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

2021
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
(redesignated as non-executive director with effect from 16 February 2021)
Mr. Chan Kai King

Non-executive Directors

Ms. Sze Wan Nga
(redesignated as non-executive director with effect from 16 February 2021)
Mr. Zhou Jichang
(appointed with effect from 16 February 2021)
Prof. Tong Wai Cheung Timothy
Dr. Chan Yan Chong
Mr. Wang Lei
(resigned with effect from 16 February 2021)

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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Cayman Islands Share Register and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1110
Cayman Islands

Auditor

BDO Limited
Certified Public Accountants

Principal Bankers

Bank of Communications
Bank of Beijing

Company Website Address

www.freetech-holdings.hk

FINANCIAL AND OPERATING HIGHLIGHTS

RESULTS

	Year ended 31 December		
	2021 HK$'000	2020 HK$'000	(Decrease)/ increase
Revenue	**511,619**	541,911	(5.6%)
Gross profit	**128,587**	118,142	8.8%
Profit attributable to owners of the Company	**31,948**	31,636	1.0%
Earnings per share — Basic (HK cents)	**3.13**	2.99	4.7%

FINANCIAL POSITION

	31 December		
	2021 HK$'000	2020 HK$'000	Increase/ (decrease)
Financial assets at fair value through profit or loss, time deposits, pledged bank deposits, restricted bank deposits and bank balances and cash	**310,293**	293,102	5.9%
Bank borrowings	**95,438**	99,960	(4.5%)
Equity attributable to owners of the Company	**818,985**	775,595	5.6%
KEY FINANCIAL RATIOS			
Gross profit margin	**25.1%**	21.8%	15.1%
Net profit margin	**8.7%**	6.1%	42.6%
Return on assets	**3.3%**	2.5%	32.0%
Current ratio	**2.2**	1.7	29.4%
Gearing ratio (1)	**N/A**	N/A	N/A

Note:

(1) The calculation of the gearing ratio is based on the net bank borrowings (total bank borrowings minus bank balances and cash, time deposits, pledged bank deposits, restricted bank deposits and financial assets at fair value through profit or loss) divided by equity attributable to owners of the Company multiplied by 100%.

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 2021.

PERFORMANCE

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

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

OUTLOOK

In recent years, "new infrastructure construction" has become immensely popular over the country since 5G, artificial intelligence, industrial Internet and other new infrastructure constructions were officially proposed by the Central Committee of the Communist Party of China. With the emergence of new infrastructure construction, provinces have launched pilot projects of intelligent highway construction in succession. Smart highway is an open and shared infrastructure platform integrated with advanced sensing, transmission, information processing and control technologies to give full play to the functional attributes of the highway.

The problem of road maintenance comes along with the emergence of smart highway. In the era when smart highway is thriving, traditional road maintenance will definitely realize the transformation to digitalization. Based on the theory of the whole life cycle of the highway and with the help of IT technology, "digitalized maintenance" realizes the scientific, intelligent, proactive and preventive management of the whole process and elements of road maintenance in conjunction with the concept of "meticulous management and precise service," and by the integration of personnel, business, technology, equipment, data and models. It is a subversive revolution in the history of road maintenance development. Digitalized maintenance includes big data decision making, simulation design, modular intelligent manufacturing, automatic operation, panoramic perception, all-round emergency response and precise service, forming a modern road maintenance management system of "digitalized standard road management and maintenance."

To sum up, China's road maintenance sector is continuously releasing the market demand, which has promising development prospects. The low-end market as a whole is blocked locally, while the mid-to-high-end market is gradually forming nation-wide and market-oriented competition with certain qualifications and technical barriers. The construction of whole-chain service capability and industry-academia-research collaboration is the development trend. In order to adapt to the development, the Group will seize the significant opportunity of the development trend of "smart maintenance," promote its development strategy, optimize its management mechanism and system, accumulate qualification resources and improve the quality of employees, so as to gain an advantageous position in sector competition. It is worth mentioning that the Group has already made a full-range beneficial attempts in technology research and development, equipment upgrade, material development and service expansion, including the distress AI recognition system and self-operating modular series. Excellent results have been achieved in the test, and the performance is worth our expectation after their official launch in the market.

In 2022, the Group will continue to carry out field research and repeated argumentation with dedicated, diligent, sincere and scientific attitude. According to the actual situation of our customers, we will apply the new generation of smart road maintenance technologies such as "cloud computing, big data, mobile internet and intelligent maintenance" in various places in combination with the advanced maintenance technologies of the Group. We will strive to make greater contributions to society and create more returns for 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 2022

BUSINESS REVIEW

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

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

Asphalt Pavement Maintenance Services

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

The Group has continued to be a leading integrated solution provider using "Hot-in-Place" recycling technology in the APM industry in the PRC.

APM Equipment

During the year under review, our APM equipment segment generated a revenue of HK$68.8 million, representing an increase of 20.5% as against 2020. This increase was due to the diversification of the product range of the Group and the outbreak of COVID-19 in 2020 resulted the local government and highway company had delayed their capital investment to 2021.

Research and Development

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

New Patents

The Group continued to pay efforts and invest significant resources in our research and development. As of 31 December 2021, we had registered 210 patents (2020: 189), of which 22 were invention patents (2020: 19), 162 were utility model patents (2020: 145) and 26 were design patents (2020: 25), and we had 37 pending patent applications, of which 22 are invention patents and 15 are utility model patents (2020: 31 pending patent applications, of which 17 are invention patents, 13 are utility model patents and 1 is design patent).

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

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

Others

With strong research and development capabilities, the Group is able to adopt the most advanced technologies in the APM industry, provides customised solutions to its clients and maintains its competitive edges and leading status in the APM industry by using the recycling technology.

OUTLOOK

The Group will continue to seize the market opportunities under the "14th Five-Year Plan" of the PRC government as it will accelerate the establishment of an economic regime featuring low-carbon green recycling development. The China's economy has transitioned from rapid growth to the new stage of qualitative growth. To achieve the new stage growth, carbon neutrality will lead to extensive and profound economic revolution as it brings in a new low-carbon green era. Taking this opportunity, the Group will focus on integrating resources, adjusting its organizational structure, striving to improve and develop the existing business and channels. The Group will focus on the whole carbon emission industry chain of road maintenance industry and moving forward the recycling technology, with focusing on the maintenance and treatment of damage roads as well as the collection, collation and analysis of pre road data. Establishing cooperation with a series of well-known universities, the Group strives to promote and develop more effective and refined overall solutions for regional road maintenance with district and county being the basic units, which could not only saves the cost of road maintenance for local governments at district and county levels, but also greatly reduces the carbon emission of road maintenance industry, helping to achieve the goals of "carbon peaking" and "carbon neutralization".

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

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

First, as at 31 December 2020, China has the longest expressway and the second longest highway (in terms of mileage) in the world. The overall growth of the APM industry in the PRC remains sustainable and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal and has significant potential for expansion. Secondly, the Group has developed part of the South China market which enable the Group to perform APM services during slack season. Third, subsequent to the Company's sale of a modular series equipment to a customer in the Republic of Korea and standard series equipment to customers in Macau, Malaysia and Taiwan, the Company will continue to explore the overseas business opportunities and strategic cooperation with other companies, such as some listed companies and large-scale or state-owned enterprises. Fourth, the Group will continue to leverage on its state-owned partners' overseas channels to explore overseas business opportunities. The Group is making an effort to promote its overseas business opportunities in the countries along the "One Belt One Road" and four Asian tigers. In light of these, the Group is well positioned to benefit from the government's policies and the positive development prospects in the environmental protection sector.

As a leading provider of the "Hot-in-Place" recycling technology in the APM sector and a provider of one-stop solution covering "testing, planning, equipment and construction", the Group will leverage on its competitive advantages and implement favourable policies to achieve a healthy growth in its business. The Group plans to enhance its market position, enter into new markets and enlarge its share in existing markets by the following means:

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

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

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

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

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

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

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

In addition, the construction work of the investment property acquired by the Group at lot 04-05 and 04-06 of Jiangxinzhou, Jianye District, Nanjing, the PRC (中國南京市建鄴區江心洲) in December 2016 had commenced in first quarter of 2022. The investment property does not only enable the Group to enhance its research and development capabilities, but also will bring additional income streams to the Group in future.

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

FINANCIAL PERFORMANCE REVIEW

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

The following table is a description of the Group's operating activities during the year under review, with comparisons to those of 2020.

1. Revenue

a. APM Services

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

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

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

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

b. APM Equipment

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

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

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

2. **Other Income**

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

3. **Reversal of Impairment Losses on Financial and Contract Assets**

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

4. **Selling and Distribution Costs**

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

5. **Administrative Expenses**

Administrative expenses increased by approximately 18.5%, or approximately HK11.9 million, from approximately HK$64.4 million in 2020 to approximately HK$76.3 million in 2021, primarily due to the operation of the Group gradually resumed normal during the year and the consolidation of the financial results of new subsidiaries acquired by the Group into that of the Group in the second half of 2020 through acquisition of additional interests in a joint venture of the Group.

6. **Research and Development Costs**

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

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

The Group's share of losses from joint ventures increased by approximately HK$3.4 million, from share of profits of joint ventures of approximately HK1.1 million in 2020 to share of losses of joint ventures of approximately HK$2.3 million in 2021 primarily due to the more APM services projects were conducted by joint ventures due to the road inspection conducted by the Ministry of Transport in the second half of 2020 and resulted less APM services projects conducted in 2021.

8. **Finance Costs**

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

9. **Income Tax Expense**

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

10. Profit

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

11. Financial Position

As at 31 December 2021, the total equity of the Group amounted to approximately HK$863.8 million (2020: HK$807.2 million). Increase in the total equity of the Group was due to the net effect of (i) profit attributable to owners of the Company for the year ended 31 December 2021; and (ii) changes in foreign currency translation reserve as a result of the appreciation of RMB against Hong Kong dollar as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars.

The Group's net current assets as at 31 December 2021 amounted to approximately HK$533.3 million (2020: HK$336.2 million). The current ratio, which is the amount of the current assets divided by the amount of the current liabilities as at 31 December 2021, was 2.2 (31 December 2020: 1.7). The improvement in the net current assets and current ratio was mainly due to the expected credit loss on financial assets reversed and increase in cash and bank deposit balances as the collection of the outstanding trade receivable balances had continually improved in 2021.

12. Liquidity and Financial Resources and Capital Structure

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

After the PRC government has reiterated the importance of the settlement of overdue debts of local government to private enterprises in the past few years, the collection of the Group's outstanding trade receivables balances had continued to improve in 2021. Thus, the trade receivables and contract assets balances were decreased from HK$798.9 million as at 31 December 2020 to HK$766.0 million as at 31 December 2021. As at the latest practicable date, third party customers had settled trade receivables amounting to approximately HK$118.6 million (RMB97.0 million).

Though the Group does not have any collateral over most of the receivables, the management considers that there is no recoverability problem as the remaining amounts are due from the local PRC government authorities. The Group has credit policy and internal control procedures in place to review and collect the outstanding trade receivables of the Group. In order to minimise the risk of placing heavy reliance on obtaining project from the local PRC government and to further diversify the overall credit risk, the Group will widen its customer base. For those customers whose credit terms are extended by the Group, the Group has policies in place to evaluate the credit risk for these customers, taking into account of its repayment ability and long term relationship with the Group.

As at 31 December 2021, the Group's liquidity position remained strong and the management of the Company believes that this will enable the Group to expand in accordance with their plans. The Group strives to efficiently use its financial resources and adopts a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

13. Interest-Bearing Bank Borrowings

As at 31 December 2021, the Group had total debt of HK$95.4 million (2020: HK$100.0 million) which was secured interest-bearing bank borrowings.

As at 31 December 2021, bank balance of approximately HK$30.4 million (2020: HK$38.7 million) was pledged to secure general banking facilities granted to the Group.

The maturity profile of the interest-bearing bank borrowings as at 31 December 2020 and 2021 were repayable within one year or on demand.

14. Investment Property

As at 31 December 2021, the Group's investment property is measured using the fair value model and was approximately HK$143.1 million (as at 31 December 2020: HK$262.8 million). The investment property is a parcel of land and is located at lot 04–05 and 04–06 of Jiangxinzhou, Jianye District, Nanjing, the PRC (中國南京市建鄴區江心洲). It was acquired by the Group in December 2016 and shall be developed for research and development use. The construction work of the investment property had commenced in the first quarter of 2022 and is expected to be completed in fourth quarter 2023. The Group intends to fund 80% of the contract cost by bank financing and 20% by its internal resources. The site area of the investment property is approximately 35,673 square meters, with plot ratio not more than 1.2 and gross floor area permissible for sale is no more than 40% of the total gross floor area. The investment property will be developed into the global technology research and development centre of the Group, two main office buildings with total gross floor area of approximately 25,696 square meter (the "Main Buildings") and seventeen small office buildings with total gross floor area of approximately 17,055 square meter (the "Office Buildings") will be developed . Upon the completion of the construction, the Group intends to lease the some office spaces of the Main Buildings to third parties, which will bring additional income streams to the Group. The Group also decides to sell the Office Buildings to repay the construction cost. As the management of the Group had decided to sell Office Buildings upon completion and the investment property of approximately HK$136.5 million had been transferred to inventories and is stated at cost as at 31 December 2021. The Group intends to develop the investment property to bring additional income to the Group, it is an one-off transaction and the Group does not have the intention to enter into real estate development industry.

15. Use of Proceeds Raised from Initial Public Offering ("IPO")

The Group received approximately HK$687.0 million net proceeds, after deducting underwriting fees and other related expenses, from the Company's IPO. These net proceeds were applied in the year ended 31 December 2021 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Available HK$ million	Net proceeds utilised during the year HK$ million	Net Proceeds Utilised Up to 31 December 2021 HK$ million	Unutilised HK$ million	Expected timeline for unutilised net proceeds
Investment in research and development activities	137.4	–	137.4	–	
Establishing joint ventures and expanding APM service teams	137.4	–	99.9	37.5	End of 2023
Manufacturing APM equipment and expanding our APM service teams	103.1	–	103.1	–	
Acquisitions of other APM service providers	103.0	7.2	60.8	42.2	End of 2023
Constructing new production facility	68.7	–	68.7	–	
Establishing sales offices in new markets and marketing expenses	68.7	–	68.7	–	
General corporate purposes and working capital requirements	68.7	–	68.7	–	
	687.0	7.2	607.3	79.7	

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

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

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

17. Capital Commitments and Contingent Liabilities

The Group's capital commitments as at 31 December 2021 are set out in note 37 to the financial statements. As at 31 December 2021, the Group did not have any material contingent liabilities.

18. Financial Risk Management

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. As at 31 December 2021, 61.5% and 38.5% of the Group's bank borrowings are at fixed interest rate and floating interest rate, respectively (2020: 100% of the Group's bank borrowings are at fixed interest rate). The Group has not used any interest rate swaps to hedge its interest rate risk.

