

公路醫生[®]

Freotech

英達科技

Freotech 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 2014



CONTENTS

- 2** Corporate Information
- 3** Management Discussion and Analysis
- 14** Corporate Governance and Other Information
- 18** Condensed Consolidated Statement of Profit or Loss
- 19** Condensed Consolidated Statement of Comprehensive Income
- 20** Condensed Consolidated Statement of Financial Position
- 22** Condensed Consolidated Statement of Changes in Equity
- 24** Condensed Consolidated Statement of Cash Flows
- 26** Notes to Condensed Consolidated Interim Financial Statements



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

Mr. Wang Lei

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

CAYMAN ISLANDS SHARE REGISTER AND TRANSFER OFFICE

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

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKER

DBS Bank (China) Limited

COMPANY WEBSITE ADDRESS

www.freetech-holdings.hk

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND RATIOS

	Six-month period ended 30 June		Increase/ (decrease)
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000	
Revenue	156,744	261,409	(40.0%)
Gross profit	65,043	138,981	(53.2%)
Profit attributable to owners of the parent	13,296	65,826	(79.8%)
Earnings per share (Basic) (HK cents)	1.23	8.72	(85.9%)
Gross profit margin ¹	41.5%	53.2%	

1 (gross profit/revenue) x 100%



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW

The board of directors (the “Board”) is pleased to present the unaudited consolidated interim results of Freetech Road Recycling Technology (Holdings) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six-month period ended 30 June 2014 (the “Period”).

During the Period, despite the People’s Republic of China (the “PRC”) government actively promoted the green economy and the road recycling technology industry had maintained a satisfactory development trend, but the tightening of the domestic credit market has somewhat dragged on the otherwise positive momentum. During the Period, the existing businesses of the Group recorded a significant decline in profit mainly due to the adjustment of the Group’s business strategies (the number of new joint venture being set up and the number of modular series being sold were significantly declined) resulted in significant decrease in revenue of Asphalt Pavement Maintenance (“APM”) equipment, the APM services projects were performed in lower selling price area and increase in operating costs. As at 30 June 2014, the Group had a total of nine (as at 31 December 2013: nine) joint ventures and associates engaging in the provision of APM services. During the Period, the Group had appointed an additional five local APM service providers as its franchisees to promote the Group’s “Hot-in-Place” recycling technology in particular cities and as at 30 June 2014, it had a total of eleven franchisees (as at 31 December 2013: six).

During the Period, the Group’s operating revenue was approximately HK\$156.7 million, representing a decrease of approximately 40.0%, as against the corresponding period of 2013. Total profit attributable to owners of the parent was approximately HK\$13.3 million, representing a decrease of approximately 79.8%, as against the corresponding period of 2013. Notwithstanding the above, the Group manages to continue to be a leading service provider using “Hot-in-Place” recycling technology in the APM industry in the PRC.

APM SERVICES

During the Period, the Group remained as a leading service provider in PRC market using “Hot-in-Place” recycling technology in the provision of APM services. Especially in the municipal road market, the Group is the key player to perform APM services. In addition, the Group successfully completed a trial APM maintenance contract using its “Hot-in-Place” recycling technology at the runway of the Changsha Huanghua International Airport (長沙黃花國際機場), Changsha, the Hunan Province of the PRC. During the Period, the total APM area serviced remained stable, and the Group completed 1.20 million square metres (six-month period ended 30 June 2013: 1.17 million square metres). As part of the APM services project was performed in lower selling price area in the Period and the corresponding period of 2013 included revenue generated from the city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝) which had higher selling price than other “Hot-in-Place” road maintenance projects, the APM services segment recorded revenue of approximately HK\$125.6 million, representing a decrease of 16.3% as against the corresponding period of 2013.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

APM EQUIPMENT

During the Period, as a result of the adjustment of the Group's business strategies to appoint some local experienced APM service providers as its franchisees and the Company would like to focus on managing the existing joint ventures and assist them to seize the business opportunity of road inspection which will be conducted in 2015, the number of new joint venture and associate being set up and the number of modular series being sold were nil during the Period, the APM equipment segment of the Group generated revenue of HK\$31.1 million, representing a significant decrease of 72.0% as against the corresponding period of 2013. Notwithstanding this, the Board considers that the Group has maintained its position as the leading APM equipment provider in the PRC market.

RESEARCH AND DEVELOPMENT

To maintain its leading position in using "Hot-in-Place" recycling technology in the APM industry, the Group continues to place emphasis on technological innovation.

