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)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號：6888

2017
Annual Report
年報

公路醫生®

CONTENTS

This Annual Report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Sze Wai Pan *(Chief Executive Officer)*

Executive Directors

Ms. Sze Wan Nga
Mr. Zhang Yifu
Mr. Chan Kai King

Non-executive Directors

Dr. Chan Yan Chong
Mr. Wang Lei

Independent Non-executive Directors

Ms. Yeung Sum
Mr. Tang Koon Yiu Thomas
Dr. Lau Ching Kwong

Audit Committee

Ms. Yeung Sum *(Chairman)*
Mr. Tang Koon Yiu Thomas
Dr. Lau Ching Kwong

Nomination Committee

Mr. Sze Wai Pan *(Chairman)*
Mr. Tang Koon Yiu Thomas
Dr. Lau Ching Kwong

Remuneration Committee

Mr. Tang Koon Yiu Thomas *(Chairman)*
Ms. Yeung Sum
Ms. Sze Wan Nga

Authorised Representatives

Ms. Sze Wan Nga
Mr. Lim Eng Sun

Company Secretary

Mr. Lim Eng Sun

Registered Office

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

Group Headquarters and Principal Place of Business in Hong Kong

29/F, Chinachem Century Tower
178 Gloucester Road, Wanchai
Hong Kong

PRC Headquarters

9 Hengfei Road
Nanjing Technology
Development Zone
Nanjing City, Jiangsu Province, PRC

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Cayman Islands Share Register and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1- 1110
Cayman Islands

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

China Construction Bank (Asia) Corporation Limited
Bank of Beijing

Company Website Address

www.freetech-holdings.hk

FINANCIAL AND OPERATING HIGHLIGHTS

RESULTS

	Year ended 31 December		
	2017 HK$'000	2016 HK$'000	Increase/ (decrease)
Revenue	**475,528**	495,598	(4.0%)
Gross profit	**113,539**	179,270	(36.7%)
(Loss)/Profit attributable to owners of the Company	**(265,004)**	43,138	(714.3%)
(Loss)/Earnings per share (Basic) (HK cents)	**(24.96)**	4.06	(714.8%)

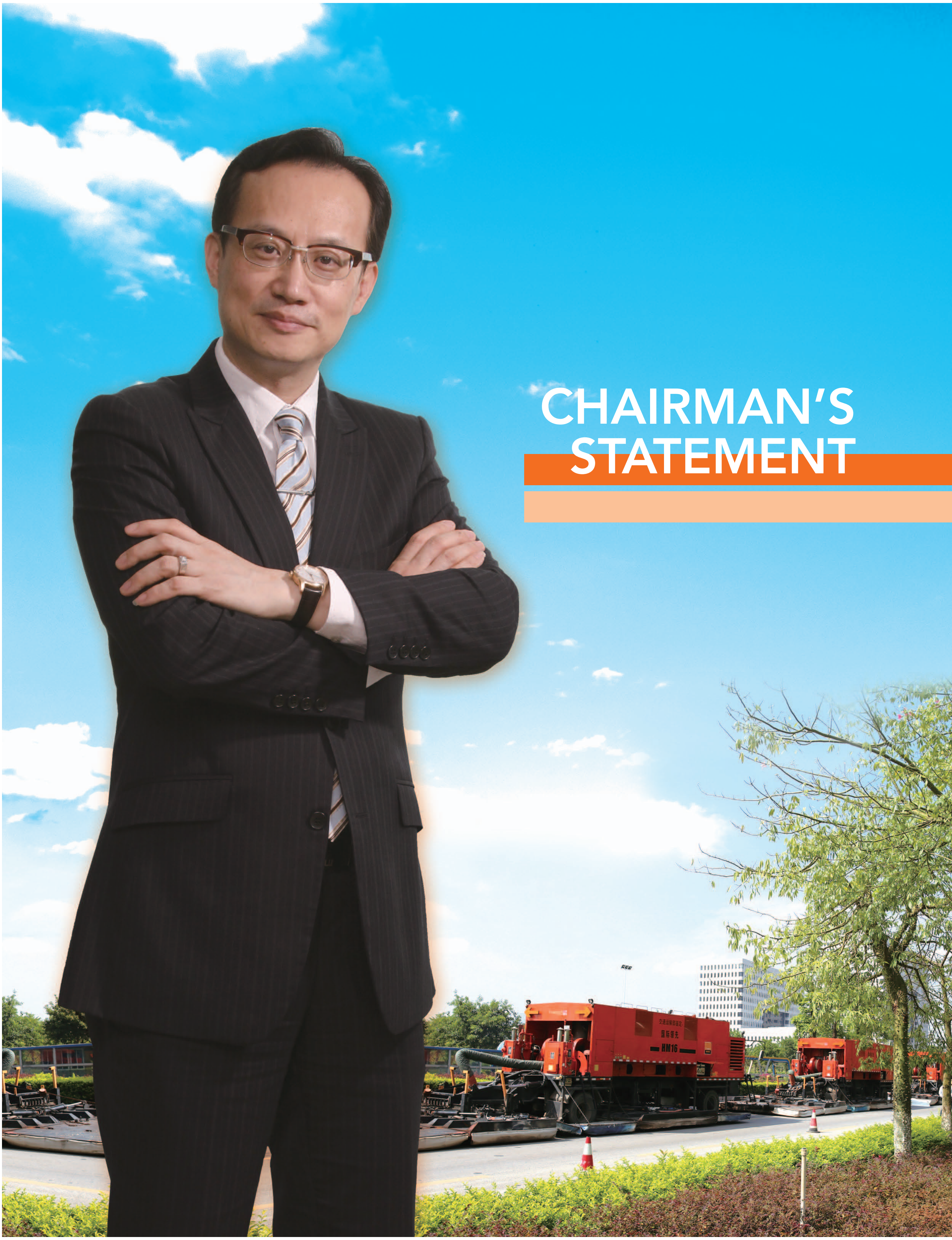
FINANCIAL POSITION

	31 December		
	2017 HK$'000	2016 HK$'000	Increase/ (decrease)
Time deposits, pledged bank deposits, structured bank deposits and bank balances and cash	**260,568**	326,209	(20.1%)
Bank borrowings	**153,754**	139,601	10.1%
Equity attributable to owners of the Company	**902,561**	1,096,705	(17.7%)

KEY FINANCIAL RATIOS

Gross profit margin	**23.9%**	36.2%	(34.0%)
Net (loss)/profit margin	**(60.6%)**	9.0%	(773.3%)
Return on assets	**(19.3%)**	2.7%	(814.8%)
Current ratio	**1.9**	2.4	(20.8%)

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Freetech Road Recycling Technology (Holdings) Limited (the "Group") for the financial year ended 31 December 2017.

PERFORMANCE

In the year of 2017, due to the improvement of the external environment and the internal supply-side structural reform, the economic growth of the People's Republic of China (the "PRC") was within a reasonable range and maintaining stable, coordinated and sustainable development. The asphalt pavement maintenance ("APM") services segment of the Group recorded a growth in revenue and gross profit during the year. However, due to the deleveraging campaign pushed forward by the PRC authorities in year 2017 to slow down credit growth, the available funds for capital investment in the acquisition of machinery have not yet been made by the local government as planned. Therefore, the revenue of APM equipment segment of the Group has decreased significantly during the year.

In addition, the management of the Company has prudently increased the provision for impairment of trade receivables in light of the deleveraging reason as described above has led to the tightened cash flow occurring at the local government level in the PRC. Further, as a result of unsatisfactory business performance of certain subsidiaries of the Company and joint ventures of the Group, an impairment losses has been recognised on the property, plant and equipment of these subsidiaries and joint ventures. The Group's revenue and total loss attributable to owners of the Company was HK$475.5 million and HK$265.0 million respectively. Despite of this, the Group maintains its leading position in the use of "Hot-in-Place" recycling technology in the APM industry in the PRC.

OUTLOOK

With the green development concept encouraged by the PRC government and the upcoming peak in road maintenance cycle in PRC during the period of "13th Five-year Plan", the Group's business is expected to be benefited from the dual opportunities brought by the national policies and the market.

Besides, with the rollout of a succession of policies, including the Outline of Road Maintenance, Management and Development under 13th Five-year Plan* (《「十三五」公路養護管理發展綱要》), the Plan of Transport Energy Conservation and Environment Protection under 13th Five-year Plan* (《交通運輸節能環保「十三五」發展規劃》), the Guidance on the Implementation of Green Highway Construction* (《關於實施綠色公路建設的指導意見》), the Ministry of Transportation issued the Opinions on Promoting the Development of Green Traffic in an All-Round Way (《關於全面深入推進綠色交通發展的意見》) and the Policy of Maintaining City Environment and Restoring Eco-system* (「城市雙修」), the PRC authorities requested to actively promote the recycling of materials such as waste road materials and asphalt, which will promote the development of ecological civilization in transportation. Therefore, road maintenance has become a priority of the supply-side structural reforms in the transport industry. The road maintenance industry in the PRC has entered a golden era of environmentally friendly maintenance technologies. Against this backdrop, it is expected that the Group's green maintenance technology which recycles pavement materials by 100% will be promoted and applied even more widely.

China has become the top owner of expressway in the world, with its highways measuring a total of 4.7735 million kilometres as of the end of 2017, including 136,500 kilometres of expressways. This huge scale of road network will create a massive demand for road maintenance. Meanwhile, China's highway construction has entered a new stage in the 13th Five-year Plan period, which will see a further increase in demand for road maintenance as a lot of major highways enter the stage for a major repair and maintenance.

CHAIRMAN'S STATEMENT

Benefiting from the development of China market, the Group, as a market leader using "Hot-in-Place" recycling technology in the asphalt pavement maintenance industry and a one-stop solution provider with services covering road maintenance detection, planning, equipment and construction, has established a solid nationwide presence in the domestic market with a leading position, driven by its one-stop solution. Looking forward, the Group will continue to step up investment in R&D and upgrade its R&D infrastructure and existing technologies and equipment to further consolidate its market position. Meanwhile, the Group has maintained a steady growth by leveraging its competitive strengths and taking advantage of favorable policies. With the launch of the mega-size flagship project, the "Global Road Technology R&D Centre", the Group will get into the fast lane of technology R&D in a sound and sustainable way. While further expanding in the international asphalt pavement maintenance market, the Group will seek business opportunities in other business areas and, in particular, create a new product in road safety to create new sources of revenue and bring more coordination and growth momentum to all its business segments. The Group will also step up market development by consolidating its position in the domestic market on the one hand and expanding globally on the other hand. The Group has sold its modular and standard series equipment to overseas markets such as the Republic of Korea and Macau and, the Group will continue to seek opportunities to expand to "One Belt One Road" countries and other overseas regions, such as Taiwan, Singapore and India. At the same time, the Group has made active efforts to diversify its business and stretch its presence on the industry chain by exploring big data development applications and expanding the scope of its financial services.

Looking ahead, witnessing the huge market demand and opportunities, the Group believes its business will enjoy a rapid growth in the future. Meanwhile, the Group will remain committed to its vision of becoming a "Road Doctor", contributing to the community, and creating better returns for its shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all our colleagues and staff for their hard work. I would also like to extend my gratitude to all our business partners, customers and shareholders for their strong support.

Chairman
Mr. Sze Wai Pan
29 March 2018

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the year of 2017, while due to the improvement of the external environment and the internal supply-side structural reform, the economic growth of the People's Republic of China (the "PRC") remained within a reasonable range with it maintaining stable, coordinated and sustainable development, the growth of investment in certain sectors — environmental protection and management, water management, transport, storage and post service, and education — has achieved great development. Therefore, the road recycling technology industry maintained a positive momentum and the asphalt pavement maintenance ("APM") services of the Group recorded a growth in revenue and gross profit during the year under review. However, due to the deleveraging campaign pushed forward by the PRC authorities in year 2017 to slow down credit growth, the available funds for capital investment in the acquisition of machinery have not yet been made by the local government as planned. As a result of the delay in closure of the sales, the number of modular series being sold has significantly declined and the revenue of APM equipment segment has decreased significantly in year 2017. In addition, the management of the Company has prudently increased the provision for impairment of trade receivables in light of the deleveraging reason as described above and the tightened cash flow occurring at the local government level in the PRC which hindered the collection of certain long outstanding trade receivables of the Group. Further, as a result of unsatisfactory business performance of certain subsidiaries of the Company and joint ventures of the Group, an impairment losses has been recognised on the property, plant and equipment of these subsidiaries and joint ventures.

The Group continues to be a leading integrated solution provider using "Hot-in-Place" technology in the APM industry in the PRC. As at 31 December 2017, the Group had a total of 11 joint ventures engaging in the provision of APM services and 12 franchisees to promote the Group's "Hot-in-Place" technology in certain cities in the PRC.

In 2017, the Group's operating revenue was approximately HK$475.5 million, representing a decrease of approximately 4.0% as compared to 2016. However, since the provision for impairment of trade receivables has been increased and an impairment losses has been recognised on the property, plant and equipment of some of the subsidiaries and joint ventures, the total loss attributable to owners of the Company was approximately HK$265.0 million, representing a decrease of approximately 714.3% as compared to total profit attributable to owners of the Company of approximately HK$43.1 million for the year ended 31 December 2016. As at 31 December 2017, the Group maintained a healthy financial position as it had cash on hand in the sum of approximately HK$260.6 million.

Asphalt Pavement Maintenance Services

During the year under review, we remained a leading service provider in the PRC market using "Hot-in-Place" recycling technology in the provision of APM services. As a result of the local government having made significant efforts in the overall road construction and maintenance planning in the year of 2016, more projects were conducted in year 2017 and the total serviced area of "Hot-in-Place" projects increased by 34.5% from 2.9 million square meters in 2016 to 3.9 million square meters during the year under review.

In addition, the revenue of non-"Hot-in-Place" projects contributed by Tianjin Expressway Maintenance Company Limited（天津市高速公路養護有限公司）("Tianjin Expressway Maintenance"), a non-wholly owned subsidiary of the Group, was increased by 43.4% as against 2016. The APM services segment of the Group recorded revenue of approximately HK$431.6 million, representing an increase of 33.2% as against 2016.

APM Equipment

During the year under review, the deleveraging campaign has been pushed forward by the PRC authorities in year 2017 to slow down credit growth and therefore the available funds for capital investment in the acquisition of machinery have not yet been made by the local government as planned. As a result of the delay in closure of the sales, the number of modular series being sold has significantly declined in year 2017. In addition, most of the standard series of the APM equipment sold in 2017 were of lower selling prices and the revenue in 2016 also included an equipment bulk procurement project (13 units of standard series) successfully bid by the Group. Thus, our APM equipment segment generated a revenue of HK$43.9 million, representing a decrease of 74.4% as against 2016. Notwithstanding the above, the management of the Company believes that the Group has maintained its position as the leading APM equipment provider in the PRC market.

Research and Development

To maintain our leading position in the use of "Hot-in-Place" recycling technology in the APM industry, the Group continues to invest in technological innovation.

New Patents

The Group continued to invest significant resources in our research and development efforts. As of 31 December 2017, we had registered 131 patents (31 December 2016: 120), of which 16 were invention patents (31 December 2016: 13), 98 were utility model patents (31 December 2016: 91) and 17 were design patents (31 December 2016: 16), and we had 27 pending patent applications, of which 10 are invention patents, 16 are utility model patents and 1 is design patent (31 December 2016: 17 pending patent applications, of which 9 are invention patents and 8 are utility model patents).

During the year under review, the Group consistently enhanced its investment in research and development, and further strengthened its research and development capabilities so as to overcome certain technological limitations in the APM service industry.

A complete new product, named Truck Mounted Attenuator (TMA) is developed during the year under review. A new product under the TMA was manufactured and had successfully been sold to a customer. TMA is a vehicle with an impact attenuator mounted at the back to absorb the energy from the colliding vehicle, so as to minimize the damage or casualties, emphasizing workers and drivers' safety. This new product line does not only equip with the safety device but also integrates functions such as warning signal board, semi- or full- automatic traffic cone placement system. These new functions and devices are highly useful when road work is being conducted. The PRC nowadays has the biggest road network in the world but the road safety precaution and measures are still lagging behind compared to many developed countries. As the road management authorities in the PRC continues to pay more and more attention to the safety aspect, we expect that this new product line will contribute significantly to the revenue of the Group from our equipment sales business sector.

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

Green economy development remains a top priority for the PRC government according to the 13th Five-year Plan. During the 19th National Congress of the Communist Party, President Xi Jinping initiated to "promote the green development and focus on and solve the prominent issues, further strengthen the ecological system protection and reform the ecological environmental regulation mechanism". The awareness of the local government on the safety and quality requirement also gradually increased. With our patent Hot-in-Place recycling technology and other new products, the Group will benefit from the increasing demand for APM in the PRC, especially those using the recycling technologies.

First, as at 31 December 2016, the expressway mileage in the PRC was the longest in the world and the total mileage for highway was the second longest in the world. In addition, the overall sustained growth of the APM industry in the PRC and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal. Therefore, it offers us the largest road maintenance market and huge room to grow. Second, the PRC government has encouraged the adoption of Public-Private-Partnership ("PPP") model, a collaborative investment model between the government and private companies, in infrastructure projects amid concerns over heavy local government debt. As the government tends to choose experienced partners with mature development of the related technology, it would be favourable to the Group to be involved into the road projects offered by the government. Following the Group's successfully bid for the public-private partnership road construction project ("PPP Project") in Jurong City, the Group will continue to seek for other PPP Project opportunities in other cities in the PRC. By the end of March 2017, the PRC government had signed 1,729 PPP-funded projects and amounted to a combined investment of RMB2.9 trillion. We expect the PPP Projects opportunities to further improve our business performance with a massive demand for intercity and municipal road renovation and maintenance due to the continuing urbanization. Third, subsequent to the Company's sale of a modular series equipment to a customer in the Republic of Korea in 2016 and the successful completion of a road maintenance project in Gwangju City of the Republic of Korea in August 2017, the Company will continue to explore overseas business opportunities and strategic cooperations with other companies, such as some listed companies and large-scale or state-owned enterprises in the country. Fourth, on 11 April 2017, the Group has entered into a cooperation agreement with China Highway Engineering Consulting Corporation (a wholly-owned subsidiary of China Communications Construction Company Limited, a large state-owned enterprise) and agreed to share their resources on the strategic level such as investing and financing, public-private partnership project, merger & acquisition and overseas business. The Group is making 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 its competitive advantages and implement favourable policies to achieve a healthy growth in its business and its revenue. The Group plans to enhance its market position, enter into new markets and enlarge its share in existing markets by the following means: first, it will increase market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; second, it will increase its investment by providing equipment and human resources to its testing and planning departments, so as to enhance its one- stop solution; third, it will focus on the cities which will hold major events to gain and complete projects of high awareness; fourth, it will grasp the opportunities in the wave of state-owned enterprise reforms to acquire more maintenance companies in the express highway sector; fifth, it will appoint more local APM service providers as its franchisees; sixth, it will further optimize its techniques and technologies to lower the construction costs; seventh, it will leverage its state-owned partners' overseas channels to expand the international APM equipment and services market.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 2016.

