



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

2017

Interim Report
中期報告



公路醫生®

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This Interim Report is printed on environmentally friendly paper



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Sze Wai Pan (*Chief Executive Officer*)

Executive Directors

Ms. Sze Wan Nga

Mr. Zhang Yifu

Mr. Chan Kai King

Non-executive Directors

Dr. Chan Yan Chong

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		
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	Increase/ (decrease)
Revenue	221,415	239,646	(7.6%)
Gross profit	57,574	96,929	(40.6%)
Profit attributable to owners of the Company	19,053	18,533	2.8%
Earnings per share (Basic) (HK cents)	1.79	1.75	2.3%
Gross profit margin ¹	26.0%	40.4%	

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 2017 (the “Period”).

In the first half of 2017, due to the improvement of external environment and the internal supply-side structural reform, the economy of the People’s Republic of China (the “PRC”) has been operating within reasonable range, maintaining stable, coordinated and sustainable development. The growth of investment in certain sectors — environmental protection and management, water management, transport, storage and post service, and education — have all surpassed the growth of fixed asset investments over the same period. Therefore, the road recycling technology industry maintained a positive momentum and the asphalt pavement maintenance (“APM”) services of the Group recorded a growth during the Period. However, due to the delay in the procurement of modular series equipment by the potential customers as they require additional time to perform internal approval process and assessment procedures which is longer than we expected, the APM equipment sector recorded decrease in revenue. 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 2017, the Group had a total of eleven joint ventures 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\$221.4 million, representing a decrease of approximately 7.6%, as against the corresponding period of 2016. Total profit attributable to owners of the Company was approximately HK\$19.1 million, representing an increase of approximately 2.8%, as against the corresponding period of 2016.

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. As a result of the additional effort by the local government in the overall road construction and maintenance planning in the year of 2016, more projects were conducted during the Period. The total serviced area of “Hot-in-Place” projects of the Group increased from 1.4 million square metres during the six-month period ended 30 June 2016 to 1.9 million square metres during the Period, represented an increased of 35.7%. Due to 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 increased by 19.4% as against the corresponding period of 2016.

In addition, the revenue of non-“Hot-in-Place” projects contributed by Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) (“Tianjin Expressway Maintenance”), a non-wholly owned subsidiary of the Group, was increased by 47.3% as against the corresponding period of 2016. The APM services segment recorded revenue of approximately HK\$199.7 million, representing an increase of 28.2% as against the corresponding period of 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

APM Equipment

As a result of the delay in the procurement of modular series equipment by the potential customers as they require additional time to perform internal approval process and assessment procedures which is longer than we expected, no modular series equipment was sold during the Period. Thus, the APM equipment segment of the Group recorded revenue of HK\$21.7 million, representing a decrease of 74.2% as against the corresponding period of 2016. Notwithstanding this, 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 2017, it had registered 129 patents (as at 31 December 2016: 120), of which 15 were invention patents (as at 31 December 2016: 13), 98 were utility model patents (as at 31 December 2016: 91) and 16 were design patents (as at 31 December 2016: 16). Besides, it had 9 pending patent applications (as at 31 December 2016: 17), of which 7 invention patents and 2 utility model patents (as at 31 December 2016: 9 invention patents and 8 utility model patents).

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.

A complete new product line, named Truck Mounted Attenuator (TMA) is developed during the Period. It is a vehicle with an impact attenuator mounted at the back to absorb the energy from the colliding vehicle, so as to minimize the damage or casualties, particularly important to the workers and drivers safety. This new product does not only equip this safety device but also integrates functions such as warning signal board, semi- or full- automatic traffic cone placement system. They are all very useful before a road work is carried out. The PRC now owns the biggest road network in the world but the safety precaution is still lagging behind compared to many countries. There is a trend that road management authorities pay more and more attention in the safety aspect. We expect this new product will contribute significant revenue to our equipment sales business sector.



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

Green economy development remains a top priority for the PRC government according to the 13th Five-year plan. The awareness of the local government on the safety and quality requirement also gradually increased. With our patent Hot-in-Place recycling technology and other new products, the Group will benefit from the increasing demand for APM in the PRC, especially those using the recycling technologies.