New Patents

In addition, the Group continued to invest significant resources in research and development. As at 30 June 2014, it had registered 94 patents (as at 31 December 2013: 87), of which eight were invention patents (as at 31 December 2013: seven), 74 were utility model patents (as at 31 December 2013: 70) and 12 were design patents (as at 31 December 2013: 10), and it had eight patent pending applications (as at 31 December 2013: 18), of which eight were invention patents (as at 31 December 2013: 12 were invention patents, four were utility model patents and two were design patents).



New Product Series

During the Period, the Group continued to further strengthen its research and development capabilities, and focused its efforts on overcoming certain technological limitations in the APM service industry. During the Period, in the equipment research and development sector, the Group introduced new standard series equipment under "Hot-in-Place" patching vehicles ("PM series") and traditional patching vehicles ("TM series") into market. The new PM and TM series products did not only enrich our product line, but they are also competitive and affordable in terms of performance and price, particularly for those customers with limited budget. These new PM and TM series model are embedded with energy saving technologies and designed to adopt various kinds of optional features to meet different customer needs. The Company believes that this equipment will provide a favourable return to the Group in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the maintenance technology research sector, the Group successfully completed a trial APM maintenance contract using its “Hot-in-Place” recycling technology at the runway of the Changsha Huanghua International Airport (長沙黃花國際機場) (“Trial Project”), Changsha, the Hunan Province of the PRC. The successful application of the Group’s “Hot-in-Place” recycling technology in this new market demonstrated the high flexibility and efficiency of the Group’s advanced technology because according to the regulatory requirements of the Civil Aviation Administration of China (中國民航局), the maintenance work on the airport runway is to be conducted during hours without flight take-off and landing. In addition, a qualified independent third party testing institution issued a report stating that the test results for the maintenance services provided under the Trial Project satisfied the requirements of the Specifications For Asphalt Concrete Pavement Construction Of Civil Airports (民用機場瀝青混凝土道面施工技術規範). The Company believes that this breakthrough could potentially lead to more business opportunities for the Group in the future.

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 recycling technology.

PRODUCTION CAPACITY

In February 2013, the Group commenced the construction of a new plant to increase its APM equipment production capacity. The new production facility was completed at the second quarter of 2014 and had increased the production output capacity of the Group by more than double.

OUTLOOK

The Group believes that there will be tremendous market opportunities for the Group in view of (i) the overall sustained growth of the APM industry in the PRC and the existing penetration rate of recycling technology is still very low; and (ii) the Ministry of Transport of the PRC will conduct road inspections on highways in the second half of 2015 to check the quality and condition of the road maintenance work.

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 government 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 and appointing more salesman in different cities in the PRC; (ii) increase market penetration, particularly in cities where the use of “Hot-in-Place” recycling technology is currently relatively limited; (iii) appointing more local APM service providers as its franchisees; (iv) establishing new joint ventures; (v) further strengthening its research and development capabilities and increasing its equipment production and service capacities; and (vi) expanding into the international market by providing APM services and selling APM equipment.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL PERFORMANCE REVIEW

The Group consists of two main business segments: the APM service segment, where it provides APM services under its registered trademark 公路醫生® (Road Doctor) to repair damaged asphalt pavement surfaces, and the APM equipment segment, where it manufactures and sells a wide range of APM equipment.

The following is a description of the Group's operating activities during the Period, with comparisons against the corresponding period for 2013.

1. REVENUE

a. APM Services

	Six-month period ended 30 June		
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000	Increase/ (decrease)
Revenue	125,615	150,060	(16.3%)
Gross profit	47,060	65,095	(27.7%)
Gross profit margin	37.5%	43.4%	
APM area serviced (square metres)	1,202,000	1,171,000	2.6%

Revenue and gross profit for this segment both decreased against the corresponding period in 2013. Although the total area serviced remained stable against the corresponding period in 2013 due to part of the APM services projects were performed in lower selling price area in the Period and the corresponding period of 2013 included revenue generated from the city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝) which had higher selling price than other "Hot-in-Place" road maintenance projects, revenue for the Period decreased by 16.3% against the corresponding period in 2013.

During the Period, as part of the APM services projects were conducted in lower selling price area and raw materials cost had increased as customers requested to use higher price raw materials which the Company was able to transfer this higher cost to the customers at cost, the gross profit margin in this segment decreased from 43.4% in 2013 to 37.5% for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

b. APM Equipment

	Six-month period ended 30 June				Increase/ (decrease)
	2014		2013		
	Unaudited HK\$'000	units/sets	Unaudited HK\$'000	units/sets	
Revenue					
Standard series	28,796	16	38,003	17	(24.2%)
Modular series	–	–	71,299	4	(100.0%)
Repair and maintenance	2,333	N/A	2,047	N/A	14.0%
Total	31,129		111,349		(72.0%)

