

2016

善用科技 共創多贏

Interim Report
中期報告



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

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 6888

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND RATIOS

	Six-month period ended 30 June		
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000	Increase/ (decrease)
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%



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 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 Service Project in Xinjian, PRC

MANAGEMENT DISCUSSION AND ANALYSIS



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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.



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 2015.

1. Revenue:

a. APM Services

	Six-month period ended 30 June				
	2016		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%

	Six-month period ended 30 June				
	2016		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 of "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 HK\$49.4 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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		2015		Increase/ (decrease)
	2016		Unaudited	units/	
	Unaudited	units/	Unaudited	sets	
	HK\$'000	sets	HK\$'000		
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	83,898		53,827		55.9%

	Six-month period ended 30 June		2015		Increase/ (decrease)
	2016		Unaudited	Margin	
	Unaudited	Margin	Unaudited	Margin	
	HK\$'000		HK\$'000		
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	56,914	67.8%	30,065	55.9%	89.3%

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.

2. 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).

3. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

4. 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.

5. Finance Costs

Finance costs 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.

6. 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.

7. 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.

8. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

9. 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.

10. 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	—	—
	116,200	72,325

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

	Net Proceeds		
	Available HK\$ million	Utilised HK\$ million	Unutilised HK\$ million
Investment in research and development activities	137.4	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.

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

Save as disclosed in this Interim Report, there were no other significant investments held, nor were there any material acquisitions or disposals of any subsidiaries, associates or joint ventures during the Period. 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 these interim condensed unaudited financial statements.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

15. 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 REPORT AND OTHER INFORMATION

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

As at 30 June 2016, 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 shares held	Number of awarded share held	Number of underlying shares held under equity derivatives				
Mr. Sze Wai Pan ("Mr. Sze")	–	–	–	524,965,260 ⁽¹⁾	524,965,260	48.65%	
Ms. Sze Wan Nga ("Ms. Sze")	–	–	200,000	29,640,000 ⁽²⁾	29,840,000	2.77%	
Mr. Zhang Yifu	2,300,000	166,667	200,000	–	2,666,667	0.25%	
Mr. Chan Kai King	2,300,000	166,667	200,000	–	2,666,667	0.25%	
Ms. Yeung Sum	–	–	100,000	–	100,000	0.01%	
Mr. Tang Koon Yiu Thomas	–	–	100,000	–	100,000	0.01%	
Mr. Lau Ching Kwong	–	–	100,000	–	100,000	0.01%	

Notes:

- Mr. Sze is the beneficial owner of all the issued share capital of Freotech (Cayman) Ltd. ("Freotech Cayman"), Freotech (BVI) Limited ("Sze BVI") and Freotech Technology Limited ("Freotech Technology") and therefore is deemed to be interested in a total of 524,965,260 shares of the Company held by Freotech Cayman, Sze BVI and Freotech Technology.
- 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	Freetech Cayman	Beneficial owner	1,162,956	100%
Mr. Sze	Sze BVI	Beneficial owner	1	100%
Mr. Sze	Freetech Technology	Beneficial owner	100	100%
Ms. Sze	Intelligent Executive	Beneficial owner	10,000	100%

Save as disclosed above, as at 30 June 2016, 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 2016, so far as is known to the directors of the Company, the following persons or corporations (other than directors or the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company:

Name of shareholder	Capacity	Number of shares or underlying shares held in the Company	Approximate percentage of existing issued share capital of the Company
Freetech Technology ⁽¹⁾	Interest in controlled corporation	524,965,260	48.65%
Sze BVI ⁽¹⁾	Interest in controlled corporation	524,965,260	48.65%
Freetech Cayman ⁽¹⁾	Beneficial owner	524,965,260	48.65%
China International Capital Corporation Limited ⁽²⁾	Interest in controlled corporation	58,219,200	5.40%
CICC Growth Capital Fund GP, L.P. ⁽²⁾	Interest in controlled corporation	58,219,200	5.40%
CICC Growth Capital Fund I, L.P. ⁽²⁾	Interest in controlled corporation	58,219,200	5.40%
Future Blossom Investment Limited ⁽²⁾	Beneficial owner	58,219,200	5.40%

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.

