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英達公路再生科技(集團)有限公司

Freetech Road Recycling Technology (Holdings) Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6888)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

The board of directors (the “Board”) of Freetech Road Recycling Technology (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six-month period ended 30 June 2016 (the “Period”).

FINANCIAL HIGHLIGHTS

	Six-month period ended 30 June		
	2016	2015	Increase/ (decrease)
	Unaudited	Unaudited	
	HK\$'000	HK\$'000	
Revenue	239,646	197,767	21.2%
Gross profit	96,929	76,783	26.2%
Profit attributable to owners of the Company	18,533	18,380	0.8%
Earnings per share (Basic) (HK cents)	1.75	1.73	1.16%
Gross profit margin ¹	40.4%	38.8%	

¹ (gross profit/revenue) x 100%

FINANCIAL RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2016

	<i>Notes</i>	Six-month period ended	
		2016	2015
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	239,646	197,767
Cost of sales		(142,717)	(120,984)
Gross profit		96,929	76,783
Other income	4	4,809	7,925
Other gains and losses	5	(6,153)	(3,713)
Selling and distribution costs		(11,054)	(12,176)
Administrative expenses		(42,614)	(36,567)
Research and development costs		(5,072)	(9,453)
Other expenses		(131)	(183)
Share of losses of joint ventures		(2,600)	(943)
Share of losses of associates		(68)	–
Finance costs	6	(808)	(514)
PROFIT BEFORE TAXATION	7	33,238	21,159
Taxation	8	(9,968)	(3,866)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		23,270	17,293

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2016

	Six-month period ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	23,270	17,293
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD		
Item that will not be reclassified to profit or loss:		
Exchange differences arising from translation	(26,111)	3,122
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	(26,111)	3,122
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	(2,841)	20,415
Profit (loss) for the period attributable to:		
Owners of the Company	18,533	18,380
Non-controlling interests	4,737	(1,087)
	23,270	17,293
Total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	(4,575)	21,310
Non-controlling interests	1,734	(895)
	(2,841)	20,415
EARNINGS PER SHARE	<i>10</i>	
Basic	HK1.75 cents	HK1.73 cents
Diluted	HK1.72 cents	HK1.70 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	272,495	296,011
Goodwill		10,507	10,507
Prepaid lease payments		5,711	5,936
Other intangible assets		443	311
Prepayments for acquisition of land use rights		61,154	47,157
Prepayments, deposits and other receivables	13	17,520	–
Interests in joint ventures		84,321	72,457
Interest in an associate		620	–
Deferred tax assets		5,523	5,788
		458,294	438,167
CURRENT ASSETS			
Inventories		38,114	57,954
Bills and trade receivables	12	636,835	651,217
Prepayments, deposits and other receivables	13	90,844	77,215
Prepaid lease payments		189	193
Time deposits		100,069	85,027
Pledged bank deposits		139,199	140,098
Structured bank deposits		–	2,030
Bank balances and cash		156,011	251,880
		1,161,261	1,265,614
CURRENT LIABILITIES			
Bills, trade and other payables	14	268,081	370,009
Taxation payable		6,843	7,710
Bank borrowings		116,200	72,325
		391,124	450,044
NET CURRENT ASSETS		770,137	815,570
TOTAL ASSETS LESS CURRENT LIABILITIES		1,228,431	1,253,737

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>9,721</u>	<u>12,860</u>
		<u>1,218,710</u>	<u>1,240,877</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	107,900	107,900
Reserves		<u>1,011,134</u>	<u>1,035,035</u>
Attributable to the owners of the Company		1,119,034	1,142,935
Non-controlling interest		<u>99,676</u>	<u>97,942</u>
Total equity		<u>1,218,710</u>	<u>1,240,877</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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”).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six-month period ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

Application of amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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 2016 and 2015 is set out below:

	Six-month period ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Customer A — Provision of road maintenance services	46,264	–
Customer B — Provision of road maintenance services	26,548	–
Customer C — Sale of road maintenance equipment	–	23,839
Customer D — Provision of road maintenance services	–	23,064
Customer E — Provision of road maintenance services	–	22,829
	<u> </u>	<u> </u>

