIES			
Bills, trade and other payables	<i>16</i>	396,854	346,674
Contract liabilities		601	3,601
Taxation payable		–	4,819
Bank borrowings		99,960	110,880
Lease liabilities		2,537	2,445
		499,952	468,419
NET CURRENT ASSETS		336,247	258,081
TOTAL ASSETS LESS CURRENT LIABILITIES		834,407	757,393

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		985	3,103
Deferred tax liabilities		26,201	25,254
		<u>27,186</u>	<u>28,357</u>
NET ASSETS		<u>807,221</u>	<u>729,036</u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	107,900	107,900
Reserves		667,695	589,941
		<u>775,595</u>	<u>697,841</u>
Attributable to the owners of the Company		31,626	31,195
Non-controlling interests		<u>31,626</u>	<u>31,195</u>
TOTAL EQUITY		<u>807,221</u>	<u>729,036</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2011 under the Companies Law, Chapter 22 of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. Its subsidiaries (the Company and its subsidiaries are collectively referred to as the “Group”) are principally engaged in the manufacturing and sale of road maintenance equipment and provision of road maintenance services in the People’s Republic of China (the “PRC”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 26 June 2013.

The Company’s functional currency is Renminbi (“RMB”). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”). The directors of the Company consider that the presentation of the consolidated financial statements in HK\$ is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

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

The Group has applied the following new or amended HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

3.2 New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKAS 1 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current ⁴ Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37 HKFRS 17	Onerous Contracts — Cost of Fulfilling a Contract ² Insurance Contracts ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The directors of the Company do not anticipate that the application of the new and amendments to HKFRSs in the future will have material impact on the consolidated financial statements.

4. REVENUE

A. For the year ended 31 December 2020

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2020		
	Maintenance Services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or services			
Maintenance Service			
“Hot-in-place” Projects	242,357	–	242,357
Non-“Hot-in-place” Projects	242,493	–	242,493
	<hr/>	<hr/>	<hr/>
Sales of equipment			
Standard series	–	50,616	50,616
Repair and maintenance	–	6,445	6,445
	<hr/>	<hr/>	<hr/>
Total	484,850	57,061	541,911
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Geographical markets			
Mainland China	484,850	49,092	533,942
Overseas	–	7,969	7,969
	<hr/>	<hr/>	<hr/>
Total	484,850	57,061	541,911
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition			
A point in time	–	57,061	57,061
Over time	484,850	–	484,850
	<hr/>	<hr/>	<hr/>
Total	484,850	57,061	541,911
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

(ii) *Performance obligations for contracts with customers*

Maintenance Services (with milestone payments)

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

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

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

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

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

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

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

5. OPERATING SEGMENTS

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance. The Group's operating and reportable segments are as follows:

Maintenance services	—	Provision of road maintenance services
Sale of equipment	—	Manufacturing and sale of road maintenance equipment

Segment revenue and results

	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
For the year ended 31 December 2020			
Segment revenue:			
Sales to external customers	484,850	57,061	541,911
Intersegment sales	2,809	15,839	18,648
	<u>487,659</u>	<u>72,900</u>	<u>560,559</u>
<i>Reconciliation</i>			
Elimination of intersegment sales	<u>(2,809)</u>	<u>(15,839)</u>	<u>(18,648)</u>
Revenue	<u>484,850</u>	<u>57,061</u>	<u>541,911</u>
Segment results	<u>55,945</u>	<u>(6,498)</u>	<u>49,447</u>
<i>Reconciliation:</i>			
Interest income			8,339
Exchange losses			(104)
Finance costs			(4,572)
Gain on a bargain purchase			451
Equity-settled share based payment expenses			(848)
Unallocated corporate expense			(15,358)
Share of profits of joint ventures			<u>1,129</u>
Profit before income tax expense			<u><u>38,484</u></u>

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

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The accounting policies of the operating and reportable segments information are the same as the Group's accounting policies. Segment results represents the profit earned by each segment without allocation of head office and corporate expenses, changes in fair value of investment property, interest income, exchange gains and losses, share of profits or losses of joint ventures and finance costs. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
As at 31 December 2020			
Segment assets	<u>672,796</u>	<u>253,570</u>	926,366
Elimination of intersegment receivables			(202,146)
Investments in joint ventures			23,544
Investment property			262,759
Other unallocated assets			<u>323,836</u>
Total assets			<u><u>1,334,359</u></u>
Segment liabilities	<u>526,910</u>	<u>62,374</u>	589,284
Elimination of intersegment payables			(202,146)
Other unallocated liabilities			<u>140,000</u>
Total liabilities			<u><u>527,138</u></u>
	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
As at 31 December 2019			
Segment assets	<u>615,945</u>	<u>248,134</u>	864,079
Elimination of intersegment receivables			(182,073)
Investments in joint ventures			27,542
Investment property			244,173
Other unallocated assets			<u>272,091</u>
Total assets			<u><u>1,225,812</u></u>
Segment liabilities	<u>465,351</u>	<u>65,118</u>	530,469
Elimination of intersegment payables			(182,073)
Other unallocated liabilities			<u>148,380</u>
Total liabilities			<u><u>496,776</u></u>

