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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 2021**

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 2021.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		(Decrease)/ Increase
	2021	2020	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	511,619	541,911	(5.6%)
Profit attributable to owners of the Company	31,948	31,636	1.0%
Earnings per share (Basic) <i>(HK cents)</i>	3.13	2.99	4.7%

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	4	511,619	541,911
Cost of sales		(383,032)	(423,769)
Gross profit		128,587	118,142
Other income	6	9,700	12,495
Other gains and losses, net	7	(68)	(649)
Reversal of impairment losses on financial and contract assets	9	36,226	12,355
Selling and distribution costs		(18,406)	(15,097)
Administrative expenses		(76,323)	(64,360)
Equity-settled share-based payment expenses		(1,083)	(848)
Research and development costs		(21,596)	(18,897)
Other expenses		(268)	(1,028)
Share of (losses)/profits of joint ventures		(2,322)	1,129
Finance costs	8	(4,624)	(4,758)
PROFIT BEFORE INCOME TAX EXPENSE	10	49,823	38,484
Income tax expense	11	(5,562)	(5,480)
PROFIT FOR THE YEAR		44,261	33,004

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
PROFIT FOR THE YEAR		<u>44,261</u>	<u>33,004</u>
OTHER COMPREHENSIVE INCOME			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		(114)	945
Exchange differences arising from translation		<u>18,803</u>	<u>45,439</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>18,689</u>	<u>46,384</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>62,950</u>	<u>79,388</u>
Profit for the year attributable to:			
Owners of the Company		31,948	31,636
Non-controlling interests		<u>12,313</u>	<u>1,368</u>
		<u>44,261</u>	<u>33,004</u>
Total comprehensive income attributable to:			
Owners of the Company		49,755	77,678
Non-controlling interests		<u>13,195</u>	<u>1,710</u>
		<u>62,950</u>	<u>79,388</u>
EARNINGS PER SHARE	<i>13</i>		
Basic		<u>HK3.13 cents</u>	<u>HK2.99 cents</u>
Diluted		<u>HK3.08 cents</u>	<u>HK2.93 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		159,611	168,866
Investment property		143,117	262,759
Right-of-use assets		11,578	13,111
Goodwill		6,150	6,150
Other intangible assets		2,348	2,766
Interests in joint ventures		21,500	23,544
Equity instruments at FVTOCI		9,397	9,252
Prepayments and deposits for acquisition of leasehold land and other intangible assets		3,997	3,888
Contract assets		–	6,952
Deferred tax assets		653	872
		<hr/> 358,351 <hr/>	<hr/> 498,160 <hr/>
CURRENT ASSETS			
Inventories		181,193	54,261
Bills and trade receivables	<i>14</i>	98,586	128,427
Contract assets		342,107	305,763
Prepayments, deposits and other receivables	<i>15</i>	49,738	50,560
Taxation recoverable		–	4,086
Financial assets at fair value through profit or loss (“FVTPL”)		–	4,760
Time deposits		8,577	12,366
Pledged bank deposits		30,391	38,676
Restricted bank deposits		2,330	–
Bank balances and cash		268,995	237,300
		<hr/> 981,917 <hr/>	<hr/> 836,199 <hr/>
CURRENT LIABILITIES			
Bills, trade and other payables	<i>16</i>	348,477	396,854
Contract liabilities		751	601
Taxation payable		1,884	–
Bank borrowings		95,438	99,960
Lease liabilities		2,050	2,537
		<hr/> 448,600 <hr/>	<hr/> 499,952 <hr/>
NET CURRENT ASSETS		<hr/> 533,317 <hr/>	<hr/> 336,247 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 891,668 <hr/>	<hr/> 834,407 <hr/>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		15	985
Deferred tax liabilities		27,847	26,201
		<u>27,862</u>	<u>27,186</u>
NET ASSETS		<u>863,806</u>	<u>807,221</u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	107,900	107,900
Reserves		711,085	667,695
		<u>818,985</u>	<u>775,595</u>
Attributable to the owners of the Company		44,821	31,626
Non-controlling interests		<u>863,806</u>	<u>807,221</u>
TOTAL EQUITY		<u>863,806</u>	<u>807,221</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 Group also commences a new business of development, sales and leasing of properties during the year.