The Group collects most of its revenue in RMB and most of its expenditures as well as capital expenditures are also denominated in RMB. The Group's exposure to foreign currency risk arises mainly from certain bank deposits and interest-bearing bank borrowings denominated in foreign currency of the relevant group entities. As at 31 December 2021, certain time deposit, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK$305,079,000 (2020: HK$280,463,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 31 December 2021, the Group's bank borrowings denominated in RMB amounted to HK$95,438,000 (equivalent to RMB78,000,000) (2020: HK$99,960,000 (equivalent to RMB84,000,000)). The Group has not hedged its foreign currency risk. The changes in foreign currency translation reserve during the year under review was the result of the appreciation of RMB against Hong Kong dollar as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars.

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

19. Employees and Remuneration

As at 31 December 2021, the Group had a total of 489 full time employees (2020: 499). The Group provides competitive remuneration packages to retain its employees including discretionary bonus schemes, medical insurance and other allowances and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC. The Group has adopted a share award scheme under which shares of the Company may be awarded to the selected employees (including executive directors of the Company) as incentives to retain them for the continual operation and development of the Group.

20. Environmental Policy

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

21. Compliance with Relevant Laws and Regulations

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

22. Relationships with Stakeholders

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

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

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

23. Principal Risks and Uncertainties

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

(i) Industry risk in the PRC

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

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

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

(ii) Financial credit risk

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

(iii) Environmental and regulations compliance risks

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Sze Wai Pan	*Chairman, Chief Executive Officer and Executive Director*
Mr. Chan Kai King	*Executive Director*
Ms. Sze Wan Nga	*Non-executive Director (re-designated as non-executive director on 16 February 2021)*
Mr. Zhou Jichang	*Non-executive Director (appointed as non-executive director on 16 February 2021)*
Prof. Tong Wai Cheung Timothy	*Non-executive Director*
Dr. Chan Yan Chong	*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 56, 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 189 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.

Mr. Chan Kai King ("Mr. Chan"), aged 54, was appointed as 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.

Ms. Sze Wan Nga ("Ms. Sze"), aged 48, was appointed as an executive director and a member of remuneration committee of the Company in June 2011 and June 2013, respectively. Ms. Sze resigned as an executive director upon her re-designation as a non-executive Director on 16 February 2021. 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 20 years of experience in executive management and between September 2000 and February 2021, she was primarily responsible for finance and overall operation of our Group. Ms. Sze is the sister of Mr. Sze.

Mr. Zhou Jichang ("Mr. Zhou"), aged 72, previously served as chairman of the board of directors of China Communications Construction Company Limited (中國交通建設股份有限公司) (listed on the Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 1800). Mr. Zhou is currently an independent non-executive director of Metallurgical Corporation of China Ltd.* (中國冶金科工股份有限公司) (listed on the Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 1618), honorary president of China Highway Construction Association (中國公路建設行業協會), and a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Zhou successively served as technician, engineer, deputy officer of the bridge design workshop, personnel director and deputy director of CCCC First Highway Survey & Design Institute (交通部第一公路勘察設計院) from January 1977 to May 1992. He served as vice chairman of the board of directors, deputy general manager, chairman of the board of directors and general manager of China Road and Bridge Construction Corporation (中國公路橋樑建設總公司) from May 1992 to November 1997. He served as chairman of the board of directors, president and secretary of the Communist Party Committee of China Road and Bridge Corporation (中國路橋(集團)總公司) from November 1997 to August 2005. He served as chairman of the board of directors, general manager and deputy secretary of the Communist Party Committee of China Communications Construction Group (Limited) (中國交通建設集團有限公司), and chairman of the board of directors and secretary of the Communist Party Committee of China Communications Construction Company Limited (中國交通建設股份有限公司) (listed on the Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 1800) from August 2005 to April 2013. He served as independent director of Shenzhen Overseas Chinese Town Co., Ltd. (深圳華僑城股份有限公司) (listed on the Shenzhen Stock Exchange, Stock Code: 000069. SZ) from November 2016 to April 2020. Mr. Zhou graduated from Tongji University with a major in bridge, road and tunnel construction. He is a Senior Engineer.

Prof. Tong Wai Cheung Timothy ("Prof. Tong"), BBS, aged 69, was appointed as a non-executive director of the Company in July 2019. Prof. Tong has over 30 years of teaching experience in universities in Hong Kong and the United States. Prof. Tong was the president of The Hong Kong Polytechnic University from 2009 to 2018 and dean of the School of Engineering and Applied Science at The George Washington University, United States. Being an expert in the field of heat transfer, Prof. Tong has published over 80 technical articles. He is a fellow of the American Society of Mechanical Engineers, the Hong Kong Academy of Engineering Sciences and the International Thermal Conductivity Conference. Prof. Tong is actively engaged in public services in Hong Kong. He is currently the chairman of the Citizens Advisory Committee on Community Relations of Hong Kong Independent Commission Against Corruption. He has been a member of the Chinese People's Political Consultative Conference since 2012. He is also a member of the Committee of 100, Board of Counselors of the International Institute of Management, and chairman of the Council of the Hong Kong Laureate Forum. Prof. Tong was awarded the Bronze Bauhinia Star from the Government of Hong Kong S.A.R. in July 2019. Prof. Tong holds a Bachelor of Science degree in Mechanical Engineering from Oregon State University, United States, and a Master's and a Doctoral degree in the same discipline from the University of California, Berkeley, United States. Prof. Tong is currently an independent non-executive director of Gold Peak Industries (Holdings) Limited (Stock Code: 40) and Xiaomi Corporation (Stock Code: 1810), both of which are listed on the Main Board of the Stock Exchange.

* *For identification purpose only*

Dr. Chan Yan Chong ("Dr. Chan"), aged 70, 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. Between July 2009 to July 2019, Dr. Chan was 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.

Ms. Yeung Sum ("Ms. Yeung"), aged 48, 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.

Mr. Tang Koon Yiu Thomas ("Mr. Tang"), aged 74, 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.

* *For identification purpose only*

Dr. Lau Ching Kwong ("Dr. Lau"), aged 79, 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 62, 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 59, 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 45, 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 15 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 2021.

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.

CG Code provision A.6.7* provides that the independent non-executive directors and other non-executive directors of the Company should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. CG Code provision E.1.2* also provides that the chairman of the Board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration, nomination and the independent board committee to attend the annual general meeting to answer question at the annual general meeting. The Group had inadvertently failed to comply with CG Code provisions A.6.7* and E.1.2* for the annual general meeting held on 4 June 2021 (the "AGM"). Mr. Chan Kai King (executive director) and Ms. Sze (non-executive director) attended the AGM in person while the other directors of the Company did not attend the AGM. Due to the other business meeting commitment at Nanjing, the PRC, Mr. Sze (chairman of the Board and nomination committee of the Company) was unable to attend the AGM, but he had requested Ms. Sze (non-executive director) to attend the AGM on his behalf. Mr. Chan Kai King (executive director) and Ms. Sze (non-executive director) are the directors who are most familiar with the operation and businesses of the Company who are well placed to answer any questions that the shareholders may have at the AGM, and had in fact they have answered questions at the AGM competently. The Company will ensure that the CG Code provisions A.6.7* and E.1.2* will be complied with in other general meetings of the Company going forward.

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

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 Employee Written Guidelines was noted by the Company during the year.

3. BOARD OF DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Ms. Sze Wan Nga *(re-designated as a non-executive director with effect from 16 February 2021)*
Mr. Zhou Jichang *(appointed with effect from 16 February 2021)*
Prof. Tong Wai Cheung Timothy
Dr. Chan Yan Chong
Mr. Wang Lei *(resigned with effect from 16 February 2021)*

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.

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

Independent Non-executive Directors

During the year ended 31 December 2021, 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 to three 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 to three 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.

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

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	✓	✓
Mr. Chan Kai King	✓	✓
Non-executive Directors:		
Ms. Sze Wan Nga (re-designed as a non-executive director with effect from 16 February 2021)	✓	✓
Mr. Zhou Jichang (appointed with effect from 16 February 2021)	✓	✓
Prof. Tong Wai Cheung Timothy	✓	✓
Dr. Chan Yan Chong	✓	✓
Mr. Wang Lei (resigned with effect from 16 February 2021)	✓	✓
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	*(Non-executive director) (re-designated as a non-executive director with effect from 16 February 2021)*	

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 13 to the financial statements. Details of five highest paid employees are set out in note 13 to the financial statements. In addition, the remuneration of the two (2020: two) senior management fell within the band of less than HK$1,000,000 and one (2020: one) of the 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.

During the year ended 31 December 2021, the nomination committee held one meeting to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company. The nomination committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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 2021 and for the year ended 31 December 2021, 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, BDO Limited be re-appointed as the Company's external auditors for 2021.

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	8/8		1/1	
Mr. Chan Kai King	8/8			
Non-executive Directors:				
Ms. Sze Wan Nga (re-designated as a non-executive director with effect from 16 February 2021)	8/8	2/2		
Mr. Zhou Jichang (appointed with effect from 16 February 2021)	8/8			
Dr. Chan Yan Chong	8/8			
Mr. Wang Lei (resigned with effect from 16 February 2021)	1/1			
Independent Non-executive Directors:				
Ms. Yeung Sum	8/8	2/2		2/2
Mr. Tang Koon Yiu Thomas	8/8	2/2	1/1	2/2
Dr. Lau Ching Kwong	8/8		1/1	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, BDO Limited, 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 AND RISK MANAGEMENT

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 during the year ender review, 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.

The Company has formulated policies on information disclosure and regularly reminded Directors and employees to properly comply with relevant policies on inside information while notifying the Directors, senior management and employees the latest guidance announced by the regulatory body on such information disclosure from time to time to keep all of them abreast of the latest requirements.

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, BDO Limited charged the Group HK$1,650,000 for the provision of audit services, and other certified public accountant firms charged HK$666,000 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 Act 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 recognises 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.

13. CHANGES IN MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company has not amended its memorandum and articles of association during the year under review.

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 2021.

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 45 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 2021 is set out in note 5 and note 6 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 profit for the year ended 31 December 2021 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 52 to 159.

The directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2021.

The directors do not recommend the payment of any dividend for the year ended 31 December 2021. As at the date of this report, there was no arrangement with any shareholder of the Company under which he/she/it has waived or agreed to waive any dividends.

In respect of code provision E.1.5 of Appendix 14 of the Listing Rules*, the Company does not have a dividend policy. The Board will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Group's operating results, future growth requirements, liquidity position, and other factors that the Board considers relevant. The recommendation of the payment of any dividend is subject to the discretion of the Board, and any declaration of dividend will be subject to the approval of the Company's shareholders at the annual general meeting of the Company.

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

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 160. 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 16 to the financial statements.

6. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2021 are set out in note 32 to the financial statements.

7. SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 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 acts 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 46 to the financial statements and in the consolidated statement of changes in equity, respectively.

11. DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Act of the Cayman Islands amounted to approximately HK$665.9 million (2020: HK$670.8 million), of which none (2020: none) was proposed as a final dividend for the year. Under the acts 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 48.2% of the total sales for the year and sales to the largest customer included therein amounted to approximately 35.5%. Purchases from the Group's five largest suppliers accounted for approximately 16.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 3.9%.

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$277,000.

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
Mr. Chan Kai King

Non-executive Directors:

Ms. Sze Wan Nga (re-designated as a non-executive director with effect from 16 February 2021)
Mr. Zhou Jichang (appointed with effect from 16 February 2021)
Prof. Tong Wai Cheung Timothy
Dr. Chan Yan Chong
Mr. Wang Lei (resigned with effect from 16 February 2021)

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, Ms. Sze Wan Nga, Prof. Tong Wai Cheung Timothy and Dr. Lau Ching Kwong 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 7 June 2019, respectively, and is subject to termination by either party giving not less than three months' written notice.

Mr. Wang Lei has entered into a letter of appointment for an initial term of one year commencing on 31 October 2013. Mr. Wang Lei has entered into renewal contract with the Company on 31 October 2014, 31 October 2016, 31 October 2018 and 31 October 2020 for a term of 2 years each, and is subject to termination by either party giving not less than three months' written notice. Dr. Chan Yan Chong has entered into a letter of appointment for an initial term of two years commencing on 23 December 2016. Dr. Chan Yan Chong has entered into renewal contract with the Company on 23 December 2018 and 23 December 2020, for a term of 2 years, and is subject to termination by either party giving not less than three months' written notice. Prof. Tong Wai Cheung Timothy has entered into a service contract with the Company for a term of three years effective from 2 July 2019 and is subject to termination by either party giving not less than three months' written notice. Ms. Sze Wan Nga and Mr. Zhou Jichang have entered into a service contract with the Company for a term of three years effective from 16 February 2021 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 2021, 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**	**Corporate Interests**	**Total**	**Approximate percentage of existing issued share capital of the Company**
Mr. Sze Wai Pan ("Mr. Sze")	13,000,000	–	529,688,260[1]	542,688,260	50.30%
Ms. Sze Wan Nga ("Ms. Sze")	–	2,200,000	29,640,000[2]	31,840,000	2.95%
Mr. Chan Kai King	2,300,000	2,186,667	–	4,486,667	0.42%
Dr. Chan Yan Chong	50,000	–	–	50,000	0.00%

Notes:

1. Mr. Sze is the beneficial owner of all the issued share capital of Freetech (Cayman) Ltd. ("Freetech Cayman"), Freetech (BVI) Limited ("Sze BVI") and Freetech Technology Limited ("Freetech Technology") and therefore is deemed to be interested in a total of 529,688,260 shares 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 2021, 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 2021, 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	529,688,260	49.09%
Sze BVI[1]	Interest in controlled corporation	529,688,260	49.09%
Freetech Cayman[1]	Beneficial owner	529,688,260	49.09%
Bank of Communications Trustee Limited[2]	Trustee	59,485,200	5.51%

Note:

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. Bank of Communications Trustee Limited is appointed by the Company to purchase such the shares of the Company on the Stock Exchange or off-market 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.

3. According to the disclosure interest form filed by Bank of Communications Trustee Limited ("BOCM Trustee") on 8 January 2021, the number of shares held by BOCM Trustee were 62,457,200. During the year under review, as shares were transferred to grantee upon vesting and additional shares acquired by BOCM Trustee, the number of shares held by BOCM Trustee were 59,485,200 as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, 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. During the year ended 31 December 2021 (2020: nil), no share options were granted, exercised or cancelled by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at 31 December 2021 (2020: nil).

20. SHARE AWARD SCHEME

On 7 May 2014, the Company adopted the share award scheme (as amended on 22 December 2020) (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 aims to recognize the contributions by certain Selected Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. 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 Bank of Communications Trustee Limited (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 or off-market 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 10% 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.