1. Revenue:

a. APM Services

	Year ended 31 December				
	2017		2016		
	HK$'000	**Area serviced (square meters '000)**	HK$'000	Area serviced (square meters '000)	Increase/ (decrease)
Revenue (net of VAT)					
"Hot-in-Place" Projects	**267,734**	**3,951**	209,787	2,910	27.6%
Non-"Hot-in-Place" Projects	**163,872**	**–**	114,270	–	43.4%
Total	**431,606**		324,057		33.2%

	Year ended 31 December				
	2017		2016		Increase/
	HK$'000	**Margin**	HK$'000	Margin	(decrease)
Gross profit					
"Hot-in-Place" Projects	**81,849**	**30.6%**	63,045	30.1%	29.8%
Non-"Hot-in-Place" Projects	**11,446**	**7.0%**	6,532	5.7%	75.2%
Total	**93,295**	**21.6%**	69,577	21.5%	34.1%

Revenue for this segment increased in the year of 2017 compared to 2016 due to the effect of the increase in the revenue of "Hot-in-Place" projects and non-"Hot-in-Place" projects. As a result of the local government having made more effort in the overall road construction and maintenance planning in the year of 2016, more projects were conducted during the year and the total serviced area of "Hot-in-Place" projects increased by 34.5% from 2.9 million square meters in 2016 to 3.9 million square meters during the year under review. The growth on revenue amount is lower than the total serviced area of "Hot-in-Place" projects due to the reduced selling price of some of the APM project conducted during the year as a result of the exclusion of the raw material cost of asphalt mixture at the request of certain customer(s). During the year under review, the revenue of non-"Hot-in-Place" projects increased by 43.4% from HK$114.3 million in 2016 to HK$163.9 million in 2017. This revenue was contributed by Tianjin Expressway Maintenance and involved in traditional APM method which the Group will gradually migrate the project of Tianjin Expressway Maintenance from traditional APM method into the Group's "Hot-in-Place" recycling technology in order to strengthen its profitability.

The gross profit margin in this segment was relatively stable during the year under review.

b. APM Equipment

	Year ended 31 December				
	2017		2016		Increase/
	HK$'000	**units/sets**	HK$'000	units/sets	(decrease)
Revenue (net of VAT)					
Standard series	**40,869**	**39**	63,678	52	(35.8%)
Modular series	**–**	**–**	102,624	5	(100.0%)
Repair and maintenance	**3,053**	**N/A**	5,239	N/A	(41.7%)
Total	**43,922**		171,541		(74.4%)

	Year ended 31 December				
	2017		2016		Increase/
	HK$'000	**Margin**	HK$'000	Margin	(decrease)
Gross profit					
Standard series	**17,886**	**43.8%**	35,883	56.4%	(50.2%)
Modular series	**–**	**N/A**	70,362	68.6%	(100.0%)
Repair and maintenance	**2,358**	**77.2%**	3,448	65.8%	(31.6%)
Total	**20,244**	**46.1%**	109,693	63.9%	(81.5%)

Revenue for the APM equipment segment for 2017 was decreased by approximately 74.4% as compared to 2016. This decrease was attributable to the deleveraging campaign which was pushed forward by the PRC authorities in year 2017 to slow down credit growth and therefore the available funds for capital investment in the acquisition of machinery have not yet been granted by the local government as planned. As a result of the delay in closure of the sales, the number of modular series being sold has significantly declined in year 2017. In addition, most of the standard series sold in 2017 were of the lower selling price models and the revenue in 2016 also included an equipment bulk procurement project successfully bid by the Group. Thus, the revenue of the standard series model decreased by 35.8%.

Overall gross profit margin for this segment decreased from approximately 63.9% in 2016 to approximately 46.1% in 2017 due to the significant decline in the revenue generated from higher gross profit margin modular series equipment and standard series equipment.

2. Other Gains and Losses

Other gains and losses for the year under review significantly increased by approximately HK$255.1 million, from approximately HK$14.9 million in 2016 to approximately HK$270.0 million in 2017, primarily due to the net effect of (i) the recognition of impairment loss of goodwill in 2017; (ii) the increase in impairment of trade receivables as the tightened cash flow occurred at the local government level in the PRC and thus hindered the collection of certain long outstanding trade receivables of the Group; (iii) the recognition of impairment loss on property, plant and equipment in 2017 as a result of unsatisfactory business performance of certain subsidiaries of the Company; and (iv) the recognition of fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value in 2016.

3. Fair Value Change of Investment Property

The Group's investment property is revalued as at 31 December 2017 on an open market basis by an independent property valuer. During the year under review, the Group recorded fair value change of investment property of approximately HK$42.4 million.

4. Selling and Distribution Costs

Selling and distribution costs for the year under review was increased by approximately 11.7% or approximately HK$2.1 million, from approximately HK$17.9 million in 2016 to approximately HK$20.0 million in 2017, primarily due to the costs incurred to explore overseas business opportunities.

5. Administrative Expenses

Administrative expenses were increased by approximately 9.2%, or approximately HK$8.0 million, from approximately HK$87.2 million in 2016 to approximately HK$95.2 million in 2017, primarily due to the consolidation of the results of the subsidiaries acquired in 2016 and increase in the salary level during the year under review.

6. Share of Profits and Losses of Joint Ventures

The Group's share of losses from joint ventures was increased by approximately HK$29.4 million, from approximately HK$1.9 million in 2016 to approximately HK$31.3 million in 2017 primarily due to the recognition of impairment losses on the property, plant and equipment of certain joint ventures as a result of unsatisfactory business performance of these joint ventures.

7. Finance Costs

Finance costs were increased by approximately HK$3.2 million, from approximately HK$2.9 million in 2016 to approximately HK$6.1 million in 2017, primarily due to the new loans drawn down during the year under review in order to cope with the Group's business development.

8. Taxation

Income tax expenses was increased by approximately HK$5.1 million, from approximately HK$10.7 million in 2016 to approximately HK$15.8 million in 2017 which is mainly due to the deferred tax expense arising from changes in fair value of investment property.

9. Loss

Loss attributable to owners of the Company amounted to HK$265.0 million for the year ended 31 December 2017 compared with the profit attributable to owners of the Company of approximately HK$43.1 million for the year ended 31 December 2016, primarily due to the net effect of (i) the increase in revenue from the APM services segment due to the increase in total area serviced for "Hot-in-Place" projects and the revenue of "non-Hot-in-Place" projects; (ii) the significant decrease in revenue from the APM equipment segment due to the decrease in sale of standard and modular series; (iii) the increase in impairment of trade receivables; (iv) the recognition of impairment loss on property, plant and equipment; (v) the increase in share of losses from joint ventures; and (v) the recognition of changes in fair value of investment property.

10. Financial Position

As at 31 December 2017, the total equity of the Group amounted to approximately HK$978.8 million (2016: HK$1,190.0 million). Decrease in the total equity of the Group was due to the net effect of (i) loss attributable to owners of the Company for the year ended 31 December 2017; 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 2017 amounted to approximately HK$433.5 million (2016: HK$623.0 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2017, was 1.9 (31 December 2016: 2.4). The decrease in the net current assets and current ratio was mainly due to the decrease in cash and bank deposit balances for the acquisition of land use rights and the purchase of property, plant and equipment.

11. Liquidity and Financial Resources and Capital Structure

As at 31 December 2017, the Group's bank balances and cash, time deposits, pledged bank deposits and structured bank deposits amounted to approximately HK$260.6 million (31 December 2016: HK$326.2 million). The decrease was primarily due to the net effect of net cash from operating activities, purchase of property, plant and equipment, acquisition of land use rights and bank borrowing raised. As at 31 December 2017, the bank borrowings of the Group amounted to HK$153.8 million (31 December 2016: HK$139.6 million). As at 31 December 2016 and 2017, the Group was in a net cash position.

Due to the deleveraging campaign has been pushed forward by the PRC authorities in the year of 2017 and the tightened cash flow occurring at the local government level in the PRC, which hindered the collection of certain long outstanding trade receivables of the Group. The Group believes that this was an industry wide phenomenon in the PRC. In addition, part of APM services project performed near end of 2017 that are due to be received in the first half of 2018. Accordingly, the trade receivables balance increased from approximately HK$727.1 million as of 31 December 2016 to approximately HK$843.8 million as of 31 December 2017. Notwithstanding the increased trade receivables balance as at 31 December 2017, the Group was able to achieve positive net cash from its operating activities for the year under review. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK$114.9 million (RMB95.7 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 2017, 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.

12. Interest-Bearing Bank Borrowings

As at 31 December 2017, the Group had total debt of HK$153.8 million which was unsecured interest-bearing bank borrowings. As at 31 December 2016, the Group had total debt of HK$139.6 million, which comprised of secured interest- bearing bank borrowings of HK$86.0 million and unsecured interest-bearing bank borrowings of HK$53.6 million.

As at 31 December 2017, bank balance of approximately HK$5.7 million was pledged to secure general banking facilities granted to the Group.

The maturity profile of the interest-bearing bank borrowings as at 31 December 2016 and 2017 were repayable within one year or on demand.

13. 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 2017 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Available HK$ million	**Net Proceeds Utilised** HK$ million	**Unutilised** HK$ million
Investment in research and development activities	137.4	137.4	–
Establishing joint ventures and expanding APM service teams	137.4	96.7	40.7
Manufacturing APM equipment and expanding our APM service teams	103.1	88.2	14.9
Acquisitions of other APM service providers	103.0	53.6	49.4
Constructing new production facility	68.7	65.8	2.9
Establishing sales offices in new markets and marketing expenses	68.7	68.7	–
General corporate purposes and working capital requirements	68.7	68.7	–
	687.0	579.1	107.9

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

14. Material Acquisitions and Disposals

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

15. Capital Commitments and Contingent Liabilities

The Group's capital commitments as at 31 December 2017 are set out in note 33 to the financial statements. As at 31 December 2017, the Group did not have any material contingent liabilities.

16. 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 2017, approximately 88.3% and 11.7% (as at 31 December 2016: 78.4% and 21.6%) 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 2017, certain time deposit, bank balances and cash, pledged bank deposits and structured bank deposits of approximately HK$234,311,000 (2016: HK$313,862,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2017, the Group's bank borrowings denominated in RMB amounted to HK$153,754,000 (equivalent to RMB128,000,000). As at 31 December 2016, the Group's bank borrowings denominated in RMB, HK$ and US$ amounted to HK$109,476,000 (equivalent to RMB98,000,000), HK$3,000,000 and HK$27,125,000 (equivalent to US$3,500,000).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.

17. Employees and Remuneration

As at 31 December 2017, the Group had a total of 598 full time employees (as at 31 December 2016: 637). 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.

18. Environmental Policy

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

19. Compliance with Relevant Laws and Regulations

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

20. Relationships with Stakeholders

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

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

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

21. Principal Risks and Uncertainties

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

(i) Industry risk in the PRC

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

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

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

(ii) Financial credit risk

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

(iii) Environmental and regulations compliance risks

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Sze Wai Pan	*Chairman, Chief Executive Officer and Executive Director*
Ms. Sze Wan Nga	*Executive Director*
Mr. Zhang Yifu	*Executive Director*
Mr. Chan Kai King	*Executive Director*
Dr. Chan Yan Chong	*Non-executive Director*
Mr. Wang Lei	*Non-executive Director*
Ms. Yeung Sum	*Independent Non-executive Director*
Mr. Tang Koon Yiu Thomas	*Independent Non-executive Director*
Dr. Lau Ching Kwong	*Independent Non-executive Director*

DIRECTORS — BIOGRAPHIES

Mr. Sze Wai Pan ("Mr. Sze"), aged 52, is the founder of our Group and one of our executive directors. He is the Chairman, chief executive officer, chief engineer and a member of the nomination committee of the Company. He is responsible for overall research and development activities, overall corporate strategies, planning and business development of the Group. He is a director of all our major PRC operating subsidiaries of our Group. Mr. Sze obtained a master's degree in science (with distinction) from The University of Warwick, the United Kingdom in July 1991, and a master's degree in arts from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in December 1994. He has been a member of Nanjing Political Consultative Conference (南京市政治協商會議) since January 2008. Mr. Sze received a Nanjing Science and Technology Achievement Award (南京市科技功臣獎) from the Nanjing Municipal Government in May 2009 in recognition of his achievement in the APM industry and was nominated for the Young to Middle-aged Expert with Outstanding Contributions in Jiangsu Province for 2012 (2012江蘇省有突出貢獻中青年專家) from the Nanjing Municipal Bureau of Human Resources and Social Security (南京市人力資源和社會保障局) in February 2013. Further, Mr. Sze is an inventor of all our 131 registered patents and an inventor of our Hot-in-Place technology. Mr. Sze has over 20 years of experience in engineering, overall corporate strategies, planning and business development of our Group. Mr. Sze is the brother of Ms. Sze Wan Nga.

Ms. Sze Wan Nga ("Ms. Sze"), aged 44, was appointed an executive director and a member of remuneration committee of the Company in June 2011 and June 2013, respectively. She joined our Group in September 2000. She is also a director of several major PRC operating subsidiaries of our Group. Ms. Sze obtained the Master of Business Administration degree from Hong Kong Baptist University in November 2004, and a Bachelor of Combined Science degree from Hong Kong Baptist University in November 1995, majoring in applied physics. She has over 16 years of experience in executive management and is primarily responsible for finance and overall operation of our Group. Ms. Sze is the sister of Mr. Sze.

Mr. Zhang Yifu ("Mr. Zhang"), aged 64, was appointed an executive director of the Company in August 2012. He joined our Group in October 2001. Mr. Zhang is the head of the APM service quality department, APM service project business department and research centre of a major operating subsidiary of the Group since January 2011, May 2005 and February 2009, respectively. He was recognised as a senior engineer by Personnel Department of Shaanxi Province (陝西省人事廳) in 1998. Mr. Zhang obtained his bachelor's degree in 1977 from Xi'an Road College (西安公路學院) (now known as Chang An University (長安大學)) in highway construction and mechanical engineering. Mr. Zhang has over 30 years of experience in the mechanical engineering and is primarily responsible for the quality control and research and development relating to our APM services.

Mr. Chan Kai King ("Mr. Chan"), aged 50, was appointed an executive director of the Company in August 2012. He joined our Group in September 2000. Mr. Chan became the head of the engineering and mechanical design institute of a major operating subsidiary of our Group in May 2005. Mr. Chan received a master's degree in mechanical engineering in October 2011 from Hong Kong Polytechnic University and a bachelor's degree in manufacturing engineering in December 1994 from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong). Mr. Chan has over 10 years of experience in the mechanical engineering industry and is primarily responsible for the research and development of products and technology of our Group.

Dr. Chan Yan Chong ("Dr. Chan"), aged 66, was appointed as a non-executive director of the Company in October 2016. He graduated from Nanyang University in Singapore with a degree in Mathematics. Then he obtained a Master degree in Operational Research at Lancaster University and Doctorate in Management Sciences at Manchester University. Dr. Chan worked as programme director for the master of business administration programme and associate professor in the Department of Management Sciences at City University of Hong Kong. He is currently a director of Au Chan Investment Limited. In 2001, Dr. Chan won the best commercial application research award from City University of Hong Kong. In 2007, Dr. Chan was awarded the Medal of Honor (M.H.) from the Government of Hong Kong S.A.R., and Nanyang Alumnus Award from Nanyang Technological University, and obtained the International Financial Awards of Excellence for his Distinguished Financial Research by Chinese Institute of Certified Financial Planners. He has published 50 professional books and more than 5,000 articles, and is also a feature column writer for many newspapers and magazines. Dr. Chan is currently an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited* (上海交大慧谷信息產業股份有限公司) (Stock Code: 8205), the shares of which are listed on the GEM of the Stock Exchange.

Mr. Wang Lei, aged 41, was appointed as a non-executive director of the Company in December 2013. He has been with CICC Jia Cheng Investment Management Co. Ltd. (中金佳成投資管理有限公司), a wholly-owned subsidiary of China International Capital Corporation Limited (中國國際金融股份有限公司), since 2009 and is now an executive director. He obtained a master's degree in business administration in 2005 from Saïd Business School, University of Oxford. Mr. Wang has over 12 years of experience in investment banking and private equity.

Ms. Yeung Sum ("Ms. Yeung"), aged 44, joined in August 2012 as an independent non-executive director of the Company. She is also a member of the audit committee and remuneration committee of the Company. Ms. Yeung worked in Ernst & Young between January 1995 and April 2012 where she was subsequently promoted as a partner in January 2006, mainly responsible for risk management and internal control services. Ms. Yeung obtained a bachelor of commerce majoring in finance and accounting from University of Auckland in May 1995. She has been a certified public accountant certified by the American Institute of Certified Public Accountants since April 2006, and a certified internal auditor awarded by the Institute of Internal Auditors since November 2002. Ms. Yeung has around 18 years of experience in finance and risk management.

* *For identification purpose only*

Mr. Tang Koon Yiu Thomas ("Mr. Tang"), aged 70, joined in August 2012 as an independent non-executive director of the Company. He is also a member of audit committee, nomination committee and remuneration committee of the Company. Mr. Tang has been the vice chairman of Greater China Leapfrog Teaching Foundation Limited and is mainly responsible for the development of strategic initiatives, partnerships in the promotion of innovative technologies and methodologies for the improvement of teaching efficiency in schools. Between March 2003 and February 2005, Mr. Tang was the chairman and managing director of Elec & Eltek International Holdings Limited (依利安達國際控股集團) (a company previously listed on the Stock Exchange, the listing of which was withdrawn in March 2005) and Elec & Eltek International Company Limited (a company currently listed on the mainboard of the Singapore Exchange Securities Trading Limited). Between January 1997 and March 2003, Mr. Tang was the chief executive of Hong Kong Productivity Council (香港生產力促進局). Mr. Tang obtained a master's degree in science, majoring in industrial engineering and administration from Cranfield Institute of Technology (currently known as Cranfield University) in May 1976. Mr. Tang has extensive experience in technologies and various industries.

Dr. Lau Ching Kwong ("Dr. Lau"), aged 75, joined in August 2012 as an independent non-executive director of the Company. He is also a member of the audit committee and the nomination committee of the Company. Dr. Lau has been an executive director of transportation of AECOM Asia Co. Ltd (艾奕康有限公司) since June 2003, mainly focusing on consulting work for infrastructure constructions in the PRC. Dr. Lau worked in the Hong Kong Government for over thirty years, mainly responsible for the design and construction of public works, and he served many roles including the chief engineer of Tsing Ma Bridge, the deputy director of Highways Department (路政署), the director of Civil Engineering and Development Department (土木工程署), respectively. Dr. Lau obtained a doctorate degree in engineering from Tsinghua University (清華大學) in June 1998, a master's degree majoring in bridge engineering in December 1970 from the University of Surrey, and a diploma in building in July 1963 from Hong Kong Technical College (now known as Hong Kong Polytechnic University). Dr. Lau is a first class registered structural engineer recognised by the National Administration Board of Engineering Registration (Structural) of the PRC (全國註冊工程師管理委員會(結構)) in March 2002. He is a council member of China Civil Engineering Society (中國土木工程學會) since 2002 and a standing committee member since December 2008. Dr. Lau has over 40 years of experience in civil engineering.