First, as at 31 December 2016, the total mileage for highway in the PRC was the second longest in the world and the expressway mileage was the longest in the world. Therefore, it offers us the largest road maintenance market and huge room to grow. Secondly, the PRC government has encouraged the adoption of Public-Private-Partnership (“PPP”) model, a collaborative investment model between government and private companies, in infrastructure projects amid concerns over heavy local government debt. As the government tends to choose experienced partners with mature development of related technology, it is favorable to the Group to acquire more projects. 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 in other cities in the PRC. By the end of March 2017, 1,729 PPP-funded projects signed amounted to a combined investment of RMB2.9 trillion. We expect the PPP Projects opportunities to further improve our business performance with a massive demand for intercity and municipal road renovation and maintenance due to the continuing urbanization. Thirdly, subsequent to the Company sold a modular series equipment to a customer in the Republic of Korea in 2016 and the successful completion of a road maintenance project in Gwangju City of Republic of Korea in August 2017, the Company will continue to explore the overseas business opportunities and strategic cooperations with other companies, such as some listed companies and large-scale or state-owned enterprises. The Group is making effort to promote its overseas business opportunities in the countries along the “One Belt One Road” and four Asian tigers. In light of these, the Group is well positioned to benefit from the government’s policies and the positive development prospects in 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 to 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 2016.

1. Revenue:

a. APM Services

	Six-month period ended 30 June				
	2017		2016		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	127,029	1,876	106,391	1,401	19.4%
Non-“Hot-in-Place” Projects	72,703	–	49,357	–	47.3%
Total	199,732		155,748		28.2%

	Six-month period ended 30 June				
	2017		2016		Increase/ (decrease)
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
Gross profit					
“Hot-in-Place” Projects	41,106	32.4%	33,467	31.5%	22.8%
Non-“Hot-in-Place” Projects	5,809	8.0%	6,548	13.3%	(11.3%)
Total	46,915	23.5%	40,015	25.7%	17.2%

Revenue for this segment increased compared with that of the corresponding period in 2016 due to the effect of the increase in the revenue of “Hot-in-Place” projects and non-“Hot-in-Place” projects. As a result of the local government had spent more effort in the overall road construction and maintenance planning in the year of 2016, more projects were conducted during the Period and the total serviced area of “Hot-in-Place” projects increased by 35.7% from 1.4 million square meters during the six-month period ended 30 June 2016 to 1.9 million square meters during the Period. The growth on revenue amount is lower than the total serviced area of “Hot-in-Place” projects due to 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\$72.7 million was contributed by Tianjin Expressway Maintenance and involved in traditional APM method which 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 25.7% in 2016 to 23.5% for the Period was mainly due to the more 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				
	2017		2016		Increase/ (decrease)
	Unaudited HK\$'000	units/ sets	Unaudited HK\$'000	units/ sets	
Revenue (net of VAT)					
Standard series	19,583	16	22,409	15	(12.6%)
Modular series	–	–	58,419	3	(100.0%)
Repair and maintenance	2,100	N/A	3,070	N/A	(31.6%)
Total	21,683		83,898		(74.2%)

	Six-month period ended 30 June				
	2017		2016		Increase/ (decrease)
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
Gross profit					
Standard series	9,452	48.3%	12,549	56.0%	(24.7%)
Modular series	–	N/A	43,067	73.7%	(100.0%)
Repair and maintenance	1,207	57.5%	1,298	42.3%	(7.0%)
Total	10,659	49.2%	56,914	67.8%	(81.3%)

Revenue for the APM equipment segment for the Period was decreased by 74.2% as against the corresponding period for 2016 was primarily due to the delay in the procurement of modular series equipment by the potential customers as they require additional time to perform internal approval process and assessment procedures which is longer than we expected. Thus, no modular series equipment was sold during the Period. The revenue generated from sales of standard series products for the Period was slightly decreased by 12.6% as against the corresponding period for 2016.

The decrease in the gross profit margin for APM equipment from 67.8% in 2016 to 49.2% for the Period was due to the decrease in sale of higher gross profit margin of modular series and the sale of lower gross profit margin of standard series .

2. Other Gains and Losses

Other gains and losses were increased by approximately HK\$2.1 million, or approximately 33.9%, from HK\$6.2 million for the six-month period ended 30 June 2016 to HK\$8.3 million for the Period, primarily due to the effect of (i) write off of property, plant and equipment; and (ii) increase in impairment of trade receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Selling and Distribution Costs

The decrease in the selling and distribution costs by HK\$0.8 million from HK\$11.1 million for the six-month period ended 30 June 2016 to HK\$10.3 million for the Period was relatively stable.

4. Administrative Expenses

Administrative expenses were increased by approximately HK\$1.8 million, or approximately 4.2%, from HK\$42.6 million for the six-month period ended 30 June 2016 to HK\$44.4 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 2016 through acquisition of additional interests in two joint ventures of the Group.