Details of the Awarded Shares awarded during the year ended 31 December 2021 (2020: 22,000,000 shares) are set out below:

Date of award	Number of shares awarded	Average fair value per share	Vesting date
28 May 2021	300,000	HK$0.304	7 June 2021
28 May 2021	225,000	HK$0.199	7 June 2022
28 May 2021	225,000	HK$0.184	7 June 2023

Movements of the Awarded Shares under the Share Award Scheme for the year ended 31 December 2021 are as follows:

Name of participant	Date of grant	Awarded shares at 1 January 2021	Grant during the year	Vested during the year	Forfeited during the year	Awarded shares at 31 December 2021	Vesting date
Directors							
Ms. Sze	8 June 2020	880,000	–	(880,000)	–	–	7 June 2021
Ms. Sze	8 June 2020	660,000	–	–	–	660,000	7 June 2022
Ms. Sze	8 June 2020	660,000	–	–	–	660,000	7 June 2023
Chan Kai King	8 June 2020	880,000	–	(700,000)	(180,000)	–	7 June 2021
Chan Kai King	8 June 2020	660,000	–	–	–	660,000	7 June 2022
Chan Kai King	8 June 2020	660,000	–	–	–	660,000	7 June 2023
Continuous Contract Employees							
In aggregate	8 June 2020	7,040,000	–	(5,058,000)	(1,982,000)	–	7 June 2021
In aggregate	8 June 2020	5,280,000	–	–	–	5,280,000	7 June 2022
In aggregate	8 June 2020	5,280,000	–	–	–	5,280,000	7 June 2023
In aggregate	28 May 2021	–	300,000	(300,000)	–	–	7 June 2021
In aggregate	28 May 2021	–	225,000	–	–	225,000	7 June 2022
In aggregate	28 May 2021	–	225,000	–		225,000	7 June 2023
		22,000,000	750,000	(6,938,000)	(2,162,000)	13,650,000	

Further details of the Share Award Scheme are disclosed in note 35 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 2021 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 2021 and up to the date of the Annual Report.

The directors of the Company are not interested in any business which competes, or is likely to compete, either directly or indirectly, with the Company's business.

22. CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 31 August 2015, 28 October 2019, 22 May 2020, 23 September 2020, 10 December 2020, 14 May 2021 and 8 November 2021, 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 28 October 2019, 22 May 2020, 23 September 2020, 10 December 2020, 14 May 2021 and 8 November 2021, 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 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 January 2021– 31 March 2021	49,254	59,406	Note (1)	Note (2)
Tianjin Expressway Group	17 May 2021– 31 December 2021	71,937	86,764	Note (1)	Note (3)
Tianjin Expressway Group	9 November 2021– 30 November 2021	6,202	7,480	Note (1)	Note (4)
Tianjin Expressway Group	10 November 2021– 15 December 2021	25,782	31,095	Note (1)	Note (5)
Tianjin Expressway Group	10 November 2021– 30 December 2021	6,128	7,391	Note (1)	Note (5)
Tianjin Expressway Group	15 November 2021– 30 December 2021	3,207	3,868	Note (1)	Note (5)
Tianjin Expressway Group	15 November 2021– 30 December 2021	16,973	20,471	Note (1)	Note (5)
Tianjin Tianlang Expressway Co. Ltd.* (天津天朗高速公路有限公司)	9 November 2021– 31 December 2021	2,279	2,748	Note (1)	Note (3)
Tianjin Xinzan Expressway Co. Ltd.* (天津新展高速公路有限公司)	1 January 2021– 31 March 2021	247	298	Note (1)	Note (2)
Tianjin Xinzan Expressway Co. Ltd.* (天津新展高速公路有限公司)	17 May 2021– 31 December 2021	1,664	2,007	Note (1)	Note (2)
Tianjin Xinzan Expressway Co. Ltd.* (天津新展高速公路有限公司)	9 November 2021– 30 December 2021	6,100	7,357	Note (1)	Note (6)
Tianjin Xinzan Expressway Co. Ltd.* (天津新展高速公路有限公司)	17 May 2021– 31 December 2021	3,420	4,125	Note (1)	Note (2)
Tianjin Tian'ang Expressway Co. Ltd.* (天津天昂高速公路有限公司)	9 November 2021– 31 December 2021	1,987	2,397	Note (1)	Note (2)
Tianjin Jinfu Expressway Co. Ltd.* (天津津富高速公路有限公司)	1 January 2021– 31 December 2021	3,005	3,625	Note (1)	Note (2)

* *for identification purpose only*

Notes:

(1) The consideration was 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 Company referred to the supplemental requirement on budget preparation and estimate for highway construction projects (天津市執行交通部《公路基本建設工程概算、預算編製辦法》的補充規定) issued by Tianjin local government and the budget for highway construction (公路工程預算定額) issued by the Ministry of Transport of the PRC on 1 December 2018 (with effect from 1 May 2019) (the "Pricing Guidelines"). The Pricing Guidelines apply to all highway construction and maintenance projects in the PRC and provide price reference for highway construction and maintenance contracts, including the range of labour costs per day, the range of the cost per meter for certain raw materials and the range of the cost per machines used. The Pricing Guidelines are for reference purpose only and there is no requirement for Tianjin Expressway Maintenance to strictly follow these Pricing Guidelines. As the price references set out in the Pricing Guidelines are not up to-date, Tianjin Expressway Maintenance would adjust the labour costs and estimate the raw material costs set out in the Pricing Guidelines upward or downward by comparing them with the prevailing market prices of labour costs and raw material costs and taking into account any recent or anticipated changes in the market based on the Group's knowledge. The prevailing market prices of the raw materials were determined by the purchasing team of Tianjin Expressway Maintenance through conducting market research and obtaining 10-20 quotes from different raw material suppliers in Tianjin.

The considerations were further determined on a cost-plus basis. Depending on the types of the services provided, certain percentage of the profit margin was determined based on the historical transaction experience of Tianjin Expressway Maintenance. Tianjin Expressway Maintenance has entered into transactions with Tianjin Expressway Group (including its subsidiaries and associated companies) from time to time since August 2015. Tianjin Expressway Maintenance has made reference to the consideration of certain historical transactions for similar services provided to Tianjin Expressway Group (including its subsidiaries and associated companies) as set out below when determining the consideration of the Continuing Connected Transactions. Tianjin Expressway Maintenance used the aggregate consideration, the consideration per kilometres and per square meters as reference point and made appropriate adjustments based on the factors mentioned above, including the prices set out in the Pricing Guidelines, the prevailing market prices of relevant raw materials, the duration and location of the projects.

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

(3) Provision of daily and damages maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 20% of the consideration as prepayment upon starting services, and thereafter quarterly settlement based on actual volume. The prepayment shall net off against the quarterly settlement.

(4) Provision of renovation maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 20% of the consideration as prepayment shall be paid upon commencement of the provision of the services, 78% of the consideration shall be paid upon completion of the provision of the services. The remaining 2% of the consideration shall be paid after 2 years from completion of the provision of the services as warranty deposit.

(5) Provision of renovation maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 20% of the consideration as prepayment shall be paid upon commencement of the provision of the services, 77% of the consideration shall be paid upon completion of the provision of the services. The remaining 3% of the consideration shall be paid after 2 years from completion of the provision of the services as warranty deposit.

(6) Provision of renovation maintenance services by Tianjin Expressway Maintenance and the consideration shall be paid in the following manners: 10% of the consideration as prepayment shall be paid upon commencement of the provision of the services, 87% of the consideration shall be paid upon completion of the provision of the services. The remaining 3% of the consideration shall be paid after 2 years from completion of the provision of the services as warranty deposit.

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 42 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 2021 have been audited by BDO Limited ("BDO"), 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 BDO as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

BDO have been appointed as the auditors of the Company with effect from 3 January 2020 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu which took effect from 2 January 2020. 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.

28. DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save for those disclosed in the section headed "Share Option Scheme" in this Directors' report in this annual report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

On behalf of the Board

Mr. Sze Wai Pan
Chairman and Chief Executive Officer
Hong Kong, 29 March 2022

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF FREETECH ROAD RECYCLING TECHNOLOGY (HOLDINGS) LIMITED
(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 (together the "Group") set out on pages 52 to 159, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2021, 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 the 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.

Impairment on trade receivables and contract assets

As at 31 December 2021, the Group had trade receivables and contract assets, before allowance for credit losses, of approximately HK$390 million and HK$376 million respectively, and the balance of loss allowance of trade receivables and contract assets were approximately HK$299 million and HK$34 million respectively. The management of the Group estimates the amounts of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and contract assets, ageing, repayment history and/or past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables and contract assets that are credit impaired are assessed for ECL individually.

We identified the provision of expected credit losses for trade receivables and contract assets as a key audit matter because of the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.

Refer to notes 24, 26 and 40 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.

Our response:

- obtaining an understanding of management's process of assessing the expected credit losses of trade receivables;

- evaluating the reasonableness of management's determination and reassessment of the internal credit rating of individual debtors based on of the historical default rates applied for individual debtor and examining documents that reflect debtors' historical default rates for a selection of debtors;

- evaluating the forward-looking information provided by management to supporting documents, including credit search on debtors; and

- evaluating management's calculation of the expected credit losses for trade receivables, based on the internal credit rating of the debtors and forward looking information.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 the 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our 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.

- 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 the Audit Committee 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 the Audit Committee 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 actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate no. P06262

Hong Kong, 29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**511,619**	541,911
Cost of sales		**(383,032)**	(423,769)
Gross profit		**128,587**	118,142
Other income	7	**9,700**	12,495
Other gains and losses, net	8	**(68)**	(649)
Reversal of impairment losses on financial and contract assets	9	**36,226**	12,355
Selling and distribution costs		**(18,406)**	(15,097)
Administrative expenses		**(76,323)**	(64,360)
Equity-settled share-based payment expenses		**(1,083)**	(848)
Research and development costs		**(21,596)**	(18,897)
Other expenses		**(268)**	(1,028)
Share of (losses)/profits of joint ventures		**(2,322)**	1,129
Finance costs	10	**(4,624)**	(4,758)
Profit before income tax expense		**49,823**	38,484
Income tax expense	11	**(5,562)**	(5,480)
Profit for the year		**44,261**	33,004
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		**(114)**	945
Exchange differences arising from translation		**18,803**	45,439
Other comprehensive income for the year		**18,689**	46,384
Total comprehensive income for the year		**62,950**	79,388
Profit for the year attributable to:			
Owners of the Company		**31,948**	31,636
Non-controlling interests		**12,313**	1,368
		44,261	33,004
Total comprehensive income attributable to:			
Owners of the Company		**49,755**	77,678
Non-controlling interests		**13,195**	1,710
		62,950	79,388
Earnings per share	15		
— Basic (HK cents)		**3.13**	2.99
— Diluted (HK cents)		**3.08**	2.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**159,611**	168,866
Investment property	18	**143,117**	262,759
Right-of-use assets	17	**11,578**	13,111
Goodwill	19	**6,150**	6,150
Other intangible assets	20	**2,348**	2,766
Interests in joint ventures	22	**21,500**	23,544
Equity instruments at FVTOCI	23	**9,397**	9,252
Prepayments and deposits for acquisition of leasehold land		**3,997**	3,888
Contract assets	24	**–**	6,952
Deferred tax assets	21	**653**	872
		358,351	498,160
Current assets			
Inventories	25	**181,193**	54,261
Bills and trade receivables	26	**98,586**	128,427
Contract assets	24	**342,107**	305,763
Prepayments, deposits and other receivables	27	**49,738**	50,560
Taxation recoverable		**–**	4,086
Financial assets at fair value through profit or loss ("FVTPL")	28	**–**	4,760
Time deposits	29	**8,577**	12,366
Pledged bank deposits	29	**30,391**	38,676
Restricted bank deposits	29	**2,330**	–
Bank balances and cash	29	**268,995**	237,300
		981,917	836,199
Total assets		**1,340,268**	1,334,359

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
LIABILITIES			
Current liabilities			
Bills, trade and other payables	30	**348,477**	396,854
Contract liabilities	31	**751**	601
Taxation payable		**1,884**	–
Bank borrowings	32	**95,438**	99,960
Lease Liabilities	33	**2,050**	2,537
		448,600	499,952
Net current assets		**533,317**	336,247
Total assets less current liabilities		**891,668**	834,407
Non-current liabilities			
Lease Liabilities	33	**15**	985
Deferred tax liabilities	21	**27,847**	26,201
		27,862	27,186
Total liabilities		**476,462**	527,138
NET ASSETS		**863,806**	807,221
EQUITY			
Capital and reserves			
Share capital	34	**107,900**	107,900
Reserves		**711,085**	667,695
Attributable to owners of the Company		**818,985**	775,595
Non-controlling interests		**44,821**	31,626
TOTAL EQUITY		**863,806**	807,221

The consolidated financial statements on pages 52 to 159 were approved and authorised for issue by the board of directors on 29 March 2022 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 2021

	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 (Note d)	Foreign currency translation reserve HK$'000	Retained earnings HK$'000	Investment revaluation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2020	107,900	732,463	(26,584)	25,328	91,855	–	(83,732)	(149,999)	610	697,841	31,195	729,036
Profit for the year	–	–	–	–	–	–	–	31,636	–	31,636	1,368	33,004
Other comprehensive income for the year	–	–	–	–	–	–	45,097	–	945	46,042	342	46,384
Total comprehensive income for the year	–	–	–	–	–	–	45,097	31,636	945	77,678	1,710	79,388
Repurchase of Company's shares	–	–	(772)	–	–	–	–	–	–	(772)	–	(772)
Acquisition of additional interest in subsidiaries (note 44(a)&(b))	–	–	–	–	–	–	–	–	–	–	(1,279)	(1,279)
Equity-settled share award scheme	–	–	–	–	–	848	–	–	–	848	–	848
Transfer from retained earnings	–	–	–	–	575	–	–	(575)	–	–	–	–
As at 31 December 2020 and 1 January 2021	107,900	732,463	(27,356)	25,328	92,430	848	(38,635)	(118,938)	1,555	775,595	31,626	807,221
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,948**	**-**	**31,948**	**12,313**	**44,261**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**17,921**	**-**	**(114)**	**17,807**	**882**	**18,689**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**17,921**	**31,948**	**(114)**	**49,755**	**13,195**	**62,950**
Repurchase of Company's shares	**-**	**-**	**(7,448)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,448)**	**-**	**(7,448)**
Equity-settled share award scheme	**-**	**-**	**-**	**-**	**-**	**1,083**	**-**	**-**	**-**	**1,083**	**-**	**1,083**
Share awards vested	**-**	**-**	**13,085**	**-**	**-**	**(733)**	**-**	**(12,352)**	**-**	**-**	**-**	**-**
Share awards forfeited	**-**	**-**	**-**	**-**	**-**	**(239)**	**-**	**239**	**-**	**-**	**-**	**-**
Transfer from retained earnings	**-**	**-**	**-**	**-**	**788**	**-**	**-**	**(788)**	**-**	**-**	**-**	**-**
As at 31 December 2021	**107,900**	**732,463**	**(21,719)**	**25,328**	**93,218**	**959**	**(20,714)**	**(99,891)**	**1,441**	**818,985**	**44,821**	**863,806**

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 35), 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 35.