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

	Maintenance services HK\$'000	Sale of equipment HK\$'000	Consolidated total HK\$'000
For the year ended 31 December 2020			
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, contract assets and other receivables	(18,147)	5,792	(12,355)
Depreciation and amortisation	26,741	3,106	29,847
Capital expenditure (<i>Note</i>)	<u>16,167</u>	<u>2,039</u>	<u>18,206</u>
	Maintenance services HK\$'000	Sale of equipment HK\$'000	Consolidated total HK\$'000
For the year ended 31 December 2019			
Impairment losses recognised in respect of property, plant and equipment	2,452	–	2,452
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, contract assets and other receivables	(16,687)	(3,275)	(19,962)
Depreciation and amortisation	23,569	1,968	25,537
Capital expenditure (<i>Note</i>)	<u>22,525</u>	<u>339</u>	<u>22,864</u>

Note: Capital expenditure consists of additions to property, plant and equipment, land use rights, and other intangible assets, excluding assets from the acquisition of subsidiaries.

For the purposes of assessing segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than pledged bank deposits, time deposits, structured bank deposits, cash and cash equivalents, interests in joint ventures, investment property, deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis; and
- all liabilities are allocated to operating segments other than deferred tax liabilities, bank borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

During the year ended 31 December 2020, revenue from a related company, accounted for 10% or more of the Group's revenue and its revenue amounted to HK\$175,546,000 (2019: HK\$172,936,000). The sales to the above related company were derived from the provision of road maintenance services.

The Group's revenue from external customers is derived substantially from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Government grants (<i>Note</i>)	2,894	1,647
Interest income	8,339	5,036
Gain on a bargain purchase	451	–
Others	811	1,080
	<u>12,495</u>	<u>7,763</u>

Note: The government grants mainly represent unconditional subsidies from the PRC local governments to encourage the operations of certain subsidiaries. The government grants are accounted for as immediate financial support with no future related costs expected to be incurred and are not related to any assets.

7. OTHER GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	(84)	(28)
Impairment losses recognised in respect of property, plant and equipment	–	(2,452)
Foreign exchange losses, net	(104)	(136)
Others	(461)	(34)
	<u>(649)</u>	<u>(2,650)</u>

8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
— Bank borrowings	4,572	5,990
— Lease liabilities	186	177
	<u>4,758</u>	<u>6,167</u>

9. REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Reversal of/(provision for) impairment losses on financial assets recognised on:		
Trade receivables	28,308	20,708
Other receivables	(1,821)	(19,638)
Contract assets	(14,132)	18,892
	<u>12,355</u>	<u>19,962</u>

10. PROFIT BEFORE INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax expense has been arrived at after charging:		
Directors' emoluments	7,346	6,889
Other staff costs	74,009	59,385
Other staff retirement benefit scheme contributions	9,272	11,063
	<u>90,627</u>	<u>77,337</u>
Total staff costs		
Amortisation of other intangible assets	180	122
Auditor's remuneration	1,560	1,380
Cost of inventories sold	35,753	38,429
Cost of services provided	388,016	345,506
Loss on disposal of property, plant and equipment	84	28
Depreciation charge:		
— Owned property, plant and equipment	27,021	25,431
— Right-of-use assets included within:		
— Leasehold land	198	250
— Buildings	2,448	1,561
Equity-settled share based payment expenses (<i>Note</i>)	848	–
Interest on lease liabilities	186	177
Short-term lease expenses	10,298	9,755
Impairment losses on property, plant and equipment	–	2,452
	<u>–</u>	<u>2,452</u>

Note: Share-based payment expenses of approximately HK\$848,000 (2019:HK\$Nil) were recognised in profit or loss during the year ended 31 December 2020 in respect of share awards of the Company.

11. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC Enterprise Income Tax (“EIT”):		
— Current year	4,167	4,060
— Under provision in prior years	490	8
	<u>4,657</u>	<u>4,068</u>
Deferred tax charge	823	473
	<u>5,480</u>	<u>4,541</u>

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Since there’s no tax assessable profit for the years ended 31 December 2020 and 31 December 2019.

Except as described below, provision for EIT is made based on the estimated taxable income for PRC taxation purposes at 25% pursuant to the Law of the PRC on Enterprise Income Tax and Implementation Regulation.

英達熱再生有限公司 Freetech Road Recycling Corporation was recognised as a High-Tech company in 2010, 2014 and 2017 respectively and the applicable tax rate is 15% from 1 January 2010 to 31 October 2020.