SENIOR MANAGEMENT — BIOGRAPHIES

Mr. Jiang Yong He ("Mr. Jiang"), aged 58, joined our Group in September 2000 as technical manager. He was appointed as the assistant president of major operating subsidiaries of our Group and the head of APM service project business department of a major operating subsidiary of our Group in January 2011. He has over 20 years of experience in mechanical engineering and is primarily responsible for the management of APM service projects, and also responsible for formulating the APM service business strategy of our Group. Mr. Jiang graduated from Central South Mining and Metallurgy College (中南礦冶學院), which is now known as Central South University (中南大學), with a bachelor's degree in July 1982, majoring in mining equipment.

Mr. Huang Liang Zhong ("Mr. Huang"), aged 55, joined our Group in September 2000 as production manager. Mr. Huang was appointed as the assistant president of major operating subsidiaries of our Group since January 2011. He has over 20 years of experience in mechanical engineering and is primarily responsible for manufacturing and human resources of our Group. Mr. Huang graduated from Xi'an Road College (西安公路學院) (now known as Chang An University (長安大學)) with a bachelor's degree in July 1984, majoring in road construction equipment.

Mr. Lim Eng Sun ("Mr. Lim"), aged 41, is the chief financial officer and company secretary of our Company. Mr. Lim joined our Group in December 2011 as financial controller of our Group and is primarily responsible for the finance and accounting affairs of our Group. He has over nine years of experience in finance and accounting. Prior to joining our Group, between October 2006 and May 2011, Mr. Lim worked in Ernst & Young as a senior accountant and then a manager, mainly responsible for providing supervision of audit engagement. Mr. Lim received a bachelor of business degree in November 2001 and a master's of business law in November 2005 from Monash University. Since July 2006, Mr. Lim has been an associate member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Annual Report for the year ended 31 December 2017.

1. COMPLIANCE WITH THE 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.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

3. BOARD OF DIRECTORS

The Board currently comprises a total of 9 members, with 4 executive directors, 2 non-executive directors and 3 independent non-executive directors:

Executive Directors:

Mr. Sze Wai Pan *(Chairman and Chief Executive Officer)*
Ms. Sze Wan Nga
Mr. Zhang Yifu
Mr. Chan Kai King

Non-executive Directors:

Dr. Chan Yan Chong
Mr. Wang Lei

Independent non-executive Directors:

Ms. Yeung Sum
Mr. Tang Koon Yiu Thomas
Dr. Lau Ching Kwong

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules.

The biography details of the directors of the Company are set out under the section headed "Board of Directors and Senior Management" in this annual report and save as disclosed therein, there is no material relationship among members of the Board.

Chairman and Chief Executive Officer

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As explained under the above paragraph headed "Compliance with the Corporate Governance Code", the Board considers it would be beneficial to the Group for 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.

The role of chairman provides leadership for the Board and is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. Whereas the role of chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Independent Non-executive Directors

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board. These independent non-executive directors are seasoned individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

The independent non-executive directors serve the relevant function of bringing independent judgement and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all of the independent non-executive directors meet the guidelines for assessing independence as set out in the Listing Rules and considers them to be independent.

Non-executive Directors, Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing Board composition, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company are appointed for a specific term of two years, and are subject to retirement by rotation once every three years. Each of the independent non-executive directors of the Company is appointed for a specific term of two years and is subject to retirement by rotation once every three years.

In accordance with the Company's articles of association, all directors of the Company are subject to retirement by rotation at least every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting of the Company after appointment.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the chief executive officer, and through him, to the senior management, for executing the Board's strategy and implementing its policies through the day-to-day management and operation of the Group.

The Board determines which functions are reserved to the Board and which are delegated to the senior management. It delegates appropriate aspects of its management and administrative functions to senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors, announcements of interim and final results and payment of dividends.

Directors' Continuous Professional Development

During the year, to develop and refresh their knowledge and skills, all directors have participated in appropriate continuous professional development training which covered updates on laws, rules and regulations and also directors' duties and responsibilities. The following sets out the training of each of the directors received during the year:

	Attending seminars/ Briefings	Reading materials
Executive Directors:		
Mr. Sze Wai Pan	✓	✓
Ms. Sze Wan Nga	✓	✓
Mr. Zhang Yifu	✓	✓
Mr. Chan Kai King	✓	✓
Non-executive Directors:		
Dr. Chan Yan Chong	✓	✓
Mr. Wang Lei	✓	✓
Independent Non-executive Directors:		
Ms. Yeung Sum	✓	✓
Mr. Tang Koon Yiu Thomas	✓	✓
Dr. Lau Ching Kwong	✓	✓

4. BOARD COMMITTEES

The Board has established a remuneration committee, a nomination committee and an audit committee. They are each established with specific written terms of reference which deal clearly with their respective authority and responsibilities.

There was satisfactory attendance for meetings of the board committees during the year. The minutes of the committee meetings are circulated to all members of the Board unless a conflict of interest arises. The committees are required to report back to the Board on key findings, recommendations and decisions.

Remuneration Committee

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all directors and senior management of the Group and the remuneration of all directors of each member of the Group.

The committee is responsible for making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy in respect of all directors and senior management and for determining remuneration packages of individual executive directors and senior management. It also makes recommendations to the Board on the remuneration of non-executive directors (including independent non- executive directors).

The committee consults the chairman and the chief executive officer about remuneration proposals for other executive directors.

The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

Members of the committee are:

Mr. Tang Koon Yiu Thomas	*(Independent non-executive director)*	*(Chairman)*
Ms. Yeung Sum	*(Independent non-executive director)*	
Ms. Sze Wan Nga	*(Executive director)*	

The Remuneration Committee met twice during the year under review to review and made recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of all directors and senior management and other related matters.

Details of directors' remuneration are set out in note 10 to the financial statements. Details of five highest paid employees are set out in note 10 to the financial statements. In addition, the remuneration of the three (2016: three) senior management fell within the band of less than HK$1,000,000 and none of the (2016: none) senior management fell within the band of HK$1,000,001 to HK$1,500,000 for the year under review.

Nomination Committee

The purpose of the nomination committee is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board.

The committee is responsible for reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee is also responsible for assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the vice chairman and the chief executive officer of the Company.

In assessing the Board composition, the nomination committee would take various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and education background, professional qualifications, skills, knowledge and industry and regional experience. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

Members of the committee are:

Mr. Sze Wai Pan	*(Chief executive officer)*	*(Chairman)*
Mr. Tang Koon Yiu Thomas	*(Independent non-executive director)*	
Dr. Lau Ching Kwong	*(Independent non-executive director)*	

Audit Committee

The purpose of the committee is to establish formal and transparent arrangements to consider how the Board applies financial reporting and internal control principles and maintains an appropriate relationship with the Company's external auditors.

The committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and considering any questions of its resignation or dismissal.

The committee reports to the Board any suspected fraud and irregularities, failures of internal control or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

Members of the committee are:

Ms. Yeung Sum	*(Independent non-executive director)*	*(Chairman)*
Mr. Tang Koon Yiu Thomas	*(Independent non-executive director)*	
Dr. Lau Ching Kwong	*(Independent non-executive director)*	

The members of the committee possess appropriate professional qualifications and/or experience in financial matters.

The committee meets as and when required to perform its responsibilities, and at least twice in each financial year of the Company. Two meetings were held during the year under review. The committee reviewed, together with senior management and the external auditors, the financial statements for the six months ended 30 June 2017 and for the year ended 31 December 2017, the accounting principles and practices adopted by the Company, statutory compliance, other financial reporting matters, internal control and risk management systems and continuing connected transactions of the Company.

The committee has recommended to the Board (which endorsed the recommendation) that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte Touche Tohmatsu be re-appointed as the Company's external auditors for 2018.

5. ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

	Number of meetings held during the year Attended			
	Board	Remuneration committee	Nomination committee	Audit committee
Executive Directors:				
Mr. Sze Wai Pan	4/4		2/2	
Ms. Sze Wan Nga	4/4	2/2		
Mr. Zhang Yifu	4/4			
Mr. Chan Kai King	4/4			
Non-executive Directors:				
Dr. Chan Yan Chong	4/4			
Mr. Wang Lei	4/4			
Independent Non-executive Directors:				
Ms. Yeung Sum	4/4	2/2		2/2
Mr. Tang Koon Yiu Thomas	4/4	2/2	2/2	2/2
Dr. Lau Ching Kwong	4/4		2/2	2/2

6. CORPORATE GOVERNANCE FUNCTIONS

The Board has the following responsibilities:

(a) to develop and review the Company's policies and practices on corporate governance; and to review the compliance with the CG Code and disclosures in the corporate governance report;

(b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(c) to review and monitor the training and continuous professional development of the directors and senior management; and

(d) to develop, review and monitor the code of conduct applicable to the directors and employees.

7. FINANCIAL REPORTING

The directors of the Company acknowledge their responsibilities for preparing the financial statements for the Group. The directors are regularly provided with updates on the Company's businesses, potential investments, financial objectives, plans and actions. The external auditors of the Company, Deloitte Touche Tohmatsu, have also stated their reporting responsibility in the section headed "Independent Auditor's Report" of this report.

The Board aims at presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. Management provides such explanation and information to the directors to enable the Board to make informed assessments of the financial and other matters put before the Board for approval.

The Board considers that, through a review made by the audit committee, the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function are adequate.

8. INTERNAL CONTROLS

The Board has overall responsibility for maintaining a sound and effective internal control system and for reviewing its effectiveness, particularly in respect of controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets. During the year under review, through discussions with our management and the internal audit team, the Board has conducted assessments and reviews of the effectiveness of the Group's internal control system, including, among others, financial control, operational and compliance controls and risk management functions.

The internal audit team formulates the internal audit plan of the Group based on the strategic objectives analysis, business flow analysis, risk assessment and performance evaluation under the authority of the Board and the guidance of the Audit Committee. It reports to the Audit Committee and the Board for its findings and recommendations on internal control. The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to eliminate, or otherwise manage, risks of failure in achieving the Company's objectives.

During the year under review, the internal audit team continuously optimised job responsibilities and functions of different departments according to the audit plan. The Board, through the Audit Committee and internal audit team, conducted a review of the effectiveness of the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. Based on information furnished to it and on its own observations, the Board is satisfied with present internal control systems of the Group and considers them effective and adequate. During the year under review and up to the date of this annual report, nothing has been found which requires substantial improvement.

9. COMPANY SECRETARY

The company secretary of the Company confirmed that he has complied with all training requirements of the Listing Rules during the year under review.

10. AUDITORS' REMUNERATION

For the year, Deloitte Touche Tohmatsu charged the Group HK$1,530,000 for the provision of audit services, and other certified public accountant firms charged HK$871,000 for the provision of audit services to the Company's subsidiaries located in Hong Kong and China.

11. SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the Company's Articles of Association, an extraordinary general meeting shall be called by the Board on the written resolution of any one or more shareholders of the Company, provided that such shareholder(s) held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be called for the transaction of any business specified in the written requisition to the Board or the company secretary of the Company; and shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meetings

There are no statutory provisions granting the right to shareholders to put forward or move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board to the following:

Address:	29/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong
Fax:	2363 7987
Email:	enquiry@freetech-holdings.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, except for the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

12. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

To enhance transparency, the Company endeavours to maintain open dialogue with shareholders of the Company through a wide array of channels such as annual general meetings and other general meetings. Shareholders of the Company are encouraged to participate in these meetings.

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

General meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairman of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

To promote effective communication, the Company maintains a website at http://www.freetech-holdings.hk/, where up-to-date information and updates on the Company's business operations and developments, financial information and other information are available for public access.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2017.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 40 to the financial statements. During the year under review, there were no significant changes in the nature of the Group's principal activities.

Detailed business review, including further discussions of the risks and uncertainties that the Group might face, likely future development of the Group's business, and analysis on the financial key performance indicators, are set out in the Chairman's Statement on pages 4 to 6 and the Management Discussion and Analysis on pages 7 to 19. These discussions form part of this Report of the Directors.

2. SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal operating activities and the Group's revenue and non-current assets by geographical area of operations for the year ended 31 December 2017 is set out in note 5 to the financial statements. 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.

3. RESULTS AND DIVIDENDS

The Group's profits for the year ended 31 December 2017 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 50 to 135.

Directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2017.

The directors do not recommend the payment of any dividend for the year ended 31 December 2017. As at the date of this report, there was no arrangement with any shareholder of the Company under which he/she/it has waived or agreed to waive any dividends.

4. FIVE YEARS FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 136. This summary does not form part of the audited financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

6. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2017 are set out in note 27 to the financial statements.

7. SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 28 to the financial statements.

8. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

9. 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.

10. RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 41 to the financial statements and in the consolidated statement of changes in equity, respectively.

11. DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands amounted to approximately HK$787.2 million (2016: HK$1,956.2 million), of which none (2016: none) was proposed as a final dividend for the year. Under the laws of Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

12. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 48.3% of the total sales for the year and sales to the largest customer included therein amounted to approximately 26.9%. Purchases from the Group's five largest suppliers accounted for approximately 25.29% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 6.9%.

None of the directors or any of their close associates or any shareholders (which, to the best of the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

13. CHARITABLE DONATION

Charitable donation made by the Group during the year under review amounted to HK$571,000.

14. DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Sze Wai Pan
Ms. Sze Wan Nga
Mr. Zhang Yifu
Mr. Chan Kai King

Non-executive Directors:

Dr. Chan Yan Chong
Mr. Wang Lei

Independent Non-executive Directors:

Ms. Yeung Sum
Mr. Tang Koon Yiu Thomas
Dr. Lau Ching Kwong

Pursuant to Article 84(1) of the Articles of Association of the Company, Mr. Zhang Yifu, Ms. Yeung Sum and Mr. Tang Koon Yiu Thomas are subject to retirement by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and, as at the date of this report, still considers them to be independent.

15. DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract for an initial term of three years commencing from 7 June 2013, which has been automatically renewed for a consecutive term of three years on 7 June 2016, and is subject to termination by either party giving not less than three months' written notice.

Each of the non-executive directors has entered into a letter of appointment for an initial term of two years commencing on 31 October 2016 and 23 December 2016, respectively, and is subject to termination by either party giving not less than three months' written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

16. DIRECTORS' INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company, its holding company or any of their respective subsidiaries was a party and in which a director or an entity connected with the director had a material interest, whether directly or indirectly, subsisted at the end of, or at any time during the year under review.

17. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the interests and short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in the shares of the Company

	Personal Interests					
Name of director	Number of shares held	Number of awarded share held	Number of underlying shares held under equity derivatives	Corporate Interests	Total	Approximate percentage of existing issued share capital of the Company
Mr. Sze Wai Pan ("Mr. Sze")	–	–	–	527,006,260[1]	527,006,260	48.84%
Ms. Sze Wan Nga ("Ms. Sze")	–	–	100,000	29,640,000[2]	29,740,000	2.76%
Mr. Zhang Yifu	2,300,000	166,667	100,000	–	2,566,667	0.24%
Mr. Chan Kai King	2,300,000	166,667	100,000	–	2,566,667	0.24%
Ms. Yeung Sum	–	–	50,000	–	50,000	0.00%
Mr. Tang Koon Yiu Thomas	–	–	50,000	–	50,000	0.00%
Dr. Lau Ching Kwong	–	–	50,000	–	50,000	0.00%
Dr. Chan Yan Chong	50,000	–	–	–	50,000	0.00%

Notes:

1. Mr. Sze is the beneficial owner of all the issued share capital of Freetech (Cayman) Ltd. ("Freetech Cayman"), Freetech (BVI) Limited ("Sze BVI") and Freetech Technology Limited ("Freetech Technology") and therefore is deemed to be interested in a total of 527,006,260 shares of the Company held by Freetech Cayman, Sze BVI and Freetech Technology. Mr. Sze is the director of Freetech Cayman, Sze BVI and Freetech Technology.

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

(ii) Long position in the shares of associated corporation of the Company

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

Save as disclosed above, as at 31 December 2017, none of the directors nor the chief executive of the Company had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations.

18. INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as is known to the directors of the Company, the following persons or corporations (other than directors or the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company:

Name of shareholder	Capacity	Number of shares or underlying shares held in the Company	Approximate percentage of existing issued share capital of the Company
Freetech Technology[1]	Interest in controlled corporation	527,006,260	48.84%
Sze BVI[1]	Interest in controlled corporation	527,006,260	48.84%
Freetech Cayman[1]	Beneficial owner	527,006,260	48.84%
China International Capital Corporation Limited[2]	Interest in controlled corporation	58,219,200	5.40%
CICC Growth Capital Fund GP, L.P. [2]	Interest in controlled corporation	58,219,200	5.40%
CICC Growth Capital Fund I, L.P. [2]	Interest in controlled corporation	58,219,200	5.40%
Future Blossom Investment Limited[2]	Beneficial owner	58,219,200	5.40%

Notes:

1. The relationship between Freetech Technology, Sze BVI, Freetech Cayman and Mr. Sze is disclosed under the section heading "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above.

2. Future Blossom Investment Limited is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited. Hence, each of CICC Growth Capital Fund I, L.P., CICC Growth Capital Fund GP, L.P. and China International Capital Corporation Limited is deemed to be interested in the shares held by Future Blossom Investment Limited.

Save as disclosed above, as at 31 December 2017, the directors of the Company are not aware of any other persons (other than the directors of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above) who held any interests or short positions in the shares, or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

19. SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 7 June 2013 (the "Share Option Scheme") to provide incentives to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, direct or indirect shareholders, business or joint venture partners, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high caliber employees.