For the six-month period ended 30 June 2016

	Maintenance services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	155,748	83,898	239,646
Intersegment sales	–	3,948	3,948
Other revenue	360	38	398
	<u> </u>	<u> </u>	<u> </u>
	156,108	87,884	243,992
<i>Reconciliation:</i>			
Elimination of intersegment sales	–	(3,948)	(3,948)
	<u> </u>	<u> </u>	<u> </u>
Revenue	156,108	83,936	240,044
Allocated corporate expenses	(150,915)	(47,752)	(198,667)
	<u> </u>	<u> </u>	<u> </u>
Segment results	<u> </u> 5,193	<u> </u> 36,184	<u> </u> 41,377
<i>Reconciliation:</i>			
Interest income			4,411
Exchange losses			(1,113)
Finance costs			(808)
Unallocated corporate expenses			(7,961)
Share of profits and losses of joint ventures and associates			(2,668)
			<u> </u>
Profit before tax			<u> </u> 33,238
Other segment information:			
Impairment losses recognised/(reversed) in the statement of profit or loss	(2,816)	6,836	4,020
Depreciation and amortisation	17,938	1,885	19,823
Capital expenditure*	3,998	117	4,115

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

For the six-month period ended 30 June 2015

	Maintenance services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	143,940	53,827	197,767
Intersegment sales	–	826	826
Other revenue	2,110	–	2,110
	<u>146,050</u>	<u>54,653</u>	<u>200,703</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales	–	(826)	(826)
	<u>146,050</u>	<u>53,827</u>	<u>199,877</u>
Revenue	146,050	53,827	199,877
Allocated corporate expenses	(136,040)	(39,475)	(175,515)
	<u>10,010</u>	<u>14,352</u>	<u>24,362</u>
Segment results	<u>10,010</u>	<u>14,352</u>	<u>24,362</u>
<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)
			<u>21,159</u>
Profit before tax			<u>21,159</u>
Other segment information:			
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.

4. OTHER INCOME

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Government grants (<i>Note</i>)	170	2,110
Interest income	4,411	5,815
Others	228	–
	<u>4,809</u>	<u>7,925</u>

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Write off of property, plant and equipment	(985)	(33)
Impairment of trade receivables	(4,020)	(4,692)
Reversal of impairment of other receivables	–	678
Net foreign exchange (losses)/gains	(1,113)	334
Others	(35)	–
	<u>(6,153)</u>	<u>(3,713)</u>

6. FINANCE COSTS

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
— Bank borrowings wholly repayable within five years	808	514
Less: amounts capitalised	–	–
	<u>808</u>	<u>514</u>

7. PROFIT BEFORE TAXATION

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

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	19,672	16,319
Amortisation of other intangible assets	55	52
Amortisation of land lease payments	96	103
Minimum lease payments under operating leases of land and buildings	3,787	3,360
Write off of property, plant and equipment	985	33
Impairment of trade receivables	4,020	4,692
Reversal of impairment of other receivables	–	(678)
Foreign exchange differences, net	1,113	(334)
	<u>19,672</u>	<u>16,319</u>

8. TAXATION

The charge comprises:

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC Enterprise Income Tax (“EIT”):		
— Current tax	7,144	4,424
— Under provision in prior years	2,116	270
— Over provision in prior years	–	(1,636)
	<u>9,260</u>	<u>3,058</u>
Deferred tax charge	708	808
	<u>9,968</u>	<u>3,866</u>

No provision for Hong Kong profits tax has been made for the periods ended 30 June 2016 and 2015 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, 2012 and 2015 respectively and the applicable tax rate is 15% from 1 January 2009 to 3 November 2018.

Withholding tax of approximately HK\$704,000 (six-month period ended 30 June 2015: HK\$306,000) has been provided for the six-month period ended 30 June 2016 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

The share of tax credit attributable to joint ventures for the six-month period ended 30 June 2016 amounting to HK\$425,000 (six-month period ended 30 June 2015: share of tax expense of HK\$127,000) is included in “Share of profits and losses of joint ventures” in the condensed consolidated statement of profit or loss.