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ³
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Amendments to HKFRS 16	Covid-19-Related Rent Concession Beyond 30 June 2021 ¹

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

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

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

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

4. REVENUE

A. For the year ended 31 December 2021

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2021		
	Maintenance services HK\$'000	Sale of equipment HK\$'000	Total HK\$'000
Types of goods or services			
Maintenance Services			
“Hot-in-place” Projects	175,973	–	175,973
Non-“Hot-in-place” Projects	266,866	–	266,866
	<hr/>	<hr/>	<hr/>
Sale of equipment			
Standard series	–	63,432	63,432
Parts for repair and maintenance	–	5,348	5,348
	<hr/>	<hr/>	<hr/>
Total	442,839	68,780	511,619
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Geographical markets			
Mainland China	442,839	67,664	510,503
Overseas	–	1,116	1,116
	<hr/>	<hr/>	<hr/>
Total	442,839	68,780	511,619
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition			
A point in time	–	68,780	68,780
Over time	442,839	–	442,839
	<hr/>	<hr/>	<hr/>
Total	442,839	68,780	511,619
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

(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.

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

For sale 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 and parts for repairs and maintenance are 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*.

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
Properties	–	Development, sales and leasing of properties

Segment revenue and results

	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
For the year ended				
31 December 2021				
Segment revenue:				
Sales to external customers	442,839	68,780	–	511,619
Intersegment sales	24	19,984	–	20,008
	<u>442,863</u>	<u>88,764</u>	<u>–</u>	<u>531,627</u>
<i>Reconciliation</i>				
Elimination of intersegment sales	(24)	(19,984)	–	(20,008)
Revenue	<u>442,839</u>	<u>68,780</u>	<u>–</u>	<u>511,619</u>
Segment results	<u>70,641</u>	<u>(7,783)</u>	<u>(637)</u>	<u>62,221</u>
<i>Reconciliation:</i>				
Interest income				8,537
Foreign exchange gains, net				102
Finance costs				(4,624)
Equity-settled share-based payment expenses				(1,083)
Unallocated corporate expense				(13,008)
Share of losses of joint ventures				(2,322)
Profit before income tax expense				<u><u>49,823</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 2020			
Segment revenue:			
Sales to external customers	484,850	57,061	541,911
Intersegment sales	<u>2,809</u>	<u>15,839</u>	<u>18,648</u>
	<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>	49,447
<i>Reconciliation:</i>			
Interest income			8,339
Foreign exchange losses, net			(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>

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, interest income, exchange gains and losses, equity-settled share-based payment expenses, 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>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
As at 31 December 2021				
Segment assets	<u>650,344</u>	<u>215,396</u>	<u>286,932</u>	1,152,672
Elimination of intersegment receivables				(164,455)
Investments in joint ventures				21,500
Other unallocated assets				<u>330,551</u>
Total assets				<u><u>1,340,268</u></u>
Segment liabilities	<u>450,506</u>	<u>60,210</u>	<u>1,556</u>	512,272
Elimination of intersegment payables				(164,455)
Other unallocated liabilities				<u>128,645</u>
Total liabilities				<u><u>476,462</u></u>
	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <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>	<u>–</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>	<u>–</u>	589,284
Elimination of intersegment payables				(202,146)
Other unallocated liabilities				<u>140,000</u>
Total liabilities				<u><u>527,138</u></u>

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

	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
For the year ended				
31 December 2021				
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, contract assets and other receivables	(39,196)	2,970	–	(36,226)
Depreciation and amortisation	31,636	1,363	–	32,999
Capital expenditure (<i>Note</i>)	21,865	1,335	11,859	35,059
	Maintenance services <i>HK\$'000</i>	Sale of equipment <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>

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	N/A	(12,355)
Depreciation and amortisation	26,741	3,106	N/A	29,847
Capital expenditure (<i>Note</i>)	16,167	2,039	N/A	18,206

Note: Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets 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 time deposits, pledged bank deposits, restricted bank deposits, bank balances and cash, interests in joint ventures, investment property, deferred tax assets, financial assets at FVTPL 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 2021, revenue from a connected party, accounted for 10% or more of the Group's revenue and its revenue amounted to HK\$216,475,000 (2020: HK\$175,546,000). The sales to the above connected party 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grants (<i>Note</i>)	943	2,894
Interest income	8,537	8,339
Gain on a bargain purchase	–	451
Others	220	811
	<u>9,700</u>	<u>12,495</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net gains/(losses) on disposal of property, plant and equipment	107	(84)
Foreign exchange gain/(losses), net	102	(104)
Others	(277)	(461)
	<u>(68)</u>	<u>(649)</u>