Movement of the share options under the Share Option Scheme for the year ended 31 December 2017 are as follows:

Name of participants	Options held at 1 January 2017	Granted during the year	Forfeited during the year	Options held at 31 December 2017	Date of Grant	Exercise period	Exercise price per share	Weighted average share price immediately preceding the exercise date
Directors								
Sze Wan Nga	100,000	–	(100,000)	–	16/10/2014	16/10/2015–15/10/2017	HK$2.50	N/A
Sze Wan Nga	100,000	–	–	100,000	16/10/2014	16/10/2017–15/10/2019	HK$2.75	N/A
Zhang Yifu	100,000	–	(100,000)	–	16/10/2014	16/10/2015–15/10/2017	HK$2.50	N/A
Zhang Yifu	100,000	–	–	100,000	16/10/2014	16/10/2017–15/10/2019	HK$2.75	N/A
Chan Kai King	100,000	–	(100,000)	–	16/10/2014	16/10/2015–15/10/2017	HK$2.50	N/A
Chan Kai King	100,000	–	–	100,000	16/10/2014	16/10/2017–15/10/2019	HK$2.75	N/A
Yeung Sum	50,000	–	(50,000)	–	16/10/2014	16/10/2015–15/10/2017	HK$2.50	N/A
Yeung Sum	50,000	–	–	50,000	16/10/2014	16/10/2017–15/10/2019	HK$2.75	N/A
Tang Koon Yiu Thomas	50,000	–	(50,000)	–	16/10/2014	16/10/2015–15/10/2017	HK$2.50	N/A
Tang Koon Yiu Thomas	50,000	–	–	50,000	16/10/2014	16/10/2017–15/10/2019	HK$2.75	N/A
Lau Ching Kwong	50,000	–	(50,000)	–	16/10/2014	16/10/2015–15/10/2017	HK$2.50	N/A
Lau Ching Kwong	50,000	–	–	50,000	16/10/2014	16/10/2017–15/10/2019	HK$2.75	N/A
Continuous contract employees								
In aggregate	2,035,000	–	(2,035,000)	–	16/10/2014	16/10/2015–15/10/2017	HK$2.50	N/A
In aggregate	1,790,000	–	–	1,790,000	16/10/2014	16/10/2017–15/10/2019	HK$2.75	N/A
	4,725,000	–	(2,485,000)	2,240,000				

Further details of the Share Option Scheme are disclosed in note 29 to the financial statements.

20. SHARE AWARD SCHEME

On 7 May 2014, the Company adopted the share award scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (including executive directors) of the Group (the "Selected Employees") pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for a term of 10 years commencing on the adoption date.

In connection with the implementation of the Share Award Scheme, the Board may from time to time cause to be paid certain funds to the trustee for the purchase of the shares of the Company and instruct the trustee to purchase such shares on The Stock Exchange of Hong Kong Limited and to hold them in trust for the benefit of the employees on and subject to the terms and conditions of the scheme rules and the trust deed of the Share Award Scheme. The trustee shall not exercise any voting right attached in respect of any Awarded Shares held in trust by it under the Share Award Scheme (including but not limited to the returned shares, any bonus shares or scrip shares derived therefrom).

Subject to the provisions of the Share Award Scheme, the Board may, from time to time, grant such number of Awarded Shares to any Selected Employee at no consideration on and subject to such terms and conditions as it may in its absolute discretion determine.

The aggregate number of the Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 3% of the issued share capital of the Company from time to time. The maximum number of the Awarded Shares which may be awarded to a Selected Employee shall not exceed 1% of the issued share capital of the Company from time to time.

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at no consideration. The selected employee however is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her. During the year under review, no Awarded Shares were granted to eligible persons under the Share Award Scheme.

Further details of the Share Award Scheme are disclosed in note 30 to the financial statements.

21. DEED OF NON-COMPETITION

The controlling shareholders of the Company, being Freetech Cayman, Sze BVI, Freetech Technology and Mr. Sze (together, the "Controlling Shareholders"), have confirmed to the Company of their compliance with the terms of the non-competition undertaking provided to the Company under a deed of non-competition dated 7 June 2013 (the "Deed"). The independent non-executive directors of the Company have reviewed the confirmation given by the Controlling Shareholders and confirmed that all the undertaking under the Deed have been complied with by the Controlling Shareholders and duly enforced during the year ended 31 December 2017 and up to the date of the Annual Report. None of the new opportunities in any business, which is or may be in competition with the business of any member of the Company and its subsidiaries, that have been referred from any of our Controlling Shareholders under the Deed has been rejected by the Company during the year ended 31 December 2017 and up to the date of the Annual Report.

22. CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 31 August 2015, 27 February 2017, 28 April 2017, 2 June 2017 and 8 December 2017, in relation to, among others, the continuing connected transactions between the Group and Tianjin Expressway Group Company Limited* (天津高速公路集團有限公司) ("Tianjin Expressway Group") and its wholly-owned subsidiaries and associates. During the year under review, Tianjin Expressway Maintenance Company Limited* (天津市高速公路養護有限公司) ("Tianjin Expressway Maintenance") is owned as to 55% and 45% by Freetech Smart Road Recycling Engineering Investment Limited (a non-wholly owned subsidiary of the Company) and Tianjin Expressway Group, respectively. As Tianjin Expressway Group is a substantial shareholder of Tianjin Expressway Maintenance, Tianjin Expressway Group and its subsidiaries and associates are connected persons of the Company at the subsidiary level. On 27 February 2017, 28 April 2017, 2 June 2017 and 8 December 2017. Tianjin Expressway Maintenance and Tianjin Expressway Group and its wholly-owned subsidiaries and associates finalised and entered into certain services agreements in relation to the renewal of the ongoing transactions of the Group conducted on a regular and continuing basis. Details of the continuing connected transactions are as set out below:

Connected person	Services period	Actual transaction amount during the year		Basis for determining the consideration	Terms of the relevant service agreement
		(RMB'000)	(HK$'000)		
Tianjin Expressway Group	1 May 2017–31 March 2018	81,341	94,137	Note (1)	Note (2)
Tianjin Expressway Group	1 May 2017–31 March 2018	13,702	15,857	Note (1)	Note (2)
Tianjin Expressway Group	5 June 2017–30 June 2017	11,099	12,845	Note (1)	Note (3)
Tianjin Expressway Group	1 May 2017–31 March 2018	4,279	4,952	Note (1)	Note (2)
Tianjin Tian'ang Expressway Co. Ltd.* (天津天昂高速公路有限公司)	May 2017–October 2017	888	1,027	Note (1)	Note (4)
Tianjin Tian'ang Expressway Co. Ltd.* (天津天昂高速公路有限公司)	July 2017	408	472	Note (1)	Note (4)
Tianjin Tian'ang Expressway Co. Ltd.* (天津天昂高速公路有限公司)	5 June 2017–30 June 2017	2,321	2,686	Note (1)	Note (5)
Tianjin Expressway Management and Development Co. Ltd.* (天津市高速公路經營開發有限公司)	8 December 2017–30 April 2018	9,650	11,168	Note (1)	Note (6)
Tianjin Expressway Management and Development Co. Ltd.* (天津市高速公路經營開發有限公司)	8 December 2017–31 January 2018	957	1,108	Note (1)	Note (7)
Tianjin Xinzan Expressway Co. Ltd.* (天津新展高速公路有限公司)	11 December 2017–14 March 2018	1,486	1,720	Note (1)	Note (8)

* for identification purpose only

Notes:

(1) The consideration were determined with reference to the pricing guidelines issued by the local government of Tianjin, the consideration of the historical transactions, the market price of raw materials costs and similar services rendered, and the duration and location of the projects. The details of the pricing mechanism are set out below:

The pricing guidelines issued by the local government of Tianjin set out the price references for labour, certain raw materials and machine used in maintenance services projects similar to the projects under the continuing connected transactions. Although the pricing guidelines are not mandatory and there is no requirement for Tianjin Expressway Maintenance to follow the pricing guidelines, Tianjin Expressway Maintenance uses the pricing guidelines for reference only. Furthermore, Tianjin Expressway Maintenance would adjust the labour costs and estimate the raw material costs set out in the pricing guidelines by comparing them with the prevailing market prices of labour costs and raw materials and subject to any recent or anticipated changes in the market that are of the Group's knowledge.

Under the continuing connected transactions, based on the Group's knowledge and extensive experience in the road maintenance and construction sector, the Group was of the view that there were no changes or anticipated changes that could have significantly affected the relevant consideration. Furthermore, the purchasing team of Tianjin Expressway Maintenance conducted market research on the prevailing market prices of raw materials and obtained 12-15 quotes from other raw materials suppliers in Tianjin in determining the consideration.

The consideration was further determined on a cost-plus basis with certain percentage of the profit margin depending on the types of the services provided. Such percentage of the profit margin was determined based on the historical transaction experience of Tianjin Expressway Maintenance which included the recent 20 transactions of daily damages maintenance works performed by the Group.

(2) Provision of daily and damages maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 30% prepayment upon starting services and thereafter quarterly settlement based on actual volume. The prepayment shall net off against the quarterly settlement.

(3) Provision of renovation maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 20% prepayment upon starting services, 75% of the consideration shall be paid as progress payment based on the actual volume. The remaining 5% shall be paid upon expiry of a period of 5 years from the end date of the service period as warranty deposit. The prepayment shall net off against the progress payment.

(4) Provision of daily and damages maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid upon completion of the services.

(5) Provision of renovation maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 10% prepayment upon starting services, 85% of the consideration shall be paid as progress payment based on the actual volume. The remaining 5% shall be paid upon expiry of a period of 5 years from the end date of the service period as warranty deposit. The prepayment shall net off against the progress payment.

(6) Provision of renovation maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 10% prepayment upon starting services, 70% of the consideration shall be paid as progress payment based on the actual volume. The remaining 20% shall be paid after 2 years as warranty deposit.

(7) Provision of renovation maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 95% of the consideration shall be paid upon completion of the services rendered and the remaining 5% of the consideration shall be paid after 2 years as warranty deposit.

(8) Provision of daily and damages maintenance services by Tianjin Expressway Maintenance and the consideration shall by monthly settlement.

The independent non-executive directors of the Company have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interest of the Company's shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have not qualified their report in respect of the continuing connected transactions disclosed above by the Group and that they confirmed all the matters as set out in Rule 14.55 of the Listing Rules in respect of the above continuing connected transactions. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

23. RELATED PARTY TRANSACTIONS

The details of the related party transactions are set out in note 39 to the financial statements. Save for those set out in the above section headed "Connected Transactions" in the Report of the Directors, none of the related party transactions constitute connected transactions under Chapter 14A of the Listing Rules.

24. SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

25. AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors.

The audit committee has reviewed the financial statements with the management of the Company.

26. AUDITORS

The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire, and being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Deloitte as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

Deloitte have been appointed as the auditors of the Company with effect from 22 January 2015 to fill the casual vacancy following the resignation of Messrs. Ernst & Young which took effect from 22 January 2015. Save for the above, there had been no other change in auditors of the Company in any of the preceding three years of this annual report.

27. PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provides that every director of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Directors liability insurance is in place to protect the directors of the Company or its subsidiaries against potential costs and liabilities arising from claims brought against the directors.

On behalf of the Board

Mr. Sze Wai Pan
Chairman and Chief Executive Officer
Hong Kong, 29 March 2018

Deloitte. 德勤

TO THE MEMBERS OF FREETECH ROAD RECYCLING TECHNOLOGY (HOLDINGS) LIMITED
英達公路再生科技（集團）有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Freetech Road Recycling Technology (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 50 to 135, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment on trade receivables	
We identified the impairment on trade receivables as a key audit matter because of its material balance at 31 December 2017 and the significant estimation by the management of the Group in identification of bad and doubtful debts. As at 31 December 2017, the Group had trade receivables of approximately HK$844 million, and the balance of allowance for doubtful debts of trade receivable was approximately HK$249 million. Referring to note 4 to the consolidated financial statements, the management estimates impairment loss on trade receivables based on the management's assessment of the ultimate realisation of these receivables by considering the aging of the trade receivables balances, the repayment history, the financial conditions and current creditworthiness of each customer.	Our procedures in relation to the management's assessment of impairment on the trade receivables included: • Understanding how the impairment loss of trade receivables is estimated by the management and the approval procedures for recognising the impairment loss on trade receivables; • Testing the accuracy of the age analysis of trade receivables and tracing the subsequent settlements to source documents, on a sample basis; • For the trade receivables without subsequent settlement, assessing the reasonableness of the management's assessment on the impairment loss of trade receivables with reference to the aging of the trade receivable balances, the repayment history, the financial conditions and current creditworthiness of each customer; and • Evaluating the historical accuracy of the management estimates on the impairment loss of trade receivables made in prior years by comparing the historical impairment loss recognised to the actual settlement and actual loss incurred.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
We identified impairment of property, plant and equipment as a key audit matter because the amounts were significant and the assessment of impairment involved significant estimation uncertainty. The management of the Group reviews the recoverable amounts of those assets to determine whether there is any impairment loss. The recoverable amount of those tangible assets was determined based on fair values less costs of disposal, which required the management judgement. During the year ended 31 December 2017, referring to note 14 to the consolidated financial statements, the Group has recognised impairment loss of HK$100 million in relation to those property, plant and equipment to be scrapped held by certain subsidiaries incurred with significant losses, of which to suspend operations.	Our audit procedures in relation to impairment of property, plant and equipment assessment included: • Obtaining an understanding of key controls over the impairment of property, plant and equipment; • Testing the design and implementation and operating effectiveness of key controls over the impairment of property, plant and equipment; • Performing physical inspection of the property, plant and equipment at the end of year and noticing any unused or impaired equipment; and • Understanding the management's estimation on fair value and costs of disposal such as the disposal plan and market value of the assets, and challenging whether they are reasonable and supportable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lo Kin Cheong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**475,528**	495,598
Cost of sales		**(361,989)**	(316,328)
Gross profit		**113,539**	179,270
Other income	6	**9,371**	10,555
Other gains and losses	7	**(270,011)**	(14,854)
Changes in fair value of investment property		**42,418**	–
Selling and distribution costs		**(19,995)**	(17,918)
Administrative expenses		**(95,175)**	(87,184)
Research and development costs		**(14,234)**	(8,807)
Other expenses		**(722)**	(1,190)
Share of losses of joint ventures		**(31,331)**	(1,878)
Finance costs	8	**(6,107)**	(2,884)
(Loss) profit before taxation	9	**(272,247)**	55,110
Taxation	11	**(15,835)**	(10,686)
(Loss) profit for the year		**(288,082)**	44,424
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation		**76,763**	(77,196)
Other comprehensive income (expense) for the year		**76,763**	(77,196)
Total comprehensive expense for the year		**(211,319)**	(32,772)
(Loss) profit for the year attributable to:			
Owners of the Company		**(265,004)**	43,138
Non-controlling interests		**(23,078)**	1,286
		(288,082)	44,424
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(194,299)**	(27,003)
Non-controlling interests		**(17,020)**	(5,769)
		(211,319)	(32,772)
(Loss) Earnings per share	13		
— Basic		**HK(24.96) cents**	HK4.06 cents
— Diluted		**HK(24.96) cents**	HK4.00 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**196,904**	309,856
Goodwill	15	**6,881**	14,700
Prepaid lease payments	16	**10,747**	10,750
Investment property	17	**218,018**	–
Other intangible assets	18	**540**	454
Prepayments and deposits for acquisition of land use rights		**38,748**	114,299
Interests in joint ventures	19	**35,075**	54,793
Deferred tax assets	20	**2,284**	3,613
Available-for-sale investments	21	**13,652**	8,267
Trade receivables-non-current	23	**43,782**	59,664
		566,631	576,396
Current assets			
Inventories	22	**44,407**	30,092
Bills and trade receivables	23	**552,301**	587,985
Prepayments, deposits and other receivables	24	**69,336**	113,919
Prepaid lease payments	16	**306**	298
Time deposits	25	**15,914**	3,016
Pledged bank deposits	25	**5,698**	46,845
Structured bank deposits	25	**38,919**	1,229
Bank balances and cash	25	**200,037**	275,119
		926,918	1,058,503
Current liabilities			
Bills, trade and other payables	26	**336,836**	293,513
Taxation payable		**2,795**	2,401
Bank borrowings	27	**153,754**	139,601
		493,385	435,515
Net current assets		**433,533**	622,988
Total assets less current liabilities		**1,000,164**	1,199,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Deferred tax liabilities	20	**21,358**	9,414
		978,806	1,189,970
Capital and reserves			
Share capital	28	**107,900**	107,900
Reserves		**794,661**	988,805
Attributable to owners of the Company		**902,561**	1,096,705
Non-controlling interests		**76,245**	93,265
Total equity		**978,806**	1,189,970

The consolidated financial statements on pages 50 to 135 were approved and authorised for issue by the board of directors on 29 March 2018 and are signed on its behalf by:

Mr. Sze Wai Pan
DIRECTOR

Ms. Sze Wan Nga
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Shares held under the share award scheme HK$'000 (Note c)	Contributed surplus HK$'000 (Note a)	Reserve funds HK$'000 (Note b)	Share-based compensation reserve HK$'000	Foreign currency translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	107,900	732,463	(26,584)	25,328	80,996	640	(36,613)	258,805	1,142,935	97,942	1,240,877
Profit for the year	–	–	–	–	–	–	–	43,138	43,138	1,286	44,424
Other comprehensive expense for the year	–	–	–	–	–	–	(70,141)	–	(70,141)	(7,055)	(77,196)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(70,141)	43,138	(27,003)	(5,769)	(32,772)
Acquisition of subsidiaries (note 31)	–	–	–	–	–	–	–	–	–	1,092	1,092
Dividend recognised as distribution (note 12)	–	–	–	–	–	–	–	(19,422)	(19,422)	–	(19,422)
Transfer from retained earnings	–	–	–	–	4,554	–	–	(4,554)	–	–	–
Equity settled share option arrangements (note 29)	–	–	–	–	–	195	–	–	195	–	195
At 31 December 2016 and 1 January 2017	107,900	732,463	(26,584)	25,328	85,550	835	(106,754)	277,967	1,096,705	93,265	1,189,970
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(265,004)**	**(265,004)**	**(23,078)**	**(288,082)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**70,705**	**–**	**70,705**	**6,058**	**76,763**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**70,705**	**(265,004)**	**(194,299)**	**(17,020)**	**(211,319)**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**3,593**	**–**	**–**	**(3,593)**	**–**	**–**	**–**
Transfer of share-based compensation reserve upon forfeiting of share options	**–**	**–**	**–**	**–**	**–**	**(400)**	**–**	**400**	**–**	**–**	**–**
Equity settled share option arrangements (note 29)	**–**	**–**	**–**	**–**	**–**	**155**	**–**	**–**	**155**	**–**	**155**
At 31 December 2017	**107,900**	**732,463**	**(26,584)**	**25,328**	**89,143**	**590**	**(36,049)**	**9,770**	**902,561**	**76,245**	**978,806**

Notes:

(a) The contributed surplus represents the difference between the Company's shares of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the reorganisation, details of which are set out under the section "History and Corporate Structure" to the Company's prospectus dated 14 June 2013.

(b) Pursuant to the relevant laws and regulations, a portion of the profits of the Company's subsidiaries which are established in the PRC has been transferred to reserve funds which are restricted to use.