9. DIVIDENDS

At a meeting of the board of directors held on 26 August 2016, the directors resolve not to pay any interim dividend to shareholders (six-month period ended 30 June 2015: 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share		
— attributable to the owners of the Company	<u>18,533</u>	<u>18,380</u>

Number of shares

	Six-month period ended 30 June	
	2016 (Unaudited)	2015 (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	1,061,630,000	1,065,186,934
Effect of dilutive potential ordinary shares:		
Unvested share award	<u>17,370,000</u>	<u>13,813,066</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,079,000,000</u>	<u>1,079,000,000</u>

The computation of diluted earnings per share for the six-month periods ended 30 June 2016 and 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.

11. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2016, the Group acquired property, plant and equipment of HK\$3,918,000 (six-month period ended 30 June 2015: HK\$14,733,000).

12. BILLS AND TRADE RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables	695,286	714,633
Less: Allowance for bad and doubtful debts	<u>(65,985)</u>	<u>(63,416)</u>
	629,301	651,217
Bills receivables	<u>7,534</u>	<u>–</u>
	636,835	651,217

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0 to 180 days	<u>7,534</u>	<u>–</u>

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\$10,506,000 (31 December 2015: HK\$10,742,000) as at 30 June 2016 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.

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 3 months	210,860	232,746
3 to 12 months	225,104	128,731
1 to 2 years	72,655	148,305
Over 2 years	<u>120,682</u>	<u>141,435</u>
	629,301	651,217

As at 30 June 2016, included in the trade receivables are amounts due from the Group's related companies of HK\$121,712,000 (31 December 2015: HK\$153,838,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Current assets		
Other receivables	48,278	31,466
Less: Allowance for bad and doubtful debts	(432)	(442)
	<u>47,846</u>	<u>31,024</u>
Prepayments and deposits	42,236	45,975
Tax recoverable	762	216
	<u>90,844</u>	<u>77,215</u>
Non-current assets		
Prepayment	<u>17,520</u>	<u>–</u>

At 30 June 2016, included in the Group's other receivables are amounts due from related companies of HK\$700,000 (31 December 2015: HK\$941,000), which are unsecured, interest-free and have no fixed terms of repayment.

14. BILLS, TRADE AND OTHER PAYABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Bills payable	1,869	8,267
Trade payables	140,352	235,984
Other tax payables	41,062	33,001
Advance from customers, other payables and accrued charges	84,798	92,757
	<u>268,081</u>	<u>370,009</u>

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0 to 180 days	<u>1,869</u>	<u>8,267</u>

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 3 months	32,047	162,127
3 to 12 months	69,941	32,690
1 to 2 years	27,830	33,505
Over 2 years	10,534	7,662
	<u>140,352</u>	<u>235,984</u>

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

As at 30 June 2016, included in the Group's trade payables are amounts due to related companies of approximately HK\$9,417,000 (31 December 2015: HK\$24,589,000), which are repayable within 90 days, which represents credit terms similar to those offered by the related companies to their major customers.

As at 30 June 2016, included in the Group's advance from customers, other payables and accrued charges is an amount due to a related party of approximately HK\$34,650,000 (31 December 2015: HK\$36,131,000) which is unsecured, interest-free and have no fixed terms of repayment.

As at 30 June 2016, included in the Group's advance from customers, other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK\$27,215,000 (31 December 2015: HK\$27,679,000) which is unsecured, interest-free and have no fixed terms of repayment.

At 30 June 2016, included in the Group's advance from customers, other payables and accrued charges is an amount of HK\$11,070,000 (31 December 2015: HK\$11,183,000), which represents the excess balance of the unrealized profits of sales to joint ventures and associates over the share of their net assets.

