

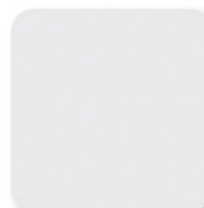
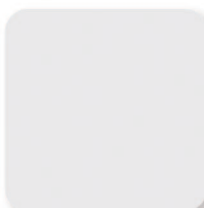


# Freotech Road Recycling Technology ( Holdings ) Limited 英達公路再生科技(集團)有限公司

(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



## 2015 INTERIM REPORT 中期報告

公路醫生®

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This Interim Report is printed on environmentally friendly paper





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Chairman

Mr. Sze Wai Pan  
(Chief Executive Officer)

### Executive Directors

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

### Non-executive Directors

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Cayman Islands Share Register and Transfer Office

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

### Auditor

Deloitte Touche Tohmatsu  
Certified Public Accountants

### Principal Bankers

China Construction Bank (Asia)  
Corporation Limited  
Hang Seng Bank

### Company Website Address

[www.freetech-holdings.hk](http://www.freetech-holdings.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING RESULTS AND RATIOS

	Six-month period ended 30 June		Increase/ (decrease)
	2015 Unaudited HK\$'000	2014 Unaudited HK\$'000	
Revenue	<b>197,767</b>	156,744	26.2%
Gross profit	<b>76,783</b>	65,043	18.1%
Profit attributable to owners of the Company	<b>18,380</b>	13,296	38.2%
Earnings per share (Basic) (HK cents)	<b>1.73</b>	1.23	40.7%
Gross profit margin <sup>1</sup>	<b>38.8%</b>	41.5%	

<sup>1</sup> (gross profit/revenue) x 100%





# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2015 (the “Period”).

During the Period, as the People’s Republic of China (the “PRC”) government actively promoted green economy and continued to strengthen its efforts in environmental restoration, while the Ministry of Transport plans to conduct road inspections on highways in the second half of 2015, the road recycling technology industry maintained a satisfactory momentum and the business of the Group returned on track. The Group continued to be a leading integrated solution provider using Hot-in-Place recycling technology in the asphalt pavement maintenance industry in the PRC. As at 30 June 2015, the Group had a total of ten joint ventures and associates engaging in the provision of Asphalt Pavement Maintenance (“APM”) services and had a total of twelve franchisees to promote the Group’s “Hot-in-Place” recycling technology in certain cities.

During the Period, the Group’s operating revenue was approximately HK\$197.8 million, representing an increase of approximately 26.2%, as against the corresponding period of 2014. Total profit attributable to owners of the Company was approximately HK\$18.4 million, representing an increase of approximately 38.2%, as against the corresponding period of 2014.

### APM Services

During the Period, the Group remained as a leading service provider in the PRC market using “Hot-in-Place” recycling technology in the provision of APM services. Driven by the road inspection to be conducted in the second half of 2015, the Group completed 1.5 million square metres of APM services (six-month period ended 30 June 2014: 1.2 million square metres), an increase of 21.7% as against the corresponding period in 2014. The APM services segment recorded revenue of approximately HK\$143.9 million, representing an increase of 14.6% as against the corresponding period of 2014.



# MANAGEMENT DISCUSSION AND ANALYSIS

## APM Equipment

During the Period, as a result of the Group successfully selling the modular series equipment, the APM equipment segment of the Group generated revenue of HK\$53.8 million, representing an increase of 72.9% as against the corresponding period of 2014. As of result, the management considers that the Group has maintained its position as the leading APM equipment provider in the PRC market.



## Research and Development

To maintain our leading position in using “Hot-in-Place” recycling technology in the APM industry, the Group continued 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 2015, it had registered 108 patents (as at 31 December 2014: 97). Besides, it had 6 pending patent applications (as at 31 December 2014: 14).

During the Period, the Group consistently enhanced its investment in research and development, further strengthening its research and development capabilities, and enabling it to overcome certain technological limitations in the APM service industry. In order to provide higher quality road maintenance services and reduce costs, the Group upgraded its existing modular series equipment to improve efficiency and reduce the reliance on labour.

The Company entered into a cooperation agreement with School of Management of University of Chinese Academy of Sciences (中國科學院大學管理學院) (“Management School UCAS”), pursuant to which UCAS Freetech Ecological Science and Technology Research Centre (“UCAS Freetech Centre”) was jointly set up by the Company and Management School UCAS and was officially unveiled in Beijing on 28 May 2015. UCAS Freetech Centre will perform research into the areas of energy saving, environmental protection and green economy in transportation and municipal construction areas, as well as incubate and develop new technologies and products and provide application analysis on new technologies and products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Others

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

### OUTLOOK

In 2015, a report on the government work of the State Council of the PRC reiterated its desire to promote the green economy and support environmental protection. The development of recycling technology has become a mainstream in the road maintenance industry. Furthermore, the National Highway System will commence road inspections in the second half of 2015 and we anticipate that the overall market demand for our services will increase. Under these circumstances, the Group is well positioned to benefit from the government's policies and the positive development prospects for the environmental protection sector. The Group aims to continuously develop new series equipment, upgrade the "Hot-in-Place" technology, strengthen its market position and expand its market share with its advanced technology and brand influence.

As a "four-in-one" integrated solution provider (APM technology research and development, APM equipment manufacturing, APM service contracting and setting up the "Road Doctor Training Institute" to train high end talent in the road maintenance industry), the Group seeks to innovate on the existing business model. The Group has entered into cooperation agreements with Nanjing Lishui Economy Technology Development Company (南京溧水經濟技術開發總公司) and Jurong City Housing and Urban Rural Development Bureau in the Jiangsu Province (江蘇省句容市住房和城鄉建設局) to actively participate in the major infrastructure and maintenance management work in the subject area, including road maintenance and road expansion and reconstruction projects. Meanwhile, local governments in the PRC are implementing public-private partnership ("PPP") models in city construction which will be a template for the Group to develop more PPP projects in the field of city road maintenance and reconstruction projects. In addition, the Group has signed strategic cooperation agreements with various provincial highway departments and has gradually implemented those agreements with a view to promoting and developing new APM technologies. Further, the Group has, in cooperation with a well-known institute, started to perform research into energy saving, environmental protection and cyclical economy in road maintenance and construction areas, which will provide education support for the "Road Doctor Training Institute". On 30 June 2015, the Group has entered into a capital injection agreement to acquire 55% shareholding interest in an expressway road maintenance company located in Tianjin city.