Save as disclosed above, as at 30 June 2016, 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 OPTION SCHEME

A share option scheme was adopted by the Company on 7 June 2013 (the "Share Option Scheme") to provide incentives to eligible participants (including employees, executives or officers, directors including non-executive directors and independent non-executive directors, direct or indirect shareholders, business or joint venture partners, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries) for their contribution to the long term growth of the Group and to enable the Company to attract and retain high caliber employees. Movement of the share options under the Share Option Scheme for the Period are as follows:

Name of participant	Number of options held at 1 January 2016	Granted during the period	Forfeited during the period	Number of options held at 30 June 2016	Date of Grant	Exercise period	Exercise price per share	Weighted average share price immediately preceding the exercise date
Directors								
Sze Wan Nga	100,000	-	-	100,000	16/10/2014	16/10/2015-15/10/2017	HK\$2.5	N/A
Sze Wan Nga	100,000	-	-	100,000	16/10/2014	16/10/2017-15/10/2019	HK\$2.75	N/A
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

CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Name of participant	Number of options held at 1 January 2016	Granted during the period	Forfeited during the period	Number of options held at 30 June 2016	Date of Grant	Exercise period	Exercise price per share	Weighted average share price immediately preceding the exercise date
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
Continuous contract employees								
In aggregate	2,035,000	-	-	2,035,000	16/10/2014	16/10/2015-15/10/2017	HK\$2.50	N/A
In aggregate	2,020,000	-	(65,000)	1,955,000	16/10/2014	16/10/2017-15/10/2019	HK\$2.75	N/A
	4,955,000	-	(65,000)	4,890,000				

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

4. SHARE AWARD SCHEME

On 7 May 2014, the Company adopted the share award scheme (the "Share Award Scheme") under which the shares of the Company ("Awarded Shares") may be awarded to selected employees (including executive directors) of the Group (the "Selected Employee") 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.

CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

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.

Further details of the Share Award Scheme are disclosed in note 17 to the financial statements.

5. 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 the 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.

6. 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 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 and fairly present the Group's financial position and results for the Period.

CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

7. 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.

8. 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.

9. 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).

On behalf of the Board

Mr. Sze Wai Pan

Chairman and Chief Executive Officer

Hong Kong, 26 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2016

	Notes	Six-month period ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
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 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	10		
Basic		HK1.75 cents	HK1.73 cents
Diluted		HK1.72 cents	HK1.70 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2016

Attributable to owners of the Company											
Notes	Share capital HK\$'000	Share premium HK\$'000	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
			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 2016 (Audited)	107,900	732,463	(26,584)	25,328	80,996	640	(36,613)	258,805	1,142,935	97,942	1,240,877
Profit (loss) for the period	-	-	-	-	-	-	-	18,533	18,533	4,737	23,270
Other comprehensive expense for the period	-	-	-	-	-	-	(23,108)	-	(23,108)	(3,003)	(26,111)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	(23,108)	18,533	(4,575)	1,734	(2,841)
Final 2015 dividend declared	-	-	-	-	-	-	-	(19,422)	(19,422)	-	(19,422)
Equity settled share option arrangements	16	-	-	-	-	96	-	-	96	-	96
At 30 June 2016 (Unaudited)	107,900	732,463	(26,584)	25,328	80,996	736	(59,721)	257,916	1,119,034	99,676	1,218,710

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2016

	Attributable to owners of the Company											
	Notes	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	Total HK\$'000	Non-controlling interest HK\$'000	Total 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	17	-	-	-	-	-	1,023	-	-	1,023	-	1,023
Equity-settled share option arrangements	16	-	-	-	-	-	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