15. SHARE CAPITAL

Shares

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2015: 10,000,000,000) ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
1,079,000,000 (31 December 2015: 1,079,000,000) ordinary shares of HK\$0.10 each	<u>107,900</u>	<u>107,900</u>

16. COMMITMENTS

The Group had the following commitments as at the end of the reporting period:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Land use rights	18,688	35,826
Property, plant and equipment	16,592	20,475
Capital contributions payable to an associate	2,453	–
	37,733	56,301
Authorised, but not contracted for:		
Property, plant and equipment	6,531	6,678
	44,264	62,979

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 23 August 2016, Freetech Road Recycling Corporation, an indirect wholly-owned subsidiary of the Company, and Jurong Municipal Construction Investment Co., Ltd. (句容市城市投資建設有限責任公司) (the “JV Partner”) entered into a joint venture contract (the “Joint Venture Contract”), pursuant to which the parties to the Joint Venture Contract agreed to establish a joint venture (the “PPP Company”) in Jurong City, Jiangsu Province, the PRC with a registered capital of RMB100,000,000. Pursuant to the terms of the Joint Venture Contract, the PPP Company shall be owned as to 80% and 20% by Freetech Road Recycling and the JV Partner, respectively, and the PPP Company involves in the management and supervision of the construction and development of a new public road (the “New Road”) and its construction cost settlement in Jurong City (句容市) for the PRC government. The PPP Company also involves in the management and operation for a period of six years after the completion of its construction of the New Road. For details, please refer to the Company’s announcement dated 23 August 2016.

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 2016 (the “Period”).

It has been a challenging first half of 2016. Despite bouts of uncertainty surrounding the economic vibrancy of the People’s Republic of China (the “PRC”), the PRC government has been actively promoting green economy initiatives and continued to strengthen its efforts in environmental restoration and therefore the road recycling technology industry maintained a positive momentum. 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 2016, the Group had a total of twelve 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 in the PRC.

During the Period, the Group’s operating revenue was approximately HK\$239.6 million, representing an increase of approximately 21.2%, as against the corresponding period of 2015. Total profit attributable to owners of the Company was approximately HK\$18.5 million, relatively stable as against the corresponding period of 2015.

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. Though the total serviced area of “Hot-in-Place” projects remained stable, the Group completed 1.4 million square metres of APM services (six-month period ended 30 June 2015: 1.5 million square metres). Due to the devaluation of RMB against Hong Kong dollar, the implementation of the Value-Added Tax (“VAT”) reform and the decrease in selling price of some of the APM projects performed (as the selling price excluded the raw material cost of asphalt mixture and the customers will use their own asphalt mixture raw materials) during the Period, the revenue of “Hot-in-Place” projects was decreased by 26.1% as against the corresponding period of 2015. However, as a result of the completion of capital injection into Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) (“Tianjin Expressway Maintenance”), the financial results of which were consolidated into the Group since September 2015 onwards. The APM services segment recorded revenue of approximately HK\$155.7 million, representing an increase of 8.2% as against the corresponding period of 2015.

APM Equipment

During the Period, as a result of the Group having sold 3 sets of modular series equipment, the APM equipment segment of the Group recorded revenue of HK\$83.9 million, representing an increase of 55.9% as against the corresponding period of 2015. 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 2016, it had registered 113 patents (as at 31 December 2015: 111), of which 12 were invention patents (as at 31 December 2015: 11), 88 were utility model patents (as at 31 December 2015: 87) and 13 were design patents (as at 31 December 2015: 13). Besides, it had 15 pending patent applications, of which 9 invention patents, 3 utility model patents and 3 design patents (as at 31 December 2015: 11 pending invention patent applications).

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.

After UCAS Freetech Ecological Science and Technology Research Centre (“UCAS Freetech Centre”) (jointly set up by the Company and Management of University of Chinese Academy of Sciences (中國科學院大學管理學院) (“Management School UCAS”)) was officially unveiled in Beijing last year, the MBA and the Master of Engineering programs jointly set up by the Company and Management School UCAS, are officially commenced in the first half of 2016. In order to fill the gaps in the training and education of the senior talents in road maintenance and management, these courses are the first domestic master courses focus on road maintenance and management direction, integrating the resources from the Management School UCAS and the Company. This will bring reformation changes in training talents and upgrading research and development of future road maintenance industry, as well as incubate and develop new technologies and products and provide application analysis on new technologies and products.