## MANAGEMENT DISCUSSION AND ANALYSIS

As a leading integrated solution 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 and strengthen its core competitiveness and brand image. 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 salesmen 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 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

## 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 2014.

### 1. Revenue:

#### a. APM Services

	Six-month period ended 30 June		Increase/ (decrease)
	2015 Unaudited HK\$'000	2014 Unaudited HK\$'000	
Revenue	143,940	125,615	14.6%
Gross profit	46,718	47,060	(0.7%)
Gross profit margin	32.5%	37.5%	
APM area serviced (square metres)	1,463,000	1,202,000	21.7%

Revenue for this segment increased against the corresponding period in 2014 due to total area serviced increased by 21.7%, against the corresponding period in 2014 as more services were performed in highway and expressway projects, before the roads inspection to be conducted in the second half of 2015. During the period, the percentage of APM area serviced consisting of highway and expressway was 58.8% (six-month period ended 30 June 2014: 32.1%).

During the Period, as more than 50% of the APM services projects were conducted on highways and expressways which have lower selling price, decreased in average selling price of APM services projects due to the decrease in selling price of asphalt mixture cost (the major raw material cost of APM service projects which its selling price will affect the selling price of APM service projects) and the location of APM services projects performed for the Period was more scattered than the corresponding period in 2014 resulted in an increase in transportation and rental expenses, the gross profit margin in this segment decreased from 37.5% in 2014 to 32.5% for the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## b. APM Equipment

	Six-month period ended 30 June				
	2015 Unaudited HK\$'000	units/ sets	2014 Unaudited HK\$'000	units/ sets	Increase/ (decrease)
<b>Revenue</b>					
Standard series	26,605	19	28,796	16	(7.6%)
Modular series	23,839	1	–	–	100.0%
Repair and maintenance	3,383	N/A	2,333	N/A	45.0%
<b>Total</b>	<b>53,827</b>		<b>31,129</b>		<b>72.9%</b>

	Six-month period ended 30 June				
	2015 Unaudited HK\$'000	Margin	2014 Unaudited HK\$'000	Margin	Increase/ (decrease)
<b>Gross profit</b>					
Standard series	12,727	47.8%	16,233	56.4%	(21.6%)
Modular series	15,877	66.6%	–	N/A	100.0%
Repair and maintenance	1,461	43.2%	1,750	75.0%	(16.5%)
<b>Total</b>	<b>30,065</b>	<b>55.9%</b>	<b>17,983</b>	<b>57.8%</b>	<b>67.2%</b>

Revenue for the APM equipment segment for the Period increased by 72.9% as against the corresponding period for 2014. The increase was primarily due to the sale of modular series equipment. The revenue generated from sales of standard series products for the Period was relatively stable.

Gross profit margin for APM equipment was relatively stable.

## 2. Other Gains and Losses

Other gains and losses decreased by approximately HK\$6.1 million, or approximately 62.2%, from HK\$9.8 million for the six-month period ended 30 June 2014 to HK\$3.7 million for the Period, primarily due to the net effect of (i) increase in impairment of trade receivables; and (ii) exchange gains were recorded for the Period (six month period ended 30 June 2014: exchange losses were recorded as a result of devaluation of RMB).

## 3. Selling and Distribution Costs

Selling and distribution costs increased by approximately 8.2% for the Period as against the corresponding period in 2014, primarily due to the increase in staff costs and travelling expenses resulting from the increase in the number of employees in the sales department.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. Administrative Expenses

Administrative expenses increased by approximately HK\$7.6 million, or approximately 26.2%, from HK\$29.0 million for the six-month period ended 30 June 2014 to HK\$36.6 million for the Period, primarily due to the consolidation of three new subsidiaries which were acquired by the Group in the second half of 2014 through acquisition of additional interests in two associates and one joint venture of the Group, and increase in staff costs during the Period as a result of the recognition of share-based payment expense for the share options and share awards granted to the employees of the Group in the second half of 2014.

## 5. Finance Costs

Finance costs decreased by approximately HK\$1.2 million, or approximately 70.6%, from HK\$1.7 million for the six-month period ended 30 June 2014 to HK\$0.5 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 and new loans were drawn down in June 2015.

## 6. Share of Losses of Joint Ventures and Associates

The Group's share of losses from joint ventures was approximately HK\$1.1 million for the six-month period ended 30 June 2014 and approximately HK\$0.9 million for the Period.

The Group's share of losses from associates was approximately HK\$0.7 million for the six-month period ended 30 June 2014.

Decreases in share of losses of joint ventures and associates was due to one joint venture and two associates of the Group becoming the Group's subsidiaries and their results being consolidated in the Period.

## 7. Taxation

Taxation increased by approximately HK\$3.2 million, or approximately 457.1%, from approximately HK\$0.7 million for the six-month period ended 30 June 2014 to approximately HK\$3.9 million for the Period, which is in line with the trend in the profit before taxation for the period under review.

## 8. Profit

Profit attributable to owners of the Company increased by approximately HK\$5.1 million, or approximately 38.2%, from approximately HK\$13.3 million for the six-month period ended 30 June 2014 to approximately HK\$18.4 million for the Period, primarily due to the net effect of a decrease in gross profit margin of APM services segment due to part of the APM services being performed in lower selling price areas, increases in revenue of APM equipment segment due to the sale of the modular series equipment and increases in other costs such as selling and distribution costs, administrative expenses and research and development costs.

## 9. Liquidity and Financial Resources and Capital Structure

As at 30 June 2015, the Group's bank balances and cash, time deposits and pledged bank deposits amounted to approximately HK\$357.5 million (as at 31 December 2014: HK\$353.9 million). The balance was relatively stable. As at 30 June 2015, the bank borrowings of the Group amounted to HK\$44.0 million (as at 31 December 2014: HK\$0.6 million) and the Group was in a net cash position (as at 31 December 2014: net cash position).