5. Finance Costs

Finance costs increased by approximately HK\$1.6 million, or approximately 200.0%, from HK\$0.8 million for the six-month period ended 30 June 2016 to HK\$2.4 million for the Period, primarily due to the unsecured new loans drawn down during the Period which borne higher interest rate.

6. Share of Losses of Joint Ventures and Associates

The Group's share of losses from the joint ventures and associates was approximately HK\$3.1 million for Period, representing an increase of approximately 14.8%, as against the corresponding period of 2016.

The losses from these joint ventures and associates are primarily due to the instability of their businesses and one joint venture was set up at the end of 2016 which still at the early stage nature.

7. Changes in Fair Value of Investment Property

The Group's investment property is revalued as at 30 June 2017 on an open market basis by an independent property valuer.

During the Period, the Group recorded changes in fair value of investment property of HK\$41.7 million.

8. Taxation

Taxation was increased by approximately HK\$2.6 million, or approximately 26.0%, from approximately HK\$10.0 million for the six-month period ended 30 June 2016 to approximately HK\$12.6 million for the Period, which is mainly due to the deferred tax expense arising from changes in fair value of investment property.

9. Profit

Profit attributable to owners of the Company was increased by approximately HK\$0.6 million, or approximately 2.8%, from approximately HK\$18.5 million for the six-month period ended 30 June 2016 to approximately HK\$19.1 million for the Period, primarily due to the net effect of the increase in revenue of APM services segment, the decreases in revenue of APM equipment segment due to the nil modular series equipment was sold and the recognition of changes in fair value of investment property.

MANAGEMENT DISCUSSION AND ANALYSIS

10. Liquidity and Financial Resources and Capital Structure

As at 30 June 2017, the Group's bank balances and cash, time deposits, pledged bank deposits and structured bank deposits amounted to approximately HK\$180.3 million (as at 31 December 2016: HK\$326.2 million). The decrease was primarily due to the net effect of net cash used in the operating activities, the investment in joint venture, the investment in available-for-sale investment, the investment in investment property and the repayment of bank borrowings. As at 30 June 2017, the bank borrowings of the Group amounted to HK\$125.1 million (as at 31 December 2016: HK\$139.6 million) and the Group was in a net cash position (as at 31 December 2016: net cash position).

Due to the net effect of the trade receivables balance as at 31 December 2016 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 2017, the trade receivables balance was increased by HK\$64.1 million, or approximately 8.8%, from HK\$727.1 million as of 31 December 2016 to HK\$791.2 million as of 30 June 2017. The trade receivables balance also includes some retention money withheld by the customers (5% to 10% of the contract price which is to be paid after the expiration of the warranty period) which was not yet past due. As at the latest practicable date, third party customers had subsequently settled trade receivables amounting to HK\$30.7 million (equivalent to approximately RMB26.7 million).

As at 30 June 2017, the Group's liquidity position remained stable and 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.

11. Interest-Bearing Bank Borrowings

As at 30 June 2017, the Group had total debt of HK\$125.1 million, which comprised:

- secured interest-bearing bank borrowings of HK\$29.5 million; and
- unsecured interest-bearing bank borrowings of HK\$95.6 million.

As at 30 June 2017, the secured interest-bearing bank borrowings were secured by pledge of bank balances of approximately HK\$40.0 million.

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Repayable		
Within one year or on demand	125,117	139,601
In the second year	—	—
	125,117	139,601

MANAGEMENT DISCUSSION AND ANALYSIS

12. Use of Proceeds Raised from Initial Public Offering (“IPO”)

The Group received approximately HK\$687.0 million net proceeds, after deducting underwriting fees and other related expenses, from the Company’s IPO. These net proceeds were applied up to the period ended 30 June 2017 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	96.6	40.8
Manufacturing APM equipment and expanding our APM service teams	103.1	73.5	29.6
Acquisitions of other APM service providers	103.0	53.6	49.4
Constructing new production facility	68.7	61.0	7.7
Establishing sales offices in new markets and marketing expenses	68.7	61.5	7.2
General corporate purposes and working capital requirements	68.7	68.7	–
	687.0	552.3	134.7

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

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

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

14. 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 2017, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