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
— Bank borrowings	4,518	4,572
— Lease liabilities	106	186
	<u>4,624</u>	<u>4,758</u>

9. REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reversal of/(provision for) impairment losses on financial and contract assets recognised on:		
Trade receivables	39,395	28,308
Other receivables	936	(1,821)
Contract assets	(4,105)	(14,132)
	<u>36,226</u>	<u>12,355</u>

10. PROFIT BEFORE INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax expense has been arrived at after charging:		
Directors' emoluments	6,907	7,346
Other staff costs	73,519	74,009
Other staff retirement benefit scheme contributions	11,320	9,272
Other staff equity-settled share-based payment expense	893	678
	<u>92,639</u>	<u>91,305</u>
Total staff costs		
Amortisation of other intangible assets	640	180
Auditor's remuneration	1,650	1,560
Cost of inventories sold	42,774	35,753
Cost of services provided	340,258	388,016
Net gains/(losses) on disposal of property, plant and equipment	(107)	84
Depreciation charge:		
— Owned property, plant and equipment	29,500	27,021
— Right-of-use assets included within:		
— Leasehold land	330	198
— Buildings	2,529	2,448
Interest on lease liabilities	106	186
Short-term lease expenses	12,842	10,298

Note: Share-based payment expenses of approximately HK\$1,083,000 (2020: HK\$848,000) were recognised in profit or loss during the year ended 31 December 2021 in respect of share awards of the Company.

11. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC Enterprise Income Tax (“EIT”):		
— Current year	6,401	4,167
— (Over)/Under provision in prior years	<u>(1,378)</u>	<u>490</u>
	5,023	4,657
Deferred tax charge	<u>539</u>	<u>823</u>
	<u><u>5,562</u></u>	<u><u>5,480</u></u>

No provision for Hong Kong Profit tax has been made since there is no tax assessable profit for the years ended 31 December 2020 and 31 December 2021.

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\$234,000 (2020: HK\$210,000) has been provided for the year ended 31 December 2021 with reference to the anticipated dividends to be distributed by the PRC entities to non- PRC tax residents.

12. DIVIDENDS

No final dividend is proposed by the directors for the years ended 31 December 2021 and 31 December 2020.

13. EARNINGS PER SHARE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share		
— attributable to owners of the Company	<u>31,948</u>	<u>31,636</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	<u>1,019,325,615</u>	1,059,755,254
Effect of dilutive potential ordinary shares:		
Unvested share award	<u>17,803,901</u>	<u>19,244,746</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,037,129,516</u>	<u>1,079,000,000</u>

14. BILLS AND TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<u>389,748</u>	450,000
Less: Allowance for credit losses	<u>(299,379)</u>	<u>(323,498)</u>
	<u>90,369</u>	<u>126,502</u>
Bills receivables	<u>8,217</u>	<u>1,925</u>
	<u>98,586</u>	<u>128,427</u>

As at 31 December 2021, trade receivables from contracts with customers amounted to HK\$90,369,000 (2020: HK\$126,502,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 180 days	<u>8,217</u>	<u>1,925</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	14,485	31,851
3 to 12 months	6,959	45,856
1 to 2 years	20,329	20,562
Over 2 years	48,596	28,233
	<u>90,369</u>	<u>126,502</u>

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$90,369,000 (2020: HK\$115,094,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$71,699,000 (2020: HK\$80,639,000) 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 2021, included in the trade receivables are amounts due from the Group's related and connected parties of approximately HK\$11,480,000 (2020: HK\$7,331,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other receivables	54,472	52,393
Less: Allowance for credit losses	<u>(27,094)</u>	<u>(27,356)</u>
	27,378	25,037
Prepayments and deposits	21,331	24,474
Other tax recoverable	<u>1,029</u>	<u>1,049</u>
	<u>49,738</u>	<u>50,560</u>

At 31 December 2021, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of approximately HK\$Nil (2020: HK\$500,000), which are unsecured, interest-free and have no fixed terms of repayment.