南京英達公路養護車製造有限公司 Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation was recognised as a High-Tech company in 2009, 2012, 2015 and 2018 respectively and the applicable tax rate is 15% from 1 January 2009 to 28 November 2021.

天津市高速公路養護有限公司 Tianjin Expressway Maintenance Limited (“Tianjin Expressway Maintenance”) was recognised as a High-Tech company in 2020 and the applicable tax rate is 15% from 1 January 2020 to 30 November 2023.

Withholding tax of approximately HK\$210,000 (2019: HK\$146,000) has been provided for the year ended 31 December 2020 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

12. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distribution:		
2020: 2019 final dividend of nil (2019: 2018 final dividend of nil) per ordinary share	<u>—</u>	<u>—</u>

No final dividend is proposed by the directors for the years ended 31 December 2020 and 31 December 2019.

13. EARNINGS PER SHARE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share		
— attributable to owners of the Company	<u>31,636</u>	<u>4,145</u>
Number of shares:		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic earnings per share	1,059,755,254	1,061,630,000
Effect of dilutive potential ordinary shares:		
Unvested share award	<u>19,244,746</u>	<u>17,370,000</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,079,000,000</u>	<u>1,079,000,000</u>

The computation of diluted earnings per share for the year ended 31 December 2019 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price during the year.

14. BILLS AND TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	450,000	447,264
Less: Allowance for credit losses	<u>(323,498)</u>	<u>(335,117)</u>
	<u>126,502</u>	<u>112,147</u>
Bills receivables	<u>1,925</u>	<u>448</u>
	<u>128,427</u>	<u>112,595</u>

As at 31 December 2020, trade receivables from contracts with customers amounted to HK\$126,502,000 (2019: HK\$112,147,000).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 180 days	<u>1,925</u>	<u>448</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group's trade customers are principally government agencies. The credit period is determined on a case by case basis, subject to the fulfillment of conditions as stipulated in the respective sales contracts. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	31,851	51,034
3 to 12 months	45,856	16,069
1 to 2 years	20,562	22,037
Over 2 years	28,233	23,007
	<u>126,502</u>	<u>112,147</u>

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$115,094,000 (2019: HK\$100,668,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$80,639,000 (2019: HK\$45,623,000) has been past due 90 days or more and is not considered as in default as most of the Group's customers are government agencies and the risk of default is not high.

At 31 December 2020, included in the trade receivables are amounts due from the Group's related companies of approximately HK\$7,331,000 (2019: HK\$11,261,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other receivables	52,393	61,058
Less: Allowance for credit losses	<u>(27,356)</u>	<u>(24,112)</u>
	25,037	36,946
Portion classified as non-current assets	<u>–</u>	<u>(9,168)</u>
Current portion	25,037	27,778
Prepayments and deposits	24,474	15,222
Tax recoverable	<u>1,049</u>	<u>1,216</u>
	<u><u>50,560</u></u>	<u><u>44,216</u></u>

At 31 December 2020, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of approximately HK\$500,000 (2019: HK\$628,000), which are unsecured, interest-free and have no fixed terms of repayment.

16. BILLS, TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bills payables	32,482	28,502
Trade payables	287,534	253,727
Other tax payables	18,160	16,101
Other payables and accrued charges	<u>58,678</u>	<u>48,344</u>
	<u><u>396,854</u></u>	<u><u>346,674</u></u>

At 31 December 2020, included in the Group's trade payables are amounts due to related parties of approximately HK\$4,079,000 (2019: HK\$4,264,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers.

At 31 December 2020, included in the Group's other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK\$27,616,000 (2019: HK\$26,226,000) which is unsecured, interest-free and has no fixed terms of repayment.

The Group normally receives credit terms of 30 days to 180 days (2019: 30 days to 180 days) from its suppliers. The following is an aged analysis of trade payables at the end of the reporting period, presented based on the invoice date:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	93,519	141,819
3 to 12 months	142,686	68,075
1 to 2 years	26,283	23,126
Over 2 years	25,046	20,707
	<u>287,534</u>	<u>253,727</u>

17. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>1,079,000,000</u>	<u>107,900</u>

18. COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted, but not provided for in respect of the acquisition of property, plant and equipment	<u>7,058</u>	<u>11,345</u>
Contracted, but not provided for in respect of the acquisition of leasehold land	<u>14,636</u>	<u>14,636</u>
Contracted, but not provided for capital contributions payable to equity investment at FVTOCI	<u>315</u>	<u>315</u>

BUSINESS REVIEW

The year of 2020 was the year that the Ministry of Transport of the People's Republic of China (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 asphalt pavement maintenance ("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.

Asphalt Pavement Maintenance 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 competitiveness 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.

OUTLOOK

Since the 18th National Congress of the Communist Party of China, the development of ecological civilization has become a strategic priority and the building of a beautiful China has become a consensus in the PRC. Due to the significance of the development of the ecological and environmental business to protecting public health and safety and the realising of the sustainable development of mankind, the environmental sector is becoming a new historic opportunities for development. In addition, during the 75th General Assembly of the United Nations, President Xi Jinping mentioned that China had committed to achieve carbon neutrality before 2060. Thus, the PRC government will continue to develop green economy and adopt higher standard for environmental standards.

With our patented Hot-in-Place recycling technology and other new products, the Group will benefit from the increasing demand for APM and the favourable environment in the PRC, especially those using the recycling technologies.

First, as at 31 December 2019, 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 has developed part of the South China market which enable the Group to perform APM services during 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.

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

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

FINANCIAL PERFORMANCE REVIEW

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

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

REVENUE

a. APM Services

	Year ended 31 December		2019		Increase/ (decrease)
	2020	Area serviced (square meters '000)	2019	Area serviced (square meters '000)	
	HK\$'000		HK\$'000		
Revenue (net of VAT)					
“Hot-in-Place” Projects	242,357	4,095	200,232	2,880	21.0%
Non-“Hot-in-Place” Projects	242,493	–	215,092	–	12.7%
Total	484,850		415,324		16.7%

	Year ended 31 December		2019		Increase/ (decrease)
	2020	Margin	2019	Margin	
	HK\$'000		HK\$'000		
Gross profit					
“Hot-in-Place” Projects	79,339	32.7%	56,951	28.4%	39.3%
Non-“Hot-in-Place” Projects	17,495	7.2%	12,867	6.0%	36.0%
Total	96,834	20.0%	69,818	16.8%	38.7%

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

	Year ended 31 December				Increase/ (decrease)
	2020		2019		
	<i>HK\$'000</i>	<i>units/sets</i>	<i>HK\$'000</i>	<i>units/sets</i>	
Revenue (net of VAT)					
Standard series	50,616	49	65,819	63	(23.1%)
Modular series	–	–	–	–	–
Repair and maintenance	6,445	N/A	6,180	N/A	4.3%
Total	57,061		71,999		(20.7%)
	2020		2019		Increase/ (decrease)
	<i>HK\$'000</i>	<i>Margin</i>	<i>HK\$'000</i>	<i>Margin</i>	
Gross profit					
Standard series	17,642	34.9%	29,796	45.3%	(40.8%)
Modular series	–	N/A	–	N/A	–
Repair and maintenance	3,666	56.9%	3,774	61.1%	(2.9%)
Total	21,308	37.3%	33,570	46.6%	(36.5%)

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.

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.

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.

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.

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.

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.

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.

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 HK\$3.3 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.

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.

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.

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.

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.

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). As at 31 December 2019 and 2020, the Group was in a net cash position.

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.

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.

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 2020 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Available Net Proceeds <i>HK\$ million</i>	Utilised <i>HK\$ million</i>	Unutilised <i>HK\$ million</i>
Investment in research and development activities	137.4	137.4	–
Establishing joint ventures and expanding APM service teams	137.4	99.9	37.5
Manufacturing APM equipment and expanding our APM service teams	103.1	103.1	–
Acquisitions of other APM service providers	103.0	53.6	49.4
Constructing new production facility	68.7	68.7	–
Establishing sales offices in new markets and marketing expenses	68.7	68.7	–
General corporate purposes and working capital requirements	68.7	68.7	–
	<u>687.0</u>	<u>600.1</u>	<u>86.9</u>

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

MATERIAL ACQUISITIONS AND DISPOSALS

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.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments as at 31 December 2020 are set out in note 18 to the financial statements. As at 31 December 2020, the Group did not have any material contingent liabilities.

FINANCIAL RISK MANAGEMENT

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. As at 31 December 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.

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.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. The Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except code provision A.2.1 as more particularly described below.

Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Sze Wai Pan ("Mr. Sze") to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organization, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the directors, they do not expect any issues would arise due to the combined role of Mr. Sze. The Group also has in place an internal control system to perform a check and balance function. There are also three independent non-executive directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power safeguards in place to enable the Company to make and implement decisions promptly and effectively.

AUDIT COMMITTEE

The audit committee of the Company has been set up in accordance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Ms. Yeung Sum (Chairman), Mr. Tang Koon Yiu Thomas and Dr. Lau Ching Kwong, (including one independent non-executive director with the appropriate professional qualifications).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIVIDEND

Directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2020.

The directors do not recommend the payment of any dividend for the year ended 31 December 2020. As at the date of this announcement, there was no arrangement with any Shareholder of the Company under which he/she/it has waived or agreed to waive any dividends.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The 2020 report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 30 March 2021

As at the date of this announcement, 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.