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

First, as at 31 December 2015, the total mileage for highway in the PRC has reached 4.6 million miles (the second longest in the world) and the expressway mileage has reached 120,000 miles (the longest in the world). Second, according to the “Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China”, the transportation system in the PRC adheres to use environmental friendly and recycling road maintenance technologies. Therefore, the demand for APM continues to expand in the PRC, especially the recycling technologies. Third, following the Group’s successfully bid for the public-private partnership road construction project (“PPP Project”) in Jurong City,

the Group will continue to seek for other PPP Project opportunities as there is a massive demand for intercity and municipal road renovation and maintenance due to the continuing urbanization. Fourth, other than the strategic cooperation among the Company, other listed companies and several potential large-sized state-owned enterprises, the Company will continue to explore the overseas recycling maintenance equipment and projects on its own initiative. 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.

As a leading provider of the “Hot-in-Place” recycling technology in the APM sector and a provider of one-stop solution covering “testing, planning, equipment and construction”, the Group will leverage its competitive advantages and implement favorable policies to achieve a healthy growth. The Group plans to enhance its market position, enter into new markets and enlarge its share in existing markets by the following means: first, it will increase market penetration, particularly in cities where the use of “Hot-in-Place” recycling technology is currently relatively limited; second, it will increase its investment to add equipment and staff to its testing and planning departments so as to enhance its one-stop solution; third, it will focus on the cities which will hold major events to gain and complete projects of high awareness; fourth, it will grasp the opportunities in the wave of state-owned enterprise reforms to acquire more maintenance companies in the express highway sector; fifth, it will appoint more local APM service providers as its franchisees; sixth, it will further optimize its techniques and technologies to lower the construction costs; seventh, it will leverage its state-owned partners' overseas channels to expand the international APM equipment and services market.

Looking ahead, the Group remains optimistic about the its 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.

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 2015.

REVENUE

a. APM Services

	2016		Six-month period ended 30 June 2015		Increase/ (decrease)
	Unaudited HK\$'000	Area serviced (square meters '000)	Unaudited HK\$'000	Area serviced (square meters '000)	
Revenue (net of VAT and business tax)					
“Hot-in-Place” Projects	106,391	1,401	143,940	1,463	(26.1%)
Non-“Hot-in-Place” Projects	49,357	–	–	–	N/A
Total	155,748		143,940		8.2%
	2016		Six-month period ended 30 June 2015		Increase/ (decrease)
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
Gross profit					
“Hot-in-Place” Projects	33,467	31.5%	46,718	32.5%	(28.4%)
Non-“Hot-in-Place” Projects	6,548	13.3%	–	–	N/A
Total	40,015	25.7%	46,718	32.5%	(14.3%)

Revenue for this segment increased compared with that of the corresponding period in 2015 due to the net effect of the decrease in the revenue from “Hot-in-Place” projects and the consolidation of the revenue of Tianjin Expressway Maintenance (involved in non-“Hot-in-Place” projects) into that of the Group as a result of the completion of capital injection into Tianjin Expressway Maintenance on 31 August 2015. Although the total serviced area of “Hot-in-Place” projects remained stable during the Period, the revenue decreased compared with that of the corresponding period in 2015 due to (a) the devaluation of RMB against Hong Kong dollar (the revenue of the Group are denominated in RMB and for the purpose of presenting consolidated financial statements, the revenue is translated into Hong Kong dollars); (b) the VAT reform implemented during the Period resulting the Group to incur 11% VAT instead of 3% business tax; and (c) the reduced selling price of some of the APM project conducted during the Period as a result of the exclusion of the raw material cost of asphalt mixture at the request of certain customer(s). During the Period, the revenue of non-“Hot-in-Place” projects of approximately RMB49.4

million was contributed by Tianjin Expressway Maintenance and involved in traditional APM method. After the Group had acquired 55% of the equity interest in Tianjin Expressway Maintenance through capital injection on 31 August 2015, the Group will gradually migrate the project of Tianjin Expressway Maintenance from traditional APM method into the Group's "Hot-in-Place" recycling technology in order to strengthen its profitability.