16. BILLS, TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bills payables	13,155	32,482
Trade payables	264,169	287,534
Other tax payables	19,713	18,160
Other payables and accrued charges	51,440	58,678
	<u>348,477</u>	<u>396,854</u>

At 31 December 2021, included in the Group's trade payables are amounts due to related parties of approximately HK\$3,178,000 (2020: HK\$4,079,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers.

At 31 December 2021, included in the Group's other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK\$28,535,000 (2020: HK\$27,616,000) which is unsecured, interest-free and has no fixed terms of repayment.

The Group normally receives credit terms of 30 days to 180 days (2020: 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	84,492	93,519
3 to 12 months	96,291	142,686
1 to 2 years	62,395	26,283
Over 2 years	20,991	25,046
	<u>264,169</u>	<u>287,534</u>

17. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,079,000,000	107,900

18. CAPITAL COMMITMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted, but not provided for in respect of the acquisition of property, plant and equipment	<u>12,787</u>	<u>7,058</u>
Contracted, but not provided for in respect of the acquisition of leasehold land	<u>15,989</u>	<u>14,636</u>
Contracted, but not provided for in respected of construction contract	<u>347,098</u>	<u>–</u>

BUSINESS REVIEW

The year of 2021 is the first year of the “14th Five-Year Plan” of the People’s Republic of China (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. As the first major economy to emerge from the shadow of the epidemic with the most comprehensive recovery in industrial chain, the PRC economy provided a strong driving force for global economic recovery with its rapid economic pick-up and became a new engine driving world economic growth, particularly through active promotion of the low-carbon green economic development model. Despite the COVID-19 outbreak that began at Nanjing in third quarter of 2021 had brought slightly delay in the Group’s operation, as the local government had implemented contingency measures to reduce the relevant impact and this outbreak was quickly under control. Under this circumstance, the Group’s business operation has gradually resumed normal and the asphalt pavement maintenance (“APM”) services sector recorded a slightly decrease in revenue during the year under review. Due to the diversification of the product range of the Company and the local government and highway company had delayed their capital investment to 2021, the APM equipment segment of the Group recorded an increase in revenue. The Group also recorded a reversal of expected credit loss of trade receivables for the year ended 31 December 2021 due to collection of these outstanding balances had continued to improve in 2021.

In 2021, the Group’s operating revenue was approximately HK\$511.6 million, representing a decrease of approximately 5.6% as compared to 2020. Since there were: (i) contribution of the Geopolymer Injection Road Base Repair technology of the Group which enable to the Group to mark up the price and gross profit margin of the “Hot-in-Place” project; (ii) increase in the revenue of APM equipment segment; (iii) a reversal of expected credit loss of trade receivables; and (iv) increase in selling and distribution expenses and administrative expenses, the total profit attributable to owners of the Company (the “Net Profit”) was approximately HK\$32.0 million, representing an increase of approximately 1.0% as compared to the Net Profit of approximately HK\$31.6 million for the year ended 31 December 2020. As at 31 December 2021, the Group maintained a healthy financial position as it had cash on hand in the sum of approximately HK\$310.3 million and the Group’s operating cash flow was maintained in cash inflow of approximately HK\$57.2 million in 2021.

Asphalt Pavement Maintenance Services

Revenue for this segment slightly decreased in the year of 2021 compared to 2020 due to the net effect of: (i) the COVID-19 outbreak that began at Nanjing in third quarter of 2021 had brought delay in the Group's operation and the total serviced area of "Hot-in-Place" projects decreased by 39.0% from 4.1 million square meters in 2020 to 2.5 million square meters in 2021; (ii) the Geopolymer Injection Road Base Repair technology of the Group enables to the Group to mark up the price of the "Hot-in-Place" project; and (iii) the revenue of non-"Hot-in-Place" projects increased by 10.1% was due to the some of the project contributed by Tianjin Expressway Maintenance was delayed from 2020 to 2021.

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\$68.8 million, representing an increase of 20.5% as against 2020. This increase was due to the diversification of the product range of the Group and the outbreak of COVID-19 in 2020 resulted 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 2021, we had registered 210 patents (2020: 189), of which 22 were invention patents (2020: 19), 162 were utility model patents (2020: 145) and 26 were design patents (2020: 25), and we had 37 pending patent applications, of which 22 are invention patents, and 15 are utility model patents (2020: 31 pending patent applications, of which 17 are invention patents, 13 are utility model patents and 1 is design patent).