(c) The amount represents payments by the Group to the trustee of the Share Award Scheme (as defined in note 30), net off with the vested portion to selected employees who have been awarded shares under the Share Award Scheme. Details of the Share Award Scheme is set out in note 30.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Operating activities		
(Loss) Profit before taxation	**(272,247)**	55,110
Adjustments for:		
Interest income	**(5,813)**	(8,048)
Finance costs	**6,107**	2,884
Share of losses of joint ventures	**31,331**	1,878
Depreciation	**50,871**	43,964
Amortisation of prepaid lease payments	**306**	298
Amortisation of other intangible assets	**144**	132
Loss on disposal of property, plant and equipment	**900**	1,051
Impairment losses recognised in respect of trade and other receivables	**157,902**	23,772
Impairment loss recognised in respect of goodwill	**7,819**	–
Impairment loss recognised in respect of property, plant and equipment	**100,458**	–
Changes in fair value of investment property	**(42,418)**	–
Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value	**–**	(12,766)
Share-based payment expense	**155**	195
Unrealised exchange differences	**4,250**	(4,750)
Operating cash flows before movements in working capital	**39,765**	103,720
(Increase) decrease in inventories	**(11,608)**	25,183
Increase in bills and trade receivables	**(60,792)**	(58,383)
Decrease (increase) in prepayments, deposits and other receivables	**50,130**	(39,816)
Increase (decrease) in bills, trade and other payables	**30,314**	(73,308)
Cash generated from (used in) operations	**47,809**	(42,604)
Interest paid	**(6,107)**	(2,884)
Income tax paid	**(2,491)**	(17,067)
Net cash from (used in) operating activities	**39,211**	(62,555)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000
Investing activities			
Interest received		**5,813**	8,048
Proceeds from disposal of property, plant and equipment		**570**	251
Purchase of property, plant and equipment		**(15,552)**	(41,917)
Purchase of available-for-sale investments		**(4,805)**	(8,267)
Purchase of investment property		**(86,592)**	–
Placement of pledged bank deposits		**(3,624)**	(14,365)
Withdrawal of pledged bank deposits		**44,771**	107,618
Placement of structured bank deposits		**(38,919)**	(1,229)
Withdrawal of structured bank deposits		**1,229**	2,030
Investments in joint ventures		**(16,576)**	–
Net cash outflow on acquisitions of subsidiaries	31	**–**	(25,775)
Purchase of other intangible assets		**(194)**	(303)
Placement of time deposits		**(15,914)**	–
Withdrawal of time deposits		**3,016**	82,011
Prepayment for acquisition of land use rights		**–**	(93,074)
Refund of prepayment for acquisition of land use rights		**–**	18,661
Net cash (used in) from investing activities		**(126,777)**	33,689
Financing activities			
Bank borrowings raised		**206,348**	157,821
Repayments of bank borrowings		**(195,055)**	(87,200)
Dividends paid		**–**	(19,422)
Net cash from financing activities		**11,293**	51,199
Net (decrease) increase in cash and cash equivalents		**(76,273)**	22,333
Cash and cash equivalents at the beginning of the year		**275,119**	251,880
Effects of exchange rate changes on the balance of cash held in foreign currencies		**1,191**	906
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**200,037**	275,119

1. GENERAL

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"). Details of its subsidiaries are set out in note 40.

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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to Hong Kong Accounting Standard ("HKAS") 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 38. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 38, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

Classification and measurement:

- Debt instruments classified as loan and receivables carried at amortised cost as disclosed in notes 23 and 24 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

- Structured bank deposits classified and measured at amortised cost as disclosed in note 25 will be classified as financial assets at fair value through profit or loss as those deposits have contractual right to cash flows that do not represent contractual cash flows that are solely payments of principal and interest on the principal outstanding;

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 21: these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of HKFRS 9, fair value gain of HK$449,000 relating to these available-for-sale investments would be adjusted to investments revaluation reserve as at 1 January 2018;

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

- In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

- Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be significantly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings at 1 January 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing/operating cash flows respectively by the Group.

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$6,004,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$487,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recognised in the period in which the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease and accounted for as property, plant and equipment.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Internally-generated intangible assets — research and development expenditure *(Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generated unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On disposal of a group entity that is not a foreign operation, the exchange differences accumulated in equity relating to the translation of assets and liabilities of that group entity into presentation currency of the Group are transferred to retained earnings.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Hong Kong's Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

The Company operates a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled share-based payments").

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimates of the number of options and awards that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustments to share-based compensation reserve.

For share options and awards that vest immediately at the date of grant, the fair value of the share options and awards granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained earnings.

Where the Company's employee share trust purchases shares from the market, the consideration paid, including any directly attributable incremental costs is presented as "shares held under the share award scheme" and presented as a deduction against equity attributable to the Company's equity holders.

When the awarded shares are transferred to the awardees upon vesting, the related cost of the awarded shares previously recognised in "shares held under the share award scheme", and the related employment costs of the awarded shares previously recognised in "share-based compensation reserve" are transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as financial assets at fair value through profit or loss.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss (FVTPL).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including bills and trade receivables, prepayments, deposits and other receivables, pledged bank deposits, time deposit, structured bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation, or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including bills, trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

Deferred taxation on investment property

For the purpose of measuring deferred tax liabilities arising from investment property that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in determining the Group's deferred taxation on investment property, the directors of the Company have determined that the presumption that the carrying amounts of investment property measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment property based on director's best estimate assuming future tax consequences through usage of such property for rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment property is subsequently disposed by the Group, rather than consumed substantially all of the economic benefits embodied in the investment property by leasing over time. In the event the investment property is being disposed, the Group may be liable to higher tax upon disposal considering the impact of enterprise income tax and land appreciation tax.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual value of property, plant and equipment, and impairment of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Useful lives and residual value of property, plant and equipment, and impairment of property, plant and equipment *(Continued)*

In assessing the impairment of property, plant and equipment, the Group is required to estimate the recoverable amount of those assets. The recoverable amount, which is determined by the higher of the value-in-use calculation and fair value less cost of disposal, requires the Group to estimate the future cash flows expected to arise from those tangible assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which result in downward revision of future cash flows, a material impairment loss/further impairment loss may arise.

At 31 December 2017, the carrying amount of property, plant and equipment amounted to approximately HK$196,904,000 (net of accumulated impairment loss of HK$104,269,000) ((2016: HK$309,856,000 (net of accumulated impairment loss of nil)), details of which are set out in note 14.

Impairment of trade receivables

The policy for impairment assessment for receivables of the Group is based on the evaluation of collectability and aging analysis of receivables and on the estimate made by the management. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. As at 31 December 2017, the carrying amount of trade receivables was HK$594,680,000 (net of allowance for bad and doubtful debts of HK$249,099,000) (2016: carrying amount of HK$647,426,000, net of allowance for bad and doubtful debts of HK$79,678,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of fair value less cost of disposal and the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill was HK$6,881,000 (net of accumulated impairment loss of HK$10,682,000) (2016: HK$14,700,000 (net of accumulated impairment loss of HK$2,863,000)), details of which are set out in note 15.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for inventories

The management reviews the aging analysis of inventories of the Group and makes provision for obsolete inventory items. The management estimates the net realisable value for such inventories primarily based on the latest invoice prices and current market conditions. A considerable amount of judgement is required in assessing the ultimate realisation of these inventories. If the market conditions were to change, resulting in a change of provision for obsolete items, the difference will be recorded in the period when it is identified. Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses. As at 31 December 2017, the carrying amount of inventories was HK$44,407,000 (net of allowance for inventories of nil) (2016: carrying amount of HK$30,092,000, net of allowance for inventories of nil).

Fair value of investment property

At the end of the reporting period, investment property is stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value of investment property, the Group uses valuation techniques that use inputs which are not based on observable market data including the capitalization rate, monthly market rent and the best use of the property. Please refer to note 17 for details of valuation techniques, inputs and assumptions used in estimating the fair value of investment property. The carrying amounts of investment properties at 31 December 2017 was HK$218,018,000.

5. REVENUE AND SEGMENT INFORMATION

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

	Maintenance services HK$'000	Sale of equipment HK$'000	Consolidated total HK$'000
For the year ended 31 December 2017			
Segment revenue:			
Sales to external customers	431,606	43,922	475,528
Intersegment sales	8,368	18,441	26,809
	439,974	62,363	502,337
Reconciliation			
Elimination of intersegment sales	(8,368)	(18,441)	(26,809)
Revenue	431,606	43,922	475,528
Segment results	(255,893)	(8,221)	(264,114)
Reconciliation:			
Interest income			5,813
Changes in fair value of investment property			42,418
Exchange losses			(2,932)
Finance costs			(6,107)
Unallocated corporate expenses			(15,994)
Share of losses of joint ventures			(31,331)
Loss before tax			(272,247)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	Maintenance services HK$'000	Sale of equipment HK$'000	Consolidated total HK$'000
For the year ended 31 December 2016			
Segment revenue:			
Sales to external customers	324,057	171,541	495,598
Intersegment sales	6,251	38,276	44,527
	330,308	209,817	540,125
Reconciliation			
Elimination of intersegment sales	(6,251)	(38,276)	(44,527)
Revenue	324,057	171,541	495,598
Segment results	6,367	51,836	58,203
Reconciliation:			
Interest income			8,048
Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value			12,766
Exchange losses			(2,797)
Finance costs			(2,884)
Unallocated corporate expenses			(16,348)
Share of losses of joint ventures			(1,878)
Profit before tax			55,110

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 described in note 3. Segment results represent the profit earned by each segment without allocation of head office and corporate expenses, fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value, 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

	Maintenance services HK$'000	Sale of equipment HK$'000	Consolidated total HK$'000
As at 31 December 2017			
Segment assets	**742,931**	**328,751**	**1,071,682**
Elimination of intersegment receivables			**(154,226)**
Investments in joint ventures			**35,075**
Investment property			**218,018**
Other unallocated assets			**323,000**
Total assets			**1,493,549**
Segment liabilities	**429,633**	**61,366**	**490,999**
Elimination of intersegment payables			**(154,226)**
Other unallocated liabilities			**177,970**
Total liabilities			**514,743**
As at 31 December 2016			
Segment assets	1,003,503	302,173	1,305,676
Elimination of intersegment receivables			(228,362)
Investments in joint ventures			54,793
Other unallocated assets			502,792
Total assets			1,634,899
Segment liabilities	371,980	149,665	521,645
Elimination of intersegment payables			(228,362)
Other unallocated liabilities			151,646
Total liabilities			444,929

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 2017			
Impairment losses recognised in respect of trade and other receivables	**156,843**	**1,059**	**157,902**
Impairment losses on property, plant and equipment	**100,458**	**–**	**100,458**
Depreciation and amortisation	**49,021**	**2,300**	**51,321**
Capital expenditure (Note)	**19,744**	**1,582**	**21,326**
For the year ended 31 December 2016			
Impairment losses recognised in respect of trade and other receivables	15,055	8,717	23,772
Depreciation and amortisation	41,422	2,972	44,394
Capital expenditure (Note)	46,905	129	47,034

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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major products and services

	2017 HK$'000	2016 HK$'000
Maintenance services — "Hot-in-Place" Projects	**267,734**	209,787
Maintenance services — Non-"Hot-in-Place" Projects	**163,872**	114,270
Sale of equipment — Standard series	**40,869**	63,678
Sale of equipment — Modular series	**–**	102,624
Sale of equipment — Repair and maintenance	**3,053**	5,239
	475,528	495,598

During the year ended 31 December 2017, revenue from a related company, accounted for 10% or more of the Group's revenue and its revenue amounted to HK$127,791,000 (2016: HK$98,528,000). 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

	2017 HK$'000	2016 HK$'000
Government grants (Note)	**2,993**	347
Interest income	**5,813**	8,048
Others	**565**	2,160
	9,371	10,555

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

	2017 HK$'000	2016 HK$'000
Loss on disposal of property, plant and equipment	**(900)**	(1,051)
Impairment loss recognised in respect of goodwill	**(7,819)**	–
Impairment of trade receivables	**(157,510)**	(22,833)
Impairment of other receivables	**(392)**	(939)
Impairment loss on property, plant and equipment	**(100,458)**	–
Fair value gain from remeasurement of equity interest previously held in acquired subsidiaries to fair value	**–**	12,766
Net foreign exchange losses	**(2,932)**	(2,797)
	(270,011)	(14,854)

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on:		
— Bank borrowings wholly repayable within five years	**6,107**	2,884
Less: amounts capitalised	**–**	–
	6,107	2,884

9. (LOSS) PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
(Loss) Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 10)	**6,195**	5,356
Other staff costs	**61,278**	54,561
Other staff retirement benefit scheme contributions	**9,623**	8,696
Share-based payment expense for other staff	**122**	159
Total staff costs	**77,218**	68,772
Amortisation of prepaid lease payments	**306**	298
Amortisation of other intangible assets	**144**	132
Auditor's remuneration	**1,530**	1,580
Cost of inventories sold	**23,678**	61,848
Cost of services provided	**338,311**	254,480
Depreciation	**50,871**	43,964

Share-based payment expense of approximately HK$155,000 (2016: HK$195,000) was recognised in profit or loss during the year ended 31 December 2017 in respect of share options and awards of the Company. Details of transactions are set out in note 29 and note 30.

10. DIRECTORS'/CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the directors for the year ended 31 December 2017 were as follows:

	2017						2016					
	Fees	Salaries and other benefits	Performance related bonuses (Note b)	Share-based payment expenses	Contributions to retirement benefit schemes	Total	Fees	Salaries and other benefits	Performance related bonuses (Note b)	Share-based payment expenses	Contributions to retirement benefit schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors												
Sze Wai Pan	–	2,080	100	–	18	2,198	–	1,664	236	–	18	1,918
Sze Wan Nga	–	1,170	40	7	18	1,235	–	952	64	8	18	1,042
Zhang Yifu	–	854	20	7	18	899	–	773	8	8	18	807
Chan Kai King	–	1,006	20	7	18	1,051	–	868	50	8	18	944
Non-executive directors												
Wang Lei	–	–	–	–	–	–	–	–	–	–	–	–
Yeung Chin Chiu (Note a)	–	–	–	–	–	–	–	–	–	–	–	–
Chan Yan Chong (Note a)	200	–	–	–	–	200	33	–	–	–	–	33
Independent non-executive directors												
Yeung Sum	200	–	–	4	–	204	200	–	–	4	–	204
Tang Koon Yiu, Thomas	200	–	–	4	–	204	200	–	–	4	–	204
Lau Ching Kwong	200	–	–	4	–	204	200	–	–	4	–	204
	800	5,110	180	33	72	6,195	633	4,257	358	36	72	5,356

Note:

a. On 31 October 2016, Mr. Yeung Chin Chiu resigned as a non-executive director and Dr. Chan Yan Chong was appointed as a non-executive director.

b. Performance related bonuses are determined with reference to the performance of the individual directors.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

10. DIRECTORS'/CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals included four (2016: four) directors of the Company, details of whose emoluments are set out above. The emolument of the remaining one (2016: one) highest paid individual during the year is as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries and allowances	**896**	812
Performance related bonuses	**20**	23
Retirement benefits scheme contributions	**18**	18
Share-based payment expense	**7**	8
	941	861

Its emolument is within the following band:

	Number of employee	
	2017	2016
HK$Nil to HK$1,000,000	**1**	1

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

11. TAXATION

The charge comprises:

	2017 HK$'000	2016 HK$'000
PRC Enterprise Income Tax ("EIT"):		
— Current year	**1,379**	7,472
— Under provision in prior years	**1,506**	740
	2,885	8,212
Deferred tax charge (note 20)	**12,950**	2,474
	15,835	10,686

No provision for Hong Kong profits tax has been made for the years ended 31 December 2017 and 2016 as the Group did not generate any assessable profits arising in Hong Kong or had available tax losses brought forward from prior years to offset the assessable profits generated during both years.

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

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

南京英達公路養護車製造有限公司 Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation ("Nanjing Freetech Vehicle Manufacturing") was recognised as a High-Tech company in 2009, 2012 and 2015 respectively and the applicable tax rate is 15% from 1 January 2009 to 3 November 2018.

Withholding tax of approximately HK$221,000 (2016: HK$814,000) has been provided for the year ended 31 December 2017 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

11. TAXATION *(Continued)*

The taxation charge for the year can be reconciled to the (loss) profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2017		2016	
	HK$'000	**%**	HK$'000	%
(Loss) Profit before taxation	**(272,247)**		55,110	
Tax at the applicable income tax rate of 25% (2016: 25%) (Note)	**(68,061)**	**25.0**	13,777	25.0
Tax effect of expenses not deductible for tax purposes	**1,310**	**(0.5)**	5,323	9.7
Tax effect of tax losses not recognised	**15,704**	**(5.8)**	8,277	15.0
Tax effect of income not taxable for tax purpose	**(3,721)**	**1.4**	(12,517)	(22.7)
Tax effect of share of losses of joint ventures	**7,833**	**(2.9)**	469	0.9
Tax effect of deductible temporary differences not recognised	**64,562**	**(23.7)**	5,506	10.0
Utilisation of tax losses and deductible temporary differences previously not recognised	**(1,546)**	**0.6**	(2,847)	(5.2)
Income tax at concessionary rates	**(194)**	**0.1**	(7,432)	(13.5)
Under provision in prior years	**1,506**	**(0.6)**	740	1.3
Tax effect of additional deduction related to research and development costs and certain staff costs	**(1,779)**	**0.7**	(1,424)	(2.6)
Withholding tax on undistributed profits of PRC subsidiaries	**221**	**(0.1)**	814	1.5
Taxation charge and effective tax rate for the year	**15,835**	**(5.8)**	10,686	19.4

Note: The domestic income tax rate of 25 % (2016: 25%) represents the PRC Enterprise Income Tax rate of which the Group's operations are substantially based on.

12. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends recognised as distribution:		
2016 final dividend of nil (2015: final dividend of HK1.8 cents) per ordinary share	–	19,422

No final dividend is proposed by the directors for the years ended 31 December 2017 and 31 December 2016.

13. (LOSS) EARNINGS PER SHARE

	2017 HK$'000	2016 HK$'000
(Loss) Earnings:		
(Loss) Earnings for the purposes of calculating basic and diluted (loss) earnings per share — attributable to owners of the Company	**(265,004)**	43,138
Number of shares:		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic (loss) earnings per share	**1,061,630,000**	1,061,630,000
Effect of dilutive potential ordinary shares:		
Unvested share award	–	17,370,000
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**1,061,630,000**	1,079,000,000

The computation of diluted earnings per share for the year ended 31 December 2016 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price during the year.