The gross profit margin in this segment was decreased from 32.5% in 2015 to 25.7% for the Period was mainly due to the revenue contributed from Tianjin Expressway Maintenance which was non-"Hot-in-Place" projects and have lower gross profit margin.

b. APM Equipment

	Six-month period ended 30 June				
	2016		2015		Increase/ (decrease)
	Unaudited HK\$'000	units/ sets	Unaudited HK\$'000	units/ sets	
Revenue (net of VAT)					
Standard series	22,409	15	26,605	19	(15.8%)
Modular series	58,419	3	23,839	1	145.1%
Repair and maintenance	3,070	N/A	3,383	N/A	(9.3%)
Total	<u>83,898</u>		<u>53,827</u>		<u>55.9%</u>

	Six-month period ended 30 June				
	2016		2015		Increase/ (decrease)
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
Gross profit					
Standard series	12,549	56.0%	12,727	47.8%	(1.4%)
Modular series	43,067	73.7%	15,877	66.6%	171.3%
Repair and maintenance	1,298	42.3%	1,461	43.2%	(11.2%)
Total	<u>56,914</u>	<u>67.8%</u>	<u>30,065</u>	<u>55.9%</u>	<u>89.3%</u>

Revenue for the APM equipment segment for the Period was increased by 55.9% as against the corresponding period for 2015. The increase was primarily due to the increase in sale of modular series equipment. The revenue generated from sales of standard series products for the Period was relatively stable.

The increase in the gross profit margin for APM equipment from 55.9% in 2015 to 67.8% for the Period was due to the increase in sale of higher gross profit margin model of standard series and modular series.

OTHER GAINS AND LOSSES

Other gains and losses were increased by approximately HK\$2.5 million, or approximately 67.6%, from HK\$3.7 million for the six-month period ended 30 June 2015 to HK\$6.2 million for the Period, primarily due to the net effect of (i) increase in write off of property, plant and equipment; and (ii) exchange losses were recorded for the Period as a result of devaluation of RMB (six month period ended 30 June 2015: exchange gains were recorded).

SELLING AND DISTRIBUTION COSTS

The decrease in the selling and distribution costs by HK\$1.1 million from HK\$12.2 million for the six-month period ended 30 June 2015 to HK\$11.1 million for the Period was relatively stable.

ADMINISTRATIVE EXPENSES

Administrative expenses were increased by approximately HK\$6.0 million, or approximately 16.4%, from HK\$36.6 million for the six-month period ended 30 June 2015 to HK\$42.6 million for the Period, primarily due to the consolidation of the financial results of two new subsidiaries acquired by the Group into that of the Group in the second half of 2015 through capital injection into Tianjin Expressway Maintenance and acquisition of additional interests in one joint venture of the Group.

FINANCE COSTS

Finance costs were increased by approximately HK\$0.3 million, or approximately 60.0%, from HK\$0.5 million for the six-month period ended 30 June 2015 to HK\$0.8 million for the Period, primarily due to the new loans drawn down during the Period and the second half of 2015.

SHARE OF LOSSES OF JOINT VENTURES AND ASSOCIATES

The Group's share of losses from the joint ventures was approximately HK\$0.9 million for the six-month period ended 30 June 2015 and approximately HK\$2.6 million for the Period.

The Group's share of losses from associate was approximately HK\$0.1 million for the Period.

We believe that the share of losses from joint ventures and associates is primarily due to the early stage nature of these joint ventures and associates, and the instability of their businesses.

TAXATION

Taxation was increased by approximately HK\$6.1 million, or approximately 156.4%, from approximately HK\$3.9 million for the six-month period ended 30 June 2015 to approximately HK\$10.0 million for the Period, which is in line with the trend in the profit before taxation for the Period.

PROFIT

Profit attributable to owners of the Company was increased by approximately HK\$0.1 million, or approximately 0.8%, from approximately HK\$18.4 million for the six-month period ended 30 June 2015 to approximately HK\$18.5 million for the Period, primarily due to the net effect of the decrease in revenue of “Hot-in-Place” project, the decrease in gross profit margin of APM services segment due to the consolidated results of Tianjin Expressway Maintenance , the increases in revenue of APM equipment segment due to the sale of the modular series equipment, the increases in administrative expenses and the decreases in research and development costs.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2016, the Group’s bank balances and cash, time deposits and pledged bank deposits amounted to approximately HK\$395.3 million (as at 31 December 2015: HK\$479.0 million). The decrease was primarily due to the net effect of net cash used in the operating activities, the investment in joint venture and associate, the prepayment for acquisition of land use rights and others, the bank borrowings raised and dividends paid. As at 30 June 2016, the bank borrowings of the Group amounted to HK\$116.2 million (as at 31 December 2015: HK\$72.3 million) and the Group was in a net cash position (as at 31 December 2015: net cash position).