During the year under review, the Group enriched product lines and their performance further. In the Group's environmental cleansing series, we successfully developed a high-speed sweeper which has a very unique rubbish suction design such that it is capable to operate at more than 60 km/h. We expect a high demand for this equipment in highways market as customers do not need to block the traffic for cleaning so it improves safety for other drivers.

In the Group's safety series, besides of our complete series of truck-mounted attenuator, we had also developed an in-cab operated, full-automatic traffic cones placement and collecting vehicles strict safety precaution requirement is essential for road works making traffic cones. Traditional manual or semi-automatic traffic cones placement and collecting is still a high risk and low efficiency process. This equipment eliminates these problems and essential for all kinds of road work.

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

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 has transitioned from rapid growth to the new stage of qualitative growth. To achieve the new stage growth, carbon neutrality will lead to extensive and profound economic revolution as it brings in a new low-carbon green era. 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”.

Currently, the China government has maintained “zero confirmed cases” policy and the spread of the pandemic around China continues, this may brought uncertainties in the Group's operating environment in China. The Group has put in place contingency measures to overcome the impact of the pandemic, maintain the health and safety of employees, and ensure the smooth operation of both production and operations. In addition, the strong research and development capability of the Group (such as Geopolymer Injection Road Base Repair technology which provides a fast, durable with minimum invasion of pavement method to repair road base, able to increase the revenue, profitability and market share of the Group) able to reduce the impact arising from this outbreak. The management of the Group remains cautiously optimistic in regarding to the operation of the Group in the year of 2022.

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 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 has developed part of the South China market which enables 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 construction work 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 had commenced in first quarter of 2022. The investment property does not only enable the Group to enhance its research and development capabilities, but also will bring additional income streams to the Group in future.

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 2020.

REVENUE

a. APM Services

	Year ended 31 December				(Decrease)/ Increase
	2021		2020		
	Area serviced (square meters '000)	Area serviced (square meters '000)	Area serviced (square meters '000)	Area serviced (square meters '000)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue (net of VAT)					
“Hot-in-Place” Projects	175,973	2,514	242,357	4,095	(27.4%)
Non-“Hot-in-Place” Projects	266,866	-	242,493	-	10.1%
Total	442,839		484,850		(8.7%)

	Year ended 31 December				(Decrease)/ Increase
	2021	Margin	2020	Margin	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Gross profit					
“Hot-in-Place” Projects	71,727	40.8%	79,339	32.7%	(9.6%)
Non-“Hot-in-Place” Projects	<u>30,854</u>	11.6%	<u>17,495</u>	7.2%	76.4%
Total	<u>102,581</u>	23.2%	<u>96,834</u>	20.0%	5.9%

Revenue for this segment decreased slightly in the year of 2021 compared to 2020 due to the decrease in the total area serviced of the “Hot-in-Place” projects in 2021 as the COVID-19 outbreak that began at Nanjing in third quarter of 2021 had brought delay in the Group’s operation. Therefore, the total serviced area of “Hot-in-Place” projects decreased by 39.0% from 4.1 million square meters in 2020 to 2.5 million square meters in 2021. The decrease in the revenue amount of the “Hot-in-Place” projects is lower than the decrease of the total serviced area is mainly due to the “Hot-in-Place” project of Group was including the Geopolymer Injection Road Base Repair technology of the Group which enable to the Group to mark up the price and gross profit margin of the “Hot-in-Place” project. The revenue of non-“Hot-in-Place” projects increased by 10.1% was due to some of project contributed by Tianjin Expressway Maintenance was delayed from 2020 to 2021.