Tightened cash flow at the local government level in the PRC continued to affect the collection of receivables and the receivables for APM services projects performed and APM equipment products sold during the six-month period ended 30 June 2015 are due to be received in the second half of 2015, as a result the trade receivables balance increased from HK\$602.9 million as of 31 December 2014 to HK\$623.8 million as of 30 June 2015. As at the latest practicable date, third party customers had subsequently settled trade receivables amounting to HK\$65.6 million (equivalent to approximately RMB51.5 million).

As at 30 June 2015, the Group's liquidity position remained strong and the management believes that this will enable the Group to expand in accordance with their plans. The Group strives to efficiently use its financial resources and adopts a prudent financial policy in order to maintain a healthy capital ratio and support its business expansion requirements.

## 10. Interest-Bearing Bank Borrowings

As at 30 June 2015, the Group had total debt of HK\$44.0 million, which comprised:

- secured interest-bearing bank borrowings of HK\$43.4 million; and
- unsecured interest-bearing bank borrowings of HK\$0.6 million.

As at 30 June 2015, the secured interest-bearing bank borrowings were secured by pledge of bank balances of approximately HK\$193.4 million

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Repayable		
Within one year or on demand	43,962	634
In the second year	—	—
	<b>43,962</b>	<b>634</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

## 11. 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 2015 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Net Proceeds		
	Available	Utilised	Unutilised
	HK\$ million	HK\$ million	HK\$ million
Investment in research and development activities	137.4	131.9	5.5
Establishing joint ventures and expanding APM service teams	137.4	64.9	72.5
Manufacturing APM equipment and expanding our APM service teams	103.1	39.9	63.2
Acquisitions of other APM service providers	103.0	16.0	87.0
Constructing new production facility	68.7	57.0	11.7
Establishing sales offices in new markets and marketing expenses	68.7	38.1	30.6
General corporate purposes and working capital requirements	68.7	68.7	–
	<u>687.0</u>	<u>416.5</u>	<u>270.5</u>

The unutilised net proceeds has been deposited into short term deposits in bank accounts maintained by the Group.

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

On 30 June 2015, Freetech Smart Road Recycling Engineering Investment Limited ("Freetech Smart Road"), an indirect subsidiary which is 51% owned by the Company, and Tianjin Expressway Group Company Limited (天津高速公路集團有限公司), being the existing shareholder of Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) ("Tianjin Expressway Maintenance"), entered into a capital injection agreement, pursuant to which Freetech Smart Road has agreed to acquire a 55% equity interests in Tianjin Expressway Maintenance by way of subscribing for an additional registered capital of RMB24,444,400 at the total consideration of RMB46,802,400 (representing RMB24,444,400 as payment for the additional registered capital of Tianjin Expressway Maintenance and RMB22,358,000 as capital reserve of Tianjin Expressway Maintenance). Upon completion on or before 31 August 2015, the registered capital of Tianjin Expressway Maintenance will be RMB44,444,400 and Tianjin Expressway Maintenance will be owned as to 55% and 45% equity interests by Freetech Smart Road and Tianjin Expressway Group Company Limited respectively. For details, please refer to the Company's announcement dated 2 July 2015.

Save as disclosed above, 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. Except as 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.

## 13. Capital Commitments and Contingent Liabilities

The Group's capital commitments are set out in note 19 to the interim condensed unaudited financial statements.

As at 30 June 2015, the Group did not have any material contingent liabilities.

## 14. 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 Group collects most of its revenue in RMB and most of its expenditures as well as capital expenditures are also denominated in RMB. The Group's exposures to foreign currency risk arises mainly from certain bank deposits and interest-bearing bank borrowings denominated in foreign currency of the relevant group entities. 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.

## 15. Employees and Remuneration

As at 30 June 2015, the Group had a total of 542 full time employees (as at 31 December 2014: 550). 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.



# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

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

As at 30 June 2015, 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
	Number of awarded share held	Number of underlying shares held under equity derivatives				
Mr. Sze Wai Pan ("Mr. Sze")	–	–	524,965,260 <sup>(1)</sup>	524,965,260	48.65%	
Ms. Sze Wan Nga ("Ms. Sze")	–	200,000	29,640,000 <sup>(2)</sup>	29,840,000	2.77%	
Mr. Zhang Yifu	166,667	200,000	–	366,667	0.03%	
Mr. Chan Kai King	166,667	200,000	–	366,667	0.03%	

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 524,965,260 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 Intelligent Executive Limited ("Intelligent Executive") and therefore is deemed to be interested in 29,640,000 shares of the Company held by Intelligent Executive.

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

## (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	Freotech Cayman	Beneficial owner	1,162,956	100%
Mr. Sze	Sze BVI	Beneficial owner	1	100%
Mr. Sze	Freotech Technology	Beneficial owner	100	100%
Ms. Sze	Intelligent Executive	Beneficial owner	10,000	100%

Save as disclosed above, as at 30 June 2015, 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.

## 2. INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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 <sup>(1)</sup>	Interest in controlled corporation	524,965,260	48.65%
Sze BVI <sup>(1)</sup>	Interest in controlled corporation	524,965,260	48.65%
Freotech Cayman <sup>(1)</sup>	Beneficial owner	524,965,260	48.65%
China International Capital Corporation Limited <sup>(2)</sup>	Interest in controlled corporation	58,219,200	5.40%
CICC Growth Capital Fund GP, L.P. <sup>(2)</sup>	Interest in controlled corporation	58,219,200	5.40%
CICC Growth Capital Fund I, L.P. <sup>(2)</sup>	Interest in controlled corporation	58,219,200	5.40%
Future Blossom Investment Limited <sup>(2)</sup>	Beneficial owner	58,219,200	5.40%
Ms. Sze On Na, Anna <sup>(3)</sup>	Interest in controlled corporation	56,420,520	5.23%
Smart Executive Group Limited <sup>(3)</sup>	Beneficial owner	56,420,520	5.23%

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Notes:

1. The relationship between Freetech Technology, Sze BVI, Freetech 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 2015, 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.