	Six-month period ended 30 June				Increase/ (decrease)
	2014		2013		
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
Gross profit					
Standard series	16,233	56.4%	21,822	57.4%	(25.6%)
Modular series	–	N/A	50,971	71.5%	(100.0%)
Repair and maintenance	1,750	75.0%	1,093	53.4%	60.1%
Total	17,983	57.8%	73,886	66.4%	(75.7%)

Revenue for the APM equipment segment for the Period decreased by 72.0% as against the corresponding period for 2013. This decrease was primarily due to the adjustment of the Group's business strategies to appoint some local experienced APM service providers as its franchisees and the Company would like to focus on managing the existing joint ventures and assist them to seize the business opportunity of road inspection which will be conducted in 2015. Thus, the number of new joint venture being set up and the number of modular series being sold were nil during the Period (six-month period ended 30 June 2013: three new joint ventures set up and four sets of modular series sold). The revenue generated from sales of modular series products in the Period decreased significantly as against the corresponding period for 2013. In addition, due to the restrictions on cash flow at the local government level in the PRC and most of the standard series sold in the Period were lower selling price models, revenue generated from sales of standard series products for the Period decreased by 24.2% as against the corresponding period in 2013.

Gross profit margin decreased from 66.4% for the six-month period ended 30 June 2013 to 57.8% for the Period, primarily due to significant decreases in sales of higher margin products, i.e. modular series products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 33.8% for the Period as against the corresponding period in 2013, primarily due to (i) increased repair and maintenance requests during warranty period as more APM equipment was sold in the past few years; (ii) increase in the number of employees in the sales department; and (iii) increase in advertising expenses to promote the Group's products into new market.

3. ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately HK\$1.5 million, or approximately 3.9%, from HK\$38.9 million for the six-month period ended 30 June 2013 to HK\$37.4 million for the Period, primarily due to the net effect of (i) administrative expenses for the six-month period ended 30 June 2013 included one-off listing expenses of approximately HK\$15.7 million; (ii) the recognition of the unrealised exchange losses for cash and cash equivalent of the Group denominated in Renminbi; (iii) increase in the number of staffs and salary level in the Period; and (iv) increase in professional expenses during the Period after the Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

4. OTHER EXPENSES

Other expenses increased by approximately HK\$4.5 million, or approximately 95.7%, from approximately HK\$4.7 million for the six-month period ended 30 June 2013 to approximately HK\$9.2 million for the Period, primarily due to the effect of increased in research and development expenses.

5. FINANCE COSTS

Finance costs decreased by approximately HK\$1.7 million, or approximately 50.0%, from HK\$3.4 million for the six-month period ended 30 June 2013 to HK\$1.7 million for the Period, primarily due to the decreases in Group's bank loans balance as the Group's bank loans were settled by the proceeds from the Company's IPO in the second half of 2013.

6. SHARE OF PROFITS AND LOSSES OF JOINT VENTURES AND ASSOCIATES

The Group's share of losses from joint ventures was approximately HK\$1.6 million for the six-month period ended 30 June 2013 and approximately HK\$1.1 million for the Period.

The Group's share of losses from associates was approximately HK\$0.5 million for the six-month period ended 30 June 2013 and approximately HK\$0.7 million for the Period.

The Company believes that these losses are primarily due to the early stage nature of the joint ventures and associates businesses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

7. INCOME TAX EXPENSES

Income tax expenses decreased by approximately HK\$18.7 million, or approximately 96.4%, from approximately HK\$19.4 million for the six-month period ended 30 June 2013 to approximately HK\$0.7 million for the Period, primarily as a result of the lower profit before tax earned by the Group during the Period.

8. PROFIT

Profit attributable to owners of the parent decreased by approximately HK\$52.5 million, or approximately 79.8%, from approximately HK\$65.8 million for the six-month period ended 30 June 2013 to approximately HK\$13.3 million for the Period, primarily due to the effect of decreased in revenue of APM equipment segment due to the number of new joint venture being set up and number of modular series being sold were significantly declined, decrease in gross profit margin of APM services segment due to the part of the APM services project was performed in lower selling price area, and increased in other costs such as selling and distribution expenses, administrative expenses and other expenses.

9. LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, the Group's cash and bank balances amounted to approximately HK\$423.3 million (as at 31 December 2013: HK\$614.7 million). The decrease was primarily due to the payment of a final dividend, purchase of the other financial assets, repayment of bank borrowings, deposit paid for the acquisition of leasehold lands for expanding the Group's research and development facilities and setting up a new training centre, and increase in operating costs. As at 30 June 2014, the bank borrowings of the Group amounted to HK\$38.3 million (as at 31 December 2013: HK\$71.4 million) and the Group was in a net cash position (as at 31 December 2013: net cash position).