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 2016

	Notes	Six-month period ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Operating activities			
Profit before taxation		33,238	21,159
Adjustments for:			
Interest income	4	(4,411)	(5,815)
Finance costs	6	808	514
Share of losses of associates		68	–
Share of losses of joint ventures		2,600	943
Depreciation	7	19,672	16,319
Amortisation of prepaid lease payments	7	96	103
Amortisation of other intangible assets	7	55	52
Write off of property, plant and equipment	7	985	33
Allowance for bad and doubtful debt, net	7	4,020	4,014
Share-based payment expense		96	1,318
Unrealised exchange differences		(5,635)	2,186
Operating cash flows before movements in working capital		51,592	40,826
Decrease/(increase) in inventories		18,851	(2,999)
Increase in bills and trade receivables		(3,925)	(22,016)
Increase in prepayments, deposits and other receivables		(15,555)	(14,298)
(Decrease)/increase in trade and other payables		(96,792)	1,596
Increase in deferred income		2,148	–
Cash (used in)/generated from operations		(43,681)	3,109
Interest paid		(808)	(514)
Income tax paid		(13,733)	(5,026)
Net cash flows used in operating activities		(58,222)	(2,431)
Investing activities			
Interest received		4,411	5,815
Purchase of property, plant and equipment	11	(3,918)	(14,733)
Increase in prepayments, deposits and other receivables		(17,520)	–
Addition to other intangible assets		(197)	–
Placement of pledged bank deposits		(14,028)	(193,386)
Withdrawal of pledged bank deposits		14,928	6,880
Investment in a joint venture		(15,534)	(35,952)
Investment in an associate		(2,833)	–
Placement of time deposits		(56,998)	–
Withdrawal of time deposits		41,956	236,240
Withdrawal of structured bank deposits		2,030	–
Repayment of prepayment for acquisition of land use right		19,107	–
Prepayment for acquisition of land use right		(33,720)	–
Net cash flows (used in)/from investing activities		(62,316)	4,864

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2016

	Six-month period ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Financing activities		
Bank borrowing raised	80,040	43,323
Repayment of bank borrowings	(36,200)	–
Dividends paid	(19,422)	(16,185)
Purchase of shares held under the share award scheme	–	(5,536)
Increase in amounts due to non-controlling shareholder	–	29,301
Net cash flows from financing activities	24,418	50,903
Net (decrease)/increase in cash and cash equivalents	(96,120)	53,336
Cash and cash equivalents at beginning of period	251,880	110,783
Effect of exchange rate changes on the balance of cash held in foreign currencies	251	(40)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	156,011	164,079

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

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	2015
	(Unaudited) HK\$'000	(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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION (Continued)

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
	156,108	87,884	243,992
<i>Reconciliation:</i>			
Elimination of intersegment sales	–	(3,948)	(3,948)
Revenue	156,108	83,936	240,044
Allocated corporate expenses	(150,915)	(47,752)	(198,667)
Segment results	5,193	36,184	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)
Profit before tax			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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

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
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)
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>
<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			<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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

4. OTHER INCOME

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

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
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
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)	–
	(6,153)	(3,713)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

6. FINANCE COSTS

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

7. PROFIT BEFORE TAXATION

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

	Six-month period ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
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)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

8. TAXATION

The charge comprises:

	Six-month period ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
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)
	9,260	3,058
Deferred tax charge	708	808
	9,968	3,866

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 Freotech Road Recycling Corporation ("Freotech 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 Freotech Road Maintenance Vehicle Manufacturing Corporation ("Freotech 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

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	2015
	(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	18,533	18,380

Number of shares

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

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).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

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	(65,985)	(63,416)
	629,301	651,217
Bills receivables	7,534	–
	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	7,534	–

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

12. BILLS AND TRADE 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 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	120,682	141,435
	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, details of which are set out in note 22.

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)
	47,846	31,024
Prepayments and deposits	42,236	45,975
Tax recoverable	762	216
	90,844	77,215
Non-current assets		
Prepayment	17,520	–

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, details of which are set out in note 22.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

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
	268,081	370,009

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	1,869	8,267

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
	140,352	235,984

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, details of which are set out in note 22.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

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

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, details of which are set out in note 22.

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	1,000,000	1,000,000
Issued and fully paid: 1,079,000,000 (31 December 2015: 1,079,000,000) ordinary shares of HK\$0.10 each	107,900	107,900

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

16. 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

For the six-month period ended 30 June 2016

16. 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 2016 (six-month period ended 30 June 2015: Nil). Movement of share options outstanding under the Scheme during the six-month period ended 30 June 2016 are as follows:

Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2016	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30.6.2016
Directors								
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
Employees								
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	2,020,000	–	–	(65,000)	1,955,000
				4,955,000	–	–	(65,000)	4,890,000
Exercisable at the end of the period								2,485,000

At 30 June 2016, the number of shares in respect of which options under the Scheme had been granted and remained outstanding was 4,890,000 (31 December 2015: 4,955,000), representing 0.45% (31 December 2015: 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

16. 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%
Contracted 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 comparable companies' share price over the previous three/five years. Changes in variables and assumptions may result in changes in the fair value of the options.