The gross profit margin of “Hot-in-Place” projects increased from 32.7% in 2020 to 40.8% in 2021 due to the Geopolymer Injection Road Base Repair technology of the Group conducted in 2021 had higher gross profit margin. The increased in the gross profit margin of non-“Hot-in-Place” projects in 2021 was due to more higher gross profit project (i.e. renovation maintenance project) conducted by Tianjin Expressway Maintenance.

b. APM Equipment

	Year ended 31 December				Increase/ (decrease)
	2021		2020		
	<i>HK\$'000</i>	<i>units/sets</i>	<i>HK\$'000</i>	<i>units/sets</i>	
Revenue (net of VAT)					
Standard series	63,432	85	50,616	49	25.3%
Modular series	–	–	–	–	–
Repair and maintenance	5,348	N/A	6,445	N/A	(17.0%)
Total	<u>68,780</u>		<u>57,061</u>		20.5%

	Year ended 31 December				Increase/ (decrease)
	2021		2020		
	<i>HK\$'000</i>	<i>Margin</i>	<i>HK\$'000</i>	<i>Margin</i>	
Gross profit					
Standard series	22,049	34.8%	17,642	34.9%	25.0%
Modular series	–	N/A	–	N/A	–
Repair and maintenance	3,957	74.0%	3,666	56.9%	7.9%
Total	<u>26,006</u>	37.8%	<u>21,308</u>	37.3%	22.0%

Revenue for the APM equipment segment for 2021 increased by approximately 20.5% as compared to 2020 was mainly due to the diversification of the product range of the Group and the outbreak of COVID-19 in 2020 resulted the local government and highway company had delayed their capital investment to 2021. Overall gross profit margin for this segment was relatively stable.

OTHER INCOME

Other income for the year under review decreased by approximately HK\$2.8 million, from approximately HK\$12.5 million in 2020 to approximately HK\$9.7 million in 2021, primarily due to the decrease in the government grant.

REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Reversal of impairment losses on financial and contract assets increased by 191.9% or approximately HK\$23.8 million, from approximately HK\$12.4 million in 2020 to approximately HK\$36.2 million in 2021, primarily due to the net effect of (i) the increase in the expected credit loss allowance of trade receivables reversed; (ii) the decrease in the recognition of expected credit loss allowance of contract assets; and (iii) the recognition of expected credit loss allowance of other receivables reversed.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs for the year under review increased by approximately 21.9% or approximately HK\$3.3 million, from approximately HK\$15.1 million in 2020 to approximately HK\$18.4 million in 2021, primarily due to the operation of the Group was gradually resumed normal in 2021.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 18.5%, or approximately HK\$11.9 million, from approximately HK\$64.4 million in 2020 to approximately HK\$76.3 million in 2021, primarily due to the operation of the Group gradually resumed normal during the year 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.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs were increased by approximately HK\$2.7 million, or approximately 14.3%, from HK\$18.9 million in 2020 to HK\$21.6 million in 2021, primarily due to the operation of the Group gradually resumed normal and more costs incurred in the diversification of the product range of the Group in road industry.

SHARE OF (LOSSES)/PROFITS OF JOINT VENTURES

The Group's share of losses from joint ventures increased by approximately HK\$3.4 million, from share of profits of joint ventures of approximately HK\$1.1 million in 2020 to share of losses of joint ventures of approximately HK\$2.3 million in 2021 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 and resulted less APM services projects conducted in 2021.

FINANCE COSTS

Finance costs decreased by approximately HK\$0.2 million, from approximately HK\$4.8 million in 2020 to approximately HK\$4.6 million in 2021 primarily due to the decrease in bank borrowings.

INCOME TAX EXPENSE

Income tax expense increased by approximately HK\$0.1 million, from approximately HK\$5.5 million in 2020 to approximately HK\$5.6 million in 2021 due to the operation of the Group relatively stable in 2021.

PROFIT

Profit attributable to owners of the Company increased by approximately 1.0% or approximately HK\$0.4 million, from approximately HK\$31.6 million in 2020 to approximately HK\$32.0 million in 2021, primarily due to the net effect of (i) the decrease in the revenue of the APM services due to the COVID-19 outbreak that began at Nanjing in third quarter of 2021 had brought delay in the Group's operation; (ii) increase in the revenue of the APM equipment due the diversification product range of the Group and the local government and highway company had delayed their capital investment to 2021; (iii) the expected credit loss on trade receivables reversed; and (iv) the increase in selling and distribution expenses and administrative expenses.