The computation of diluted loss per share for the year ended 31 December 2017 did not assume the exercise of the Company's outstanding share options and the share awards as that would decrease the loss per share for the year presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2016	27,217	282,071	44,366	9,072	2,116	53,861	418,703
Acquisition of subsidiaries (note 31)	–	36,464	–	–	–	–	36,464
Transfers	56,370	–	–	–	–	(56,370)	–
Additions	4,949	32,472	362	367	–	3,767	41,917
Disposal/write-off	–	(4,521)	(493)	(25)	–	–	(5,039)
Effect of foreign currency exchange differences	(4,344)	(25,883)	(3,189)	(646)	(414)	(1,258)	(35,734)
At 31 December 2016	**84,192**	**320,603**	**41,046**	**8,768**	**1,702**	**–**	**456,311**
Additions	**5,758**	**14,119**	**987**	**268**	**–**	**–**	**21,132**
Disposal/write-off	**–**	**(3,082)**	**(394)**	**(10)**	**–**	**–**	**(3,486)**
Effect of foreign currency exchange differences	**6,557**	**33,604**	**3,498**	**721**	**211**	**–**	**44,591**
At 31 December 2017	**96,507**	**365,244**	**45,137**	**9,747**	**1,913**	**–**	**518,548**
DEPRECIATION							
At 1 January 2016	10,963	83,177	23,397	4,893	262	–	122,692
Provided for the year	2,689	31,884	7,098	1,712	581	–	43,964
Disposal/write-off	–	(3,273)	(448)	(16)	–	–	(3,737)
Effect of foreign currency exchange differences	(821)	(12,720)	(2,155)	(448)	(320)	–	(16,464)
At 31 December 2016	**12,831**	**99,068**	**27,892**	**6,141**	**523**	**–**	**146,455**
Provided for the year	**4,217**	**39,642**	**5,406**	**1,029**	**577**	**–**	**50,871**
Disposal/write-off	**–**	**(1,689)**	**(319)**	**(8)**	**–**	**–**	**(2,016)**
Effect of foreign currency exchange differences	**1,126**	**17,534**	**2,697**	**564**	**144**	**–**	**22,065**
At 31 December 2017	**18,174**	**154,555**	**35,676**	**7,726**	**1,244**	**–**	**217,375**
IMPAIRMENT							
At 1 January 2017	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Provided for the year	**–**	**100,458**	**–**	**–**	**–**	**–**	**100,458**
Effect of foreign currency exchange differences	**–**	**3,811**	**–**	**–**	**–**	**–**	**3,811**
At 31 December 2017	**–**	**104,269**	**–**	**–**	**–**	**–**	**104,269**
CARRYING VALUES							
At 31 December 2017	**78,333**	**106,420**	**9,461**	**2,021**	**669**	**–**	**196,904**
At 31 December 2016	71,361	221,535	13,154	2,627	1,179	–	309,856

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The estimated useful lives of each category of property, plant and equipment are as follows:

Buildings	20 years, which is the shorter of the lease term of land and estimated useful lives of the building
Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years
Leasehold improvements	5 years

During the year, in light of significant loss incurred by maintenance service segment and adverse change of market conditions due to the tightened cash flow occurred at the local government level in the PRC, the directors of the Company conducted a review of the Group's plant and machineries and determined that certain assets were impaired, due to the plan of suspension of operations of certain subsidiaries. Accordingly, impairment losses of approximately HK$100,458,000 had been recognised in respect of such machineries, which are used by those subsidiaries. The recoverable amounts of the relevant assets had been determined on the basis of fair values less costs of disposal.

15. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost		
At beginning of the year	**17,563**	13,370
Additional amounts recognised from business combinations (note 31)	**–**	4,193
At the end of the year	**17,563**	17,563
Impairment		
At beginning of the year	**2,863**	2,863
Impairment losses recognised in the year	**7,819**	–
At the end of the year	**10,682**	2,863
Carrying amount		
At the end of the year	**6,881**	14,700

On 21 June 2012, the Group acquired 2% equity interest in 內蒙古英達東方道路再生工程有限公司 Inner Mongolia Freetech Dongfang Road Recycling Engineering Co., Ltd. ("Freetech Ordos"), which was previously a 51% owned joint venture of the Group, from an independent third party at a cash consideration of approximately HK$1,481,000 (equivalent to approximately RMB1,200,000), resulting in a goodwill of HK$731,000. The equity interests held by the Group in Freetech Ordos increased from 51% to 53% upon the completion of this acquisition.

15. GOODWILL *(Continued)*

On 25 August 2014, the Group acquired 4% equity interest in 湖南英達通衢道路再生工程有限公司 Hunan Freetech Tongqu Road Recycling Engineering Co., Ltd. ("Hunan Freetech Tongqu"), which was previously a 55% owned joint venture of the Group, from an independent third party at a cash consideration of approximately HK$2,125,000 (equivalent to approximately RMB1,680,000), resulting in a goodwill of HK$115,000. The equity interests held by the Group in Hunan Freetech Tongqu increased from 55% to 59% upon the completion of this acquisition. During the current year, this goodwill with the amount of HK$115,000 was impaired.

On 3 November 2014, the Group acquired 40% equity interest in 新疆建達道路工程有限公司 Xinjiang Jianda Road Engineering Co., Ltd. ("Xinjiang Jianda"), which was previously a 49% owned associate of the Group, from an independent third party at a cash consideration of approximately HK$5,074,000 (equivalent to approximately RMB4,000,000), resulting in a goodwill of HK$1,198,000. The equity interests held by the Group in Xinjiang Jianda increased from 49% to 89% upon the completion of this acquisition. During the current year, this goodwill with the amount of HK$1,198,000 was impaired.

On 31 August 2015, the Group acquired 55% equity interest in 天津市高速公路養護有限公司 Tianjin Expressway Maintenance Company Limited. ("Tianjin Expressway Maintenance"), which was previously owned by a third party 天津高速公路集團有限公司 Tianjin Expressway Group Company Limited ("Tianjin Expressway Group"), at a cash consideration of approximately HK$58,503,000 (equivalent to approximately RMB46,802,400), resulting in a goodwill of HK$6,150,000.

On 22 December 2015, the Group acquired 25% equity interest in 福達道路再生工程有限公司 Futech Road Recycling Engineering Limited ("Futech Road Recycling"), which was previously a 50% owned joint venture of the Group, from an independent third party at a cash consideration of approximately HK$13,388,000, resulting in a goodwill of HK$2,313,000. The equity interests held by the Group in Futech Road Recycling increased from 50% to 75% upon the completion of this acquisition. During the current year, this goodwill with the amount of HK$2,313,000 was impaired.

On 30 December 2016, the Group subscribed additional capital of approximately HK$14,165,000 in 廣東穗通道路再生工程有限公司 Guangdong Suitong Road Recycling Engineering Co., Ltd. ("Guangdong Suitong"), which was previously a 51% owned joint venture of the Group, resulting in a goodwill of HK$4,146,000 as disclosed in note 31. The equity interests held by the Group in Guangdong Suitong increased from 51% to 94.19% upon the completion of this subscription. During the current year, this goodwill with the amount of HK$4,146,000 was impaired.

15. GOODWILL *(Continued)*

On 27 December 2016, the Group acquired 65 % equity interest in 福州速達道路養護工程有限公司 Fuzhou Suda Road Maintenance Engineering Co., Ltd. ("Fuzhou Suda"), which was previously a 35% owned joint venture of the Group, from an independent third party at a cash consideration of approximately HK$12,009,000, resulting in a goodwill of HK$47,000 as disclosed in note 31. The equity interests held by the Group in Fuzhou Suda increased from 35% to 100% upon the completion of this acquisition. During the current year, this goodwill with the amount of HK$47,000 was impaired.

	2017 **HK$'000**	2016 HK$'000
Freetech Ordos	**731**	731
Hunan Freetech Tongqu	**–**	115
Xinjiang Jianda	**–**	1,198
Tianjin Expressway Maintenance	**6,150**	6,150
Futech Road Recycling	**–**	2,313
Guangdong Suitong	**–**	4,146
Fuzhou Suda	**–**	47
At the end of the year	**6,881**	14,700

For the purposes of impairment testing, the seven subsidiaries (2016: seven subsidiaries) are considered as seven cash-generating units ("CGUs") (2016: seven CGUs) as they can generate cash flows that are largely independent of the cash inflows from other assets or groups of assets.

During the year ended 31 December 2017, the Group recognised an impairment loss of HK$7,819,000 (2016: nil) in relation to goodwill of Hunan Freetech Tongqu, Xinjiang Jianda, Futech Road Recycling, Guangdong Suitong and Fuzhou Suda. There is no impairment in relation to the goodwill of other subsidiaries.

The basis of the estimation of the recoverable amount of the above CGUs and the major underlying assumptions are summarised below:

The recoverable amount has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and discount rates are ranging from 13% to 15% (2016: 13% to 15%). The CGUs' cash flows beyond the 5-year period are extrapolated using a steady growth rate of 1% (2016: 1%). The growth rate used is based on the management's best estimation on growth forecasts and does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin.

16. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Non-current	**10,747**	10,750
Current	**306**	298
	11,053	11,048

17. INVESTMENT PROPERTY

	Investment properties under construction HK$'000
Fair value	
At 1 January 2016 and 31 December 2016	–
Additions	167,632
Effect of foreign currency exchange differences	7,968
Net increase in fair value recognised in profit or loss	42,418
At 31 December 2017	218,018

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment property as at 31 December 2017 had been arrived at on the basis of a valuation carried out by Messrs Jiangsu Tianqin Assets Appraisal Co., Ltd (江蘇天勤資產評估事務所有限公司), independent qualified professional valuers not connected to the Group.

In determining the fair value of the relevant properties, the Group has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

17. INVESTMENT PROPERTY *(Continued)*

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Properties under development located in Jiangxinzhou, Nanjing, PRC	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.66% .	An increase in the capitalisation rate used would result in a decrease in fair value, and vice versa.
		Monthly market rent, using direct market comparables and taking into account of time, location, and individual factors, such as frontage and size of the property, of RMB 86 per square metre ("sqm") per month for the base level.	An increase in the market rent used would result in an increase in fair value, and vice versa.

Details of the Group's investment property and information about the fair value hierarchy as at the end of the reporting period are as follows:

2017

	Level 3 and Fair value as at 31 December 2017 HK$'000
Properties under development located in Nanjing, the PRC	**218,018**

There were no transfers into or out of Level 3 during the year.

18. OTHER INTANGIBLE ASSETS

	Software HK$'000
COST	
At 1 January 2016	1,161
Additions	303
Effect of foreign currency exchange differences	(88)
At 31 December 2016	1,376
Additions	194
Effect of foreign currency exchange differences	111
At 31 December 2017	1,681
AMORTISATION	
At 1 January 2016	850
Charge for the year	132
Effect of foreign currency exchange differences	(60)
At 31 December 2016	922
Charge for the year	144
Effect of foreign currency exchange differences	75
At 31 December 2017	1,141
CARRYING VALUES	
At 31 December 2017	540
At 31 December 2016	454

The above intangible assets have finite useful lives and are amortised on a straight-line basis over the following period:

Software	5 years

19. INTERESTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Cost of unlisted investments in joint ventures	**106,961**	90,385
Share of post-acquisition profits and other comprehensive income, net of dividend received	**(55,350)**	(14,913)
Unrealised profit of sales to joint ventures	**(16,536)**	(20,679)
	35,075	54,793

At 31 December 2017 and 2016, when the unrealised profit of sales to a joint venture exceeds the Group's share of the net assets of the joint venture, a negative balance of the interest in that joint venture will result. Such negative balance of interest in a joint venture is not net off with other interests in joint ventures and is reclassified and included under the line item bills, trade and other payables in the consolidated statement of financial position, details of which are set out in note 26.

As at 31 December 2017 and 2016, the Group had interests in the following joint ventures:

Name of entity	Form of business structure	Place/Country of establishment/ incorporation, principal place of operation	Proportion of nominal value of registered capital held by the Group		Proportion of voting rights held by the Group		Principal activity
			2017	2016	2017	2016	
南京路捷道路養護工程有限公司 Nanjing Lujie Road Maintenance Engineering Co., Ltd. ("Nanjing Lujie")	PRC equity joint venture	PRC	**45%**	45%	**45% (Note 1)**	45%	Provision of road maintenance services
連雲港路達道路再生工程有限公司 Lianyungang Luda Road Recycling Engineering Co., Ltd. ("Lianyungang Luda")	PRC equity joint venture	PRC	**35%**	35%	**35% (Note 1)**	35%	Provision of road maintenance services
財匯有限公司 Flourish Rich Limited	Limited liability company	Hong Kong	**45%**	45%	**50% (Note 2)**	50%	Investment holding
南京金財匯融資租賃有限公司 Nanjing Golden Rich Financial Leasing Limited	PRC equity joint venture	PRC	**45%**	45%	**50% (Note 2)**	50%	Provision of leasing services
貴州英達道路工程有限公司 Guizhou Freetech Road Engineering Co., Ltd. ("Guizhou Freetech")	PRC equity joint venture	PRC	**49%**	49%	**49% (Note 1)**	49%	Provision of road maintenance services

19. INTERESTS IN JOINT VENTURES *(Continued)*

Notes:

1. Under the joint venture agreements, Nanjing Lujie, Lianyungang Luda and Guizhou Freetech are jointly controlled by the Group and other parties because the financial and operating decisions related to those entities require the unanimous consent of the Group and the other parties sharing the control. Therefore, Nanjing Lujie, Lianyungang Luda and Guizhou Freetech are classified as joint ventures of the Group.

2. The voting power is determined with reference to the number of directors representing the Group in the respective board of directors of the joint venture. The joint venture partners have an equal number of seats on the board of directors.

Summarised financial information of a material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Nanjing Lujie

	2017 **HK$'000**	2016 HK$'000
Current assets	**68,405**	70,639
Non-current assets	**30,240**	33,945
Current liabilities	**45,663**	35,993
The above amounts of assets and liabilities included the following:		
Cash and cash equivalent	**2,247**	1,044
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Revenue	**48,067**	44,405
(Loss) profit for the year	**(20,014)**	1,455
Other comprehensive income (expense) for the year	**4,405**	(4,699)
Total comprehensive expense for the year	**(15,609)**	(3,244)
Dividends received from Nanjing Lujie during the year	**–**	–

19. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information of a material joint venture *(Continued)*

Nanjing Lujie *(Continued)*

The above (loss) profit for the year included the following:

	2017 HK$'000	2016 HK$'000
Depreciation and amortisation	7,249	6,170
Interest income	6	24
Interest expense	270	450
Income tax expense	–	431

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Nanjing Lujie is recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of Nanjing Lujie	52,982	68,591
Proportion of the Group's ownership interest in Nanjing Lujie	45%	45%
Unrealised profit of sales to the joint venture	(5,303)	(5,887)
Carrying amount of the Group's interest in Nanjing Lujie	18,798	25,238

Aggregate information of joint ventures that are not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of loss and total comprehensive expense	(33,412)	(7,524)
Aggregate carrying amount of the Group's interest in the joint ventures	16,277	29,555

20. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Withholding tax HK$'000	Unrealised profits from transactions with joint ventures HK$'000	Fair value adjustment on investment property HK$'000	Total HK$'000
At 1 January 2016	(12,860)	5,788	–	(7,072)
Charge to profit or loss	(814)	(1,660)	–	(2,474)
Reversal to profit or loss on payment of withholding tax	3,546	–	–	3,546
Effect of foreign currency exchange differences	714	(515)	–	199
At 31 December 2016 and 1 January 2017	(9,414)	3,613	–	(5,801)
Charge to profit or loss	(221)	(2,124)	(10,605)	(12,950)
Effect of foreign currency exchange differences	(716)	795	(402)	(323)
At 31 December 2017	(10,351)	2,284	(11,007)	(19,074)

The following is the analysis of the deferred tax balance for financial reporting purposes.

	2017 HK$'000	2016 HK$'000
Deferred tax assets	**2,284**	3,613
Deferred tax liabilities	**(21,358)**	(9,414)
	(19,074)	(5,801)

At 31 December 2017, the Group had not recognised deductible temporary difference in respect of certain assets in aggregate of approximately HK$354,870,000 (2016: HK$80,802,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At 31 December 2017, the Group had tax losses arising in Hong Kong of approximately HK$70,800,000 (2016: HK$48,332,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arise. The Group also had tax losses arising in Mainland of China of approximately HK$101,562,000 (2016: HK$67,398,000) that will expire at various dates up to and including 2022 (2016: 2021) for offsetting against future taxable profits. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams.

20. DEFERRED TAXATION *(Continued)*

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$318 million (2016: HK$312 million) as the Group is able to control the timing of the reversal of the temporary differences and the Group has determined that this portion of profits derived from these PRC operating subsidiaries will be retained by these subsidiaries and will not be distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse in the foreseeable future.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
Unlisted equity investments in the PRC, at cost	**13,652**	8,267

At 31 December 2017 and 31 December 2016, the unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. As the Group has no control, joint control nor significant influence in these private entities, the investments were presented as available-for-sale investments carried at cost in the consolidated statement of financial position at 31 December 2017 and 31 December 2016. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

22. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Raw materials	**17,426**	13,990
Work-in-progress	**19,819**	15,425
Finished goods	**7,162**	677
	44,407	30,092

23. BILLS AND TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**843,779**	727,104
Less: Allowance for bad and doubtful debts	**(249,099)**	(79,678)
	594,680	647,426
Portion classified as non-current assets	**(43,782)**	(59,664)
Current portion	**550,898**	587,762
Bills receivables	**1,403**	223
	552,301	587,985

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

	2017 HK$'000	2016 HK$'000
0 to 180 days	**1,403**	223

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 the 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:

	2017 HK$'000	2016 HK$'000
Within 3 months	**209,075**	308,143
3 to 12 months	**121,458**	100,881
1 to 2 years	**195,370**	127,717
Over 2 years	**68,777**	110,685
	594,680	647,426

23. BILLS AND TRADE RECEIVABLES *(Continued)*

At 31 December 2017, included in the trade receivables are amounts due from the Group's related companies of HK$160,657,000 (2016: HK$134,214,000), which are repayable on credit terms similar to those offered to the major customers of the Group, details of which are set out in note 39.

At 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$266,013,000 (2016: HK$249,993,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

The following is an aging analysis of trade receivables which were past due but not impaired:

	2017 HK$'000	2016 HK$'000
Less than 1 month past due	**44,786**	44,403
1 to 3 months past due	**3,927**	47,671
More than 3 months but less than 12 months past due	**103,343**	57,814
Over 1 year past due	**113,957**	100,105
	266,013	249,993

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the allowance for doubtful debts — trade receivables

	2017 HK$'000	2016 HK$'000
1 January	**79,678**	63,416
Allowance for bad and doubtful debts	**160,081**	34,138
Reverse for bad and doubtful debts	**(2,571)**	(11,305)
Amounts written off as uncollectible	**(2)**	(1,580)
Effect of foreign currency differences	**11,913**	(4,991)
31 December	**249,099**	79,678

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregated balance of HK$249,099,000 (2016: HK$79,678,000), which have been in severe financial difficulties in repaying their outstanding balances due to the tightened cash flow occurred at the local government level in the PRC. In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables from the date credit which was initially granted up to the reporting date. Based on the historical experience of the Group, the directors believe that no further allowance is required.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Other receivables	**23,990**	35,395
Less: Allowance for bad and doubtful debts	**(1,502)**	(1,124)
	22,488	34,271
Prepayments and deposits	**46,687**	78,893
Tax recoverable	**161**	755
	69,336	113,919

At 31 December 2017, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of HK$2,147,000 (2016: HK$20,422,000), which are unsecured, interest-free and have no fixed terms of repayment, details of which are set out in note 39.