Due to the net effect of the trade receivables balance as at 31 December 2015 which were due to receive during the Period and most of the APM services projects performed and APM equipment products sold during the Period that are due to be received in the second half of 2016, the trade receivables balance was decreased by HK\$19.3 million only, or approximately 2.7%, from HK\$714.6 million as of 31 December 2015 to HK\$695.3 million as of 30 June 2016. As at the latest practicable date, third party customers had subsequently settled trade receivables amounting to HK\$63.6 million (equivalent to approximately RMB54.4 million).

As at 30 June 2016, 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.

INTEREST-BEARING BANK BORROWINGS

As at 30 June 2016, the Group had total debt of HK\$116.2 million, which comprised:

- secured interest-bearing bank borrowings of HK\$81.2 million; and
- unsecured interest-bearing bank borrowings of HK\$35.0 million.

As at 30 June 2016, the secured interest-bearing bank borrowings were secured by pledge of bank balances of approximately HK\$139.2 million.

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Repayable		
Within one year or on demand	116,200	72,325
In the second year	—	—
	<u>116,200</u>	<u>72,325</u>

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 2016 in the manner as stated in the prospectus of the Company dated 14 June 2013, as follows:

	Available HK\$ million	Net Proceeds Utilised HK\$ million	Unutilised HK\$ million
Investment in research and development activities	137.4	137.4	—
Establishing joint ventures and expanding APM service teams	137.4	94.0	43.4
Manufacturing APM equipment and expanding our APM service teams	103.1	42.1	61.0
Acquisitions of other APM service providers	103.0	27.8	75.2
Constructing new production facility	68.7	59.9	8.8
Establishing sales offices in new markets and marketing expenses	68.7	52.8	15.9
General corporate purposes and working capital requirements	68.7	68.7	—
	<u>687.0</u>	<u>482.7</u>	<u>204.3</u>

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

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 announcement, 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 announcement, there was no concrete plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments are set out in note 16 to these interim condensed unaudited financial information.

As at 30 June 2016, the Group did not have any material contingent liabilities.

FINANCIAL RISK MANAGEMENT

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings 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 changes in foreign currency translation reserve during the Period was the result of the devaluation of RMB against Hong Kong dollar as the assets and liabilities of the Group are denominated in RMB, but for the purpose of presenting consolidated financial statements, these assets and liabilities are translated into Hong Kong dollars.

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

EMPLOYEES AND REMUNERATION

As at 30 June 2016, the Group had a total of 646 full time employees (as at 31 December 2015: 667). 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 CODE

The Board is committed to achieving a high standard 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 separating the two roles to be assumed by two individuals. With the strong business experience of directors of the Company, the Group does not expect any issues would arise due to the combined roles 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.

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 the audit committee meeting held on 26 August 2016, the audit committee, along with the management of the Company, reviewed the accounting principles and practices adopted by the Group and other 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 which 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.

A specific enquiry has been made to each of the Directors in relation to his compliance with the Model Code 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (for the six-month period ended 30 June 2015: Nil).

PUBLICATION OF INTERIM RESULTS AND REPORT

The interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.freetech-holdings.hk.

The interim report of the Company for the six-month period ended 30 June 2016 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

We wish to express our sincere gratitude to our management and staff members for their dedication and hard work during the Period. We would like to extend our thanks to all our business partners, customers and shareholders for their support. We believe that they will continue to render support to the Group for our continuous growth and success in the future.

By order of the Board
Freetech Road Recycling Technology (Holdings) Limited
Sze Wai Pan
Chairman and Chief Executive Officer

Hong Kong, 26 August 2016

As at the date of this announcement, the executive Directors are Mr. Sze Wai Pan, Ms. Sze Wan Nga, Mr. Zhang Yifu and Mr. Chan Kai King; the non-executive Directors are Mr. Yeung Chin Chiu and Mr. Wang Lei; and the independent non-executive Directors are Ms. Yeung Sum, Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong.