

公路醫生[®]



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

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 6888

Interim Report
中期報告
2013



CONTENTS

02	Corporate Information
03	Management Discussion and Analysis
12	Corporate Governance and Other Information
16	Condensed Consolidated Income Statement
17	Condensed Consolidated Statement of Comprehensive Income
18	Condensed Consolidated Statement of Financial Position
20	Condensed Consolidated Statement of Changes in Equity
22	Condensed Consolidated Statement of Cash Flows
23	Notes to Condensed Consolidated Interim Financial Statements



FREETECH ROAD RECYCLING TECHNOLOGY (HOLDINGS) LIMITED

INTERIM REPORT 2013



CORPORATE INFORMATION



Board of Directors

CHAIRMAN

Mr. Sze Wai Pan (Chief Executive Officer)

EXECUTIVE DIRECTORS

Ms. Sze Wan Nga

Mr. Zhang Yifu

Mr. Chan Kai King

NON-EXECUTIVE DIRECTORS

Mr. Yeung Chin Chiu

Ms. Chen Shirley Shiyou

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yeung Sum

Mr. Tang Koon Yiu Thomas

Mr. Lau Ching Kwong

AUDIT COMMITTEE

Ms. Yeung Sum (Chairman)

Mr. Tang Koon Yiu Thomas

Mr. Lau Ching Kwong

NOMINATION COMMITTEE

Mr. Sze Wai Pan (Chairman)

Mr. Tang Koon Yiu Thomas

Mr. 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

COMPLIANCE ADVISER

Guotai Junan Capital Limited

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

Royal Bank of Canada Trust Company

(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road

PO Box 1586, Grand Cayman KY1-1110

Cayman Islands

AUDITORS

Ernst & Young

Certified Public Accountants

PRINCIPAL BANKER

DBS Bank (China) Limited

COMPANY WEBSITE ADDRESS

www.freotech-holdings.hk

MANAGEMENT DISCUSSION AND ANALYSIS



Financial Highlights

	Six-month period ended 30 June		
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	Increase/ (decrease)
Revenue	261,409	156,112	67.4%
Profit attributable to owners of the Company before extraordinary items ¹	81,506	42,475	91.9%
Profit attributable to owners of the Company	65,826	46,309	42.1%
Earnings per share (Basic) (HK cents)	8.72	6.23	40.0%

- 1 Profit attributable to owners of the Company excluding fair value gain from remeasurement of equity interest previously held in an acquired subsidiary and listing expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



BUSINESS REVIEW

The board (the “Board”) of directors (the “Directors”) is pleased to present the unaudited consolidated interim results of Freetech Road Recycling Technology (Holdings) Limited (the “Company”) and its subsidiaries (together, the “Group”) for the six-month period ended 30 June 2013 (the “Period”).

During the Period, as a result of the uniqueness of our leading technology, the unreluctant effort contributed by the Group’s employees, and the implementation of various favorable guidance policies issued by the PRC government, the road recycling technology industry maintained a satisfactory upward development trend and the existing businesses of the Group recorded high year-on-year growth.

During the Period, the Group’s operating revenue was approximately HK\$261.4 million, representing an increase of approximately 67.4% as against the corresponding period of 2012. Total profit attributable to owners of the Company and total profit attributable to owners of the Company before extraordinary items were approximately HK\$65.8 million and HK\$81.5 million, respectively, representing an increase of approximately 42.1% and 91.9%, respectively as against the corresponding period of 2012. The Group remains a leading and fast-growing service provider using “Hot-in-Place” recycling technology in the asphalt pavement maintenance industry in the PRC.



Asphalt Pavement Maintenance (“APM”) Services

During the Period, we remained a leading and fast-growing service provider in the PRC market by using “Hot-in-Place” recycling technology in the provision of APM services, particularly in relation to the municipal road market. In addition, we have set up a new sales office in Xinjiang Autonomous Region and our new revenue, city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝) has started to generate revenue. The city excavation rapid backfilling restoration process uses recycled materials from the excavated road or recycled construction materials to refill the road base. Compared with the traditional excavation process which uses new sand and aggregates as filling materials and often requires lengthy road closures, this process is more environmentally friendly, lowers the cost of raw materials used and lessens the length of time for road closures and traffic diversions.

As at above result, during the Period our APM services segment recorded revenue of approximately HK\$150.1 million, representing an increase of 84.7% as against the corresponding period of 2012.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



APM Equipment

During the Period, we maintained our position as the leading APM equipment providers in the PRC market through establishing three new joint ventures (in Guangdong Province, Fujian Province and Jiangsu Province) with local service providers or investors and by selling four sets of modular series products to four joint venture entities. During the Period, our APM equipment segment generated revenue of approximately HK\$111.3 million, representing an increase of 48.7% as against the corresponding period of 2012.

Research and Development

To maintain our leading position in using “Hot-in-Place” recycling technology in APM industry, the Group persists in technological innovation.

New Product

As disclosed in the Company’s prospectus dated 14 June 2013 (the “Prospectus”) during the Period, we continued to further strengthen our research and development capabilities, and focus our efforts on overcoming certain technological limitations in the APM service industry.