Movement in the allowance for doubtful debts — other receivables

	2017 HK$'000	2016 HK$'000
1 January	**1,124**	442
Allowance for bad and doubtful debts	**392**	939
Amounts written off as uncollectible	**(108)**	(197)
Effect of foreign currency differences	**94**	(60)
31 December	**1,502**	1,124

25. TIME DEPOSITS/PLEDGED BANK DEPOSITS/STRUCTURED BANK DEPOSITS/BANK BALANCES AND CASH

Time deposits at 31 December 2017 represented bank deposits placed in banks in Hong Kong and the PRC. The interest rate was from 0.01% to 3.75% (2016: 1.2%) per annum in 2017.

Pledged bank deposits represented bank deposits pledged to banks to secure short-term banking facilities granted to the Group. The pledged deposits at 31 December 2017 carried an interest rate from 0.35% to 1.5% (2016: 0.35% to 6%) per annum.

Structured bank deposits represent foreign currency or interest rate linked structured bank deposits ("SBDs") placed by the Group to a number of banks. Pursuant to the relevant underlying agreements, the SBDs carry interest at a variable rate per annum with reference to the performance of foreign currency or interest rate during the investment period and the principal sums are denominated in RMB. The SBDs are designated at FVTPL on initial recognition as they contain non-closely related embedded derivatives. The directors of the Group considers the fair values of the SBDs, which are based on the prices provided by the counterparty banks representing the prices they would pay to redeem the deposits at 31 December 2017, approximate to their carrying values on the same day.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for various periods ranging from 1 to 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The interest rate for short-term bank deposits during the year ended 31 December 2017 was approximately from 0.75% to 1.16% (2016: 1.1% to 1.35%) per annum.

At 31 December 2017, certain time deposit, bank balances and cash, pledged bank deposits and structured bank deposits of approximately HK$234,311,000 (2016: HK$313,862,000) are denominated in RMB which is not a freely convertible currency in the international market. The remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

26. BILLS, TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Bills payable	**17,766**	5,641
Trade payables	**243,193**	158,950
Other tax payables	**28,496**	37,312
Advance from customers, other payables and accrued charges	**47,381**	91,610
	336,836	293,513

At 31 December 2017, included in the Group's trade payables are amounts due to related parties of approximately HK$678,000 (2016:HK$6,996,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers, details of which are set out in note 39.

26. BILLS, TRADE AND OTHER PAYABLES *(Continued)*

At 31 December 2017, included in the Group's advance from customers, other payables and accrued charges is an amount due to a related party of approximately HK$770,000 (2016: HK$33,733,000) which is unsecured, interest-free and has no fixed terms of repayment, details of which are set out in note 39.

At 31 December 2017, included in the Group's advance from customers, other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK$27,910,000 (2016: HK$26,056,000) which is unsecured, interest-free and has no fixed terms of repayment.

At 31 December 2016, included in the Group's advance from customers, other payables and accrued charges is an amount of HK$7,486,000, which represents the excess balance of the unrealised profits of sales to joint ventures over the share of their net assets. There was no such balance as at 31 December 2017.

The following is an aged analysis of bills payable at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
0 to 180 days	**17,766**	5,641

The Group normally receives credit terms of 30 days to 180 days (2016: 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:

	2017 **HK$'000**	2016 HK$'000
Within 3 months	**147,634**	85,588
3 to 12 months	**36,083**	32,652
1 to 2 years	**41,841**	19,375
Over 2 years	**17,635**	21,335
	243,193	158,950

27. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured	–	85,980
Unsecured	153,754	53,621
	153,754	139,601
Carrying amounts repayable:		
Within one year or on demand	153,754	139,601

At 31 December 2017, the Group's bank borrowings denominated in RMB amounted to HK$153,754,000 (equivalent to RMB 128,000,000) (2016: HK$109,476,000 (equivalent to RMB 98,000,000)). The RMB denominated bank loan carries interest from 4.35% to 5.22% (2016: 4.35%).

At 31 December 2016, the Group's bank borrowings denominated in HK$ and US$ amounted to HK$3,000,000 and HK$27,125,000 (equivalent to US$3,500,000)). HK$ denominated bank loan carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.85% per annum and the US$ denominated bank loan carries interest at London Interbank Offered Rate ("LIBOR") plus 1.85% per annum. There were no bank borrowings denominated in HK$ and US$ at 31 December 2017.

At 31 December 2017, included in the Group's bank borrowings repayable within one year or on demand were secured bank loans of HK$ nil (2016: HK$85,980,000) and an unsecured bank loan of HK$153,754,000 (2016: HK$53,621,000) which are all with on-demand clauses.

Details of assets pledged by the Group at the end of the reporting period are set out in note 34.

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016 and 31 December 2017	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 31 December 2016 and 31 December 2017	1,079,000,000	107,900

29. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of motivating eligible persons to optimise their future performance and efficiency to the Group and/or rewarding them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, enabling the Group to attract and retain individuals with experience and ability and/or rewarding them for their past contributions. Eligible persons of the Scheme include (i) the Company's directors, including independent non-executive directors, (ii) other employees of the Group, (iii) direct and indirect shareholders of the Group, (iv) suppliers of goods or services to the Group, (v) customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of the Group, (vi) persons or entities that provide design, research, development or other support or any advisory, consultancy, professional or other services to the Group; and (vii) associates of the persons identified in (i), (ii) and (iii) above. The Scheme became effective on 7 June 2013 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible person in the Scheme within any twelve-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within twenty eight days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company and ends on a date which is not later than ten years from the date of offer of share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheet on the offer date; and (iii) the average closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

29. SHARE OPTION SCHEMES *(Continued)*

All holders of options granted under the Scheme may only exercise their options in the following manner:

Maximum percentage of options exercisable	Vesting period
50% of the options	Upon the first anniversary of the date of grant
Additional 50% of the options	Upon the third anniversary of the date of grant

No share option had been granted during the year ended 31 December 2017 and 2016. The share options outstanding under the Scheme during the years ended 31 December 2017 and 2016 are as follows:

Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2017	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2017
Directors								
Sze Wan Nga	16.10.2014	16.10.2015–15.10.2017	HK$2.50	100,000	–	–	(100,000)	–
Sze Wan Nga	16.10.2014	16.10.2017–15.10.2019	HK$2.75	100,000	–	–	–	100,000
Chan Kai King	16.10.2014	16.10.2015–15.10.2017	HK$2.50	100,000	–	–	(100,000)	–
Chan Kai King	16.10.2014	16.10.2017–15.10.2019	HK$2.75	100,000	–	–	–	100,000
Zhang Yi Fu	16.10.2014	16.10.2015–15.10.2017	HK$2.50	100,000	–	–	(100,000)	–
Zhang Yi Fu	16.10.2014	16.10.2017–15.10.2019	HK$2.75	100,000	–	–	–	100,000
Yeung Sum	16.10.2014	16.10.2015–15.10.2017	HK$2.50	50,000	–	–	(50,000)	–
Yeung Sum	16.10.2014	16.10.2017–15.10.2019	HK$2.75	50,000	–	–	–	50,000
Tang Koon Yiu Thomas	16.10.2014	16.10.2015–15.10.2017	HK$2.50	50,000	–	–	(50,000)	–
Tang Koon Yiu Thomas	16.10.2014	16.10.2017–15.10.2019	HK$2.75	50,000	–	–	–	50,000
Lau Ching Kwong	16.10.2014	16.10.2015–15.10.2017	HK$2.50	50,000	–	–	(50,000)	–
Lau Ching Kwong	16.10.2014	16.10.2017–15.10.2019	HK$2.75	50,000	–	–	–	50,000
Employees								
Employees	16.10.2014	16.10.2015–15.10.2017	HK$2.50	2,035,000	–	–	(2,035,000)	–
Employees	16.10.2014	16.10.2017–15.10.2019	HK$2.75	1,790,000	–	–	–	1,790,000
				4,725,000	–	–	(2,485,000)	2,240,000
Exercisable at the end of the year								2,240,000

29. SHARE OPTION SCHEMES *(Continued)*

Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2016
Directors								
Sze Wan Nga	16.10.2014	16.10.2015–15.10.2017	HK$2.50	100,000	–	–	–	100,000
Sze Wan Nga	16.10.2014	16.10.2017–15.10.2019	HK$2.75	100,000	–	–	–	100,000
Chan Kai King	16.10.2014	16.10.2015–15.10.2017	HK$2.50	100,000	–	–	–	100,000
Chan Kai King	16.10.2014	16.10.2017–15.10.2019	HK$2.75	100,000	–	–	–	100,000
Zhang Yi Fu	16.10.2014	16.10.2015–15.10.2017	HK$2.50	100,000	–	–	–	100,000
Zhang Yi Fu	16.10.2014	16.10.2017–15.10.2019	HK$2.75	100,000	–	–	–	100,000
Yeung Sum	16.10.2014	16.10.2015–15.10.2017	HK$2.50	50,000	–	–	–	50,000
Yeung Sum	16.10.2014	16.10.2017–15.10.2019	HK$2.75	50,000	–	–	–	50,000
Tang Koon Yiu Thomas	16.10.2014	16.10.2015–15.10.2017	HK$2.50	50,000	–	–	–	50,000
Tang Koon Yiu Thomas	16.10.2014	16.10.2017–15.10.2019	HK$2.75	50,000	–	–	–	50,000
Lau Ching Kwong	16.10.2014	16.10.2015–15.10.2017	HK$2.50	50,000	–	–	–	50,000
Lau Ching Kwong	16.10.2014	16.10.2017–15.10.2019	HK$2.75	50,000	–	–	–	50,000
Employees								
Employees	16.10.2014	16.10.2015–15.10.2017	HK$2.50	2,035,000	–	–	–	2,035,000
Employees	16.10.2014	16.10.2017–15.10.2019	HK$2.75	2,020,000	–	–	(230,000)	1,790,000
				4,955,000	–	–	(230,000)	4,725,000
Exercisable at the end of the year								2,485,000

At 31 December 2017, the number of shares in respect of which options under the Scheme had been granted and remained outstanding was 2,240,000 (2016: 4,725,000), representing 0.21 % (2016: 0.44%) of the shares of the Company in issue at that date.

During the year ended 31 December 2017, the Group recognised total expenses of HK$155,000 (2016: HK$195,000) in relation to share options granted by the Company.

30. SHARE AWARD SCHEMES

On 7 May 2014, the Company adopted the share award scheme (the "Share Award Scheme") under which shares of the Company may award selected employees (including executive directors) of the Group (the "Selected Employees") pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for a term of 10 years commencing on the adoption date.

The aggregate number of the awarded shares (the "Awarded Shares") permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 3% of the issued share capital of the Company from time to time. The maximum number of the Awarded Shares which may be awarded to a selected employee shall not exceed 1% of the issued share capital of the Company from time to time.

When a selected employee has satisfied all vesting conditions, which might include service and/or performance conditions specified by the board of directors of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at no consideration. The selected employee, however, is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her.

Movement of the Company's shares held by the trustee under the Share Award Scheme during the year is as follows:

	Number of shares '000		
	Held by the trustee yet to be awarded	**Held by the trustee for the grantee**	**Total held by The trustee**
Balance at 1 January 2016	17,370	–	17,370
Transfer to grantee upon vesting during the year	–	–	–
Number of the Company's shares acquired by the trustee under the Share Award Scheme	–	–	–
Balance at 31 December 2016 and 2017	17,370	–	17,370

During the year ended 31 December 2016 and 31 December 2017, no ordinary share was acquired by the trustee.

30. SHARE AWARD SCHEMES *(Continued)*

During the year ended 31 December 2017, there was no shares awarded or vested. Summary of particulars of the shares awarded or vested under the Share Award Scheme during the year ended 31 December 2016 and 31 December 2017 were as follows:

				Number of awarded shares		
Date of grant	Number of awarded shares granted	Fair value HK$'000	Vesting period	At 1 January 2015	Vested during the year	At 31 December 2015, 2016 and 2017
16 October 2014	1,489,000	2,063	1 year	1,489,000	(1,489,000)	–

The closing price of the Company's shares immediately before 16 October 2014, the date of grant of the awarded shares, was HK$1.70 and the average fair value per share was HK$1.39, which was calculated using the share price at the date of grant at a discount due to lack of marketability.

No share award expense was recognised during the years ended 31 December 2017 and 31 December 2016.

31. ACQUISITION OF SUBSIDIARIES

Year ended 31 December 2016:

On 30 December 2016, the Group subscribed additional capital of RMB 13,300,000 (equivalent to approximately HK$14,165,000) in Guangdong Suitong (as define in note 15). Upon completion of the subscription, the Group's interest in Guangdong Suitong increased from 51% to 94.19%. At the same date, a revised Articles of Association was approved by the board of directors of Guangdong Suitong, and the Group obtained the control in Guangdong Suitong, and Guangdong Suitong became a subsidiary of the Group. Guangdong Suitong is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Guangdong, the PRC.

In December 2016, the Group entered into a share purchase agreement with its joint venture partner, 南京浩德科技發展有限公司 (Nanjing Haode Technology Development Co., Ltd.), to acquire a 65% equity interest in Fuzhou Suda (as defined in note 15), which was previously a 35% owned joint venture of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB10,750,000 (equivalent to approximately HK$12,009,000) which will be paid within two months after change in the registration. Together with the 35% equity interest held before the acquisition, the Group's interest in Fuzhou Suda increased to 100% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Fuzhou Suda, and the Group obtained the control in Fuzhou Suda, and Fuzhou Suda became a subsidiary of the Group. Fuzhou Suda is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Fuzhou, the PRC.

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2016: *(Continued)*

Consideration transferred:

	Guangdong Suitong HK$'000	Fuzhou Suda HK$'000	Total HK$'000
Cash	14,165	12,009	26,174
Fair value of equity interest previously held as investment in a joint venture	7,656	6,508	14,164
	21,821	18,517	40,338

The fair value of the Group's interests previously held is determined by reference to the proportionate share of the fair value of the acquirees' net identifiable assets.

Assets and liabilities recognised at the date of acquisition are as follows:

	Guangdong Suitong HK$'000	Fuzhou Suda HK$'000	Total HK$'000
Property, plant and equipment	18,451	18,013	36,464
Amount due from related parties	–	335	335
Trade and other receivables	–	52	52
Bank balances and cash	316	83	399
Trade and other payables	–	(13)	(13)
	18,767	18,470	37,237

The fair value of trade and other receivables and amount due from related parties at the date of acquisition amounted to HK$387,000, which approximates the gross contractual amount. There are no contractual cash flows not expected to be collected.

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2016: *(Continued)*

Goodwill arising on acquisition:

	Guangdong Suitong HK$'000	Fuzhou Suda HK$'000	Total HK$'000
Consideration transferred	21,821	18,517	40,338
Plus: non-controlling interests	1,092	–	1,092
Less: recognised amount of identifiable net assets acquired	(18,767)	(18,470)	(37,237)
Goodwill arising on acquisition	4,146	47	4,193

The non-controlling interests in Guangdong Suitong (5.81%) recognised at the acquisition date, was measured by reference to the proportionate share of the recognised amounts of net assets of Guangdong Suitong and amounted to HK$1,092,000.

Goodwill arose in the acquisition of Guangdong Suitong and Fuzhou Suda because the costs of the combinations included control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

Net cash outflow on the above acquisitions:

	Guangdong Suitong HK$'000	Fuzhou Suda HK$'000	Total HK$'000
Cash consideration paid	14,165	12,009	26,174
Less: cash and cash equivalents acquired	(316)	(83)	(399)
	13,849	11,926	25,775

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2016: *(Continued)*

Impact of the acquisitions on the results of the Group:

There were no profits included in the profits attributable to Guangdong Suitong and Fuzhou Suda, and no revenues generated from Guangdong Suitong and Fuzhou Suda for the year ended 31 December 2016.

Had the above acquisitions been completed on 1 January 2016, total group revenue for the year would have been HK$496 million, and profit for the year would have been HK$39 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

32. OPERATING LEASES

The Group as lessee

	2017 **HK$'000**	2016 HK$'000
Minimum lease payments paid for the year under operating leases for premises	**25,432**	11,954

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**3,931**	4,174
In the second to fifth year inclusive	**2,073**	3,516
	6,004	7,690

Operating lease payments represent rentals payable by the Group for certain of its office properties and warehouse. Leases are negotiated for terms ranging from one to three years.

33. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Contracted for but not provided for in respect of the acquisition of property, plant and equipment	**5,128**	14,528
Contracted for but not provided for in respect of the acquisition of land use right	**34,916**	110,696
Contracted for but not provided for capital contributions payable to a joint venture	**–**	16,421
Contracted for but not provided for capital contributions payable to available-for-sale investments	**1,036**	2,616
Authorised but not provided for in respect of the acquisition of property, plant and equipment	**1,114**	6,250

34. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure the general banking facilities granted to the Group.

	2017 HK$'000	2016 HK$'000
Bank deposits	**5,698**	46,845
Trade receivables	**–**	49,141

35. RETIREMENT BENEFIT SCHEMES

As stipulated by the relevant rules and regulations in the PRC, the Group contributes to the retirement benefit scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement benefit scheme to fund the benefits.

The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. The Group basically contributes 5% of the relevant payroll costs to the scheme.

The total expense recognised in profit or loss of HK$9,695,000 (2016: HK$8,768,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2017, contributions of HK$500,000 (2016: HK$325,000) due in respect of the year ended 31 December 2017 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, issue of shares, repayment of borrowings and the raising of borrowings.

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Available-for-sale investments	**13,652**	8,267
Loans and receivables (including cash and cash equivalents)	**879,139**	1,087,022
Financial liabilities		
Amortised cost	**452,421**	383,442

37. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, bills and trade receivables, prepayments, deposits and other receivables, pledged bank deposits, structured bank deposits, time deposits, bank balances and cash, bills, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the management policies remain unchanged from prior year.

Market risk

Currency risk

The Group collects most of its revenue in RMB and most of the expenditures as well as capital expenditures are also denominated in RMB. The Group's sales are mainly denominated in RMB and the disbursements are also mainly settled in RMB, which is the functional currency of the relevant subsidiaries. The Group's exposure to foreign currency risk is arising mainly from the bank balances and bank borrowings of the Group which are denominated in foreign currencies of the relevant group entities. Except for the bank balances, bank borrowings, trade and other receivables and trade and other payables denominated in foreign currencies of the relevant group entities, the group entities did not have any other monetary assets or liabilities denominated in foreign currencies as at the end of the reporting period. The management conducts periodic review of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
United States dollars ("US$")	**36,037**	29,871	**–**	27,125
Hong Kong dollars ("HK$")	**17,898**	15,938	**50**	12,456

The Group is mainly exposed to the currency risk on US$ and HK$ against RMB.

37. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

Currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% changes in foreign currency rates. The analysis illustrates the impact for a 5% strengthening of RMB against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	US$ impact (i)		**HK$ impact (ii)**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
(Decrease) increase in post-tax profit for the year as a result of a 5% strengthening of RMB against the foreign currency	**(1,735)**	(137)	**(880)**	(163)

(i) This is mainly attributable to the exposure outstanding on US$ trade receivables of the Group at the end of the reporting period.

(ii) This is mainly attributable to the exposure outstanding on HK$ bank balances and cash of the Group at the end of the reporting period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits, time deposits and bank borrowings (see notes 25 and 27 for details of these time deposits and bank borrowings respectively). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 25 and 27 for details of these bank balances, structured bank deposits and bank borrowings respectively). The directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

37. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (including bank balances and borrowings) at the end of the reporting period, and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of bank balances and borrowings.

A 10 basis points (2016: 10 basis points) increase or decrease in interest rates on variable bank balances, and a 100 basis points (2016: 100 basis points) increase or decrease in interest rates on variable-rate borrowings represent the managements' assessment of the reasonably possible changes in interest rates.

If interest rates on variable-rate bank balances had been 10 basis points (2016: 10 basis points) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit.

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Increase in post-tax profit for the year	**122**	76

The post-tax profit for the year would be decreased by the same amount as mentioned above if interest rates on variable-rate bank balances had been 10 basis points (2016: 10 basis points) lower and all other variables were held constant.

If the interest rate on variable-rate borrowings had been 100 basis points higher and all other variables were held constant, a positive number below indicates a decrease in post-tax profit for the year.

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Decrease in post-tax profit for the year	**153**	252

The post-tax profit for the year would be increased by the same amount as mentioned above if the interest rate on variable-rate borrowings had been 100 basis points lower and all other variables were held constant.

37. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to meet their obligations in relation to the Group's principal financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. Customer credit risk is managed by each business segment subject to the Group's established policies and review relating to the customer credit risk regularly. The requirement for impairment is analysed at each reporting date on an individual basis. Additionally, a large number of receivables are assessed by aging for impairment collectively. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

There is concentration of credit risk on pledged bank deposits, time deposits, structured bank deposits and bank balances for the Group as at 31 December 2017 and 31 December 2016. As at 31 December 2017, balances with the four largest banks accounted for 53% (2016: 75%) of total pledged bank deposits, structured bank deposits, time deposits and bank balances of the Group. The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's credit risk on bills and trade receivables is concentrated in the PRC. The Group had five customers accounting for approximately 43% (2016: 35%) of all receivables owing at the end of the reporting period. However, the Group evaluates the concentration of risk with respect to trade receivables as low, because of a large number of diversified customers.

37. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank borrowings. In addition, banking facilities have been put in place for contingency purposes.

The following table details the remaining contractual maturity for the Group's financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand and less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2017						
Non-derivative financial liabilities						
Non-interest bearing	**–**	**298,667**	**–**	**–**	**298,667**	**298,667**
Floating rate instruments	**4.79%**	**18,618**	**–**	**–**	**18,618**	**18,018**
Fixed rate instruments	**4.58%**	**139,806**	**–**	**–**	**139,806**	**135,736**
		457,091	**–**	**–**	**457,091**	**452,421**
2016						
Non-derivative financial liabilities						
Non-interest bearing	–	243,841	–	–	243,841	243,841
Floating rate instruments	2.55%	30,174	–	–	30,174	30,125
Fixed rate instruments	4.35%	112,905	–	–	112,905	109,476
		386,920	–	–	386,920	383,442

At 31 December 2017, included in interest-bearing bank borrowings was a term loan in the amount of HK$153,754,000 (2016: HK$139,601,000). The loan agreement contains a repayment on-demand clause giving the bank the unconditional right to call in the loan at any time. In the opinion of the directors of the Company, such term loan would not be repayable on-demand and would be repaid by installment in accordance with the scheduled repayment dates. For the purpose of the above maturity profile, the total amount was classified as "on demand".

Fair value

The fair values of financial assets and financial liabilities at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate to their fair values at the end of reporting period.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000
At 1 January 2017	139,601
Financing cash flows	11,293
Foreign exchange translation	2,860
At 31 December 2017	153,754

39. RELATED PARTY DISCLOSURES

During the year, other than those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its related companies:

(a) Related party transactions

	Sales of goods		Purchase of materials		Road maintenance service	
Name	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Nanjing Lujie (Note (1))	**271**	88	**–**	–	**294**	–
Guizhou Freetech (Note (1))	**–**	24,392	**–**	–	**–**	–
Tianjin Expressway Group (Note (2))	**–**	–	**–**	–	**127,791**	98,528
Subsidiaries of Tianjin Expressway Group	**–**	–	**–**	–	**12,276**	–
Associates of Tianjin Expressway Group	**–**	–	**–**	–	**5,905**	2,996

Notes:

(1) A joint venture of the Group.

(2) Tianjin Expressway Group is the non-controlling shareholder, holding 45% equity interests in Tianjin Expressway Maintenance (as defined in note 15), which itself is a 55% owned subsidiary of the Group.

39. RELATED PARTY DISCLOSURES *(Continued)*

(b) Details of the remuneration of directors and other members of key management during the year are set out in note 10.

(c) Details of the amounts due from related parties are as follows:

Name of related parties	2017 HK$'000	2016 HK$'000
Guizhou Freetech (Note)	**12,012**	27,421
Nanjing Lujie (Note)	**2,383**	2,266
Tianjin Expressway Group	**134,557**	120,408
Subsidiaries of Tianjin Expressway Group	**11,368**	2,727
Associates of Tianjin Expressway Group	**2,484**	1,814
	162,804	154,636

Details of the amounts due to related parties are as follows:

Name of related parties	2017 HK$'000	2016 HK$'000
Nanjing Lujie (Note)	**498**	1,491
Lianyungang Luda (Note)	**180**	168
Tianjin Expressway Group	**770**	34,568
Subsidiaries of Tianjin Expressway Group	**–**	4,502
	1,448	40,729

Note: A joint venture of the Group.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 December 2017 and 2016 were as follows:

Name of subsidiary	Date, place/country of incorporation/establishment and form of structure	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2017	2016	
Freetech Road Recycling Engineering Limited (Note)	British Virgin Islands — limited liability company 23 November 2009	Share — US$ 2 (2016: US$2)	**100%**	100%	Investment holding
BS (BVI) Limited (Note)	British Virgin Islands — limited liability company 30 March 2011	Share — US$ 1 (2016: US$1)	**100%**	100%	Investment holding
Freetech Road Maintenance Engineering Co., Limited	Hong Kong — limited liability company 17 August 2001	Share — HK$3 (2016: HK$3)	**100%**	100%	Investment holding and sale of road maintenance equipment
BS (Int'l) Automobile Technology Co., Limited	Hong Kong — limited liability company 18 August 2004	Registered capital — HK$1,000,000 (2016: HK$1,000,000)	**100%**	100%	Investment holding and sale of road maintenance equipment
Freetech Road Recycling (as defined in note 11)	PRC — Wholly-foreign–owned enterprise 8 September 2000	Registered capital — US$ 135,060,000 (2016: US$135,060,000)	**100%**	100%	Provision of road maintenance services
南京奔騰養護機械有限公司 Nanjing BS Maintenance Machinery Company Limited	PRC — Wholly-foreign –owned enterprise 22 July 2009	Registered capital — US$ 5,050,000 (2016: US$5,050,000)	**100%**	100%	Sale of road maintenance equipment
Nanjing Freetech Vehicle Manufacturing (as defined in note 11)	PRC — Sino-foreign joint venture 21 June 2005	Registered capital — US$ 9,700,000 (2016: US$9,700,000)	**100%**	100%	Manufacturing and sale of road maintenance equipment
Freetech Ordos (as defined in note 15)	PRC — Limited liability company 17 June 2011	Registered capital — RMB 30,000,000 (2016: RMB30,000,000)	**53%**	53%	Provision of road maintenance services
新疆英達熱再生有限公司 Xinjiang Freetech Road Recycling Co., Ltd.	PRC — Limited liability company 8 June 2012	Registered capital — RMB 10,000,000 (2016: RMB10,000,000)	**100%**	100%	Provision of road maintenance services
Hunan Freetech Tongqu (as defined in note 15)	PRC — Limited liability company 11 April 2011	Registered capital — RMB 35,000,000 (2016: RMB35,000,000)	**59%**	59%	Provision of road maintenance services
Suqian Hengtong (as defined in note 15)	PRC — Limited liability company 31 May 2012	Registered capital — RMB 35,000,000 (2016: RMB35,000,000)	**65%**	65%	Provision of road maintenance services
Xinjiang Jianda (as defined in note 15)	PRC — Limited liability company 20 December 2012	Registered capital — RMB 20,000,000 (2016: RMB20,000,000)	**89%**	89%	Provision of road maintenance services

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Date, place/country of incorporation/establishment and form of structure	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2017	2016	
Freetech Smart Road Recycling Engineering Investment Limited	Hong Kong — limited liability company 11 August 2014	Registered capital — HK$50,000 (2016: HK$50,000)	**51%**	51%	Investment holding
Tianjin Expressway Maintenance (as defined in note 15)	PRC — Limited liability company 1 September 2009	Registered capital — RMB 44,444,400 (2016: RMB44,444,400)	**55%**	55%	Provision of road maintenance services
Futech Road Recycling (as defined in note 15)	Hong Kong — limited liability company 15 May 2012	Registered capital — HK$100,000,000 (2016: HK$100,000,000)	**75%**	75%	Investment holding
Quanzhou Futech Road Recycling Engineering Technology Co., Ltd.	PRC — Limited liability company 6 June 2012	Registered capital — HK$63,000,000 (2016: HK$63,000,000)	**75%**	75%	Provision of road maintenance services
英達置業（南京）有限公司 Freetech Real Estate (Nanjing) Co., Ltd.	PRC — Limited liability company 28 November 2016	Registered capital — RMB165,000,000 (2016: RMB 165,000,000)	**100%**	100%	Property holding
英達循環科技裝備（南京）有限公司 Freetech Recycling Technology Equipment (Nanjing) Limited	PRC — Limited liability company 10 May 2016	Registered capital — USD24,000,000 (2016: USD 24,000,000)	**100%**	100%	Sale of road maintenance equipment
Guangdong Suitong (as defined in note 15)	PRC — Limited liability company 16 January 2013	Registered capital — RMB25,300,000 (2016: RMB 25,300,000)	**94.19%**	94.19%	Provision of road maintenance services
Fuzhou Suda (as defined in note 15)	PRC — Limited liability company 14 June 2013	Registered capital — RMB25,000,000 (2016: RMB 25,000,000)	**100%**	100%	Provision of road maintenance services

Note: Directly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

At 31 December 2017, the Group has 37 (2016:28) subsidiaries. The above table lists the 20 (2016:20) subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length. At the end of the reporting period, the Company has 17 (2016:8) subsidiaries that are not material to the Group. These subsidiaries operate in the PRC and Hong Kong. Out of the Group's total 37 (2016: 28) subsidiaries, 27 (2016:18) subsidiaries are wholly-owned by the Group. The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non–controlling interests		Accumulated non-controlling interests	
		31/12/17	31/12/16	**31/12/17 HK$'000**	31/12/16 HK$'000	**31/12/17 HK$'000**	31/12/16 HK$'000
Freetech Ordos	PRC	**47%**	47%	**2,132**	3,962	**19,726**	16,287
Hunan Freetech Tongqu	PRC	**41%**	41%	**(9,011)**	(1,325)	**6,938**	15,151
Tianjin Expressway Maintenance	PRC	**45%**	45%	**1,086**	152	**44,976**	40,777
Individually subsidiaries with immaterial non-controlling interests						**4,605**	21,050
						76,245	93,265

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Freetech Ordos

	2017 HK$'000	2016 HK$'000
Current assets	**65,512**	40,758
Non-current assets	**9,374**	10,586
Current liabilities	**32,925**	16,699
Equity attributable to owners of the Company	**22,235**	18,358
Non-controlling interests	**19,726**	16,287

	2017 HK$'000	2016 HK$'000
Revenue	**36,120**	19,205
Expenses	**31,583**	10,776
Profit attributable to owners of the Company	**2,405**	4,467
Profit attributable to non-controlling interests	**2,132**	3,962
Profit for the year	**4,537**	8,429
Other comprehensive income (expense) attributable to owners of the Company	**1,473**	(1,160)
Other comprehensive income (expense) attributable to non-controlling interests	**1,307**	(1,029)
Other comprehensive income (expense) for the year	**2,780**	(2,189)
Total comprehensive income attributable to owners of the Company	**3,878**	3,307
Total comprehensive income attributable to non-controlling interests	**3,439**	2,933
Total comprehensive income for the year	**7,317**	6,240
Dividends paid to non-controlling interests	**–**	–
Net cash (outflow) inflow from operating activities	**(5,393)**	14,586
Net cash outflow from investing activities	**(7,208)**	(1,200)
Net cash inflow from financing activities	**–**	–
Net cash (outflow) inflow	**(12,601)**	13,386

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Hunan Freetech Tongqu

	2017 HK$'000	2016 HK$'000
Current assets	**17,715**	19,258
Non-current assets	**1,732**	20,163
Current liabilities	**2,580**	2,521
Equity attributable to owners of the Company	**9,929**	21,749
Non-controlling interests	**6,938**	15,151

	2017 HK$'000	2016 HK$'000
Revenue	**–**	3,337
Expenses	**21,978**	6,568
Loss attributable to owners of the Company	**(12,967)**	(1,906)
Loss attributable to non-controlling interests	**(9,011)**	(1,325)
Loss for the year	**(21,978)**	(3,231)
Other comprehensive income (expense) attributable to owners of the Company	**1,147**	(1,548)
Other comprehensive income (expense) attributable to non-controlling interests	**797**	(1,076)
Other comprehensive income (expense) for the year	**1,944**	(2,624)
Total comprehensive expense attributable to owners of the Company	**(11,820)**	(3,454)
Total comprehensive expense attributable to non-controlling interests	**(8,214)**	(2,401)
Total comprehensive expense for the year	**(20,034)**	(5,855)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**7,120**	3,764
Net cash outflow from investing activities	**(5,793)**	(10)
Net cash outflow from financing activities	**–**	(2,333)
Net cash inflow	**1,327**	1,421

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Tianjin Expressway Maintenance

	2017 HK$'000	2016 HK$'000
Current assets	**241,453**	208,159
Non-current assets	**22,275**	16,347
Current liabilities	**163,732**	133,840
Equity attributable to owners of the Company	**55,020**	49,889
Non-controlling interests	**44,976**	40,777

	2017 HK$'000	2016 HK$'000
Revenue	**175,707**	114,450
Expenses	**173,294**	114,111
Profit attributable to owners of the Company	**1,327**	187
Profit attributable to non-controlling interests	**1,086**	152
Profit for the year	**2,413**	339
Other comprehensive income (expense) attributable to owners of the Company	**3,804**	(3,437)
Other comprehensive income (expense) attributable to non-controlling interests	**3,113**	(2,812)
Other comprehensive income (expense) for the year	**6,917**	(6,249)
Total comprehensive income (expense) attributable to owners of the Company	**5,131**	(3,250)
Total comprehensive income (expense) attributable to non-controlling interests	**4,199**	(2,660)
Total comprehensive income (expense) for the year	**9,330**	(5,910)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow (outflow) from operating activities	**4,979**	(58,406)
Net cash outflow from investing activities	**(1,952)**	(1,137)
Net cash outflow from financing activities	**(13,730)**	–
Net cash outflow	**(10,703)**	(59,543)

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**182**	433
Investments in subsidiaries	**649,826**	1,253,923
Amounts due from subsidiaries	**–**	566,909
	650,008	1,821,265
CURRENT ASSETS		
Prepayments, deposits and other receivables	**629**	852
Dividend receivable	**241,352**	241,352
Bank balances and cash	**3,449**	848
	245,430	243,052
CURRENT LIABILITIES		
Other payables and accruals	**100**	74
Amounts due to subsidiaries	**252**	101
	352	175
NET CURRENT ASSETS	**245,078**	242,877
TOTAL ASSETS LESS CURRENT LIABILITIES	**895,086**	2,064,142
CAPITAL AND RESERVES		
Share capital	**107,900**	107,900
Reserves	**787,186**	1,956,242
Total equity	**895,086**	2,064,142

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Shares held under the share award scheme HK$'000	Share-based compensation reserve HK$'000	Retained earnings HK$'000	Foreign currency translation reserve HK$'000	Total HK$'000
At 1 January 2016	732,463	1,253,901	(26,584)	640	39,947	117	2,000,484
Loss for the year	–	–	–	–	(24,970)	–	(24,970)
Other comprehensive expense for the year	–	–	–	–	–	(45)	(45)
Total comprehensive expense for the year	–	–	–	–	(24,970)	(45)	(25,015)
Equity-settled share option arrangements (note 29)	–	–	–	195	–	–	195
Dividend recognised as distribution	–	–	–	–	(19,422)	–	(19,422)
At 31 December 2016	732,463	1,253,901	(26,584)	835	(4,445)	72	1,956,242
Loss for the year	–	–	–	–	(1,169,351)	–	(1,169,351)
Other comprehensive income for the year	–	–	–	–	–	140	140
Total comprehensive (expense) income for the year	–	–	–	–	(1,169,351)	140	(1,169,211)
Equity-settled share option arrangements (note 29)	–	–	–	155	–	–	155
Transfer of share-based compensation reserve upon forfeiting of share options	–	–	–	(400)	400	–	–
At 31 December 2017	732,463	1,253,901	(26,584)	590	(1,173,396)	212	787,186

Note: The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation described under the section "History and Corporate Structure" to the Company's prospectus dated 14 June 2013, over the nominal value of the Company's shares issued in exchange therefor.

FINANCIAL SUMMARY

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**475,528**	495,598	616,641	390,434	628,709
(Loss) profit before taxation	**(272,247)**	55,110	77,621	65,515	219,995
Taxation	**15,835**	10,686	11,913	11,465	39,944
(Loss) profit for the year	**(288,082)**	44,424	65,708	54,050	180,051

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**1,493,549**	1,634,899	1,703,781	1,363,792	1,469,073
Total liabilities	**514,743**	444,929	462,904	149,552	254,858
Net assets	**978,806**	1,189,970	1,240,877	1,214,240	1,214,215

Freetech Road Recycling Technology (Holdings) Limited
英達公路再生科技(集團)有限公司