FINANCIAL POSITION

As at 31 December 2021, the total equity of the Group amounted to approximately HK\$863.8 million (2020: HK\$807.2 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 2021; 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 2021 amounted to approximately HK\$533.3 million (2020: HK\$336.2 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2021, was 2.2 (31 December 2020: 1.7). 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 continually improved in 2021.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group's bank balances and cash, time deposits, pledged bank deposits, restricted bank deposits and financial assets at fair value through profit or loss amounted to approximately HK\$310.3 million (2020: HK\$293.1 million). The increase was primarily due to the effect of net cash from operating activities, purchase of property, plant and equipment, purchase of investment property, payment for acquisition of additional interest in subsidiaries and purchase of shares held under share award scheme. As at 31 December 2021, the bank borrowings of the Group amounted to HK\$95.4 million (2020: HK\$100.0 million). As at 31 December 2020 and 2021, the Group was in a net cash position.

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 had continued to improve in 2021. Thus, the trade receivables and contract assets balances were decreased from HK\$798.9 million as at 31 December 2020 to HK\$766.0 million as at 31 December 2021. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK\$118.6 million (RMB97.0 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 2021, 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 2021, the Group had total debt of HK\$95.4 million (2020: HK\$100.0 million) which was secured interest-bearing bank borrowings.

As at 31 December 2021, bank balance of approximately HK\$30.4 million (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 as at 31 December 2020 and 2021 were repayable within one year or on demand.

INVESTMENT PROPERTY

As at 31 December 2021, the Group's investment property is measured using the fair value model and was approximately HK\$143.1 million (as at 31 December 2020: HK\$262.8 million). The investment property is a parcel of land and 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). It was acquired by the Group in December 2016 and shall be developed for research and development use. The construction work of the investment property had commenced in the first quarter of 2022 and is expected to be completed in fourth quarter 2023. The Group intends to fund 80% of the contract cost by bank financing and 20% by its internal resources. 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, 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. Upon the completion of the construction, the Group intends to lease the some office spaces of the Main Buildings to third parties, which will bring additional income streams to the Group. The Group also decides to sell the Office Buildings to repay the construction cost. As the management of the Group had decided to sell Office Buildings upon completion and the investment property of approximately HK\$136.5 million had been transferred to inventories and is stated at cost as at 31 December 2021. The Group intends to develop the investment property to bring additional income to the Group, it is an one-off transaction and the Group does not have the intention to enter into real estate development industry.

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 2021 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Available <i>HK\$ million</i>	Net Proceeds Utilised during the year <i>HK\$ million</i>	Net Proceeds Utilised Up to 31 December 2021 <i>HK\$ million</i>	Unutilised <i>HK\$ million</i>	Expected Timeline for unutilised net proceeds
Investment in research and development activities	137.4	–	137.4	–	
Establishing joint ventures and expanding APM service teams	137.4	–	99.9	37.5	End of 2023
Manufacturing APM equipment and expanding our APM service teams	103.1	–	103.1	–	
Acquisitions of other APM service providers	103.0	7.2	60.8	42.2	End of 2023
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>7.2</u>	<u>607.3</u>	<u>79.7</u>	

As the Company has not identified suitable joint venture partner and/or acquisition targets for APM service providers, the Company has not utilised the proceeds allocated during the year under review. The Company intended to utilise the proceeds by the end of 2023 and will continue to identify suitable partners and acquisition targets in 2022 and 2023. The unutilised net proceeds have been deposited into short term deposits with licensed banks and authorised financial institutions in Hong Kong and the PRC.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year under review, there were no other significant investments held, nor were there any material acquisitions or disposals of any subsidiaries, associates or joint ventures. There was no concrete plan authorised by the Board for other material investments or additions of capital assets as at the date of this Annual Report.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments as at 31 December 2021 are set out in note 18 to the financial statements. As at 31 December 2021, 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 2021, 61.5% and 38.5% of the Group's bank borrowings are at fixed interest rate and floating interest rate, respectively (2020: 100% 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 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 2021, certain time deposit, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK\$305,079,000 (2020: HK\$280,463,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2021, the Group's bank borrowings denominated in RMB amounted to HK\$95,438,000 (equivalent to RMB78,000,000) (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 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 2021, the Group had a total of 489 full time employees (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. The Group has adopted a share award scheme under which shares of the Company may be awarded to the selected employees (including executive directors of the Company) as incentives to retain them for the continual operation and development of the Group.

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.

* *The provision has been re-designated with effect from 1 January 2022.*

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 2021.

The directors do not recommend the payment of any dividend for the year ended 31 December 2021. 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 2021 report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 29 March 2022

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.