(d) It represents the portion of the grant date fair value of the shares granted to the directors and employees of the Company and its subsidiaries under the Share Award Scheme that has been recognised in accordance with the accounting policy adopted for shared-based payment.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Profit before income tax expense	**49,823**	38,484
Adjustments for:		
Interest income	**(8,537)**	(8,339)
Finance costs	**4,624**	4,758
Share of losses/(profits) of joint ventures	**2,322**	(1,129)
Depreciation of property, plant and equipment	**29,500**	27,021
Depreciation of right-of-use assets	**2,859**	2,646
Amortisation of other intangible assets	**640**	180
Net (gain)/loss on disposal of property, plant and equipment	**(107)**	84
Impairment losses on financial and contract assets, net		
— trade receivables	**(39,395)**	(28,308)
— contract assets	**4,105**	14,132
— other receivables	**(936)**	1,821
Gain on a bargain purchase	**–**	(451)
Equity-settled share-based payment expenses	**1,083**	848
Unrealised exchange differences	**(411)**	3,792
Operating cash flows before movements in working capital	**45,570**	55,539
Decrease/(increase) in inventories	**12,905**	(6,909)
Decrease in bills and trade receivables	**65,469**	13,800
Increase in contract assets	**(19,570)**	(22,630)
Decrease in prepayments, deposits and other receivables	**3,045**	7,086
(Decrease)/increase in bills, trade and other payables	**(51,320)**	20,271
Increase/(decrease) in contract liabilities	**134**	(3,038)
Cash generated from operations	**56,233**	64,119
Income tax refunded/(paid)	**976**	(9,578)
Net cash generated from operating activities	**57,209**	54,541

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Investing activities			
Interest received		**8,537**	8,339
Payments for acquisition of subsidiaries	43	**(7,200)**	–
Net cash inflow arising from acquisition of a subsidiary	43	**–**	427
Proceeds on disposal of property, plant and equipment		**6,346**	2,243
Purchase of property, plant and equipment		**(21,962)**	(15,658)
Purchase of investment property		**(11,859)**	(3,196)
Purchase of other intangible assets		**(184)**	–
Placement of financial assets at FVTPL		**–**	(4,499)
Withdrawal of financial assets at FVTPL		**4,780**	39,368
Placement of time deposits		**(8,455)**	(11,688)
Withdrawal of time deposits		**12,533**	15,185
Placement of pledged bank deposits		**(29,957)**	(36,557)
Withdrawal of pledged bank deposits		**39,199**	24,238
Placement of restricted bank deposits		**(2,297)**	–
Net cash (used in)/generated from investing activities		**(10,519)**	18,202
Financing activities			
Bank borrowings raised		**104,931**	94,483
Repayments of bank borrowings		**(112,168)**	(111,355)
Repayment of principal portion of the lease liabilities		**(2,557)**	(2,462)
Interest paid		**(4,624)**	(4,758)
Payments for acquisition of additional interest in subsidiaries	44	**–**	(1,279)
Purchase of shares held under the share award scheme	35	**(7,448)**	(772)
Net cash used in financing activities		**(21,866)**	(26,143)
Net increase in cash and cash equivalents		**24,824**	46,600
Cash and cash equivalents at the beginning of the year		**237,300**	177,571
Effects of exchange rate changes on the balance of cash held in foreign currencies		**6,871**	13,129
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**268,995**	237,300

1. GENERAL INFORMATION

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

The Company is an investment holding company. Its subsidiaries (the Company and its subsidiaries are collectively referred to as the "Group") are principally engaged in the manufacturing and sale of road maintenance equipment and provision of road maintenance services in the People's Republic of China (the "PRC"). The Group also commences a new business of development, sales and leasing of properties during the year. Details of its subsidiaries are set out in note 45.

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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2021

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

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

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

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

4 No mandatory effective date yet determined but available for adoption.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

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

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

It also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in HKFRS Practice Statement 2.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendment to HKAS 8, Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, it retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

Two examples (Examples 4-5) were added to the Guidance on implementing HKAS 8, which accompanies the Standard. One example (Example 3) was removed as it could cause confusion in light of the amendments.

Amendment to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying HKFRS 16 at the commencement date of a lease.

Following the amendments to HKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The Board also adds an illustrative example to HKAS 12 that explains how the amendments are applied.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendment to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction *(Continued)*

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

  — Right-of-use assets and lease liabilities

  — Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have a material impact on the financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have a material impact on the financial statements in future periods should such transaction arise.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2018-2020

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

Amendments to HKFRS 16, Covid-19-Related Rent Concession Beyond 30 June 2021

Effective 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the Covid-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

In the annual financial statements for the year ended 31 December 2020, the Group had elected to utilise the practical expedient for all rent concessions that meet the criteria. Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 16, Covid-19-Related Rent Concession Beyond 30 June 2021 *(Continued)*

On 9 April 2021, the HKICPA issued another amendment to HKFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted including the financial statements not authorised for issue at 9 April 2021. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment Covid-19-Related Rent Concessions. However, as the Group had not negotiated rent concessions with lessors that affected payments originally due on or before 30 June 2022. The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in 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.

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 HKFRS 9 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;

- Lease liability are measured at the present value of the remaining lease payments (as defined in HKFRS 16 Leases) as if the acquired lease were a new lease at the acquisition date. Right-of-use asset are measured at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms;

- Liabilities or equity instruments related to share-based payment arrangements of the acquire 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary'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.

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 or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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. 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 Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets 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 the Group ceases to have significant influence over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in joint ventures *(Continued)*

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, 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.

Revenue from contracts with customers

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services, and accounts receivables due over one year.

Leasing

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liability

Subsequent to the commencement date, the Group measures the lease liability by; (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset. The only exceptions to remeasure the carrying amount of the lease liability to reflect any lease modification are rent concessions that occurred as a direct consequence of the Covid-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences on the settlement of 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.

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.

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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

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.

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/loss before taxation because 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. 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.

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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Where an investment property undergoes a change in use, ceases to meet the definition of investment property and evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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.

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 assets are reported 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, measured as 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 with finite useful lives to determine whether there is any indication that these 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).

The recoverable amount of tangible and intangible assets are estimated individually, 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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 assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

— **Maintenance services and sale of equipment**

Costs of inventories are determined on a 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.

— **Properties**

— *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

— *Completed properties held for sale*

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square meter basis, unless another basis is more representative of the cost of the specific unit. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The Group's inventories arise where there is a change in use of investment property, the property ceases to meet the definition of investment property and is evidenced by the commencement of development with a view to sale, and the properties are reclassified as inventories at their deemed cost, which is the fair value at the date of reclassification. They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in FVTOCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included, if any, in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial and contract assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including bills and trade receivables and other receivables, time deposits, pledged bank deposits, restricted bank deposits and bank balances and cash) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for bills and trade receivables and contract assets without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings with the exception of those that are credit-impaired, in which case, are assessed for ECL individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial and contract assets (Continued)

(i) Significant increase in credit risk (Continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management purposes, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial and contract assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group.);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount, with the exception of trade receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.

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.

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 of financial liabilities

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 on-going 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 judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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.

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

Deferred taxation on investment property *(Continued)*

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.

Provision of ECL for trade receivables and contract assets

The management of the Group estimates the amounts of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and contract assets, ageing, repayment history and/or past due status of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables and contract assets that are credit impaired are assessed for ECL individually. Loss allowance amounts of trade receivables and contract assets are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 26, 24 and 40 respectively.

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.

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 2021, the carrying amount of property, plant and equipment amounted to approximately HK$159,611,000 (2020: HK$168,866,000), details of which are set out in note 16.

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. 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 2021, the carrying amount of goodwill was approximately HK$6,150,000 (2020: HK$6,150,000), details of which are set out in note 19.

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 2021, the carrying amount of inventories was approximately HK$181,193,000 (2020: HK$54,261,000).

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 18 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 2021 was approximately HK$143,117,000 (2020: HK$262,759,000).

Right-of-use assets

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

5. REVENUE *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

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

5. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers

Maintenance Services (with milestone payments)

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

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

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

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

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$215,522,000 (2020: HK$98,265,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 to 36 months.

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

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

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

6. OPERATING SEGMENTS

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

Maintenance services	–	Provision of road maintenance services
Sale of equipment	–	Manufacturing and sale of road maintenance equipment
Properties	–	Development, sales and leasing of properties

Segment revenue and results

	Maintenance Services HK$'000	Sale of Equipment HK$'000	Properties HK$'000	Consolidated Total HK$'000
For the year ended 31 December 2021				
Segment revenue:				
Sales to external customers	442,839	68,780	–	511,619
Intersegment sales	24	19,984	–	20,008
	442,863	88,764	–	531,627
Reconciliation				
Elimination of intersegment sales	(24)	(19,984)	–	(20,008)
Revenue	442,839	68,780	–	511,619
Segment results	70,641	(7,783)	(637)	62,221
Reconciliation:				
Interest income				8,537
Foreign exchange gains, net				102
Finance costs				(4,624)
Equity-settled share-based payment expenses				(1,083)
Unallocated corporate expenses				(13,008)
Share of losses of joint ventures				(2,322)
Profit before income tax expense				49,823

6. OPERATING SEGMENTS *(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 2020			
Segment revenue:			
Sales to external customers	484,850	57,061	541,911
Intersegment sales	2,809	15,839	18,648
	487,659	72,900	560,559
Reconciliation			
Elimination of intersegment sales	(2,809)	(15,839)	(18,648)
Revenue	484,850	57,061	541,911
Segment results	55,945	(6,498)	49,447
Reconciliation:			
Interest income			8,339
Foreign exchange losses, net			(104)
Finance costs			(4,572)
Gain on a bargain purchase			451
Equity-settled share-based payment expenses			(848)
Unallocated corporate expenses			(15,358)
Share of profits of joint ventures			1,129
Profit before income tax expense			38,484

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, interest income, exchange gains and losses, equity-settled share-based payment expenses, share of profits or losses of joint ventures and finance costs. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

6. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

	Maintenance Services HK$'000	Sale of Equipment HK$'000	Properties HK$'000	Consolidated Total HK$'000
As at 31 December 2021				
Segment assets	**650,344**	**215,396**	**286,932**	**1,152,672**
Elimination of intersegment receivables				**(164,455)**
Investments in joint ventures				**21,500**
Other unallocated assets				**330,551**
Total assets				**1,340,268**
Segment liabilities	**450,506**	**60,210**	**1,556**	**512,272**
Elimination of intersegment payables				**(164,455)**
Other unallocated liabilities				**128,645**
Total liabilities				**476,462**
As at 31 December 2020				
Segment assets	672,796	253,570	N/A	926,366
Elimination of intersegment receivables				(202,146)
Investments in joint ventures				23,544
Investment property				262,759
Other unallocated assets				323,836
Total assets				1,334,359
Segment liabilities	526,910	62,374	N/A	589,284
Elimination of intersegment payables				(202,146)
Other unallocated liabilities				140,000
Total liabilities				527,138

6. OPERATING SEGMENTS *(Continued)*

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

	Maintenance Services HK$'000	Sale of Equipment HK$'000	Properties HK$'000	Consolidated Total HK$'000
For the year ended 31 December 2021				
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, contract assets and other receivables	**(39,196)**	**2,970**	**–**	**(36,226)**
Depreciation and amortisation	**31,636**	**1,363**	**–**	**32,999**
Capital expenditure (Note)	**21,865**	**1,335**	**11,859**	**35,059**
For the year ended 31 December 2020				
(Reversal of)/provision for impairment losses recognised in respect of trade receivables, contract assets and other receivables	(18,147)	5,792	N/A	(12,355)
Depreciation and amortisation	26,741	3,106	N/A	29,847
Capital expenditure (Note)	16,167	2,039	N/A	18,206

Note: Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets and other intangible assets, excluding assets from the acquisition of subsidiaries.

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

- all assets are allocated to operating segments other than time deposits, pledged bank deposits, restricted bank deposits, bank balances and cash, interests in joint ventures, investment property, deferred tax assets, financial assets at FVTPL and other unallocated head office and corporate assets as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than deferred tax liabilities, bank borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

During the year ended 31 December 2021, revenue from a connected party, accounted for 10% or more of the Group's revenue and its revenue amounted to approximately HK$216,475,000 (2020: HK$175,546,000). The sales to the above connected party were derived from the provision of road maintenance services.

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

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government grants (note)	**943**	2,894
Interest income	**8,537**	8,339
Gain on a bargain purchase	**–**	451
Others	**220**	811
	9,700	12,495

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.

8. OTHER GAINS AND LOSSES, NET

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

9. REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

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

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on:		
— Bank borrowings	**4,518**	4,572
— Lease liabilities	**106**	186
	4,624	4,758

11. INCOME TAX EXPENSE

The charge comprises:

	2021 HK$'000	2020 HK$'000
PRC Enterprise Income Tax ("EIT"):		
— Current year	**6,401**	4,167
— (Over)/Under provision in prior years	**(1,378)**	490
	5,023	4,657
Deferred tax charge (note 21)	**539**	823
	5,562	5,480

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

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

英達熱再生有限公司 Freetech Road Recycling Corporation ("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, 2015 and 2018 respectively and the applicable tax rate is 15% from 1 January 2009 to 28 November 2021.

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

11. INCOME TAX EXPENSE *(Continued)*

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

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

	2021 **HK$'000**	2020 HK$'000
Profit before income tax expense	**49,823**	38,484
Tax at the applicable income tax rate of 25% (2020: 25%) (Note)	**12,456**	9,621
Tax effect of expenses not deductible for tax purposes	**4,978**	4,905
Tax effect of tax losses not recognised	**10,143**	10,935
Tax effect of income not taxable for tax purpose	**(965)**	(951)
Tax effect of share of losses of joint ventures	**581**	210
Tax effect of deductible temporary differences not recognised	**(17,469)**	(15,831)
Utilisation of tax losses and deductible temporary differences previously not recognised	**–**	–
Income tax at concessionary rates	**(1,798)**	(1,394)
Under provision in prior years	**497**	490
Tax effect of additional deduction related to research and development costs and certain staff costs	**(3,095)**	(2,715)
Withholding tax on undistributed profits of PRC subsidiaries	**234**	210
	5,562	5,480

Note: The domestic income tax rate of 25 % (2020: 25%) represents the PRC Enterprise Income Tax rate. The PRC is the primary tax jurisdiction relevant to the Group's operations.

12. PROFIT BEFORE INCOME TAX EXPENSE

	2021 **HK$'000**	2020 HK$'000
Profit before income tax expense has been arrived at after charging/(crediting):		
Directors' emoluments (note 13)	**6,907**	7,346
Other staff costs	**73,519**	74,009
Other staff retirement benefit scheme contributions	**11,320**	9,272
Other staff equity-settled share-based payment expense	**893**	678
Total staff costs	**92,639**	91,305
Amortisation of other intangible assets	**640**	180
Auditor's remuneration	**1,650**	1,560
Cost of inventories sold	**42,774**	35,753
Cost of services provided	**340,258**	388,016
Net (gains)/losses on disposal of property, plant and equipment	**(107)**	84
Depreciation charge:		
— Owned property, plant and equipment	**29,500**	27,021
— Right-of-use assets included within:		
— Leasehold land	**330**	198
— Buildings	**2,529**	2,448
Interest on lease liabilities	**106**	186
Short-term lease expenses	**12,842**	10,298

Note:

The staff cost included equity-settled share-based payment expenses of approximately HK$1,083,000 (2020: HK$848,000) and recognised in profit or loss during the year ended 31 December 2021 in respect of share awards of the Company.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the directors for the year ended 31 December 2021 were as follows:

	2021						2020					
	Fees HK$'000	Salaries and other benefits HK$'000	Performance related bonuses (Note (i)) HK$'000	Share-based payment expenses HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Performance related bonuses (Note (i)) HK$'000	Share-based payment expenses HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors												
Sze Wai Pan	–	3,422	140	–	18	3,580	–	3,104	800	–	18	3,922
Sze Wan Nga (Note (ii))	–	107	–	19	2	128	–	852	100	85	18	1,055
Chan Kai King	–	928	61	95	29	1,113	–	966	100	85	18	1,169
Non-executive directors												
Sze Wan Nga (Note (ii))	529	–	–	76	16	621	–	–	–	–	–	–
Wang Lei (Resigned on 16 February 2021)	–	–	–	–	–	–	–	–	–	–	–	–
Chan Yan Chong	240	–	–	–	–	240	240	–	–	–	–	240
Tong Wai Cheung Timothy	240	–	–	–	–	240	240	–	–	–	–	240
Zhou Jichang (Appointed on 16 February 2021)	265	–	–	–	–	265	–	–	–	–	–	–
Independent non-executive directors												
Yeung Sum	240	–	–	–	–	240	240	–	–	–	–	240
Tang Koon Yiu Thomas	240	–	–	–	–	240	240	–	–	–	–	240
Lau Ching Kwong	240	–	–	–	–	240	240	–	–	–	–	240
	1,994	4,457	201	190	65	6,907	1,200	4,922	1,000	170	54	7,346

Notes:

(i) Performance related bonuses are determined with reference to the performance of the individual directors.

(ii) Re-designated to Non-executive Director of the Company on 16 February 2021.

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.

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

The five highest paid individuals included two (2020: three) directors of the Company, details of whose emoluments are set out above. The emolument of the remaining three (2020: two) highest paid individual during the year is as follows:

	2021 **HK$'000**	2020 HK$'000
Basic salaries and allowances	**2,720**	1,884
Performance related bonuses	**302**	160
Retirement benefits scheme contributions	**54**	36
Equity-settled share-based payment expenses	**56**	50
	3,132	2,130

Their emoluments are within the following bands:

	Number of employee	
	2021	2020
HK$Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	2

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.

14. DIVIDENDS

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

15. EARNINGS PER SHARE

	2021 HK$'000	2020 HK$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share — attributable to owners of the Company	**31,948**	31,636
Number of shares:		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic earnings per share	**1,019,325,615**	1,059,755,254
Effect of dilutive potential ordinary shares:		
Unvested share award	**17,803,901**	19,244,746
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,037,129,516**	1,079,000,000

16. 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$'000	Total HK$'000
COST						
At 1 January 2020	89,881	357,666	41,263	8,825	2,509	500,144
Additions	1,271	11,159	2,368	818	42	15,658
Acquired through business combination (Note 43)	–	5,322	–	–	–	5,322
Disposal/write-off	–	(9,179)	(5,669)	(412)	–	(15,260)
Effect of foreign currency exchange differences	5,691	33,675	2,707	608	184	42,865
At 31 December 2020 and 1 January 2021	**96,843**	**398,643**	**40,669**	**9,839**	**2,735**	**548,729**
Additions	**–**	**16,580**	**3,561**	**1,821**	**–**	**21,962**
Disposal/write-off	**–**	**(12,857)**	**(2,000)**	**(540)**	**–**	**(15,397)**
Effect of foreign currency exchange differences	**2,731**	**15,249**	**1,314**	**310**	**88**	**19,692**
At 31 December 2021	**99,574**	**417,615**	**43,544**	**11,430**	**2,823**	**574,986**
DEPRECIATION						
At 1 January 2020	25,088	165,527	35,805	7,649	1,849	235,918
Provided for the year	3,802	22,038	706	336	139	27,021
Disposal/write-off	–	(7,356)	(5,188)	(389)	–	(12,933)
Effect of foreign currency exchange differences	1,552	19,445	2,298	510	187	23,992
At 31 December 2020 and 1 January 2021	**30,442**	**199,654**	**33,621**	**8,106**	**2,175**	**273,998**
Provided for the year	**4,108**	**23,624**	**1,081**	**546**	**141**	**29,500**
Disposal/write-off	**–**	**(7,181)**	**(1,873)**	**(104)**	**–**	**(9,158)**
Effect of foreign currency exchange differences	**918**	**9,845**	**1,081**	**252**	**88**	**12,184**
At 31 December 2021	**35,468**	**225,942**	**33,910**	**8,800**	**2,404**	**306,524**
IMPAIRMENT						
At 1 January 2020	–	99,147	487	4	–	99,638
Effect of foreign currency exchange differences	–	6,197	30	–	–	6,227
At 31 December 2020 and 1 January 2021	**–**	**105,344**	**517**	**4**	**–**	**105,865**
Effect of foreign currency exchange differences	**–**	**2,971**	**15**	**–**	**–**	**2,986**
At 31 December 2021	**–**	**108,315**	**532**	**4**	**–**	**108,851**
CARRYING AMOUNT						
At 31 December 2021	**64,106**	**83,358**	**9,102**	**2,626**	**419**	**159,611**
At 31 December 2020	66,401	93,645	6,531	1,729	560	168,866

16. 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 ended 31 December 2020 and 2021, no impairment loss has been recognised in the inspect of the property, plant and equipment of the Group in the view of the directors of the Group as no significant loss has been incurred in the subsidiaries of the Group.

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000
Cost			
At 1 January 2020	10,020	6,866	16,886
Additions	–	119	119
Effect of foreign currency exchange differences	627	175	802
At 31 December 2020 and 1 January 2021	**10,647**	**7,160**	**17,807**
Adjustment from lease modification	**–**	**1,054**	**1,054**
Effect of foreign currency exchange differences	**300**	**100**	**400**
At 31 December 2021	**10,947**	**8,314**	**19,261**
Amortisation			
At 1 January 2020	246	1,547	1,793
Charge during the year	198	2,448	2,646
Effect of foreign currency exchange differences	105	152	257
At 31 December 2020 and 1 January 2021	**549**	**4,147**	**4,696**
Charge during the year	**330**	**2,529**	**2,859**
Effect of foreign currency exchange differences	**55**	**73**	**128**
At 31 December 2021	**934**	**6,749**	**7,683**
Carrying Amount			
At 31 December 2021	**10,013**	**1,565**	**11,578**
At 31 December 2020	10,098	3,013	13,111

18. INVESTMENT PROPERTY

	Investment property under construction HK$'000
FAIR VALUE	
At 1 January 2020	244,173
Additions	3,196
Effect of foreign currency exchange differences	15,390
At 31 December 2020 and 1 January 2021	**262,759**
Additions	**11,859**
Transfer to inventories — at fair value	**(136,534)**
Effect of foreign currency exchange differences	**5,033**
At 31 December 2021	**143,117**

During the current year, the Group transferred certain portion of investment property to inventories at a carrying amount of approximately HK$136,534,000 upon beginning to develop the property with a view of sales in the ordinary course of business.

All of the Group's property interests held under construction are measured using the fair value model.

The fair value of the Group's investment property as at 31 December 2021 and 31 December 2020, and at the date of transfer of the relevant portion of the property, have been arrived at on the basis of a valuation carried out by Beijing Huaya Zhengxin Assets Appraisal Cp., Ltd (北京華亞正信資產評估有限公司) 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.

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

18. INVESTMENT PROPERTY *(Continued)*

Investment property	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Investment property under construction located in Jiangxinzhou, Nanjing, the PRC	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition of 6.2% (2020: 7.0%).	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 RMB102 (2020: RMB101.7) 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:

	Level 3 and Fair value	
	2021	2020
	HK$'000	HK$'000
Investment property under construction located in Nanjing, the PRC	**143,117**	262,759

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

19. GOODWILL

	2021 HK$'000	2020 HK$'000
Cost		
At 1 January and 31 December	**17,563**	17,563
Impairment		
At 1 January	**11,413**	11,413
Provided for the year	**–**	–
At 31 December	**11,413**	11,413
Carrying amount		
At 1 January and 31 December	**6,150**	6,150

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 approximately HK$731,000. The equity interests held by the Group in Freetech Ordos increased from 51% to 53% upon the completion of this acquisition. During the year ended 31 December 2018, this goodwill with the amount of approximately HK$731,000 was impaired. The goodwill of Freetech Ordos has fully impaired in prior year.

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 approximately 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. The goodwill of Hunan Freetech Tongqu has fully impaired in prior years.

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 approximately 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. The goodwill of Xinjiang Jianda has fully impaired in prior years.

19. GOODWILL *(Continued)*

On 27 November 2014, the Group acquired a 30% equity interest in 宿遷恒通道路再生工程有限公司 Suqian Hengtong Road Recycling Constructions Co., Ltd. ("Suqian Hengtong"), which was previously a 35% owned associate of the Group, from two independent third parties at an aggregate cash consideration of approximately HK$13,268,000 (equivalent to approximately RMB10,500,000), resulting in a goodwill of approximately HK$2,863,000. The equity interests held by the Group in Suqian Hengtong increased from 35% to 65% upon the completion of this acquisition. The goodwill of Suqian Hengtong has fully impaired in prior years.

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 approximately 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. The goodwill of Futech Road Recycling has fully impaired in prior years.

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 approximately HK$4,146,000. The equity interests held by the Group in Guangdong Suitong increased from 51% to 94.19% upon the completion of this subscription. The goodwill of Guangdong Suitong has fully impaired in prior years.

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 approximately HK$47,000. The equity interests held by the Group in Fuzhou Suda increased from 35% to 100% upon the completion of this acquisition. The goodwill of Fuzhou Suda has fully impaired in prior years.

19. GOODWILL *(Continued)*

	Freetech Ordos HK$'000	Hunan Freetech Tongqu HK$'000	Xinjiang Jianda HK$'000	Suqian Hengtong Maintenance HK$'000	Tianjin Expressway Maintenance HK$'000	Futech Road Recycling HK$'000	Guangdong Suitong HK$'000	Fuzhou Suda HK$'000	Total HK$'000
Goodwill amount:									
At 1 January 2020, 31 December 2020 and 31 December 2021	731	115	1,198	2,863	6,150	2,313	4,146	47	17,563
Impairment:									
At 1 January 2020	(731)	(115)	(1,198)	(2,863)	–	(2,313)	(4,146)	(47)	(11,413)
Provided for the year	–	–	–	–	–	–	–	–	–
At 31 December 2020 and 1 January 2021	**(731)**	**(115)**	**(1,198)**	**(2,863)**	**–**	**(2,313)**	**(4,146)**	**(47)**	**(11,413)**
Provided for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2021	**(731)**	**(115)**	**(1,198)**	**(2,863)**	**–**	**(2,313)**	**(4,146)**	**(47)**	**(11,413)**
Carrying amount:									
At 31 December 2021	**–**	**–**	**–**	**–**	**6,150**	**–**	**–**	**–**	**6,150**
At 31 December 2020	–	–	–	–	6,150	–	–	–	6,150

For the purposes of impairment testing, Tianjin Expressway Maintenance is considered as one cash-generating unit ("CGU") (2020: one CGU) as it represents the smallest group of assets that can generate cash flows that are largely independent of the cash flows from other assets or groups of assets.

There is no impairment in relation to the goodwill of Tianjin Expressway Maintenance during the year ended 31 December 2020 and 2021.

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 pre-tax discount rate is 14.09% (2020: 13.58%). The CGUs' cash flows beyond the 5-year period are extrapolated using a steady growth rate of 1% (2020: 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 include budgeted sales, gross margin and other overheads.

20. OTHER INTANGIBLE ASSETS

	Software HK$'000	Construction qualification certificate HK$'000	Total HK$'000
Cost			
At 1 January 2020	1,567	–	1,567
Addition	73	2,475	2,548
Effect of foreign currency exchange differences	122	143	265
At 31 December 2020 and 1 January 2021	**1,762**	**2,618**	**4,380**
Addition	**184**	**–**	**184**
Effect of foreign currency exchange differences	**66**	**74**	**140**
At 31 December 2021	**2,012**	**2,692**	**4,704**
Amortisation			
At 1 January 2020	1,339	–	1,339
Charge for the year	90	90	180
Effect of foreign currency exchange differences	90	5	95
At 31 December 2020 and 1 January 2021	**1,519**	**95**	**1,614**
Charge for the year	**100**	**540**	**640**
Effect of foreign currency exchange differences	**52**	**50**	**102**
At 31 December 2021	**1,671**	**685**	**2,356**
Carrying Amount			
At 31 December 2021	**341**	**2,007**	**2,348**
At 31 December 2020	243	2,523	2,766

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

Software	5 years
Construction qualification certificate	4.5 years

21. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 **HK$'000**	2020 HK$'000
Deferred tax assets	**653**	872
Deferred tax liabilities	**(27,847)**	(26,201)
	(27,194)	(25,329)

At 31 December 2021, the Group had not recognised deductible temporary difference in aggregate of approximately HK$360,588,000 (2020: HK$416,265,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At 31 December 2021, the Group had tax losses arising in Hong Kong of approximately HK$167,072,000 (2020: HK$147,781,000) 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$151,874,000 (2020: HK$133,886,000) that will expire at various dates up to and including 2026 (2020: 2025) 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.

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$342 million (2020: HK$336 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. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

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 2020	(10,007)	942	(15,247)	(24,312)
Charge to profit or loss	(210)	(613)	–	(823)
Effect of foreign currency exchange differences	215	543	(952)	(194)
At 31 December 2020 and 1 January 2021	**(10,002)**	**872**	**(16,199)**	**(25,329)**
Charge to profit or loss	**(234)**	**(305)**	**–**	**(539)**
Effect of foreign currency exchange differences	**(954)**	**86**	**(458)**	**(1,326)**
At 31 December 2021	**(11,190)**	**653**	**(16,657)**	**(27,194)**

22. INTERESTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
Cost of unlisted investments in joint ventures	**60,678**	60,678
Share of post-acquisition loss and other comprehensive income, net of dividend received	**(34,062)**	(30,490)
Unrealised profit of sales to joint ventures	**(5,116)**	(6,644)
	21,500	23,544

When the unrealised profit on 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 be recognised only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the joint venture. Such negative balance of interest in a joint venture is not netted off with other interests in joint ventures and is reclassified and included under the line item of bills, trade and other payables in the consolidated statement of financial position. There is no such excess balance of the unrealised profit over the share of the net assets of the joint venture at 31 December 2021 and 31 December 2020.

22. INTERESTS IN JOINT VENTURES *(Continued)*

As at 31 December 2021 and 2020, 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
			2021	2020	**2021**	2020	
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%**	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%**	35%	Provision of road maintenance 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%**	49%	Provision of road maintenance services
財匯有限公司 Flourish Rich Limited	Limited liability company	Hong Kong	**Notes 2**	Notes 2	**Notes 2**	Notes 2	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	**Notes 2**	Notes 2	**Notes 2**	Notes 2	Provision of leasing services

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. In November 2020, the Group acquired entire share of the Flourish Rich Limited Group, a group include Flourish Rich Limited and Nanjing Golden Rich Financial Leasing Limited 南京金財滙融資租賃有限公司 and the Flourish Rich Limited Group became the wholly-owned subsidiary of the Company.

22. INTERESTS IN JOINT VENTURES *(Continued)*

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

	2021 **HK$'000**	2020 HK$'000
Current assets	**91,279**	141,122
Non-current assets	**12,950**	17,982
Current liabilities	**71,649**	120,630

The above amounts of assets and liabilities included the following:

	2021 **HK$'000**	2020 HK$'000
Cash and cash equivalent	**24,664**	14,140
Current financial liabilities (excluding trade and other payables and provisions)	**6,118**	5,950

	2021 **HK$'000**	2020 HK$'000
Revenue	**40,191**	153,243
Loss for the year	**(6,879)**	(840)
Other comprehensive income for the year	**985**	2,267
Total comprehensive income for the year	**(5,894)**	1,427
Dividends received from Nanjing Lujie during the year	**–**	–

22. INTERESTS IN JOINT VENTURES *(Continued)*

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

Nanjing Lujie *(Continued)*

The above loss for the year included the following:

	2021 HK$'000	2020 HK$'000
Depreciation and amortisation	3,549	3,981
Interest income	19	29
Interest expense	234	171
Income tax expense	–	–

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:

	2021 HK$'000	2020 HK$'000
Net assets of Nanjing Lujie	32,580	38,474
Proportion of the Group's ownership interest in Nanjing Lujie	45%	45%
Unrealised profit of sales to the joint venture	(1,534)	(2,200)
Carrying amount of the Group's interest in Nanjing Lujie	13,387	15,372

Aggregate information of joint ventures that are not individually material

	2021 HK$'000	2020 HK$'000
The Group's share of loss and total comprehensive income	(67)	(2,243)
Aggregate carrying amount of the Group's interest in the joint ventures	8,113	8,172

23. EQUITY INSTRUMENTS AT FVTOCI

	2021 HK$'000	2020 HK$'000
Unlisted equity investments in the PRC, designed as at FVTOCI	**9,397**	9,252

The above unlisted equity investments represent the Group's equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

24. CONTRACT ASSETS

	2021 HK$'000	2020 HK$'000
Maintenance services	**342,138**	316,254
Sale of equipment	**34,083**	32,637
Less: Allowance for credit losses	**(34,114)**	(36,176)
	342,107	312,715
Current	**342,107**	305,763
Non-current	**–**	6,952
	342,107	312,715

At 31 December 2021, included in the contract assets are amounts due from the Group's related and connected parties of approximately HK$166,226,000 (2020: HK$142,810,000), details of which are set out in note 42.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Contract assets, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on expected settlement dates.

Details of impairment assessment of contract assets for the year ended 31 December 2021 are set out in note 40.

25. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**24,519**	30,054
Work-in-progress	**11,701**	21,985
Finished goods	**2,286**	2,222
Property under development for sale	**142,687**	–
	181,193	54,261

The movement in property under development for sale during the year is as follows:

	HK$'000
At 1 January 2021	**–**
Transfer from investment property	**136,534**
Redevelopment expenditures	**3,524**
Effect of foreign currency exchange differences	**2,629**
At 31 December 2021	**142,687**

During the year ended 31 December 2021, the Group commenced redevelopment of its investment property under construction located in Jiangxinzhou, Nanjing, the PRC, which was classified as investment property (Note 18) in the prior years. Upon commencement of the redevelopment, the Group started its marketing for sale of exclusive individual office units of its property under development, which is part of a new business line of the Group.

26. BILLS AND TRADE RECEIVABLES

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

26. BILLS AND TRADE RECEIVABLES *(Continued)*

As at 31 December 2021 and 2020, trade receivables from contracts with customers amounted to approximately HK$90,369,000 and HK$126,502,000 respectively.

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

	2021 **HK$'000**	2020 HK$'000
0 to 180 days	**8,217**	1,925

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 fulfilment 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:

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

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$90,369,000 (2020: HK$115,094,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$71,699,000 (2020: HK$80,639,000) has been past due 90 days or more and is not considered as in default as most of the Group's customers are government agencies and the risk of default is not high.

At 31 December 2021, included in the trade receivables are amounts due from the Group's related and connected parties of approximately HK$11,480,000 (2020: HK$7,331,000), which are repayable on credit terms similar to those offered to the major customers of the Group, details of which are set out in note 42.

Details of impairment assessment of trade receivables for the year ended 31 December 2021 are set out in note 40.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

At 31 December 2021, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of approximately HK$nil (2020: HK$500,000), which are unsecured, interest-free and have no fixed terms of repayment, details of which are set out in note 42.

Details of impairment assessment of other receivables for the year ended 31 December 2021 are set out in note 40.

28. FINANCIAL ASSETS AT FVTPL

	2021 HK$'000	2020 HK$'000
Financial assets measured at FVTPL:		
Structured bank deposits	**–**	4,760
Analysed for reporting purposes as:		
Current assets	**–**	4,760

29. TIME DEPOSITS, PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH

Time deposits at 31 December 2021 represented bank deposits placed in banks in Hong Kong and the PRC. The interest rate was 1.1% to 2.76% (2020: 0.3% to 1.65%) per annum and mature in 8 months (2020: 6 months).

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 2021 carried an interest rate from 0% to 1.5% (2020: 1.1% to 2.75%) per annum.

Restricted bank deposits represented collateral for the salary payment on migrant workers of construction services imposed by the local government.

29. TIME DEPOSITS, PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH *(Continued)*

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 2021 was approximately from 0.3% to 1.6% (2020: 0.3% to 1.3%) per annum.

At 31 December 2021, certain time deposit, pledged bank deposits, restricted bank deposits and bank balances and cash and of approximately HK$305,079,000 (2020: HK$280,463,000) 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.

30. BILLS, TRADE AND OTHER PAYABLES

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

At 31 December 2021, included in the Group's trade payables are amounts due to related parties of approximately HK$3,178,000 (2020: HK$4,079,000) which is repayable within 90 days, which represents credit terms similar to those offered by related parties to their major customers, details of which are set out in note 42.

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

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

	2021 **HK$'000**	2020 HK$'000
0 to 180 days	**13,155**	32,482

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

The Group normally receives credit terms of 30 days to 180 days (2020: 30 days to 180 days) from its suppliers. The following is an aging analysis of trade payables at the end of the reporting period, presented based on the invoice date:

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

31. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Maintenance services	**196**	238
Sale of equipment	**555**	363
	751	601

Movements in contract liabilities:

	2021 HK$'000	2020 HK$'000
Balance as at 1 January	**601**	3,601
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(601)**	(3,594)
Increase in contract liabilities as a result of billing in advance of maintenance services and manufacturing activities	**743**	561
Effect of foreign currency exchange differences	**8**	33
Balance as at 31 December	**751**	601

32. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured	**95,438**	99,960
Carrying amounts repayable:		
Within one year or on demand	**95,438**	99,960

At 31 December 2021, the Group's bank borrowings denominated in RMB amounted to approximately HK$95,438,000 (equivalent to approximately RMB78,000,000) (2020: HK$99,960,000 (equivalent to approximately RMB84,000,000)). The RMB denominated bank loan carries interest from 4.35% to 4.6% (2020: 4.35% to 4.61%).

At 31 December 2021, included in the Group's bank borrowings repayable within one year or on demand were secured by corporate guarantees provided by subsidiaries within the Group of approximately HK$95,438,000 (2020: HK$99,960,000) which are all with on-demand clauses and were secured by pledged deposit as disclosed in note 38.

33. LEASE

The values in the table below reflect the current portion of lease payments that are fixed.

	Lease contracts Number	**Fixed payments** HK$'000
31 December 2021		
Property leases with fixed payments	**3**	**2,050**
31 December 2020		
Property leases with fixed payments	3	2,537

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2021 HK$'000	2020 HK$'000
Other properties leased for own use, carried at depreciated cost	**1,565**	3,013
Leasehold land, carried at depreciated cost	**10,013**	10,098
	11,578	13,111

33. LEASE *(Continued)*

Lease liabilities

	Other properties leased for own use HK$'000
At 1 January 2020	5,548
Additions	119
Interest expense	186
Lease payments	(2,648)
Effect of foreign currency exchange differences	317
At 31 December 2020 and 1 January 2021	**3,522**
Adjustment from lease modification	**1,054**
Interest expense	**106**
Lease payments	**(2,663)**
Effect of foreign currency exchange differences	**46**
At 31 December 2021	**2,065**

Future lease payments are due as follows:

	Minimum lease payments 2021 HK$'000	**Interest 2021 HK$'000**	**Present value 2021 HK$'000**
Not later than one year	**2,079**	**29**	**2,050**
Later than one year and not later than two years	**19**	**4**	**15**
	2,098	**33**	**2,065**

	Minimum lease payments 2020 HK$'000	Interest 2020 HK$'000	Present value 2020 HK$'000
Not later than one year	2,623	86	2,537
Later than one year and not later than two years	976	10	966
Later than two years and not later than five years	19	–	19
	3,618	96	3,522

33. LEASE *(Continued)*

Lease liabilities *(Continued)*

The present value of future lease payments are analysed as:

	2021 HK$'000	2020 HK$'000
Current liabilities	**2,050**	2,537
Non-current liabilities	**15**	985
	2,065	3,522

	2021 HK$'000	2020 HK$'000
Short term lease expense	**12,842**	10,298
Aggregate undiscounted commitments for short term leases	**72**	56

34. SHARE CAPITAL

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

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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 10% 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
At 1 January 2020	17,370	–	17,370
Transfer to grantee upon vesting during the year	–	–	–
Granted to grantees during the year	(22,000)	22,000	–
Number of the Company's shares acquired by the trustee under the Share Award Scheme	4,859	–	4,859
At 31 December 2020 and 1 January 2021	**229**	**22,000**	**22,229**
Granted to grantees during the year	**(750)**	**750**	**–**
Forfeited during the year	**2,162**	**(2,162)**	**–**
Transfer to grantee upon vesting during the year	**–**	**(6,938)**	**(6,938)**
Number of the Company's shares acquired by the trustee under the Share Award Scheme	**44,194**	**–**	**44,194**
At 31 December 2021	**45,835**	**13,650**	**59,485**

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share award schemes *(Continued)*

(i) During the year ended 31 December 2021 based on the Company's instruction, the trustee acquired 44,194,000 (2020: 4,859,000) ordinary shares of the Company for the Share Award Scheme through purchases in the open market at a total cost of HK$7,448,000 (2020: HK$772,000), including related transaction costs of approximately HK$24,000 (2020: HK$6,000).

(ii) On 8 June 2020, the Company granted an aggregate of 22,000,000 awarded shares to eligible persons of the Group under the Share Award Schemes Shares repurchased by the Company on the Stock Exchange were held by the Share Award Schemes trustee.

On 28 May 2021, the Company granted an aggregate of 750,000 awarded shares to eligible persons of the Group under the Share Award Schemes Shares repurchased by the Company on the Stock Exchange were held by the Share Award Schemes trustee.

Movements in the number of Awards granted under the Share Award Scheme during the year and their related grant date fair values are as follows:

Date of grant	Number of awarded shares granted	Fair value per share at grant date HK$	Average fair value per share HK$	Fair value HK$'000	Vesting period and condition
8 June 2020 (Tranche 1)	8,800,000	0.14	0.11	972	7 June 2021 and subject to the fulfilment of certain performance
8 June 2020 (Tranche 2)	6,600,000	0.14	0.10	648	7 June 2022 and subject to the fulfilment of certain performance
8 June 2020 (Tranche 3)	6,600,000	0.14	0.09	618	7 June 2023 and subject to the fulfilment of certain performance
	22,000,000			2,238	
28 May 2021 (Tranche 1)	300,000	0.315	0.30	91	7 June 2021 and subject to the fulfilment of certain performance
28 May 2021 (Tranche 2)	225,000	0.315	0.20	45	7 June 2022 and subject to the fulfilment of certain performance
28 May 2021 (Tranche 3)	225,000	0.315	0.18	42	7 June 2023 and subject to the fulfilment of certain performance
	750,000			178	

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share award schemes *(Continued)*

(ii) (Continued)

The movement of the grant of share award during the year are as follows:

	2021 Number of awarded shares	2020 Number of awarded shares
Outstanding as at 1 January	**22,000,000**	–
Granted during the year	**750,000**	22,000,000
Vested during the year	**(6,938,000)**	–
Forfeited during the year	**(2,162,000)**	–
Outstanding as at 31 December	**13,650,000**	22,000,000

The summary of the fair value and assumptions as below:

	Tranche 1	**Tranche 2**	**Tranche 3**
Grant Date	8 June 2020	8 June 2020	8 June 2020
Vesting Date	7 June 2021	7 June 2022	7 June 2023
Risk-free rate	0.50%	0.44%	0.42%
Volatility	54.35%	55.20%	56.53%
Dividend yield	0.00%	0.00%	0.00%

	Tranche 1	**Tranche 2**	**Tranche 3**
Grant Date	28 May 2021	28 May 2021	28 May 2021
Vesting Date	7 June 2021	7 June 2022	7 June 2023
Risk-free rate	0.01%	0.05%	0.10%
Volatility	51.60%	94.91%	76.91%
Dividend yield	0.00%	0.00%	0.00%

The estimate of the fair value of the Share Awards granted on 8 June 2020 and 28 May 2021 were determined using the share price at the date of grant.

As at 31 December 2021, the remaining vesting periods for the share award granted ranged from 5 months to 17 months (2020: 5 months to 29 months).

Equity-settled share-based expenses of approximately HK$1,083,000 (2020: HK$848,000) were recognised as staff costs in profit or loss for the year ended 31 December 2021 and the remaining balance is to be recognised in 2022, 2023 and 2024 based on the respective vesting periods.

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share award schemes *(Continued)*

(iii) During the year ended 31 December 2020, the Company repurchased its own shares through the trustee as follows:

Month		Price per share		Aggregate amount paid
		Lowest	Highest	
		HK$	HK$	HK$'000
May 2020	150,000	0.24	0.24	36
June 2020	460,000	0.14	0.15	66
July 2020	1,599,000	0.14	0.16	250
August 2020	200,000	0.17	0.17	36
September 2020	1,850,000	0.15	0.16	299
October 2020	600,000	0.13	0.15	85
	4,859,000			772

(iv) During the year ended 31 December 2021, the Company repurchased its own shares through the trustee as follows:

Month		**Price per share**		**Aggregate amount paid**
		Lowest	**Highest**	
		HK$	**HK$**	**HK$'000**
January 2021	**40,228,200**	**0.16**	**0.16**	**6,256**
April 2021	**900,000**	**0.26**	**0.33**	**263**
May 2021	**440,000**	**0.32**	**0.33**	**145**
June 2021	**200,000**	**0.32**	**0.32**	**63**
October 2021	**1,160,000**	**0.29**	**0.31**	**345**
November 2021	**1,066,000**	**0.28**	**0.31**	**315**
December 2021	**200,000**	**0.30**	**0.31**	**61**
	44,194,200			**7,448**

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share Option Scheme

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

During the years ended 2021 and 2020, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at 31 December 2021 and 2020.

36. 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 approximately HK$11,385,000 (2020: HK$9,326,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions of approximately HK$564,000 (2020: HK$440,000) due in respect of the year ended 31 December 2021 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

37. CAPITAL COMMITMENTS

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

38. 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.

	2021 **HK$'000**	2020 HK$'000
Bank deposits	**30,391**	38,676

39. 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 bank borrowings, net of bank balances and cash, 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.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Financial assets at FVTPL		
Mandatorily measured at FVTPL		
— Structured bank deposits	**–**	4,760
Equity instruments at FVTOCI	**9,397**	9,252
Amortised cost (including cash and cash equivalents)	**445,074**	450,597
Financial liabilities		
Amortised cost	**426,267**	482,176

Financial risk management objectives and policies

The Group's major financial instruments include bills and trade receivables, deposits and other receivables, financial assets at FVTPL, equity instruments at FVTOCI, pledged bank deposits, time deposits, restricted bank deposits, bank balances and cash, bills, trade and other payables, bank borrowings and lease liabilities. 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.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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 of the Group which are denominated in foreign currencies of the relevant group entities. Except for the bank balances, 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	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
United States dollars ("US$")	**15,742**	17,303	**–**	–
Hong Kong dollars ("HK$")	**5,780**	13,395	**3,814**	14,101

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

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% change 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)	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
Decrease in post-tax profit for the year as a result of a 5% strengthening of RMB against the foreign currency	**(657)**	(722)	**(82)**	29

(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.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

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 29 and 32 for details of these pledged bank deposits, 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 variable-rate bank borrowings (see notes 29 and note 32 for details of these bank balances 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.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2021 **HK$'000**	2020 HK$'000
Other income		
Financial assets at amortised cost	**8,537**	8,339

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2021 **HK$'000**	2020 HK$'000
Financial liabilities at amortised cost	**4,624**	4,758

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 (2020: 10 basis points) increase or decrease in interest rates on variable bank balances, and a 100 basis points (2020: 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.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates on variable-rate bank balances had been 10 basis points (2020: 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	
	2021	2020
	HK$'000	HK$'000
Increase in post-tax profit for the year	**224**	288

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 (2020: 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	
	2021	2020
	HK$'000	HK$'000
Decrease in post-tax profit for the year	**367**	–

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.

Credit risk and impairment assessment

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. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model in accordance with HKFRS 9 on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Time deposits, pledged bank deposits, restricted bank deposits, and bank balances

There is concentration of credit risk on time deposits, pledged bank deposits, restricted bank deposits and bank balances for the Group as at 31 December 2021 and 31 December 2020. As at 31 December 2021, balances with the four largest banks accounted for 64% (2020: 63%) of total time deposits, pledged bank deposits, restricted bank 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 internal credit risk grading assessment comprises the following categories:

Internal credit rating	Grade	Description	Trade receivables and contract assets	Other financial assets/other items
Low risk	A	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	B	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	C	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	D	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	–	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	HK$'000
2021						
Financial assets at amortised cost						
Bank balances and cash, pledged bank deposits, restricted bank deposits, time deposits	29	N/A	note i	12-month ECL	310,293	310,293
Deposits	27	N/A	note i	12-month ECL	8,817	8,817
Bills receivables	26	N/A	note i	12-month ECL	8,217	8,217
Other receivables	27	N/A	note ii	12-month ECL	12,609	
				Lifetime ECL (not credit impaired)	16,265	
				Credit impaired	25,598	54,472
Trade receivables	26	N/A	note iii	Lifetime ECL (provision matrix)	127,171	
				Credit impaired	262,577	389,748
Contract assets	24	N/A	note iii	Lifetime ECL (provision matrix)	375,093	
				Credit impaired	1,128	376,221

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
2020						
Financial assets at amortised cost						
Bank balances and cash, pledged bank deposits, restricted bank deposits, time deposits	29	N/A	note i	12-month ECL	288,342	288,342
Deposits	27	N/A	note i	12-month ECL	8,791	8,791
Bills receivables	26	N/A	note i	12-month ECL	1,925	1,925
Other receivables	27	N/A	note ii	12-month ECL	25,203	
				Lifetime ECL (not credit impaired)	2,753	
				Credit impaired	24,437	52,393
Trade receivables	26	N/A	note iii	Lifetime ECL (provision matrix)	151,555	
				Credit impaired	298,445	450,000
Contract assets	24	N/A	note iii	Lifetime ECL (provision matrix)	204,030	
				Credit impaired	144,861	348,891

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

i. For bank balances and cash, pledged bank deposits, restricted bank deposits, time deposits, deposits and bills receivables, the management considered the credit risk has not increased significantly since the initial recognition. According to the historical observed default rates of these debtors, the average loss rate is immaterial.

ii. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due HK$'000	Total HK$'000
2021			
Other receivables	**41,863**	**12,609**	**54,472**
2020			
Other receivables	27,190	25,203	52,393

iii. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating. Except for debtors that are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk and loss allowance for trade receivables and contract assets which are assessed collectively based on provision matrix as at 31 December 2021 and 2020 within lifetime ECL (not credit impaired). As at 31 December 2021, the credit-impaired debtors with gross carrying amounts of approximately HK$263,705,000 (2020: HK$443,306,000) were assessed individually.

Individual credit rating	**2021** **Average loss rate**	**Trade receivables HK$'000**	**Contract assets HK$'000**
Grade A	**0.12%**	**12,737**	**38,346**
Grade B	**3.01%**	**22,523**	**111,437**
Grade C	**14.20%**	**57,465**	**222,004**
Grade D	**68.89%**	**34,446**	**3,306**
		127,171	**375,093**

Individual credit rating	2020 Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Grade A	0.16%	26,792	67,274
Grade B	5.28%	84,065	114,078
Grade C	19.26%	19,845	21,846
Grade D	73.68%	20,853	832
		151,555	204,030

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2021, the Group provided approximately HK$36,802,000, HK$32,986,000 and HK$305,000 (2020: HK$31,669,000, HK$7,515,000 and HK$603,000) impairment allowance for trade receivables, contract assets and other receivables respectively, based on the provision matrix. Impairment allowance of approximately HK$289,303,000 (2020: HK$344,927,000) were made on the credit-impaired debtors.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit–impaired) HK$'000	Lifetime ECL (credit–impaired) HK$'000	Total HK$'000
At 1 January 2021	**31,669**	**291,829**	**323,498**
Transfer to credit-impaired	**(2,887)**	**2,887**	**–**
Provision for/(reversal of) impairment losses recognised	**6,253**	**(45,648)**	**(39,395)**
Transfer from contract assets	**883**	**5,840**	**6,723**
Effect of foreign currency exchange differences	**884**	**7,669**	**8,553**
At 31 December 2021	**36,802**	**262,577**	**299,379**
At 1 January 2020	11,517	323,600	335,117
Transfer to credit-impaired	(8,335)	8,335	–
Provision for/(reversal of) impairment losses recognised	21,636	(49,944)	(28,308)
Transfer from contract assets	5,108	19,693	24,801
Bad debt written off	–	(28,740)	(28,740)
Effect of foreign currency exchange differences	1,743	18,885	20,628
At 31 December 2020	31,669	291,829	323,498

Changes in the loss allowance for trade receivables are mainly due to the net effect of (i) settlement of trade receivables with gross carrying amount of approximately HK$37,050,000; and (ii) contract assets with gross carrying amount of approximately HK$68,060,000 transferred to trade receivables when the Group's rights to consideration become unconditional (2020: (i) settlement of trade receivables with gross carrying amount of approximately HK$44,000,000; (ii) contract assets with gross carrying amount of approximately HK$145,697,000 transferred to trade receivables when the Group's rights to consideration become unconditional; and (iii) the write-off of trade receivables with gross carrying amount of approximately HK$28,740,000).

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due together with the management assessment that there is no reasonable expectation of recovery from the debtor, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	**7,515**	**28,661**	**36,176**
Provision for/(reversal of) impairment losses recognised	**26,202**	**(22,097)**	**4,105**
Transfer to trade receivables	**(883)**	**(5,840)**	**(6,723)**
Effect of foreign currency exchange differences	**152**	**404**	**556**
As at 31 December 2021	**32,986**	**1,128**	**34,114**
At 1 January 2020	6,356	38,497	44,853
Provision for/(reversal of) impairment losses recognised	6,011	8,121	14,132
Transfer to trade receivables	(5,108)	(19,693)	(24,801)
Effect of foreign currency exchange differences	256	1,736	1,992
At 31 December 2020	7,515	28,661	36,176

Changes in the loss allowance for contract assets are mainly due to the increase in the contract assets with gross carrying amount of HK$15,777,944 and contract assets with gross carrying amount of approximately HK$68,060,000 transferred to trade receivables when the Group's rights to consideration become unconditional (2020: the increase in the contract assets with gross carrying amount of HK$42,874,000 and contract assets with gross carrying amount of approximately HK$145,697,000 transferred to trade receivables when the Group's rights to consideration become unconditional).

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-Month ECL HK$'000	Lifetime ECL (not credit–impaired) HK$'000	Lifetime ECL (credit–impaired) HK$'000	Total HK$'000
At 1 January 2021	**603**	**2,316**	**24,437**	**27,356**
Transfer to lifetime ECL	**(303)**	**296**	**7**	**–**
Provision for/(reversal of) impairment losses recognised	**(16)**	**(1,470)**	**550**	**(936)**
Effect of foreign currency exchange differences	**21**	**49**	**604**	**674**
At 31 December 2021	**305**	**1,191**	**25,598**	**27,094**
At 1 January 2020	1,750	1,385	20,977	24,112
Transfer to lifetime ECL	(164)	127	37	–
Provision for/(reversal of) impairment losses recognised	(1,023)	676	2,168	1,821
Effect of foreign currency exchange differences	40	128	1,255	1,423
At 31 December 2020	603	2,316	24,437	27,356

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(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 below, which presenting the undiscounted cash flows of financial liabilities, has been drawn up 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	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2021						
Non-derivative financial liabilities						
Non-interest bearing	**–**	**329,284**	**1,559**	**19**	**330,862**	**330,829**
Floating rate instruments	**4.52%**	**36,707**	**–**	**–**	**36,707**	**36,707**
Fixed rate instruments	**4.35%**	**58,731**	**–**	**–**	**58,731**	**58,731**
		424,722	**1,559**	**19**	**426,300**	**426,267**
2020						
Non-derivative financial liabilities						
Non-interest bearing	–	379,072	2,159	985	382,216	382,216
Fixed rate instruments	4.38%	99,960	–	–	99,960	99,960
		479,032	2,159	985	482,176	482,176

At 31 December 2021, included in interest-bearing instruments was a term loan in the amount of approximately HK$95,438,000 (2020: HK$99,960,000). The loan agreement contains a repayment on-demand clause giving the bank the unconditional right to call back 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 instalment in accordance with the scheduled repayment dates. For the purpose of the above maturity profile, the total amount was classified as "on demand".

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The table that follows summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in above. Taking into account the Company's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK$'000	Total undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
2021	**95,438**	**97,997**	**97,997**	**–**	**–**
2020	99,960	102,459	102,459	–	–

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities 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 recognised in the consolidated financial statements approximate to their fair values at the end of reporting period.

Fair value measurements recognised in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the inputs is observable and the significance of the inputs to the fair value measurement in its entirety.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

Structured bank deposits at FVTPL with carrying amount of approximately HK$nil (2020: HK$4,760,000) and equity instruments at FVTOCI with carrying amount of approximately HK$9,397,000 (2020: HK$9,252,000) were level 3 measurement at 31 December 2021. The details are as follows:

Financial assets	Fair value as at		Fair value hierarchy	Basis of fair value measurement	Basis of significant Unobservable input	Unobservable inputs to fair value
	31.12.2021	31.12.2020				
Structured bank deposits at FVTPL	**n/a**	HK$4,760,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership	An increase in the discount rate would result in a decrease in the fair value measurement of the financial assets at FVTPL, and vice versa.	Discount rate was 2.95%
Equity instruments at FVTOCI	**Equity investments in PRC Manufacturing Industry HK$9,397,000**	Equity investments in PRC Manufacturing Industry HK$9,252,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership	An increase in the discount rate would result in a decrease in the fair value measurement of the financial assets at FVTPL, and vice versa.	Discount rate ranging from 12.6% to 12.8% (2020: 11.69% to 13.6%)

The following movements in fair value measurements within level 3 during the year ended are as follows:

	HK$'000
Equity instruments at FVTOCI	
At 1 January 2020	7,976
Change in fair value recognised in other comprehensive income during the year	945
Effect of foreign currency exchange differences	331
At 31 December 2020 and 1 January 2021	9,252
Change in fair value recognised in other comprehensive income during the year	(114)
Effect of foreign currency exchange differences	259
At 31 December 2021	9,397

41. 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.

For the year ended 31 December 2021:

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2021	99,960	3,522	103,482
Financing cash flows:			
New bank borrowing raised	104,931	–	104,931
Repayment of bank borrowings	(112,168)	–	(112,168)
Repayment of principal portion of the lease liabilities	–	(2,557)	(2,557)
Interest paid	(4,518)	(106)	(4,624)
Total changes from cash flows	(11,755)	(2,663)	(14,418)
Non-cash changes			
Adjustment for lease modification	–	1,054	1,054
Interest expense	4,518	106	4,624
Effect of foreign currency exchange differences	2,715	46	2,761
Total non-cash changes	7,233	1,206	8,439
At 31 December 2021	95,438	2,065	97,503

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

For the year ended 31 December 2020:

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2020	110,880	5,548	116,428
Financing cash flows:			
New bank borrowing raised	94,483	–	94,483
Repayment of bank borrowings	(111,355)	–	(111,355)
Repayment of principal portion of the lease liabilities	–	(2,462)	(2,462)
Interest paid	(4,572)	(186)	(4,758)
Total changes from cash flows	(21,444)	(2,648)	(24,092)
Non-cash changes			
Addition of lease liabilities	–	119	119
Interest expense	4,572	186	4,758
Effect of foreign currency exchange differences	5,952	317	6,269
Total non-cash changes	10,524	622	11,146
At 31 December 2020	99,960	3,522	103,482

42. RELATED PARTY AND CONNECTED 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 and connected parties:

(a) Related party and connected party transactions

Name	Sales of goods		Consulting service		Road maintenance service	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Nanjin Lujie (Note (1)) **	**750**	463	**–**	–	**513**	1,001
Freetech Technology Limited (Note (3)) **	**–**	–	**2,900**	2,890	**–**	–
Tianjin Expressway Group (Note(2))	**–**	–	**–**	–	**216,475**	175,546
Subsidiaries of Tianjin Expressway Group	**–**	–	**–**	–	**2,748**	7,792
Associates of Tianjin Expressway Group	**–**	–	**–**	–	**19,809**	34,016

Notes:

** Related party identified under HKAS 24

(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 19), which itself is a 55% owned subsidiary of the Group.

(3) Freetech Technology Limited is the ultimate holding company of the Group.

(b) Details of the remuneration of directors and other members of key management during the year are set out in note 13.

42. RELATED PARTY AND CONNECTED PARTY DISCLOSURES *(Continued)*

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

Name of related parties and connected parties	2021 HK$'000	2020 HK$'000
Guizhou Freetech (Note) **	4,328	–
Nanjing Lujie (Note) **	1,133	1,323
Tianjin Expressway Group	163,674	122,812
Subsidiaries of Tianjin Expressway Group	4,289	5,054
Associates of Tianjin Expressway Group	4,282	21,451
	177,706	150,641

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

Name of related parties and connected parties	2021 HK$'000	2020 HK$'000
Nanjing Lujie (Note) **	2,995	3,901
Lianyungang Luda (Note) **	183	178
	3,178	4,079

Note: A joint venture of the Group.

** Related party identified under HKAS 24

43. ACQUISITION OF FLOURISH RICH LIMITED GROUP

On 16 November 2020, the Group acquired the entire interest of Flourish Rich Limited Group, a group include Flourish Rich Limited and Nanjing Golden Rich Financial Leasing Limited (南京金財滙融資租賃有限公司). Following the acquisition, the Group obtain the control over the Flourish Rich Limited Group thorough the Company's right to nominate majority members of Flourish Rich Limited Group's board of director, and Flourish Rich Limited Group became a subsidiary of the Group. The acquisition provide an opportunity for the Group to participate in the leasing equipment industry in HK and allow the Group to broaden the revenue and income stream.

The fair values of the identifiable assets and liabilities arising from the acquisition of Flourish Rich Limited Group as at the date of acquisition:

	Fair Value HK$'000
Equipment	5,322
Prepayment	1
Other receivable	3,477
Bank balances and cash	427
Taxation recoverable	3,996
Other payables	(132)
Fair value of net assets acquired	13,091

Gain on bargain purchase arising from acquisition:

	HK$'000
Consideration transferred	7,201
Fair value of previously held equity interest	5,439
Less: Net assets acquired	(13,091)
Gain on bargain purchase recognised in the consolidated statement of comprehensive income	451

Net cash outflow acquiring on acquisition

	HK$'000
Net cash inflow from acquisition of a subsidiary	
Cash consideration payment	–
Less: Cash and cash equivalents acquired	(427)
	(427)

43. ACQUISITION OF FLOURISH RICH LIMITED GROUP *(Continued)*

Since its acquisition, Flourish Rich Limited Group did not contribute any revenue and net loss to the Group for the period from 16 November 2020 to 31 December 2020. Had the business combination taken place on 1 January 2020, contribution of revenue and the net loss before income tax expense of the Flourish Rich Limited Group to the Group for the year ended 31 December 2020 would have been zero balances. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the completed on 1 January 2020, nor intended to be a projection future results.

44. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in Futech Road Recycling Engineering Limited Group

In November 2020, the Company acquired additional 25% equity interest of Futech Road Recycling Engineering Limited Group at cash consideration of approximately HK$1,240,000. Following the acquisition, the Company effectively have 100% equity interest of Futech Road Recycling Engineering Limited Group. The Group recognised a decrease in non-controlling interest and equity attributable to ownership interest of Futech Road Recycling Engineering Limited Group on the equity attributable to owners of the Company during the year is summarised as below:

	2020 HK$'000
Carry amount of non-controlling interest acquired	1,240
Consideration paid for acquisition of non-controlling interest	(1,240)
Excess of consideration paid recognised within equity	–

(b) Acquisition of additional interest in Guangdong Suitong

In November 2020, the Company acquired additional 5.81% equity interest of Guangdong Suitong at cash consideration of approximately HK$39,000 (equivalent to approximately RMB34,000). Following the acquisition, the Company effectively have 100% equity interest of Guangdong Suitong. The Group recognised a decrease in non-controlling interest and equity attributable to ownership interest of Guangdong Suitong on the equity attributable to owners of the Company during the year is summarised as below:

	2020 HK$'000
Carry amount of non-controlling interest acquired	39
Consideration paid for acquisition of non-controlling interest	(39)
Excess of consideration paid recognised within equity	–

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 December 2021 and 2020 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
			2021	2020	
Freetech Road Recycling Engineering Limited (Note)	British Virgin Islands – limited liability company 23 November 2009	Share — US$2 (2020: US$2)	**100%**	100%	Investment holding
BS (BVI) Limited (Note)	British Virgin Islands – limited liability company 30 March 2011	Share — US$1 (2020: US$1)	**100%**	100%	Investment holding
Freetech Road Maintenance Engineering Co., Limited	Hong Kong — limited liability company 17 August 2001	Share — HK$3 (2020: 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 (2020: 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 (2020: 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 (2020: 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 (2020: US$9,700,000)	**100%**	100%	Manufacturing and sale of road maintenance equipment

45. 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 2021	2020	Principal activities
Freetech Ordos (as defined in note 19)	PRC — Limited liability company 17 June 2011	Registered capital — RMB30,000,000 (2020: 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 — RMB10,000,000 (2020: RMB10,000,000)	**100%**	100%	Provision of road maintenance services
Hunan Freetech Tongqu (as defined in note 19)	PRC — Limited liability company 11 April 2011	Registered capital — RMB35,000,000 (2020: RMB35,000,000)	**59%**	59%	Provision of road maintenance services
Suqian Hengtong (as defined in note 19)	PRC — Limited liability company 31 May 2012	Registered capital — RMB35,000,000 (2020: RMB35,000,000)	**65%**	65%	Provision of road maintenance services
Xinjiang Jianda (as defined in note 19)	PRC — Limited liability Company 20 December 2012	Registered capital — RMB20,000,000 (2020: RMB20,000,000)	**89%**	89%	Provision of road maintenance services
Freetech Smart Road Recycling Engineering Investment Limited	Hong Kong — limited liability company 11 August 2014	Registered capital — HK$50,000 (2020: HK$50,000)	**51%**	51%	Investment holding
Tianjin Expressway Maintenance (as defined in note 19)	PRC — Limited liability company 1 September 2009	Registered capital — RMB44,444,400 (2020: RMB44,444,400)	**55%**	55%	Provision of road maintenance services
Futech Road Recycling (as defined in note 19)	Hong Kong — limited liability company 15 May 2012	Registered capital — HK$100,000,000 (2020: HK$100,000,000)	**100%**	100%	Investment holding
Quanzhou Fuda Road Recycling Engineering Co., Ltd	PRC — Limited liability company 6 June 2012	Registered capital — HK$63,000,000 (2020: HK$63,000,000)	**100%**	100%	Provision of road maintenance services

45. 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
			2021	2020	
英達生態科技發展（南京）有限公司 Freetech Ecological Technology Development (Nanjing) Co., Ltd.	PRC — Limited liability company 28 November 2016	Registered capital — RMB165,000,000 (2020: RMB165,000,000)	**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 (2020: USD24,000,000)	**100%**	100%	Sale of road maintenance equipment
Guangdong Suitong (as defined in note 19)	PRC — Limited liability company 16 January 2013	Registered capital — RMB25,300,000 (2020: RMB25,300,000)	**100%**	100%	Provision of road maintenance services
Fuzhou Suda (as defined in note 19)	PRC — Limited liability company 14 June 2013	Registered capital — RMB25,000,000 (2020: RMB25,000,000)	**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.

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

At 31 December 2021, the Group has 40 (2020: 39) subsidiaries. The above table lists the 20 (2020: 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 20 (2020: 19) subsidiaries that are not material to the Group. These subsidiaries operate in the PRC and Hong Kong. Out of the Group's total 40 (2020: 39) subsidiaries, 32 (2020: 31) 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	
		31/12/21	31/12/20	**31/12/21 HK$'000**	31/12/20 HK$'000	**31/12/21 HK$'000**	31/12/20 HK$'000
Freetech Ordos	PRC	**47%**	47%	**4,584**	1,305	**(6,711)**	(11,050)
Tianjin Expressway Maintenance	PRC	**45%**	45%	**4,545**	(228)	**43,692**	37,974
Individually subsidiaries with immaterial non-controlling interests						**7,840**	4,702
						44,821	31,626

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.

Freetech Ordos

	2021 HK$'000	2020 HK$'000
Current assets	**14,066**	9,566
Non-current assets	**–**	744
Current liabilities	**28,354**	33,829
Equity attributable to owners of the Company	**(7,577)**	(12,469)
Non-controlling interests	**(6,711)**	(11,050)

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

Freetech Ordos *(Continued)*

	2021 HK$'000	2020 HK$'000
Revenue	**8,751**	9,778
Reversal of impairment losses on financial assets	**9,580**	933
Expenses	**8,578**	7,934
Profit attributable to owners of the Company	**5,169**	1,472
Profit attributable to non-controlling interests	**4,584**	1,305
Profit for the year	**9,753**	2,777
Other comprehensive income attributable to owners of the Company	**(277)**	(734)
Other comprehensive income attributable to non-controlling interests	**(245)**	(650)
Other comprehensive income for the year	**(522)**	(1,384)
Total comprehensive income attributable to owners of the Company	**4,892**	738
Total comprehensive income attributable to non-controlling interests	**4,339**	655
Total comprehensive income for the year	**9,231**	1,393
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**398**	341
Net cash inflow from investing activities	**2**	10
Net cash inflow from financing activities	**–**	–
Net cash inflow	**400**	351

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

Tianjin Expressway Maintenance

	2021 HK$'000	2020 HK$'000
Current assets	**258,921**	245,023
Non-current assets	**38,302**	34,980
Current liabilities	**202,323**	195,651
Equity attributable to owners of the Company	**51,208**	46,378
Non-controlling interests	**43,692**	37,974
Revenue	**274,345**	268,887
Expenses	**264,245**	269,394
Profit/(loss) attributable to owners of the Company	**5,555**	(279)
Profit/(loss) attributable to non-controlling interests	**4,545**	(228)
Profit/(loss) for the year	**10,100**	(507)
Other comprehensive income attributable to owners of the Company	**1,434**	2,738
Other comprehensive income attributable to non-controlling interests	**1,173**	2,240
Other comprehensive income for the year	**2,607**	4,978
Total comprehensive income attributable to owners of the Company	**6,989**	2,459
Total comprehensive income attributable to non-controlling interests	**5,718**	2,012
Total comprehensive income for the year	**12,707**	4,471
Dividends paid to non-controlling interests	**–**	1,386
Net cash inflow from operating activities	**3,531**	13,483
Net cash outflow from investing activities	**(5,236)**	(15,226)
Net cash outflow from financing activities	**(986)**	(4,240)
Net cash outflow	**(2,691)**	(5,983)

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	**25**	15
Investments in subsidiaries	**533,880**	539,905
	533,905	539,920
Current assets		
Prepayments, deposits and other receivables	**167**	6,373
Dividend receivable	**241,352**	235,052
Bank balances and cash	**1,037**	611
	242,556	242,036
Current liabilities		
Other payables	**2,426**	2,899
Amounts due to subsidiaries	**244**	345
	2,670	3,244
Net current assets	**239,886**	238,792
NET ASSETS	**773,791**	778,712
Capital and reserves		
Share capital	**107,900**	107,900
Reserves	**665,891**	670,812
TOTAL EQUITY	**773,791**	778,712

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

Movement in reserves

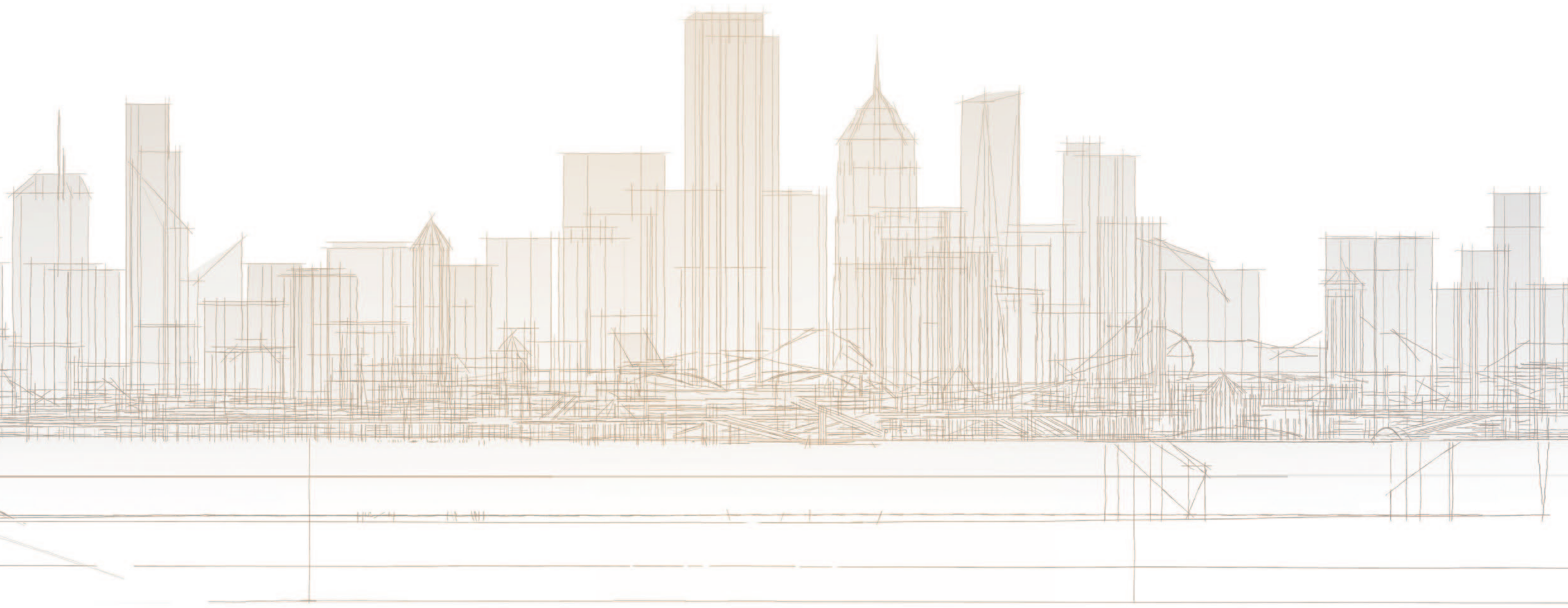
	Share premium HK$'000	Contributed surplus HK$'000	Shares held under the share award scheme HK$'000	Share-based compensation reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Foreign currency translation reserve HK$'000	Total HK$'000
At 1 January 2020	732,463	1,253,901	(26,584)	–	(1,384,804)	108	575,084
Profit/(loss) for the year	–	–	–	–	95,475	–	95,475
Other comprehensive income for the year	–	–	–	–	–	177	177
Total comprehensive income for the year	–	–	–	–	95,475	177	95,652
Repurchase of company shares	–	–	(772)	–	–	–	(772)
Equity-settled share award scheme	–	–	–	848	–	–	848
At 31 December 2020 and 1 January 2021	**732,463**	**1,253,901**	**(27,356)**	**848**	**(1,289,329)**	**285**	**670,812**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**(8,022)**	**–**	**(8,022)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**9,466**	**9,466**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(8,022)**	**9,466**	**1,444**
Repurchase of company shares	**–**	**–**	**(7,448)**	**–**	**–**	**–**	**(7,448)**
Equity-settled share award scheme	**–**	**–**	**–**	**1,083**	**–**	**–**	**1,083**
Share awards vested	**–**	**–**	**13,085**	**(733)**	**(12,352)**	**–**	**–**
Share awards forfeited	**–**	**–**	**–**	**(239)**	**239**	**–**	**–**
At 31 December 2021	**732,463**	**1,253,901**	**(21,719)**	**959**	**(1,309,464)**	**9,751**	**665,891**

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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**511,619**	541,911	487,323	522,433	475,528
Profit/(loss) before income tax expense	**49,823**	38,484	13,611	(131,282)	(272,247)
Income tax expense	**(5,562)**	(5,480)	(4,541)	(13,083)	(15,835)
Profit/(loss) for the year	**44,261**	33,004	9,070	(144,365)	(288,082)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**1,340,268**	1,334,359	1,225,812	1,232,928	1,493,549
Total liabilities	**476,462**	527,138	496,776	503,524	514,743
Net assets	**863,806**	807,221	729,036	729,404	978,806



Freetech
英達科技

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