## 3. SHARE-BASED COMPENSATION SCHEME

The Company operates two equity-settled share-based compensation schemes: 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, 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 (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, direct or indirect shareholders, business or joint venture partners, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high caliber employees. During the Period, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme. Movement of the share options under the Share Option Scheme for the Period are as follows:

Name of participant	Options held at 1 January 2015	Granted during the period	Options held at 30 June 2015	Date of Grant	Exercise period	Exercise price per share	Weighted average share price immediately preceding the exercise date
<b>Directors</b>							
Sze Wan Nga	100,000	–	100,000	16/10/2014	16/10/2015–15/10/2017	HK\$2.50	N/A
Sze Wan Nga	100,000	–	100,000	16/10/2014	16/10/2017–15/10/2019	HK\$2.75	N/A



# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Name of participant	Options held at 1 January 2015	Granted during the period	Options held at 30 June 2015	Date of Grant	Exercise period	Exercise price per share	Weighted average share price immediately preceding the exercise date
<b>Directors</b>							
Zhang Yifu	100,000	–	100,000	16/10/2014	16/10/2015–15/10/2017	HK\$2.5	N/A
Zhang Yifu	100,000	–	100,000	16/10/2014	16/10/2017–15/10/2019	HK\$2.75	N/A
Chan Kai King	100,000	–	100,000	16/10/2014	16/10/2015–15/10/2017	HK\$2.5	N/A
Chan Kai King	100,000	–	100,000	16/10/2014	16/10/2017–15/10/2019	HK\$2.75	N/A
Yeung Sum	50,000	–	50,000	16/10/2014	16/10/2015–15/10/2017	HK\$2.5	N/A
Yeung Sum	50,000	–	50,000	16/10/2014	16/10/2017–15/10/2019	HK\$2.75	N/A
Tang Koon Yiu Thomas	50,000	–	50,000	16/10/2014	16/10/2015–15/10/2017	HK\$2.5	N/A
Tang Koon Yiu Thomas	50,000	–	50,000	16/10/2014	16/10/2017–15/10/2019	HK\$2.75	N/A
Lau Ching Kwong	50,000	–	50,000	16/10/2014	16/10/2015–15/10/2017	HK\$2.5	N/A
Lau Ching Kwong	50,000	–	50,000	16/10/2014	16/10/2017–15/10/2019	HK\$2.75	N/A
<b>Continuous contract employees</b>							
In aggregate	2,035,000	–	2,035,000	16/10/2014	16/10/2015–15/10/2017	HK\$2.50	N/A
In aggregate	2,035,000	–	2,035,000	16/10/2014	16/10/2017–15/10/2019	HK\$2.75	N/A
	4,970,000	–	4,970,000	16/10/2014			

Further details of the Share Option Scheme are disclosed in note 15 to the financial statements.

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

## Share Award Scheme

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

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

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

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

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

Details of the Awarded Shares awarded and unvested as at 30 June 2015 are set out below:

Date of award	Number of shares awarded	Average fair value per share	Vesting date
16 October 2014	1,489,000	HK\$1.39	16 October 2015

# CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

No Awarded Shares vested or lapsed for the Period. Movements of the Awarded Shares under the Share Award Scheme for the Period are as follows:

Name of participant	Awarded shares at 1 January 2015	Granted during the period	Awarded shares at 30 June 2015	Vesting date
<b>Directors</b>				
Zhang Yifu	166,667	–	166,667	16 October 2015
Chan Kai King	166,667	–	166,667	16 October 2015
<b>Continuous contract employees</b>				
In aggregate	1,155,666	–	1,155,666	16 October 2015
	1,489,000	–	1,489,000	

Further details of the Share Award Scheme are disclosed in note 16 to the financial statements.

## 4. 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 a check and balance function. There are also three independent non-executive directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there is an adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

## 5. 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 27 August 2015, 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.



## 6. 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.

## 7. 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.

## 8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (for the six-month period ended 30 June 2014: Nil).

On behalf of the Board

**Mr. Sze Wai Pan**

*Chairman and Chief Executive Officer*

Hong Kong, 31 August 2015

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2015

		Six-month period ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
REVENUE	3	197,767	156,744
Cost of sales		(120,984)	(91,701)
Gross profit		76,783	65,043
Other income	4	7,925	9,328
Other gains and losses	5	(3,713)	(9,800)
Selling and distribution costs		(12,176)	(11,254)
Administrative expenses		(36,567)	(29,011)
Research and development costs		(9,453)	(7,529)
Other expenses		(183)	(203)
Share of losses of joint ventures		(943)	(1,140)
Share of losses of associates		–	(715)
Finance costs	6	(514)	(1,670)
PROFIT BEFORE TAXATION	7	21,159	13,049
Taxation	8	(3,866)	(684)
PROFIT FOR THE PERIOD		17,293	12,365
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation		3,122	(2,040)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		3,122	(2,040)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		20,415	10,325
Profit (loss) for the period attributable to:			
Owners of the Company		18,380	13,296
Non-controlling interests		(1,087)	(931)
		17,293	12,365
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		21,310	11,747
Non-controlling interests		(895)	(1,422)
		20,415	10,325
EARNINGS PER SHARE	10		
Basic		HK1.73 cents	HK1.23 cents
Diluted		HK1.70 cents	HK1.23 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	250,220	250,908
Goodwill		4,907	4,907
Prepaid lease payments		6,432	6,506
Other intangible assets		383	433
Prepayments for acquisition of land use rights		44,562	44,366
Interests in joint ventures		68,407	34,282
Deferred tax assets		9,473	10,044
		<b>384,384</b>	351,446
CURRENT ASSETS			
Inventories		61,712	58,713
Bills, trade and other receivables	12	631,562	599,525
Prepaid lease payments		206	205
Time deposits		–	236,240
Pledged bank deposits		193,386	6,880
Bank balances and cash		164,079	110,783
		<b>1,050,945</b>	1,012,346
CURRENT LIABILITIES			
Trade and other payables	13	128,844	128,221
Taxation payable		4,841	6,809
Bank borrowings — current portion		43,962	634
Amount due to the non-controlling shareholder		29,301	–
		<b>206,948</b>	135,664
NET CURRENT ASSETS		<b>843,997</b>	876,682
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,228,381</b>	1,228,128
NON-CURRENT LIABILITIES			
Deferred tax liabilities		14,129	13,888
		<b>14,129</b>	13,888



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Capital and reserves			
Share capital	14	107,900	107,900
Reserves		1,062,654	1,061,747
Attributable to the owners of the Company		1,170,554	1,169,647
Non-controlling interest		43,698	44,593
Total equity		1,214,252	1,214,240

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2015

Attributable to owners of the Company											
	Share capital	Share premium	Shares held under the share award scheme	Contributed surplus	Reserve funds	Share-based compensation reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
Notes	HK\$'000	HK\$'000	HK\$'000 (Note c)	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (Audited)	107,900	732,463	(19,724)	25,328	80,584	555	30,532	212,009	1,169,647	44,593	1,214,240
Profit (loss) for the period	-	-	-	-	-	-	-	18,380	18,380	(1,087)	17,293
Other comprehensive income for the period	-	-	-	-	-	-	2,930	-	2,930	192	3,122
Total comprehensive income (expense) for the period	-	-	-	-	-	-	2,930	18,380	21,310	(895)	20,415
Final 2014 dividend declared	-	-	-	-	-	-	-	(16,185)	(16,185)	-	(16,185)
Share purchased for the share award scheme	17	-	(5,536)	-	-	-	-	-	(5,536)	-	(5,536)
Equity-settled share award scheme	16	-	-	-	-	1,023	-	-	1,023	-	1,023
Equity settled share option arrangements	15	-	-	-	-	295	-	-	295	-	295
At 30 June 2015 (Unaudited)	107,900	732,463	(25,260)	25,328	80,584	1,873	33,462	214,204	1,170,554	43,698	1,214,252

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2015

Note	Attributable to owners of the Company								Total	Non-controlling interest	Total
	Share capital HK\$'000	Share premium HK\$'000	Shares held under the share award scheme HK\$'000 (Note c)	Contributed surplus HK\$'000 (Note a)	Reserve funds HK\$'000 (Note b)	Share-based compensation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000			
At 1 January 2014 (Audited)	107,900	732,463	-	25,328	71,880	-	34,776	221,561	1,193,908	20,307	1,214,215
Profit (loss) for the period	-	-	-	-	-	-	-	13,296	13,296	(931)	12,365
Other comprehensive expense for the period	-	-	-	-	-	-	(1,549)	-	(1,549)	(491)	(2,040)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	(1,549)	13,296	11,747	(1,422)	10,325
Final 2013 dividend declared	-	-	-	-	-	-	-	(59,345)	(59,345)	-	(59,345)
Share purchased for the share award scheme	17	-	(2,007)	-	-	-	-	-	(2,007)	-	(2,007)
At 30 June 2014 (Unaudited)	107,900	732,463	(2,007)	25,328	71,880	-	33,227	175,512	1,144,303	18,885	1,163,188

## Notes:

- The contributed surplus represents the difference between the Company's shares of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the reorganisation, details of which are set out under the section "History and Corporate Structure" to the Company's prospectus dated 14 June 2013.
- Pursuant to the relevant laws and regulations, a portion of the profits of the Company's subsidiaries which are established in the PRC has been transferred to reserve funds which are restricted to use.
- The amount represents payments by the Group to the trustee of the Share Award Scheme (as defined in note 17), net off with the vested portion to selected employees who have been awarded shares under the Share Award Scheme. Details of the Share Award Scheme is set out in note 17.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2015

		Six-month period ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
Operating activities			
Profit before taxation		<b>21,159</b>	13,049
Adjustments for:			
Interest income	4	<b>(5,815)</b>	(6,732)
Finance costs	6	<b>514</b>	1,670
Share of losses of associates		<b>–</b>	715
Share of losses of joint ventures		<b>943</b>	1,140
Depreciation	7	<b>16,319</b>	10,360
Amortisation of prepaid lease payments	7	<b>103</b>	102
Amortisation of other intangible assets	7	<b>52</b>	39
Loss on disposal of property, plant and equipment	7	<b>–</b>	1,001
Write off of property, plant and equipment	7	<b>33</b>	–
Allowance for bad and doubtful debt, net	7	<b>4,014</b>	425
Share-based payment expense		<b>1,318</b>	–
Unrealised exchange differences		<b>2,186</b>	14,271
Operating cash flows before movements in working capital		<b>40,826</b>	36,040
Increase in inventories		<b>(2,999)</b>	(8,974)
(Increase)/decrease in bills, trade and other receivables		<b>(36,314)</b>	59,498
Increase/(decrease) in trade and other payables		<b>1,596</b>	(35,146)
Cash generated from operations		<b>3,109</b>	51,418
Interest paid		<b>(514)</b>	(1,670)
Income tax paid		<b>(5,026)</b>	(15,798)
Net cash flows (used in)/from operating activities		<b>(2,431)</b>	33,950
Investing activities			
Interest received		<b>5,815</b>	6,732
Proceeds from disposal of property, plant and equipment		<b>–</b>	17
Purchase of property, plant and equipment	11	<b>(14,733)</b>	(17,716)
Placement of pledged bank deposits		<b>(193,386)</b>	–
Withdrawal of pledged bank deposits		<b>6,880</b>	75
Investment in a joint venture		<b>(35,952)</b>	–
Withdrawal of time deposits		<b>236,240</b>	14,408
Increase in other financial assets		<b>–</b>	(69,955)
Prepayment for acquisition of land use rights		<b>–</b>	(24,333)
Net cash flows from/(used in) investing activities		<b>4,864</b>	(90,772)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2015

	Six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Financing activities		
Bank borrowing raised	43,323	–
Repayment of bank borrowings	–	(31,600)
Dividends paid	(16,185)	(59,345)
Purchase of shares held under the share award scheme	(5,536)	(20,000)
Increase in amounts due to non-controlling shareholder	29,301	–
Net cash flows from/(used in) financing activities	50,903	(110,945)
Net increase (decrease) in cash and cash equivalents	53,336	(167,767)
Cash and cash equivalents at beginning of period	110,783	261,120
Effect of exchange rate changes on the balance of cash held in foreign currencies	(40)	(9,255)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	164,079	84,098

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 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 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").

## 2. (a) 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 2014. The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after 1 January 2017.

4 Effective for annual periods beginning on or after 1 January 2016.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 2. (b) CHANGE IN PRESENTATION OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In the current period, the directors of the Company decided to change the classification of certain line items in the condensed consolidated statement of financial position, and the condensed consolidated statement of profit or loss and other comprehensive income, principally involving the reclassification on the condensed consolidated statement of profit or loss and other comprehensive income of research and development costs from other expenses to a separate line item of research and development costs, and on the condensed consolidated statement of financial position the reclassification of bills and trade receivables, cash and cash equivalents into additional line items, to better reflect the financial information of the Group's activities. Prior period figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for the period ended 30 June 2014.

The effect of changes in presentation for the preceding period by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows is as follows:

	Original stated HK\$'000	Adjustments HK\$'000	Restated HK\$'000
Condensed consolidated statement of profit or loss and other comprehensive income:			
Other income	–	9,328	9,328
Other gains and losses	–	(9,800)	(9,800)
Research and development costs	–	(7,529)	(7,529)
Other expenses	(9,159)	8,956	(203)
Other income and gains	9,328	(9,328)	–
Administrative expenses	(37,384)	8,373	(29,011)
	N/A	–	N/A
Condensed consolidated statement of cash flows			
Net cash flows from operating activities	40,682	(6,732)	33,950
Net cash flows used in investing activities	(111,912)	21,140	(90,772)
Net cash flows from financing activities	(110,945)	–	(110,945)
Net decrease in cash and cash equivalents	(182,175)	14,408	(167,767)
Cash and cash equivalents at the beginning of the period	614,697	(353,577)	261,120
Effect of exchange rate changes on the balance of cash held in foreign currencies	(9,255)	–	(9,255)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	423,267	(339,169)	84,098

## 2. (b) CHANGE IN PRESENTATION OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

No condensed consolidated statement of financial position as at 1 January 2014 has been presented as the changes in classification and policy disclosed above have no effects on the financial position of the Group presented in the condensed consolidated statement of financial position in respect of the end of the previous financial period.

## 3. REVENUE AND 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:

Maintenance services — Provision of road maintenance services

Sale of equipment — Manufacturing and sale of road maintenance equipment

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 2015 and 2014 is set out below:

	Six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A — Sale of road maintenance equipment	23,839	—
Customer B — Provision of road maintenance services	23,064	—
Customer C — Provision of road maintenance services	22,829	—
Customer D — Provision of road maintenance services	—	42,825
Customer E — Provision of road maintenance services	—	19,043
Customer F — Provision of road maintenance services	—	18,628



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the six-month period ended 30 June 2015

	Maintenance services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	143,940	53,827	197,767
Intersegment sales	–	826	826
Other revenue	2,110	–	2,110
	<b>146,050</b>	<b>54,653</b>	<b>200,703</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales	–	(826)	(826)
Revenue	<b>146,050</b>	<b>53,827</b>	<b>199,877</b>
Allocated corporate expenses	<b>(136,040)</b>	<b>(39,475)</b>	<b>(175,515)</b>
<b>Segment results</b>	<b>10,010</b>	<b>14,352</b>	<b>24,362</b>
<i>Reconciliation:</i>			
Interest income			5,815
Exchange gains			334
Finance costs			(514)
Unallocated corporate expenses			(7,895)
Share of profits and losses of joint ventures			(943)
Profit before tax			<b>21,159</b>
<b>Other segment information:</b>			
Impairment losses recognised/(reversed) in the statement of profit or loss	(288)	4,302	4,014
Depreciation and amortisation	14,408	2,066	16,474
Capital expenditure*	14,534	199	14,733

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 June 2014

	Maintenance services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>			
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	128,100	31,240	159,340
Allocated corporate expenses	(107,929)	(20,757)	(128,686)
<b>Segment results</b>	20,171	10,483	30,654
<i>Reconciliation:</i>			
Interest income			6,732
Exchange losses			(8,374)
Finance costs			(1,670)
Unallocated corporate expenses			(12,438)
Share of profits and losses of joint ventures and associates			(1,855)
Profit before tax			13,049
<b>Other segment information:</b>			
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

## 4. OTHER INCOME

	Six-month period ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Government grants (Note)	2,110	1,915
Interest income	5,815	6,732
Others	–	681
	<b>7,925</b>	<b>9,328</b>

Note: The government grants mainly represent unconditional subsidies from PRC local governments to encourage the operations of certain subsidiaries. The government grants are accounted for as immediate financial support with no future related costs expected to be incurred and are not related to any assets.

## 5. OTHER GAINS AND LOSSES

	Six-month period ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss on disposal of property, plant and equipment	–	(1,001)
Write off of property, plant and equipment	(33)	–
Impairment of trade receivables	(4,692)	(721)
Reversal of impairment of other receivables	678	296
Net foreign exchange gains (losses)	334	(8,374)
	<b>(3,713)</b>	<b>(9,800)</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 6. FINANCE COSTS

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on:		
— Bank borrowings wholly repayable within five years	514	1,670
Less: amounts capitalised	—	—
	514	1,670

## 7. PROFIT BEFORE TAXATION

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

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation	16,319	10,360
Amortisation of other intangible assets	52	39
Amortisation of land lease payments	103	102
Minimum lease payments under operating leases of land and buildings	3,360	3,470
Loss on disposal of property, plant and equipment	—	1,001
Write off of property, plant and equipment	33	—
Impairment of trade receivables	4,692	721
Reversal of impairment of other receivables	(678)	(296)
Foreign exchange differences, net	(334)	8,374

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 8. TAXATION

The charge comprises:

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PRC Enterprise Income Tax ("EIT"):		
— Current tax	4,424	3,321
— Under provision in prior years	270	—
— Over provision in prior years	(1,636)	—
	3,058	3,321
Deferred tax charge (credit)	808	(2,637)
	3,866	684

No provision for Hong Kong profits tax has been made for the periods ended 30 June 2015 and 2014 as the Group did not generate any assessable profits arising in Hong Kong or had available tax losses brought forward from prior years to offset the assessable profits generated during both periods.

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

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

南京英達公路養護車製造有限公司 Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation ("Freetech Manufacturing") was recognised as a High-Tech company in 2009 and 2012 respectively and the applicable tax rate is 15% from 1 January 2009 to 29 June 2015.

Withholding tax of approximately HK\$306,000 (six-month period ended 30 June 2014: HK\$71,000) has been provided for the six-month period ended 30 June 2015 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

The share of tax expense attributable to joint ventures for the six-month period ended 30 June 2015 amounting to HK\$127,000 (six-month period ended 30 June 2014: share of tax credit of HK\$6,000) is included in "Share of profits and losses of joint ventures" in the condensed consolidated statement of profit or loss.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 9. DIVIDENDS

At a meeting of the board of directors held on 31 August 2015, the directors resolve not to pay any interim dividend to shareholders (six-month period ended 30 June 2014: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

### Earnings

	Six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share		
— attributable to the owners of the Company	<b>18,380</b>	13,296

### Number of shares

	Six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue less shares held under share award scheme during the period for the purpose of calculating basic earnings per share	<b>1,065,186,934</b>	1,079,000,000
Effect of dilutive potential ordinary shares:		
Unvested share award	<b>13,813,066</b>	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,079,000,000</b>	1,079,000,000

The computation of diluted earnings per share for the six-month period ended 30 June 2015 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price during the period.

For the six-month period ended 30 June 2014, diluted earnings per share were the same as the basic earnings per share as there was no dilutive potential ordinary shares outstanding.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2015, the Group acquired property, plant and equipment of HK\$14,733,000 (six-month period ended 30 June 2014: HK\$17,716,000).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 12. BILLS, TRADE AND OTHER RECEIVABLES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Bills receivables	2,037	887
Trade receivables	623,772	602,906
Less: Allowance for bad and doubtful debts	(60,187)	(55,231)
	563,585	547,675
Other receivables	46,685	33,967
Less: Allowance for bad and doubtful debts	(750)	(1,425)
	45,935	32,542
Prepayments and deposits	19,221	17,718
Tax recoverable	784	703
	631,562	599,525

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
0 to 180 days	2,037	887

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group's trade customers are principally government agencies. The credit period is determined on a case by case basis, subject to the fulfillment of conditions as stipulated in the respective sales contracts. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Except for the trade receivable of approximately HK\$11,125,000 (31 December 2014: HK\$10,230,000) as at 30 June 2015 which provided a payment guarantee letter to the Group, the Group does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest-bearing.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 12. BILLS, TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 3 months	178,950	150,869
3 to 12 months	94,611	166,000
1 to 2 years	224,951	159,978
Over 2 years	65,073	70,828
	<b>563,585</b>	<b>547,675</b>

As at 30 June 2015, included in the trade receivables are amounts due from the Group's joint ventures of HK\$32,255,000 (31 December 2014: HK\$67,328,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

As at 30 June 2015, included in the Group's other receivables are amounts due from joint ventures of HK\$106,000 (31 December 2014: HK\$10,247,000), which are unsecured, interest-free and have no fixed terms of repayment.

## 13. TRADE AND OTHER PAYABLES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade payables	81,196	77,396
Other tax payables	24,482	21,041
Advance from customers, other payables and accrued charges	23,166	29,784
	<b>128,844</b>	<b>128,221</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 13. TRADE AND OTHER PAYABLES (Continued)

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 3 months	54,559	43,087
3 to 12 months	11,899	22,338
1 to 2 years	7,513	2,425
Over 2 years	7,225	9,546
	<b>81,196</b>	<b>77,396</b>

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

As at 30 June 2015, included in the Group's trade payables is an amount due to joint ventures of approximately HK\$1,846,000 (31 December 2014: HK\$7,255,000), which is repayable within 90 days, which represents similar credit terms to those offered by the joint ventures to its major customers.

At 30 June 2015, included in the Group's advance from customers, other payables and accrued charges is an amount of HK\$11,785,000 (31 December 2014: HK\$12,760,000), which represents the excess of the unrealized profits of sales to joint ventures over the share of their net assets.

## 14. SHARE CAPITAL

### Shares

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2014: 10,000,000,000) ordinary shares of HK\$0.10 each	<b>1,000,000</b>	<b>1,000,000</b>
Issued and fully paid: 1,079,000,000 (31 December 2014: 1,079,000,000) ordinary shares of HK\$0.10 each	<b>107,900</b>	<b>107,900</b>

## 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 provide design, research, development or other support or any advisory, consultancy, professional or other services to the Group; and (vii) associates of the persons identified in (i), (ii) and (iii) above. The Scheme became effective on 7 June 2013 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

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

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

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

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

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



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 15. SHARE OPTION SCHEME (Continued)

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

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

No share option was granted during the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: Nil). Movement of share options outstanding under the Scheme during the six-month period ended 30 June 2015 are as follows:

Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2015	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30.6.2015
<b>Directors</b>								
Sze Wan Nga	16.10.2014	16.10.2015–15.10.2017	HK\$2.50	100,000	–	–	–	100,000
Sze Wan Nga	16.10.2014	16.10.2017–15.10.2019	HK\$2.75	100,000	–	–	–	100,000
Chan Kai King	16.10.2014	16.10.2015–15.10.2017	HK\$2.50	100,000	–	–	–	100,000
Chan Kai King	16.10.2014	16.10.2017–15.10.2019	HK\$2.75	100,000	–	–	–	100,000
Zhang Yi Fu	16.10.2014	16.10.2015–15.10.2017	HK\$2.50	100,000	–	–	–	100,000
Zhang Yi Fu	16.10.2014	16.10.2017–15.10.2019	HK\$2.75	100,000	–	–	–	100,000
Yeung Sum	16.10.2014	16.10.2015–15.10.2017	HK\$2.50	50,000	–	–	–	50,000
Yeung Sum	16.10.2014	16.10.2017–15.10.2019	HK\$2.75	50,000	–	–	–	50,000
Tang Koon Yiu Thomas	16.10.2014	16.10.2015–15.10.2017	HK\$2.50	50,000	–	–	–	50,000
Tang Koon Yiu Thomas	16.10.2014	16.10.2017–15.10.2019	HK\$2.75	50,000	–	–	–	50,000
Lau Ching Kwong	16.10.2014	16.10.2015–15.10.2017	HK\$2.50	50,000	–	–	–	50,000
Lau Ching Kwong	16.10.2014	16.10.2017–15.10.2019	HK\$2.75	50,000	–	–	–	50,000
<b>Employees</b>								
Employees	16.10.2014	16.10.2015–15.10.2017	HK\$2.50	2,035,000	–	–	–	2,035,000
Employees	16.10.2014	16.10.2017–15.10.2019	HK\$2.75	2,035,000	–	–	–	2,035,000
				<u>4,970,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,970,000</u>
Exercisable at the end of the period								<u>–</u>

At 30 June 2015, the number of shares in respect of which options under the Scheme had been granted and remained outstanding was 4,970,000 (31 December 2014: 4,970,000), representing 0.46% (31 December 2014: 0.46%) of the shares of the Company in issue at that date.

The closing price of the Company's shares immediately before 16 October 2014, the date of grant of the options, was HK\$1.70 and the total estimated fair value of the share options granted on that date was HK\$991,000.

## 15. SHARE OPTION SCHEME (Continued)

The fair value of the share options was determined at the date of grant using the Binomial option pricing model (the "Binomial model") with the following inputs and based on the respective vesting period of the share options:

	16.10.2014
Stock price as at grant date	HK\$1.70
Exercise price	HK\$2.5/2.75
Expected volatility	35.88%/38.31%
Expected life of options	3/5 years
Risk free rate	0.538%/1.069%
Expected dividend yield	2.941%
Sub-optimal exercise factor for directors/employees	3.34/2.86

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Expected volatility was determined by using the historical volatility of the Company's share prices over the previous one year. Changes in variables and assumptions may result in changes in the fair value of the options.

During the six-month period ended 30 June 2015, the Group recognised total expenses of HK\$295,000 (six-month period ended 30 June 2014: Nil) in relation to share options granted by the Company.

## 16. 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 award selected employees (including executive directors) of the Group (the "Selected Employees") pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for a term of 10 years commencing on the adoption date.

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

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

During the six-month period ended 30 June 2015, based on the Company's instruction, the trustee acquired 4,408,000 ordinary shares of HK\$0.10 each in the Company for the Share Award Scheme through purchases in the open market at a total cost, including related transaction costs of approximately HK\$5,536,000.

## 16. SHARE AWARD SCHEME (Continued)

Summary of particulars of the shares awarded or vested under the Share Award Scheme during the period is as follows:

Date of grant	Number of awarded shares granted	Fair value HK\$'000	Vesting period	Number of award shares		
				Vested as at 30 June 2015	Forfeited as at 30 June 2015	Outstanding (held by the trustee for the grantees) as at 30 June 2015
16 October 2014	1,489,000	2,063	1 year	–	–	1,489,000
Total	1,489,000	2,063		–	–	1,489,000

The closing price of the Company's shares immediately before 16 October 2014, the date of grant of the awarded shares, was HK\$1.70 and the average fair value per share was HK\$1.39, which was calculated by the common share price as of the Estimate Date applying a discount of lack of marketability ("DLOM"). The DLOM was derived by Black-Scholes Model.

The Group recognised a share award expense of HK\$1,023,000 during the period (six-month period ended 30 June 2014: Nil).

At the date of approval of these financial statements, 1,489,000 outstanding Awarded Shares are held by the Trustee of the Share Award Scheme for relevant grantees; and 17,370,000 shares (including those Awarded Shares forfeited) are held by the Trustee and have yet to be awarded.

## 17. SHARES HELD UNDER THE SHARE AWARD SCHEME

During the six-month period ended 30 June 2015, the trustee acquired 4,408,000 ordinary shares (six-month period ended 2014: 909,000) 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\$5,536,000 (six-month period ended 2014: HK\$2,007,000) on the market.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 18. 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	4,611	1,995
In the second to fifth years, inclusive	955	924
	<b>5,566</b>	<b>2,919</b>

## 19. CAPITAL COMMITMENTS

In addition to the operating lease commitments disclosed in note 18 above, the Group had the following commitments as at the end of the reporting period:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Contracted, but not provided for:		
Land use rights	38,196	38,028
Property, plant and equipment	26,547	30,555
Capital contributions payable to joint ventures	7,792	9,100
	<b>72,535</b>	<b>77,683</b>
Authorised, but not contracted for:		
Property, plant and equipment	6,891	10,815
	<b>79,426</b>	<b>88,498</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 20. PLEDGE OF ASSETS

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Bank deposits	193,386	6,880
	<b>193,386</b>	<b>6,880</b>

## 21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

## 22. 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 2015 and 2014:

		Six-month period ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Note		
Transaction with a joint venture:			
Purchase of materials	(i)	6,652	—

Note:

- (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 as at the end of the reporting period are disclosed in notes 12 and 13 to the condensed consolidated interim financial statements.
- (ii) As at 30 June 2015, included in the Group's prepayments, deposits and other receivables in the condensed consolidated statement of financial position is an amount due from joint ventures of HK\$106,000 (31 December 2014: HK\$10,247,000), which is unsecured, interest-free and has no fixed terms of repayment.
- (iii) As at 30 June 2015, included in the Group's advance from customers, other payables and accrued charges is an amount of HK\$11,785,000 (31 December 2014: HK\$12,760,000), which represents the excess balance of the unrealized profits of sales to joint ventures over the share of their net assets.



## 22. 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 2015 and 2014 is as follows:

	Six-month period ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term employee benefits	2,018	1,931
Post-employment benefits	36	31
Share-based payment expense	265	–
	<b>2,319</b>	<b>1,962</b>

## 23. 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 31 August 2015.



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