In the maintenance technology research sector, we have successfully developed our own rejuvenating agents so that they can best meet the needs of specific aged roads in order to optimize the performance of the recycled materials. We also intend to invest in a multi-purpose road surveying vehicle. This will enable us to collect, analyse, and generate all road quality indexes in a more accurate and much faster manner.

New Patents

In addition, we continue to invest significant resources in our research and development efforts. As at 30 June 2013, we had registered 85 patents (31 December 2012: 79), of which seven were invention patents (31 December 2012: seven), 68 were utility model patents (31 December 2012: 64) and 10 were design patents (31 December 2012: 8), and we had 16 patent pending applications (31 December 2012: 17), of which 14 were invention patents (31 December 2012: 13) and two were utility model patents (31 December 2012: four).

Other matters

We have also recently undergone a stringent mid-year inspection conducted by experts from the Jiangsu Science and Technology Bureau (江蘇省科技廳) in connection with the funding from the Jiangsu Province Science and Technology Achievement Project Fund (江蘇省科技成果轉換項目基金) granted to us in October 2012.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

With strong research and development capabilities, we believe that our Group is able to adopt the most advanced technologies in the APM industry, provide customised solutions to our clients and maintain our competitive and leading status in the APM industry by using recycling technology.

Production Capacity

With the introduction of certain favorable policies by the PRC government to encourage the use of recycling technology in the APM sector, we anticipate an increase in sales of our modular series APM equipment to joint ventures and an increase in demand for our own use as we continue to expand our APM service operations. In February 2013 we commenced the construction of a new plant to increase our APM equipment production capacity. Construction progress is in line with our plans and we expect that the new production facility will become operational by late 2013 upon partial completion. The new facility is expected to double our production output capacity by the end of 2014 when construction is due to be completed.



OUTLOOK

With the purchase price for asphalt mixture rising, the implementation of various favorable guidance policies by the PRC government and the expected continuation of urbanisation in the PRC, demand for services and equipment in the road recycling technology industry is growing. As a leading service provider of "Hot-in-Place" recycling technology in the APM industry, the Group intends to build on its competitive advantages to benefit from the current favorable policies. The Group aims to continuously strengthen its market position and increase its market share through: (i) investing more resources to maintain our leading role in providing APM services through establishing more sales offices in different cities; (ii) increasing market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; (iii) establishing new joint ventures; and (iv) further strengthening our research and development capabilities and increasing our equipment production and service capacities.

Recently, in the equipment research and development sector, we have developed a new and unique sub-series under our existing modular series equipment named HiPav 5, which integrates the functions of a Hot-in-Place recycling unit and a traditional asphalt paver. HiPav 5 owns 4 patents and equips with high flexibility, reliability and efficiency features, it is capable to further explore our new markets, including secondary or narrow asphalt roads where traditional recycling trains cannot gain access. The success of HiPav 5's technology, represents a significant technology breakthrough over worldwide APM industry. We believe that this equipment will provide favorable return to the Group in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Looking ahead, the Group remains optimistic about the business outlook. The Group is committed to upholding its development principle — “Efficient use of technology to create multi-win situations” (“善用科技，共創多贏”), and generating better returns for its shareholders.

FINANCIAL PERFORMANCE REVIEW

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

The following is a description of the Group’s operating activities during the Period, with comparisons against the corresponding period for 2012.

Revenue

1. APM Services

	Six-month period ended 30 June		Increase/ (decrease)
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	
Revenue	150,060	81,233	84.7%
Gross profit	65,095	35,479	83.5%
Gross profit margin	43.4%	43.7%	

Revenue and gross profit for this segment both grew strongly against the corresponding period in 2012. Revenue increased by 84.7% primarily because the use of recycling technology is encouraged by recent policies issued by the PRC government. In addition, increase in revenue in the Period was also due to: (i) increase in the total APM area we serviced; (ii) an increase in our average selling price of using “Hot-in-Place” technology; and (iii) new revenue generated from our city excavation rapid backfilling restoration process, which has a higher average selling price than “Hot-in-Place” technology.

During the Period, our Group continued to maintain a high gross profit margin in this segment.

2. APM Equipment

	Six-month period ended 30 June				Increase/ (decrease)
	2013 (Unaudited) HK\$'000	Units/sets	2012 (Unaudited) HK\$'000	Units/sets	
Revenue					
Standard series	38,003	17	33,398	16	13.8%
Modular series	71,299	4	39,975	2	78.4%
Repair and maintenance	2,047	N/A	1,506	N/A	
Total	111,349		74,879		48.7%

	Six-month period ended 30 June				Increase/ (decrease)
	2013 (Unaudited) HK\$'000	Margin	2012 (Unaudited) HK\$'000	Margin	
Gross profit					
Standard series	21,822	57.4%	19,944	59.7%	9.4%
Modular series	50,971	71.5%	26,379	66.0%	93.2%
Repair and maintenance	1,093	53.4%	762	50.6%	43.4%
Total	73,886	66.4%	47,085	62.9%	56.9%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue for the APM equipment segment for the Period increase by 48.7% as against the corresponding period for 2012. The increase was primarily due to our business strategy of establishing additional joint ventures with other APM service providers or third party investors to tap into new markets, broaden our customer base and increase our market share. Thus, revenue generated from sales of modular series products in the Period increased by 78.4% (sales increased by 2 sets) as against the corresponding period for 2012.

Gross profit margin improved from 62.9% for the six-month period ended 30 June 2012 to 66.4% for the Period, primarily due to the increase in sales of higher margin products, i.e. modular series products.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses remained stable and relatively low, accounting for only 5.3% and 3.2% of revenue for the six-month period ended 30 June 2012 and the Period, respectively.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately HK\$22.7 million, or approximately 139.7%, from HK\$16.2 million for the six-month period ended 30 June 2012 to HK\$38.9 million for the Period, primarily due to increase in listing expenses from approximately HK\$4.9 million for the six-month period ended 30 June 2012 to approximately HK\$15.7 million for the Period, representing an increase of approximately 220.4%.

OTHER EXPENSES

Other expenses decreased by approximately HK\$3.8 million, or approximately 44.4%, from approximately HK\$8.5 million for the six-month period ended 30 June 2012 to approximately HK\$4.7 million for the Period, primarily due to the effect of decrease in impairment of trade and bills receivables.

FINANCE COSTS

Finance costs increased by approximately HK\$1.5 million, or approximately 78.4%, from HK\$1.9 million for the six-month period ended 30 June 2012 to HK\$3.4 million for the Period, primarily due to the Group's bank loans for the six-month period ended 30 June 2012 were lower, which partially repaid in August 2011 by the advance from the immediate holding company using the proceeds from the pre-IPO investments.

SHARE OF PROFITS AND LOSSES OF JOINT VENTURES AND ASSOCIATES

The Group's share of profits from joint ventures was approximately HK\$0.9 million for the six-month period ended 30 June 2012. For the Period, the Group's share of losses from joint ventures was approximately HK\$1.6 million.

The Group's share of losses from associates was approximately HK\$7,000 for the six-month period ended 30 June 2012 and approximately HK\$0.5 million for the Period.

We believe that these losses are primarily due to the early stage nature of the relevant joint ventures and associated businesses.

INCOME TAX EXPENSES

Income tax expenses increased by approximately HK\$8.0 million, or approximately 70.0%, from approximately HK\$11.4 million for the six-month period ended 30 June 2012 to approximately HK\$19.4 million for the Period, primarily as a result of the higher profit before tax earned by the Group during the Period.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by approximately HK\$19.5 million, or approximately 42.1%, from approximately HK\$46.3 million for the six-month period ended 30 June 2012 to approximately HK\$65.8 million for the Period, primarily due to the net effect of increased revenue over higher costs such as administrative expenses. Excluding extraordinary items, profit attributable to owners of the Company increased by approximately HK\$39.0 million, or approximately 91.9%, from approximately HK\$42.5 million for the six-month period ended 30 June 2012 to approximately HK\$81.5 million for the Period.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2013, the Group's cash and bank balances amounted to approximately HK\$633.5 million (31 December 2012: HK\$130.9 million). The increase was primarily due to the net cash proceeds of HK\$603.8 million raised from the Company's initial public offering. As at 30 June 2013, the bank borrowings of the Group amounted to HK\$136.4 million (31 December 2012: HK\$85.7 million). As at 30 June 2013, the Group is in a net cash position principally due to the cash proceeds received from the Company's initial public offering (31 December 2012: Gearing ratio, which is calculated by the Group's net debts divided by equity attributable to owners of the Company plus net debts, 51.7%).

Trade receivables balance increased from HK\$268.2 million as at 31 December 2012 to HK\$406.5 million as at 30 June 2013 mainly due to the majority of our APM services projects remaining work in progress. As a result, the majority of the trade receivables are due to be received in the second half of 2013. In addition, increase in trade receivables was also as a result of modular series sold towards 30 June 2013. Trade payables balance as at 30 June 2013 is relatively stable.

Following the listing of the shares of the Company on 26 June 2013 on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group's liquidity position has strengthened and the Directors believe that this will enable the Group to expand in accordance with their plans.

INTEREST-BEARING BANK BORROWINGS

As at 30 June 2013, the Group had total debt of HK\$136.4 million, which comprised:

- secured interest-bearing bank borrowings of HK\$67.2 million; and
- unsecured interest-bearing bank borrowings of HK\$69.2 million.

As at 30 June 2013, the secured interest-bearing bank borrowings were secured by:

- (i) Mortgages over the Group's buildings and plant and machinery with an aggregate carrying amount of approximately HK\$39.0 million;
- (ii) Mortgages over the Group's leasehold land with an aggregate carrying amount of approximately HK\$7.0 million;
- (iii) Mortgages over the Group's trade receivables with an aggregate amount of approximately HK\$57.0 million; and
- (iv) Mortgages over the Group's inventories with an aggregate carrying amount of approximately HK\$4.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERINGS ("IPO")

As stated in the Prospectus, the Company intends to use the proceeds for (i) investment in research and development activities; (ii) establishing joint ventures and expanding APM service teams of our joint ventures; (iii) manufacturing APM equipment and expanding our APM service teams; (iv) acquisitions of other APM service providers; (v) constructing new production facility and expanding current production facility; (vi) establishing sales offices in new markets and marketing expenses; and (vii) general corporate purposes and working capital requirements.

As at 30 June 2013, the net proceeds raised from IPO was applied in the manner as stated in the Prospectus. The net proceeds pending their usage were held by us in short-term deposits with licensed banks and authorised financial institutions in Hong Kong.

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

Save as disclosed in the Prospectus and in this Interim Report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the six-month period ended 30 June 2013. Apart from those disclosed in the Prospectus and in this Interim Report, there was no concrete plan authorised by the Board for other material investments or additions of capital assets at the date of this Interim Report.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments are set out in note 17 to the unaudited condensed consolidated interim financial statements contained in this report.

As at 30 June 2013, the Group did not have any material contingent liabilities.

FINANCIAL RISK MANAGEMENT

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings at a floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk.

The business of the Group is principally conducted in the PRC and most of the transactions are denominated in RMB, except for certain bank deposits which are denominated in United States dollars and Hong Kong dollars. The Group has not hedged its foreign currency risk.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION

As at 30 June 2013, the Group had a total of 540 full time employees (31 December 2012: 506). 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.

EVENT AFTER THE REPORTING PERIOD

On 18 July 2013, the Company announced that the Over-allotment Option referred to in the Prospectus was fully exercised by CITIC Securities Corporate Finance (HK) Limited, on behalf of the International Underwriters (as defined in the Prospectus) in respect of 39,000,000 shares (the "Over Allotment Shares") representing 15% of the offer shares available under the Global Offering (as defined in the Prospectus) before any exercise of the Over-allotment Option, to cover over-allocations in the International Offering (as defined in the Prospectus). The Over Allotment Shares were issued and allotted by the Company on 23 July 2013 at HK\$2.43 per share, resulting in proceeds of approximately HK\$91.9 million after deducting underwriting commission and other applicable fees and expenses.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Long positions in the shares of the Company

Name of director	Personal Interests	Corporate Interests	Total	Approximate percentage of existing issued share capital of the Company
Mr. Sze Wai Pan ("Mr. Sze")	–	521,365,260 ⁽¹⁾	521,365,260	50.13%
Ms. Sze Wan Nga ("Ms. Sze")	–	29,640,000 ⁽²⁾	29,640,000	2.85%

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 521,365,260 shares of the Company held by Freetech Cayman, Sze BVI and Freetech Technology.
2. Ms. Sze is the beneficial owner of all the issued share capital of Rank Best Holdings Limited ("Rank Best") and therefore is deemed to be interested in 29,640,000 shares of the Company held by Rank Best.

(ii) Long positions in the shares of associated corporations 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 corporation
Mr. Sze	Fretech Cayman	Beneficial owner	1,162,956	100%
Mr. Sze	Sze BVI	Beneficial owner	1	100%
Mr. Sze	Fretech Technology	Beneficial owner	100	100%
Ms. Sze	Rank Best	Beneficial owner	10,000	100%

Save as disclosed above, as at 30 June 2013, none of the directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, so far as is known to the Directors of the Company, the following persons or corporations (other than Directors or 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
Freotech Technology ⁽¹⁾	Interest in controlled corporation	521,365,260	50.13%
Sze BVI ⁽¹⁾	Interest in controlled corporation	521,365,260	50.13%
Freotech Cayman ⁽¹⁾	Beneficial owner	521,365,260	50.13%
CITIC Securities Company Limited ⁽²⁾	Interest in controlled corporation	58,219,200	5.60%
CSI Direct Investments Limited ⁽²⁾	Interest in controlled corporation	58,219,200	5.60%
Smart Firm Investments Limited ⁽²⁾	Beneficial owner	58,219,200	5.60%
China International Capital Corporation Limited ⁽³⁾	Interest in controlled corporation	58,219,200	5.60%
CICC Growth Capital Fund GP, L.P. ⁽³⁾	Interest in controlled corporation	58,219,200	5.60%
CICC Growth Capital Fund I, L.P. ⁽³⁾	Interest in controlled corporation	58,219,200	5.60%
Future Blossom Investment Limited ⁽³⁾	Beneficial owner	58,219,200	5.60%
Ms. Sze On Na ⁽⁴⁾	Interest in controlled corporation	56,420,520	5.43%
Smart Executive Group Limited ⁽⁴⁾	Beneficial owner	56,420,520	5.43%

Notes:

- The relationship between Freotech Technology, Sze BVI, Freotech Cayman and Mr. Sze is disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- Smart Firm Investments Limited is wholly owned by CSI Direct Investments Limited, a wholly-owned subsidiary of CITIC Securities Company Limited. Hence, each of CSI Direct Investments Limited and CITIC Securities Company Limited is deemed to be interested in the shares held by Smart Firm Investments Limited.
- Future Blossom Investment Limited is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited. Hence, each of CICC Growth Capital Fund I, L.P., CICC Growth Capital Fund GP, L.P. and China International Capital Corporation Limited is deemed to be interested in the shares held by Future Blossom Investment Limited.
- Smart Executive Group Limited is wholly owned by Ms. Sze On Na and Ms. Sze On Na is therefore deemed to be interested in the shares held by Smart Executive Group Limited.

Save as disclosed above, as at 30 June 2013, 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, Underlying Shares and Debentures" 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the period after its listing date up to 30 June 2013, 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, except in relation to CG Code provision A.2.1, as more particularly described below.

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separated 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 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 the 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 and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

AUDIT COMMITTEE

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

At an audit committee meeting held on 28 August 2013, the audit committee, along with the management of the Company, reviewed the accounting principles and practices adopted by the Group and financial reporting matters and conducted a review of the interim report, including the unaudited condensed consolidated interim financial statements for the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 between the date of listing and 30 June 2013.

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

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

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 from the date of listing up to 30 June 2013.

INTERIM DIVIDEND

On 7 June 2013, the Company declared the dividend distribution totalling HK\$60,000,000 to its shareholders before the listing of the shares of the Company. Investors becoming shareholders of the Company after the listing of the Company on the Stock Exchange are not entitled to such dividend.

No other dividends were declared or paid by the Company during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: Nil).

On behalf of the Board

Mr. Sze Wai Pan

Chairman and Chief Executive Officer

Hong Kong, 28 August 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2013

		Six-month period ended 30 June	
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	4	261,409	156,112
Cost of sales		(122,428)	(73,548)
Gross profit		138,981	82,564
Other income and gains	4	2,937	9,137
Selling and distribution expenses		(8,414)	(8,237)
Administrative expenses		(38,938)	(16,243)
Other expenses		(4,720)	(8,486)
Finance costs	5	(3,354)	(1,880)
Share of profits and losses of:			
Joint ventures		(1,608)	850
Associates		(490)	(7)
PROFIT BEFORE TAX	6	84,394	57,698
Income tax expense	7	(19,353)	(11,389)
PROFIT FOR THE PERIOD		65,041	46,309
Attributable to:			
Owners of the Company		65,826	46,309
Non-controlling interests		(785)	–
		65,041	46,309
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		HK8.72 cents	HK6.23 cents
Diluted		HK8.72 cents	HK6.23 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2013

	Six-month period ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	65,041	46,309
OTHER COMPREHENSIVE INCOME/(LOSS)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	4,905	(2,070)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	4,905	(2,070)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	69,946	44,239
Attributable to:		
Owners of the Company	70,384	44,239
Non-controlling interests	(438)	–
	69,946	44,239

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	140,073	128,108
Prepaid land lease payments		6,792	6,788
Goodwill		731	731
Other intangible assets		151	182
Prepayments		–	3,157
Investments in joint ventures		31,581	26,832
Investments in associates		5,388	3,447
Deferred tax assets		14,186	9,277
Total non-current assets		198,902	178,522
CURRENT ASSETS			
Inventories		38,859	41,057
Trade receivables	11	406,514	268,208
Prepayments, deposits and other receivables		42,358	17,341
Pledged deposits		433	448
Cash and bank balances		633,483	130,862
Total current assets		1,121,647	457,916
CURRENT LIABILITIES			
Trade payables	12	74,779	73,739
Other payables and accruals		70,892	44,671
Dividends payable		–	4,964
Due to the ultimate holding company		–	4,350
Interest-bearing bank borrowings		112,403	78,270
Tax payable		15,195	9,218
Total current liabilities		273,269	215,212
NET CURRENT ASSETS		848,378	242,704
TOTAL ASSETS LESS CURRENT LIABILITIES		1,047,280	421,226
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		24,010	7,463
Deferred tax liabilities		22,120	17,476
Due to the immediate holding company		–	153,538
Total non-current liabilities		46,130	178,477
Net assets		1,001,150	242,749

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2013

	Note	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	104,000	178
Reserves		875,424	220,407
		979,424	220,585
Non-controlling interests		21,726	22,164
Total equity		1,001,150	242,749

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2013

Notes	Attributable to owners of the Company							Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Reserve funds	Exchange fluctuation reserve	Retained profits	Total		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2013	178	–	25,328	47,776	24,164	123,139	220,585	22,164	242,749
Profit for the period	–	–	–	–	–	65,826	65,826	(785)	65,041
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	4,558	–	4,558	347	4,905
Total comprehensive income for the period	–	–	–	–	4,558	65,826	70,384	(438)	69,946
Dividend declared 8	–	–	–	–	–	(60,000)	(60,000)	–	(60,000)
Issuance of new shares for capitalisation of the amount due to the immediate holding company 14(b)	9,822	143,361	–	–	–	–	153,183	–	153,183
Capitalisation issue of shares 14(a)	68,000	(68,000)	–	–	–	–	–	–	–
Issuance of new shares in connection with the listing of the Company's shares 14(c)	26,000	605,800	–	–	–	–	631,800	–	631,800
Share issue expenses	–	(36,528)	–	–	–	–	(36,528)	–	(36,528)
Transfer from retained profits	–	–	–	9,899	–	(9,899)	–	–	–
At 30 June 2013	104,000	644,633*	25,328*	57,675*	28,722*	119,066*	979,424	21,726	1,001,150

* These reserve accounts comprise the consolidated reserves of HK\$875,424,000 (31 December 2012: HK\$220,407,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six-month period ended 30 June 2013

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Issued capital	Contributed surplus	Reserve funds	Exchange fluctuation reserve	Retained profits		
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2012		178	25,328	23,654	19,482	668	–	69,310
Profit for the period		–	–	–	–	46,309	–	46,309
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations		–	–	–	(2,070)	–	–	(2,070)
Total comprehensive income for the period		–	–	–	(2,070)	46,309	–	44,239
Acquisition of a subsidiary	13	–	–	–	–	–	18,192	18,192
Transfer from retained profits		–	–	5,175	–	(5,175)	–	–
At 30 June 2012		178	25,328	28,829	17,412	41,802	18,192	131,741

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2013

	Six-month period ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(26,621)	41,542
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(59,954)	(21,777)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	587,982	(16,611)
NET INCREASE IN CASH AND CASH EQUIVALENTS	501,407	3,154
Cash and cash equivalents at beginning of period	130,862	135,263
Effect of foreign exchange rate changes, net	1,214	(809)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	633,483	137,608
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	633,483	137,608

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2013

1. CORPORATE INFORMATION

Freotech Road Recycling Technology (Holdings) Limited (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’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 June 2013 (the “Listing Date”).

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were 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”).

In the opinion of the directors of the Company, the ultimate holding company of the Company is Freotech Technology Limited, which was incorporated in Hong Kong and is wholly owned and controlled by Mr. Sze Wai Pan (the “Controlling Shareholder”), a director of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those of the Group as set out in the accountants’ report of the Group included in the prospectus of the Company dated 14 June 2013, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) that affect the Group and are adopted the first time for the current period’s unaudited condensed consolidated interim financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009–2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

The adoption of the above new and revised HKFRSs has had no significant impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the provision of road maintenance services segment; and
- (b) the manufacturing and sale of road maintenance equipment segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, exchange differences, share of profits and losses of joint ventures and associates, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Geographic information

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.

Information about a major customer

Revenue of approximately HK\$29,040,000 (six-month period ended 30 June 2012: HK\$45,380,000) was derived from provision of road maintenance services to a single customer of the Group.

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six-month period ended 30 June 2013

	Provision of road maintenance services (Unaudited) HK\$'000	Manufacturing and sale of maintenance equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	150,060	111,349	261,409
Intersegment sales	—	3,104	3,104
Other revenue	1,477	51	1,528
	151,537	114,504	266,041
<i>Reconciliation:</i>			
Elimination of intersegment sales			(3,104)
Revenue			262,937
Segment results	43,350	64,149	107,499
<i>Reconciliation:</i>			
Interest income			398
Exchange gains			1,011
Corporate and unallocated expenses			(19,062)
Share of profits and losses of joint ventures and associates			(2,098)
Finance costs			(3,354)
Profit before tax			84,394
Other segment information:			
Impairment losses recognised/(reversed) in the income statement	1,058	(43)	1,015
Depreciation and amortisation	8,236	1,690	9,926
Capital expenditure*	18,843	1,189	20,032

* Capital expenditure consists of additions to property, plant and equipment, land use rights and other intangible assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six-month period ended 30 June 2012

	Provision of road maintenance services (Unaudited) HK\$'000	Manufacturing and sale of maintenance equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	81,233	74,879	156,112
Intersegment sales	—	10,682	10,682
Other revenue	8,758	100	8,858
	89,991	85,661	175,652
<i>Reconciliation:</i>			
Elimination of intersegment sales			(10,682)
Revenue			164,970
Segment results	27,672	39,045	66,717
<i>Reconciliation:</i>			
Interest income			279
Exchange losses			(676)
Corporate and unallocated expenses			(7,585)
Share of profits and losses of joint ventures and associates			843
Finance costs			(1,880)
Profit before tax			57,698
Other segment information:			
Impairment losses recognised in the income statement	5,367	258	5,625
Depreciation and amortisation	4,800	1,061	5,861
Capital expenditure*	4,777	3,732	8,509

* Capital expenditure consists of additions to property, plant and equipment, land use rights and other intangible assets, excluding assets from the acquisition of a subsidiary.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts; and the value of services provided.

An analysis of the Group's other income and gains is as follows:

	Six-month period ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Other income and gains		
Government grants*	1,424	42
Interest income	398	279
Foreign exchange differences, net	1,011	–
Fair value gain from remeasurement of equity interest previously held in an acquired subsidiary to fair value	–	8,757
Others	104	59
	2,937	9,137

* Various government grants have been received for investments in certain provinces in Mainland China in which the Company's subsidiaries operate. There are no unfulfilled conditions for contingencies relating to these grants.

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Six-month period ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	3,354	1,880

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Depreciation	9,774	5,721
Amortisation of other intangible assets	51	66
Amortisation of land lease payments	101	74
Minimum lease payments under operating leases of land and buildings	2,849	1,232
Loss on disposal of items of property, plant and equipment*	402	64
Impairment of trade receivables*	1,201	5,443
Impairment/(reversal of impairment) of other receivables*	(186)	182
Foreign exchange differences, net	(1,011)	676

* These items are included in "Other expenses" in the condensed consolidated income statement.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: Nil).

PRC corporate income tax ("CIT") represents tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC CIT rate of 25% except for certain PRC subsidiaries which were entitled to preferential tax rates during the six-month periods ended 30 June 2013 and 2012.

During the six-month periods ended 30 June 2013 and 2012, 英達熱再生有限公司 (Freotech Road Recycling Corporation*) and 南京英達公路養護車製造有限公司 (Nanjing Freotech Road Maintenance Vehicle Manufacturing Corporation*) were registered as high-and-new technology enterprises, and were subject to PRC CIT at a concession rate of 15% on the assessable profits.

* For identification purpose only

	Six-month period ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Group:		
Current — Hong Kong	1,235	—
Current — Mainland China	18,475	11,882
Deferred	(357)	(493)
Total tax charge for the period	19,353	11,389

The share of tax attributable to a joint venture amounting to HK\$281,000 for the six-month period ended 30 June 2012 is included in the "Share of profits and losses of joint ventures" in the condensed consolidated income statement.

8. DIVIDENDS

On 7 June 2013, the Company declared the dividend distribution totalling HK\$60,000,000 to its shareholders before the listing of the shares of the Company. Investors becoming shareholders of the Company after the listing of the Company on the Stock Exchange are not entitled to such dividend.

No other dividends were declared or paid by the Company during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts for the six-month period ended 30 June 2013 is based on the unaudited profit for the period attributable to ordinary equity holders of the Company of HK\$65,826,000 (six-month period ended 30 June 2012: HK\$46,309,000) and the weighted average number of ordinary shares in issue of 755,070,575 (six-month period ended 30 June 2012: 742,979,453), on the assumption that the issue of shares for capitalisation of the amount due to the immediate holding company had been adjusted for the bonus element on 1 January 2012 and the capitalisation issue of shares had been completed on 1 January 2012, as further detailed in note 14 to the condensed consolidated interim financial statements.

The Group had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2013 and 2012.

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2013, the Group acquired property, plant and equipment of HK\$20,014,000 (six-month period ended 30 June 2012: HK\$8,284,000).

11. TRADE RECEIVABLES

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Trade receivables	439,379	298,668
Impairment	(32,865)	(30,460)
	406,514	268,208

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is determined on a case by case basis, subject to the fulfillment of conditions as stipulated in the respective sales contracts. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Except for a trade receivable of approximately HK\$17,617,000 as at 30 June 2013 (31 December 2012: HK\$26,986,000) which provided a payment guarantee letter to the Group, the Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

11. TRADE RECEIVABLES *(Continued)*

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 3 months	210,452	113,726
3 to 12 months	140,366	89,436
1 to 2 years	20,869	24,520
Over 2 years	34,827	40,526
	406,514	268,208

As at 30 June 2013, included in the Group's trade receivables are amounts due from joint ventures of approximately HK\$78,087,000 (31 December 2012: HK\$10,532,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2013, included in the Group's trade receivables are amounts due from associates of approximately HK\$19,309,000 (31 December 2012: HK\$19,043,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

12. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 3 months	27,976	24,965
3 to 12 months	24,347	26,631
1 to 2 years	2,214	2,282
Over 2 years	20,242	19,861
	74,779	73,739

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 180 days.

As at 30 June 2013, included in the Group's trade payables is an amount due to an associate of approximately HK\$2,058,000 (31 December 2012: HK\$2,240,000), which is repayable within 90 days, which represents similar credit terms to those offered by the associate to its major customers.

13. BUSINESS COMBINATION

During the six-month period ended 30 June 2012

In May 2012, the Group entered into a share purchase agreement with its joint venture partner, 鄂爾多斯市路通公路養護有限公司 (Ordos Lutong Road Maintenance Co., Ltd.*), to acquire a 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 joint venture of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB1,200,000 (equivalent to approximately of HK\$1,481,000) paid at the acquisition date. Together with the 51% equity interest held before the acquisition, the Group's interest in Freetech Ordos increased to 53% after the acquisition. At the same date, a revised Articles of Association was approved by the board of directors of Freetech Ordos, and the Group obtained the control in Freetech Ordos, and Freetech Ordos became a subsidiary of the Group. The acquisition was completed on 21 June 2012. Freetech Ordos is principally engaged in the provision of road maintenance services. The acquisition was made as part of the Group's strategy to penetrate into the market of road maintenance services in Inner Mongolia.

* For identification purpose only

The fair values of the identifiable assets and liabilities of Freetech Ordos as at the date of acquisition are as follows:

	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	23,244
Trade receivables	19,236
Prepayments, deposits and other receivables	499
Cash and bank balances	8,396
Trade payables	(10,109)
Other payables and accruals	(2,013)
Tax payable	(547)
Total identifiable net assets at fair value	38,706
Non-controlling interests	(18,192)
Goodwill on acquisition	731
	21,245
Satisfied by:	
Fair value of equity interest previously held as investment in a joint venture	19,764
Cash	1,481
	21,245

The measurement basis of non-controlling interests is the non-controlling interests' proportionate shares of the fair value of the acquirees' net identifiable assets.

The Group held a 51% equity interest in Freetech Ordos immediately before obtaining the control of it. The Group remeasured the fair value of the equity interest previously held at the date it became a subsidiary, a fair value gain of HK\$8,757,000 was recognised in profit or loss during the six-month period ended 30 June 2012.

13. BUSINESS COMBINATION *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Freetech Ordos is as follows:

	HK\$'000
Cash consideration	(1,481)
Cash and bank balances acquired	8,396
Net inflow of cash and cash equivalents in respect of the acquisition of Freetech Ordos	6,915

14. SHARE CAPITAL

Shares

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2012: 3,900,000) ordinary shares of HK\$0.10 each	1,000,000	390
Issued and fully paid: 1,040,000,000 (31 December 2012: 1,781,636) ordinary shares of HK\$0.10 each	104,000	178

A summary of the transactions during the six-month period ended 30 June 2013 in the Company's authorised and issued share capital is as follows:

	Notes	Number of ordinary shares of HK\$0.10 (Unaudited)	Nominal value of ordinary shares (Unaudited) HK\$'000
Authorised:			
At 1 January 2012, 31 December 2012 and 1 January 2013		3,900,000	390
Increase in authorised share capital on 7 June 2013	(a)	9,996,100,000	999,610
At 30 June 2013		10,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2012, 31 December 2012 and 1 January 2013		1,781,636	178
Issuance of new shares for capitalisation of the amount due to the immediate holding company	(b)	98,218,364	9,822
Capitalisation issue of shares	(a)	680,000,000	68,000
Issuance of new shares in connection with the listing of the Company's shares	(c)	260,000,000	26,000
At 30 June 2013		1,040,000,000	104,000

14.SHARE CAPITAL *(Continued)*

- (a) Pursuant to resolutions passed on 7 June 2013, the following changes were approved:
 - (i) the authorised share capital of the Company was increased from HK\$390,000 to HK\$1,000,000,000 by the creation of additional 9,996,100,000 shares of HK\$0.10 each; and
 - (ii) an aggregate of 680,000,000 ordinary shares of HK\$0.10 each were allotted and issued to the shareholders by capitalising an amount of HK\$68,000,000 standing to the credit of the share premium account of the Company. This issue and allotment of shares became unconditional on the Listing Date.
- (b) On 7 June 2013, the Company capitalised the amount due to the immediate holding company of approximately HK\$153,183,000 by the issuance of 98,218,364 ordinary shares of the Company of HK\$0.10 each.
- (c) In connection with the Company's global offering, 260,000,000 ordinary shares of the Company of HK\$0.10 each were issued at a price of HK\$2.43 per share for a total cash consideration, before expenses, of approximately HK\$631,800,000. Dealings in the shares of the Company on the Stock Exchange commenced on 26 June 2013.

15.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 provides 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 Stock Exchange's daily quotation sheet on the offer date; and (iii) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

15.SHARE OPTION SCHEME *(Continued)*

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

No share options were granted under the Scheme during the six-month period ended 30 June 2013.

16.OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and warehouses under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At the end of the reporting period, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	2,169	1,319
In the second to fifth years, inclusive	34	43
	2,203	1,362

17.COMMITMENTS

In addition to the operating lease commitments disclosed in note 16 above, the Group had the following commitments as at the end of the reporting period:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	40,262	43,673
Capital contributions payable to joint ventures	11,714	7,613
Capital contributions payable to an associate	6,192	6,095
	58,168	57,381
Authorised, but not contracted for:		
Property, plant and equipment	16,824	18,742
	74,992	76,123

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2013 (31 December 2012: Nil).

19. RELATED PARTY TRANSACTIONS

- (a) Apart from the transactions and balances disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the six-month periods ended 30 June 2013 and 2012:

	Note	Six-month period ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Transaction with joint ventures:			
Sales of goods	(i)	71,299*	19,668*
Transaction with associates:			
Sales of goods	(i)	–	20,307*
Receiving of road maintenance services	(i)	2,754	–
Transaction with companies controlled by the Controlling Shareholder:			
Purchases of goods	(i)	–	164

* After elimination of unrealised profits

Note:

- (i) The above transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

(b) Other transactions with related parties

- (i) As at 31 December 2012, the banking facilities guarantees given by the Controlling Shareholder to PRC banks for the credit facilities granted to subsidiaries of the Company of approximately HK\$123,351,000 were utilised to the extent of approximately HK\$75,136,000.
- (ii) As at 31 December 2012, the banking facilities guarantees given by the ultimate holding company to PRC banks for the credit facilities granted to subsidiaries of the Company of approximately HK\$48,717,000 were utilised to the extent of approximately HK\$31,320,000.

(c) Outstanding balances with related parties

- (i) Details of the Group's trade balances with its joint ventures and associates as at the end of the reporting period are disclosed in notes 11 and 12 to the condensed consolidated interim financial statements.
- (ii) As at 30 June 2013, the balances due from joint ventures and associates included in prepayments, deposits and other receivables in the condensed consolidated statement of financial position are approximately HK\$7,801,000 (31 December 2012: HK\$71,000) and HK\$4,463,000 (31 December 2012: Nil), respectively. The balances are unsecured, interest-free and have no fixed terms of repayment.
- (iii) As at 30 June 2013, the balances due to joint ventures and associates included in other payables and accruals in the condensed consolidated statement of financial position are approximately HK\$65,000 (31 December 2012: Nil) and HK\$308,000 (31 December 2012: Nil), respectively. The balances are unsecured, interest-free and have no fixed terms of repayment.

19. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel of the Group

In the opinion of the directors of the Company, the directors of the Company represented the key management personnel of the Group. Compensation of key management of the Group during the six-month periods ended 30 June 2013 and 2012 is as follows:

	Six-month period ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	1,787	1,652
Post-employment benefits	30	20
	1,817	1,672

20. EVENT AFTER THE REPORTING PERIOD

In July 2013, in connection with the exercise of the over-allotment option in full by the sole global coordinator of the Company's global offering, 39,000,000 ordinary shares of the Company of HK\$0.10 each were issued at a price of HK\$2.43 per share for a total cash consideration, before expenses, of HK\$94,770,000. Further details of the transaction were set out in the announcement of the Company dated 18 July 2013.

21. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 28 August 2013.



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