During the six-month period ended 30 June 2016, the Group recognised total expenses of HK\$96,000 (six-month period ended 30 June 2015: HK\$295,000) in relation to share options granted by the Company.

17. 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

17. SHARE AWARD SCHEME (Continued)

Movements of the Company's shares held by the trustee under the Share Award Scheme during the period/year are as follows:

	Number of shares '000		
	Held by the trustee yet to be awarded	Held by the trustee for the grantee	Total held by The trustee
Balance at 1 January 2015	9,136	1,489	10,625
Transfer to grantee upon vesting during the year	–	(1,489)	(1,489)
Number of the Company's shares acquired by the trustee under the Share Award Scheme	8,234	–	8,234
Balance at 31 December 2015 and 30 June 2016	17,370	–	17,370

1,489,000 awarded shares were granted on 16 October 2014 and vested during the year ended 31 December 2015. 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 using the share price at the date of grant at a discount rate of lack of marketability.

During the six-month period ended 30 June 2015, the Group recognised a share award expense of HK\$1,023,000.

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	1,909	4,211
In the second to fifth years, inclusive	1,499	2,916
	3,408	7,127

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

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 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

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Bank deposits	139,199	140,098

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

22. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the period, other than those disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following significant transactions with its related companies:

Name	Sales of goods		Purchase of materials		Road maintenance service	
	2016	2015	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
南京路捷道路養護工程有限公司 Nanjing Lujie Road Maintenance Engineering Co., Ltd. ("Nanjing Lujie") (note 1)	-	-	-	6,652	-	-
湖南途嘉道路養護有限責任公司 Hunan Tujia Road Maintenance Co., Ltd. ("Hunan Tujia") (note 2)	21,314	N/A	-	N/A	-	N/A
天津高速公路集團有限公司 Tianjin Expressway Group Company Limited ("Tianjin Expressway Group") (note 3)	-	N/A	-	N/A	46,264	N/A
Subsidiaries of Tianjin Expressway Group	-	N/A	-	N/A	879	N/A
Associates of Tianjin Expressway Group	-	N/A	-	N/A	123	N/A

Notes:

- (1) Nanjing Lujie is a joint venture of the Group.
- (2) Hunan Tujia is an associate of the Group.
- (3) Tianjin Expressway Group is the non-controlling shareholder (holding 45% equity interest) of 天津市高速公路養護有限公司, Tianjin Expressway Maintenance Company Limited ("Tianjin Expressway Maintenance"). Tianjin Expressway Maintenance is a non-wholly owned subsidiary of the Group which the Group acquired its 55% equity interest on 31 August 2015.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

22. RELATED PARTY DISCLOSURES (Continued)

(b) Details of the amounts due from related parties are as follows:

Name of related parties

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
廣東穗通道路再生工程有限公司 Guangdong Suitong Road Recycling Engineering Co., Ltd. (note)	3,154	19,107
Nanjing Lujie	1,753	1,669
連雲港路達道路再生工程有限公司 Lianyungang Luda Road Recycling Engineering Co., Ltd. ("Lianyungang Luda") (note)	–	358
Hunan Tujia	21,926	–
Tianjin Expressway Group	90,567	120,597
Subsidiaries of Tianjin Expressway Group	3,759	3,220
Associates of Tianjin Expressway Group	1,253	9,828
	122,412	154,779

Note: These are joint ventures of the Group.

(c) Details of the amounts due to related parties are as follows:

Name of related parties

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Nanjing Lujie	1,560	542
福州速達道路養護工程有限公司 Fuzhou Suda Road Recycling Engineering Co., Ltd. (note)	350	358
Lianyungang Luda	–	358
Tianjin Expressway Group	35,524	45,893
Subsidiaries of Tianjin Expressway Group	6,633	13,569
	44,067	60,720

Note: This is a joint venture of the Group.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2016

22. RELATED PARTY DISCLOSURES (Continued)

(d) Compensation of key management personnel of the Group

In the opinion of the directors of the Company, the directors of the Company represented the key management personnel of the Group. Compensation of key management of the Group during the six-month periods ended 30 June 2016 and 2015 is as follows:

	Six-month period ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short term employee benefits	2,470	2,018
Post-employment benefits	36	36
Share-based payment expense	11	265
	2,517	2,319

23. 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.

24. 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 26 August 2016.



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