Trade and bills receivables balance decreased from HK\$548.8 million as of 31 December 2013 to HK\$482.9 million as of 30 June 2014, which was due to the decrease in revenue, and the receivables for APM services projects performed and APM equipment products sold near the end of 2013 were subsequently settled during the Period. As at the latest practicable date, third party customers had subsequently settled trade receivables amounting to HK\$25.9 million (equivalent to approximately RMB20.7 million).

As at 30 June 2014, the Group's liquidity position remained strong and the directors believe that this will enable the Group to expand in accordance with their plans. The Group strives to efficiently use its financial resources and adopt prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

10. OTHER FINANCIAL ASSETS

As at 30 June 2014, the Group had other financial assets of approximately HK\$70.0 million (as at 31 December 2013: Nil). These other financial assets represents investments in certain money market instruments with low-risk level and return-guaranteed products denominated in Renminbi offered by certain commercial banks in PRC and have a term ranging from three months to four months. The effective interest rate and the returns for these short-term investment for the Period was 4.94% and HK\$938,000 (six-month period ended 30 June 2013: Nil and nil), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

11. INTEREST-BEARING BANK BORROWINGS

As at 30 June 2014, the Group had total debt of HK\$38.3 million, which comprised:

- secured interest-bearing bank borrowings of HK\$8.3 million; and
- unsecured interest-bearing bank borrowings of HK\$30.0 million.

As at 30 June 2014, the secured interest-bearing bank borrowings were secured by:

- (i) mortgages over the Group's buildings with an aggregate carrying amount of approximately HK\$15.2 million; and
- (ii) mortgages over the Group's leasehold land with an aggregate carrying amount of approximately HK\$4.1 million.

The maturity profile of the interest-bearing bank borrowings is set out below:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Repayable		
Within one year or on demand	38,261	49,629
In the second year	–	21,772
	38,261	71,401

12. 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 up to the period ended 30 June 2014 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Net Proceeds		
	Available HK\$ million	Utilised HK\$ million	Unutilised HK\$ million
Investment in research and development activities	137.4	58.5	78.9
Establishing joint ventures and expanding APM service teams	137.4	29.0	108.4
Manufacturing APM equipment and expanding its APM service teams	103.1	6.2	96.9
Acquisitions of other APM service providers	103.0	–	103.0
Constructing new production facility	68.7	34.6	34.1
Establishing sales offices in new markets and marketing expenses	68.7	8.0	60.7
General corporate purposes and working capital requirements	68.7	68.7	–
	687.0	205.0	482.0

The unutilised net proceeds has been deposited into short term deposits in bank accounts maintained by the Group and used in other financial assets in certain wealth management products which are low-risk level and with guaranteed return.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

13. 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 this Interim Report, there were no other significant investments held, nor were there any material acquisitions or disposals of any subsidiaries, associates or joint ventures during the Period. Apart from those disclosed in this Interim Report, there was no concrete plan authorised by the Board for other material investments or additions of capital assets as at the date of this Interim Report.

14. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments are set out in note 18 to the interim condensed unaudited financial statements.

As at 30 June 2014, the Group did not have any material contingent liabilities.

15. 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. 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 Renminbi, except for certain bank deposits which are denominated in United States dollars and Hong Kong dollars. In addition, the interest-bearing bank borrowings of the Group are denominated in Renminbi. 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.

16. EMPLOYEES AND REMUNERATION

As at 30 June 2014, the Group had a total of 551 full time employees (as at 31 December 2013: 558). 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

17. EVENT AFTER THE REPORTING PERIOD

On 13 July 2014, the Company announced that Freetech Road Recycling Engineering Limited (“Freetech BVI”), a direct wholly-owned subsidiary of the Company and COSCO (H.K.) Industry & Trade Holdings Limited (“COSCO (H.K.) Industry and Trade”), an indirect wholly-owned subsidiary of COSCO Group entered into a shareholders agreement in relation to the establishment of a joint venture company (the “JV Company”). Upon the establishment of the JV Company, Freetech BVI and COSCO (H.K.) Industry and Trade will own 51% and 49% of the shareholding interest in the JV Company, respectively and both parties propose to set up a joint venture company in the PRC with a local enterprise in agreed region and plan to invest a total of RMB40,000,000 according to their respective shareholding ratio.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2014, 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 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	48.32%
Ms. Sze Wan Nga ("Ms. Sze")	–	29,640,000 ⁽²⁾	29,640,000	2.75%

Notes:

- 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.
- Ms. Sze is the beneficial owner of all the issued share capital of Intelligent Executive Limited ("Intelligent Executive") (formerly known as Rank Best Holdings Limited) and therefore is deemed to be interested in 29,640,000 shares of the Company held by Intelligent Executive.

(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 30 June 2014, none of the directors nor the chief executive of the Company had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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
Freotech Technology ⁽¹⁾	Interest in controlled corporation	521,365,260	48.32%
Sze BVI ⁽¹⁾	Interest in controlled corporation	521,365,260	48.32%
Freotech Cayman ⁽¹⁾	Beneficial owner	521,365,260	48.32%
China International Capital Corporation Limited ⁽²⁾	Interest in controlled corporation	58,219,200	5.40%
CICC Growth Capital Fund GP, L.P. ⁽²⁾	Interest in controlled corporation	58,219,200	5.40%
CICC Growth Capital Fund I, L.P. ⁽²⁾	Interest in controlled corporation	58,219,200	5.40%
Future Blossom Investment Limited ⁽²⁾	Beneficial owner	58,219,200	5.40%
Ms. Sze On Na, Anna ⁽³⁾	Interest in controlled corporation	56,420,520	5.23%
Smart Executive Group Limited ⁽³⁾	Beneficial owner	56,420,520	5.23%

Notes:

1. 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 and Underlying Shares" above.
2. Future Blossom Investment Limited is wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., which is indirectly wholly owned by China International Capital Corporation Limited. Hence, each of CICC Growth Capital Fund I, L.P., CICC Growth Capital Fund GP, L.P. and China International Capital Corporation Limited is deemed to be interested in the shares held by Future Blossom Investment Limited.
3. Smart Executive Group Limited is wholly owned by Ms. Sze On Na, Anna and Ms. Sze On Na, Anna is therefore deemed to be interested in the shares held by Smart Executive Group Limited.

Save as disclosed above, as at 30 June 2014, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SHARE-BASED COMPENSATION SCHEME

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of assisting in recruiting, retaining and motivating key staff members. The key eligible participants of the schemes include the Company's directors (including non-executive directors and independent non-executive directors) and other employees of the Group.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 7 June 2013 to provide incentives to eligible participants 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 Period, 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 30 June 2014.

SHARE AWARD SCHEME

On 7 May 2014, the Company adopted the Share Award Scheme under which the shares of the Company (the "Awarded Shares") may be awarded to selected employees (including directors) of any members of the Group pursuant to the terms of the scheme rules and the trust deed of the Share Award Scheme. On 7 May 2014, the Board has resolved to transfer HK\$20,000,000 to the trustee and may pay further sums from time to time to enable the trustee to exercise its powers to purchase shares of the Company on the market. The Share Award Scheme became effective on the adoption date and, unless terminated or amended, will remain in force for a term of ten years commencing on the adoption date. During the Period, the trustee acquired 909,000 shares of the Company for the Share Award Scheme through purchases in the open market at a total cost, including related transaction cost of approximately HK\$2,007,000 and no Awarded Shares was granted to eligible persons under the Share Award Scheme.

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. During the Period, 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 Listing Rules, except code provision A.2.1 as more particularly described below.

CG Code provision A.2.1 provides 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 organisation, 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 is an adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 2014, the audit committee, along with the management of the Company, reviewed the accounting principles and practices adopted by the Group and financial reporting matters as well as the interim condensed consolidated unaudited financial statements for the Period. The audit committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results 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 regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the Period.

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 during the Period except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the scheme, purchase a total of 909,000 shares of the Company at a total consideration of approximately HK\$2,007,000 on the market.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (for the six-month period ended 30 June 2013: Nil apart from the dividend distribution totalling HK\$60,000,000 declared on 7 June 2013 before the listing of shares of the Company).

On behalf of the Board

Mr. Sze Wai Pan

Chairman and Chief Executive Officer

Hong Kong, 29 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2014

	Notes	Six-month period ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	4	156,744	261,409
Cost of sales		(91,701)	(122,428)
Gross profit		65,043	138,981
Other income and gains	4	9,328	2,937
Selling and distribution expenses		(11,254)	(8,414)
Administrative expenses		(37,384)	(38,938)
Other expenses		(9,159)	(4,720)
Finance costs	5	(1,670)	(3,354)
Share of profits and losses of:			
Joint ventures		(1,140)	(1,608)
Associates		(715)	(490)
PROFIT BEFORE TAX	6	13,049	84,394
Income tax expense	7	(684)	(19,353)
PROFIT FOR THE PERIOD		12,365	65,041
Attributable to:			
Owners of the parent		13,296	65,826
Non-controlling interests		(931)	(785)
		12,365	65,041
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		HK1.23 cents	HK8.72 cents
Diluted		HK1.23 cents	HK8.72 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2014

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	12,365	65,041
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,040)	4,905
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(2,040)	4,905
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	10,325	69,946
Attributable to:		
Owners of the parent	11,747	70,384
Non-controlling interests	(1,422)	(438)
	10,325	69,946

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	163,113	160,861
Prepaid land lease payments		6,512	6,780
Goodwill		731	731
Other intangible assets		58	100
Deposit		24,333	–
Investments in joint ventures		46,704	39,433
Investments in associates		8,971	9,283
Deferred tax assets		14,198	15,320
Total non-current assets		264,620	232,508
CURRENT ASSETS			
Inventories		42,334	33,360
Trade and bills receivables	11	482,903	548,784
Prepayments, deposits and other receivables		56,197	39,649
Other financial assets		69,955	–
Pledged deposits		–	75
Cash and bank balances		423,267	614,697
Total current assets		1,074,656	1,236,565
CURRENT LIABILITIES			
Trade payables	12	74,798	79,163
Other payables and accruals		45,394	70,510
Interest-bearing bank borrowings		38,261	49,629
Tax payable		4,512	16,829
Total current liabilities		162,965	216,131
NET CURRENT ASSETS		911,691	1,020,434
TOTAL ASSETS LESS CURRENT LIABILITIES		1,176,311	1,252,942
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		–	21,772
Deferred tax liabilities		13,123	16,955
Total non-current liabilities		13,123	38,727
Net assets		1,163,188	1,214,215

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	107,900	107,900
Reserves		1,038,410	1,026,663
Shares held under the share award scheme	16	(2,007)	–
Proposed final dividend		–	59,345
		1,144,303	1,193,908
Non-controlling interests		18,885	20,307
Total equity		1,163,188	1,214,215

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2014

	Attributable to owners of the parent											
	Note	Shares held			Contributed surplus	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
		Issued capital	Share premium account	under the share award scheme								
		(Unaudited)	(Unaudited)	(Unaudited)								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014		107,900	732,463*	-	25,328*	71,880*	34,776*	162,216*	59,345	1,193,908	20,307	1,214,215
Profit for the period		-	-	-	-	-	-	13,296	-	13,296	(931)	12,365
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations		-	-	-	-	-	(1,549)	-	-	(1,549)	(491)	(2,040)
Total comprehensive income for the period		-	-	-	-	-	(1,549)	13,296	-	11,747	(1,422)	10,325
Final 2013 dividend declared		-	-	-	-	-	-	(59,345)	(59,345)	-	-	(59,345)
Purchase of shares held under the share award scheme	16	-	-	(2,007)	-	-	-	-	-	(2,007)	-	(2,007)
At 30 June 2014		107,900	732,463*	(2,007)	25,328*	71,880*	33,227*	175,512*	-	1,144,303	18,885	1,163,188

* These reserve accounts comprise the consolidated reserves of HK\$1,038,410,000 (31 December 2013: HK\$1,026,663,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six-month period ended 30 June 2014

	Attributable to owners of the parent									
	Note	Share			Exchange			Non-		
		Issued	premium	Contributed	Reserve	fluctuation	Retained	Total	controlling	Total equity
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 [#]		9,822	143,361	-	-	-	-	153,183	-	153,183
Capitalisation issue of shares [^]		68,000	(68,000)	-	-	-	-	-	-	-
Issuance of new shares in connection with the listing of the Company's shares ^Ω		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

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.

[^] Pursuant to resolutions passed on 7 June 2013, 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 26 June 2013 (the "Listing Date").

^Ω 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") commenced on the Listing Date.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2014

	Notes	Six-month period ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		13,049	84,394
Adjustments for:			
Finance costs	5	1,670	3,354
Share of profits and losses of joint ventures and associates		1,855	2,098
Interest income	4	(6,732)	(398)
Depreciation	6	10,360	9,774
Impairment of trade receivables	6	721	1,201
Reversal of impairment of other receivables	6	(296)	(186)
Amortisation of other intangible assets	6	39	51
Amortisation of land lease payments	6	102	101
Loss on disposal of items of property, plant and equipment	6	1,001	402
		21,769	100,791
(Increase)/decrease in inventories		(8,974)	2,198
(Increase)/decrease in trade and bills receivables		66,072	(140,711)
Increase in prepayments, deposits and other receivables		(6,574)	(11,308)
Increase/(decrease) in trade payables		(4,365)	1,040
Increase/(decrease) in other payables and accruals		(23,399)	3,381
Increase/(decrease) in deferred income		(7,382)	34,813
Decrease in an amount due to the ultimate holding company		–	(4,350)
Exchange differences		14,271	4,214
		51,418	(9,932)
Cash generated from/(used in) operations		51,418	(9,932)
Interest received		6,732	398
Interest paid		(1,670)	(3,354)
Income tax paid		(15,798)	(13,733)
		40,682	(26,621)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	10	(17,716)	(20,014)
Investments in joint ventures		–	(29,623)
Advance to a joint venture		–	(10,361)
Additions of other intangible assets		–	(18)
Proceeds from disposal of items of property, plant and equipment		17	47
Decrease in pledged deposits		75	15
Increase in other financial assets		(69,955)	–
Increase in deposit		(24,333)	–
		(111,912)	(59,954)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six-month period ended 30 June 2014

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	–	631,800
Share issue expenses	–	(28,015)
New bank loans	–	130,945
Repayment of bank loans	(31,600)	(81,784)
Dividends paid	(59,345)	(64,964)
Purchase of shares held under the share award scheme	(20,000)	–
Net cash flows from/(used in) financing activities	(110,945)	587,982
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(182,175)	501,407
Cash and cash equivalents at beginning of period	614,697	130,862
Effect of foreign exchange rate changes, net	(9,255)	1,214
CASH AND CASH EQUIVALENTS AT END OF PERIOD	423,267	633,483
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	423,267	633,483

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2014

1. CORPORATE INFORMATION

Freetech 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 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 Freetech Technology Limited, which was incorporated in Hong Kong and is wholly owned and controlled by Mr. Sze Wai Pan, 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 for the year ended 31 December 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets</i> — <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> — <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

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 MAJOR CUSTOMERS

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the six-month periods ended 30 June 2014 and 2013 is set out below:

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Customer A — Provision of road maintenance services	42,825	—
Customer B — Provision of road maintenance services	19,043	—
Customer C — Provision of road maintenance services	18,628	—
Customer D — Provision of road maintenance services	—	29,040

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

3. OPERATING SEGMENT INFORMATION *(Continued)*

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	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	125,615	31,129	156,744
Intersegment sales	–	–	–
Other revenue	2,485	111	2,596
	128,100	31,240	159,340
<i>Reconciliation:</i>			
Elimination of intersegment sales			–
Revenue			159,340
Segment results	20,171	10,483	30,654
<i>Reconciliation:</i>			
Interest income			6,732
Exchange losses			(8,374)
Corporate and unallocated expenses			(12,438)
Share of profits and losses of joint ventures and associates			(1,855)
Finance costs			(1,670)
Profit before tax			13,049
Other segment information:			
Impairment losses recognised/(reversed) in the statement of profit or loss	(231)	656	425
Depreciation and amortisation	8,881	1,620	10,501
Capital expenditure*	15,746	1,970	17,716

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

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 statement of profit or loss	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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and gains		
Government grants*	1,915	1,424
Interest income	6,732	398
Foreign exchange differences, net	–	1,011
Others	681	104
	9,328	2,937

* 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	1,670	3,354

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

6. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation	10,360	9,774
Amortisation of other intangible assets	39	51
Amortisation of land lease payments	102	101
Minimum lease payments under operating leases of land and buildings	3,470	2,849
Loss on disposal of items of property, plant and equipment*	1,001	402
Impairment of trade receivables*	721	1,201
Reversal of impairment of other receivables*	(296)	(186)
Foreign exchange differences, net	8,374	(1,011)

* These items are included in "Other expenses" in the condensed consolidated statement of profit or loss.

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 2014 (six-month period ended 30 June 2013: 16.5%).

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 2014 and 2013.

During the six-month periods ended 30 June 2014 and 2013, 英達熱再生有限公司 (Freetech Road Recycling Corporation*) and 南京英達公路養護車製造有限公司 (Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation*), which were indirect wholly-owned subsidiaries of the Company, 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Group:		
Current — Hong Kong	—	1,235
Current — Mainland China	3,321	18,475
Deferred	(2,637)	(357)
Total tax charge for the period	684	19,353

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

7. INCOME TAX *(Continued)*

The share of tax credit attributable to joint ventures for the six-month period ended 30 June 2014 amounting to HK\$6,000 (six-month period ended 30 June 2013: Nil) is included in "Share of profits and losses of joint ventures" in the condensed consolidated statement of profit or loss.

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 were not entitled to such dividend. No other dividends were declared or paid by the Company during the six-month period ended 30 June 2013.

At a meeting of the board of directors held on 29 August 2014, the directors resolved not to pay any interim dividend to shareholders.

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

The calculation of basic earnings per share amounts for the six-month period ended 30 June 2014 is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of HK\$13,296,000 (six-month period ended 30 June 2013: HK\$65,826,000) and the weighted average number of ordinary shares in issue of 1,079,000,000 (six-month period ended 30 June 2013: 755,070,575).

The Group had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2014 and 2013.

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2014, the Group acquired property, plant and equipment of HK\$17,716,000 (six-month period ended 30 June 2013: HK\$20,014,000).

11. TRADE AND BILLS RECEIVABLES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade and bills receivables from third parties	444,012	431,070
Trade receivables from joint ventures and associates	75,572	154,586
Impairment	(36,681)	(36,872)
	482,903	548,784

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

11. TRADE AND BILLS RECEIVABLES *(Continued)*

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\$10,016,000 as at 30 June 2014 (31 December 2013: HK\$18,162,000) 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.

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 3 months	116,144	220,444
3 to 12 months	256,642	194,645
1 to 2 years	90,123	96,760
Over 2 years	19,994	36,935
	482,903	548,784

As at 30 June 2014, included in the Group's trade and bills receivables are amounts due from joint ventures and associates of approximately HK\$71,925,000 (31 December 2013: HK\$150,360,000) and HK\$3,647,000 (31 December 2013: HK\$4,226,000), respectively, 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 3 months	42,486	34,715
3 to 12 months	7,670	18,070
1 to 2 years	15,457	5,297
Over 2 years	9,185	21,081
	74,798	79,163

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

12. TRADE PAYABLES *(Continued)*

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

As at 30 June 2014, included in the Group's trade payables is an amount due to an associate of approximately HK\$2,570,000 (31 December 2013: HK\$2,086,000), which is repayable within 90 days, which represents similar credit terms to those offered by the associate to its major customers.

13. SHARE CAPITAL

SHARES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2013: 10,000,000,000) ordinary shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid: 1,079,000,000 (31 December 2013: 1,079,000,000) ordinary shares of HK\$0.10 each	107,900	107,900

14. 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

14. SHARE OPTION SCHEME *(Continued)*

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.

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 2014 (six-month period ended 30 June 2013: Nil).

15. SHARE AWARD SCHEME

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

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

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

No share was awarded under the Share Award Scheme during the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: Nil).

16. SHARES HELD UNDER THE SHARE AWARD SCHEME

During the six-month period ended 30 June 2014, the trustee acquired 909,000 ordinary shares (six-month period ended 30 June 2013: Nil) of the Company for the Share Award Scheme through purchases in the open market at a total cost, including related transaction costs of approximately HK\$2,007,000 (six-month period ended 30 June 2013: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

17. 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	3,612	3,224
In the second to fifth years, inclusive	1,220	1,732
	4,832	4,956

18. COMMITMENTS

In addition to the operating lease commitments disclosed in note 17 above, the Group had the following commitments as at the end of the reporting period:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Contracted, but not provided for:		
Land use rights	19,987	–
Property, plant and equipment	35,680	44,719
Capital contributions payable to joint ventures	16,465	7,838
Capital contributions payable to an associate	–	6,275
	72,132	58,832
Authorised, but not contracted for:		
Property, plant and equipment	10,658	11,766
	82,790	70,598

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

20. 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 2014 and 2013:

	Notes	Six-month period ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Transaction with joint ventures:			
Sales of goods	(i)	–	71,299*
Transaction with associates:			
Receiving of road maintenance services	(i)	–	2,754

* After elimination of unrealised profits

Notes:

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

(b) 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 2014, included in the Group's prepayments, deposits and other receivables in the condensed consolidated statement of financial position is an amount due from a joint venture of HK\$100,000 (31 December 2013: HK\$292,000), which is unsecured, interest-free and has no fixed terms of repayment.
- (iii) As at 31 December 2013, included in the Group's prepayments, deposits and other receivables in the condensed consolidated statement of financial position was an amount due from a joint venture of HK\$8,645,000, which was unsecured, bore interest at a rate of 5% per annum and was repayable within one year. The balance was fully settled during the six-month period ended 30 June 2014.
- (iv) As at 30 June 2014, included in the Group's other payables and accruals are deferred unrealised profits of sales, net, to joint ventures of HK\$12,353,000 (31 December 2013: HK\$12,451,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

30 June 2014

20. RELATED PARTY TRANSACTIONS *(Continued)*

(c) 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 2014 and 2013 is as follows:

	Six-month period ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term employee benefits	1,931	1,787
Post-employment benefits	31	30
	1,962	1,817

21. EVENT AFTER THE REPORTING PERIOD

On 12 July 2014, Freetech Road Recycling Engineering Limited ("Freetech BVI"), a direct wholly-owned subsidiary of the Company, and COSCO (H.K.) Industry & Trade Holdings Limited ("COSCO (H.K.) Industry and Trade"), an indirect wholly-owned subsidiary of COSCO Group, entered into a shareholders agreement in relation to establishment of a joint venture company (the "JV Company"). Upon the establishment of the JV Company, the JV Company will be owned as to 51% by Freetech BVI and 49% by COSCO (H.K.) Industry and Trade. Further details of the transaction were set out in the announcement of the Company dated 13 July 2014.

22. 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 29 August 2014.



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