15. Financial Risk Management

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. As at 30 June 2017, approximately 85.6% and 14.4% (as at 31 December 2016: 78.4% and 21.6%) of the Group's bank borrowings are at fixed rate and floating interest rate, respectively. 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. As at 30 June 2017, certain time deposit, bank balances and cash, pledged bank deposits and structured bank deposits of approximately HK\$136,646,000 (as at 31 December 2016: HK\$313,862,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 30 June 2017, the Group's bank borrowings denominated in RMB and HK\$ amounted to HK\$107,117,000 (equivalent to RMB93,000,000) and HK\$18,000,000 respectively (as at 31 December 2016, bank borrowings denominated in RMB, HK\$ and US\$ amounted to HK\$109,476,000 (equivalent to RMB98,000,000), HK\$3,000,000 and HK\$27,125,000 (equivalent to US\$3,500,000) respectively) The Group has not hedged its foreign currency risk. The changes in foreign currency translation reserve during the Period was the result of the appreciation 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.

16. Employees and Remuneration

As at 30 June 2017, the Group had a total of 625 full time employees (as at 31 December 2016: 637). 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 2017, 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	Number of underlying shares held			
Mr. Sze Wai Pan ("Mr. Sze")	–	–	–	–	527,006,260 ⁽¹⁾	527,006,260	48.84%
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%
Dr. Chan Yan Chong	50,000	–	–	–	–	50,000	0.00%

Notes:

1. Mr. Sze is the beneficial owner of all the issued share capital of Freetech (Cayman) Ltd. ("Freetech Cayman"), Freetech (BVI) Limited ("Sze BVI") and Freetech Technology Limited ("Freetech Technology") and therefore is deemed to be interested in a total of 527,006,260 shares of the Company held by Freetech Cayman, Sze BVI and Freetech Technology.
2. Ms. Sze is the beneficial owner of all the issued share capital of Intelligent Executive Limited ("Intelligent Executive") and therefore is deemed to be interested in 29,640,000 shares of the Company held by Intelligent Executive. Ms. Sze is the director of Intelligent Executive, Freetech Cayman, Sze BVI and Freetech Technology.

CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

(ii) Long position in the shares of associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Number of shares held in associated corporation	Percentage of existing issued share capital of the associated corporations
Mr. Sze	Freotech Cayman	Beneficial owner	1,162,956	100%
Mr. Sze	Sze BVI	Beneficial owner	1	100%
Mr. Sze	Freotech Technology	Beneficial owner	100	100%
Ms. Sze	Intelligent Executive	Beneficial owner	10,000	100%

Save as disclosed above, as at 30 June 2017, 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 2017, so far as is known to the directors of the Company, the following persons or corporations (other than directors or the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company:

Name of shareholder	Capacity	Number of shares or underlying shares held in the Company	Approximate percentage of existing issued share capital of the Company
Freotech Technology ⁽¹⁾	Interest in controlled corporation	527,006,260	48.84%
Sze BVI ⁽¹⁾	Interest in controlled corporation	527,006,260	48.84%
Freotech Cayman ⁽¹⁾	Beneficial owner	527,006,260	48.84%
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 2017, 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 2017	Granted during the period	Forfeited during the period	Number of options held at 30 June 2017	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 2017	Granted during the period	Forfeited during the period	Number of options held at 30 June 2017	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	1,790,000	-	-	1,790,000	16/10/2014	16/10/2017-15/10/2019	HK\$2.75	N/A
	4,725,000	-	-	4,725,000				

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 Wai Pan ("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 30 August 2017, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

A specific enquiry has been made to all the directors and the directors have confirmed that they have complied with the Model Code during the Period.

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

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

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 2016: nil).

On behalf of the Board

Mr. Sze Wai Pan

Chairman and Chief Executive Officer

Hong Kong, 30 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2017

	Notes	Six-month period ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	3	221,415	239,646
Cost of sales		(163,841)	(142,717)
Gross profit		57,574	96,929
Other income	4	5,916	4,809
Other gains and losses	5	(8,339)	(6,153)
Selling and distribution costs		(10,309)	(11,054)
Administrative expenses		(44,445)	(42,614)
Research and development costs		(5,880)	(5,072)
Other expenses		(11)	(131)
Share of losses of joint ventures		(3,111)	(2,600)
Share of losses of associates		–	(68)
Changes in fair value of investment property		41,664	–
Finance costs	6	(2,418)	(808)
PROFIT BEFORE TAXATION	7	30,641	33,238
Taxation	8	(12,587)	(9,968)
PROFIT FOR THE PERIOD		18,054	23,270
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD			
Item that will not be reclassified to profit or loss: Exchange differences arising from translation		36,147	(26,111)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		36,147	(26,111)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		54,201	(2,841)
Profit (loss) for the period attributable to:			
Owners of the Company		19,053	18,533
Non-controlling interests		(999)	4,737
		18,054	23,270
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		52,286	(4,575)
Non-controlling interests		1,915	1,734
		54,201	(2,841)
EARNINGS PER SHARE	10		
Basic		HK1.79 cents	HK1.75 cents
Diluted		HK1.77 cents	HK1.72 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	295,519	309,856
Investment property	11	209,052	–
Goodwill		14,700	14,700
Prepaid lease payments		10,930	10,750
Other intangible assets		406	454
Prepayments and deposits for acquisition of land use rights		37,147	114,299
Interests in joint ventures		62,166	54,793
Deferred tax assets		3,751	3,613
Available-for-sale investments		11,979	8,267
Trade receivables — non-current	12	48,934	59,664
		694,584	576,396
CURRENT ASSETS			
Inventories		23,741	30,092
Bills and trade receivables	12	653,935	587,985
Prepayments, deposits and other receivables	13	86,747	113,919
Prepaid lease payments		307	298
Time deposits		–	3,016
Pledged bank deposits		40,005	46,845
Structured bank deposits		12,670	1,229
Bank balances and cash		127,619	275,119
		945,024	1,058,503
CURRENT LIABILITIES			
Bills, trade and other payables	14	247,296	293,513
Taxation payable		2,645	2,401
Bank borrowings		125,117	139,601
		375,058	435,515
NET CURRENT ASSETS		569,966	622,988
TOTAL ASSETS LESS CURRENT LIABILITIES		1,264,550	1,199,384
NON-CURRENT LIABILITIES			
Deferred tax liabilities		20,282	9,414
		1,244,268	1,189,970
CAPITAL AND RESERVES			
Share capital	15	107,900	107,900
Reserves		1,041,188	988,805
Attributable to the owners of the Company		1,149,088	1,096,705
Non-controlling interest		95,180	93,265
Total equity		1,244,268	1,189,970

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2017

Notes	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Shares held under the share award			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	Non-controlling interest HK\$'000	Total HK\$'000
			scheme HK\$'000 (Note c)	surplus HK\$'000	award HK\$'000							
At 1 January 2017 (Audited)	107,900	732,463	(26,584)	25,328	85,550	835	(106,754)	277,967	1,096,705	93,265	1,189,970	
Profit (loss) for the period	-	-	-	-	-	-	-	19,053	19,053	(999)	18,054	
Other comprehensive income for the period	-	-	-	-	-	-	33,233	-	33,233	2,914	36,147	
Total comprehensive income for the period	-	-	-	-	-	-	33,233	19,053	52,286	1,915	54,201	
Equity settled share option arrangements	16	-	-	-	-	-	97	-	97	-	97	
At 30 June 2017 (Unaudited)	107,900	732,463	(26,584)	25,328	85,550	932	(73,521)	297,020	1,149,088	95,180	1,244,268	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2017

Note	Attributable to owners of the Company										
	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 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

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 2017

	Notes	Six-month period ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Operating activities			
Profit before taxation		30,641	33,238
Adjustments for:			
Interest income	4	(3,054)	(4,411)
Finance costs	6	2,418	808
Share of losses of associates		–	68
Share of losses of joint ventures		3,111	2,600
Depreciation	7	24,906	19,672
Amortisation of prepaid lease payments	7	151	96
Amortisation of other intangible assets	7	61	55
Write off of property, plant and equipment	7	1,148	985
Allowance for bad and doubtful debt, net	7	6,124	4,020
Share-based payment expense		97	96
Changes in fair value of investment property		(41,664)	–
Unrealised exchange differences		2,518	(5,635)
Operating cash flows before movements in working capital		26,457	51,592
Decrease in inventories		7,176	18,851
Increase in bills and trade receivables		(40,697)	(3,925)
Decrease/(increase) in prepayments, deposits and other receivables		30,244	(15,555)
Decrease in trade and other payables		(45,186)	(96,792)
Increase in deferred income		–	2,148
Cash used in operations		(22,006)	(43,681)
Interest paid		(2,418)	(808)
Income tax paid		(1,548)	(13,733)
Net cash flows used in operating activities		(25,972)	(58,222)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2017

	Note	Six-month period ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Investing activities			
Interest received		3,054	4,411
Purchase of property, plant and equipment	11	(3,087)	(3,918)
Increase in prepayments, deposits and other receivables		–	(17,520)
Addition to other intangible assets		–	(197)
Addition to investment property		(84,793)	–
Purchase of available-for-sale investment		(3,403)	–
Placement of pledged bank deposits		(19,382)	(14,028)
Withdrawal of pledged bank deposits		26,222	14,928
Investment in a joint venture		(16,576)	(15,534)
Investment in an associate		–	(2,833)
Placement of time deposits		–	(56,998)
Withdrawal of time deposits		3,016	41,956
Placement of structured bank deposits		(12,670)	–
Withdrawal of structured bank deposits		1,229	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 investing activities		(106,390)	(62,316)
Financing activities			
Bank borrowing raised		49,155	80,040
Repayment of bank borrowings		(63,638)	(36,200)
Dividends paid		–	(19,422)
Net cash flows (used in)/from financing activities		(14,483)	24,418
Net decrease in cash and cash equivalents		(146,845)	(96,120)
Cash and cash equivalents at beginning of period		275,119	251,880
Effect of exchange rate changes on the balance of cash held in foreign currencies		(655)	251
Cash and cash equivalents at the end of the period, represented by bank balances and cash		127,619	156,011

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

Significant accounting policies

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Leasehold land held for development into investment property, representing leasehold land located in the PRC for development into investment properties, is stated initially at cost.

Construction costs incurred for investment properties under development and leasehold land held for development into investment properties are capitalized as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of those amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

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 2017 and 2016 is set out below:

	Six-month period ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Customer A — Provision of road maintenance services	52,957	46,264
Customer B — Provision of road maintenance services	29,556	26,548
Customer C — Provision of road maintenance services	27,120	–

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 June 2017

	Maintenance services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	199,732	21,683	221,415
Intersegment sales	6,580	1,516	8,096
Other revenue	2,787	75	2,862
	209,099	23,274	232,373
<i>Reconciliation:</i>			
Elimination of intersegment sales	(6,580)	(1,516)	(8,096)
Revenue	202,519	21,758	224,277
Allocated corporate expenses	(201,616)	(21,373)	(222,989)
Segment results	903	385	1,288
<i>Reconciliation:</i>			
Interest income			3,054
Exchange losses			(908)
Finance costs			(2,418)
Unallocated corporate expenses			(8,928)
Share of profits and losses of joint ventures			(3,111)
Changes in fair value of investment property			41,664
Profit before tax			30,641
Other segment information:			
Impairment losses recognised/(reversed) in the statement of profit or loss	12,389	(6,265)	6,124
Depreciation and amortisation	19,036	6,082	25,118
Capital expenditure*	165,770	1,546	167,316

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

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 2017

4. OTHER INCOME

	Six-month period ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Government grants (Note)	2,733	170
Interest income	3,054	4,411
Others	129	228
	5,916	4,809

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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Write off of property, plant and equipment	(1,148)	(985)
Impairment of trade receivables	(6,124)	(4,020)
Net foreign exchange losses	(908)	(1,113)
Others	(159)	(35)
	(8,339)	(6,153)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

6. FINANCE COSTS

	Six-month period ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on:		
— Bank borrowings wholly repayable within five years	2,418	808
Less: amounts capitalised	—	—
	2,418	808

7. PROFIT BEFORE TAXATION

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

	Six-month period ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation	24,906	19,672
Amortisation of other intangible assets	61	55
Amortisation of land lease payments	151	96
Minimum lease payments under operating leases of land and buildings	2,693	3,787
Write off of property, plant and equipment	1,148	985
Impairment of trade receivables	6,124	4,020
Foreign exchange differences, net	908	1,113

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

8. TAXATION

The charge comprises:

	Six-month period ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PRC Enterprise Income Tax ("EIT"):		
— Current tax	1,068	7,144
— Under provision in prior years	1,255	2,116
— Over provision in prior years	(372)	–
	1,951	9,260
Deferred tax charge	10,636	708
	12,587	9,968

No provision for Hong Kong profits tax has been made for the periods ended 30 June 2017 and 2016 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 2016 respectively and the applicable tax rate is 15% from 1 January 2009 to 3 November 2018.

No withholding tax has been provided for the six-month period ended 30 June 2017 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents. Withholding tax of approximately HK\$704,000 was provided for the six-month period ended 30 June 2016.

For the six-month period ended 30 June 2016, the share of tax credit of HK\$425,000 was 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 30 August 2017, the directors resolve not to pay any interim dividend to shareholders (six-month period ended 30 June 2016: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share — attributable to the owners of the Company	19,053	18,533

Number of shares

	Six-month period ended 30 June	
	2017 (Unaudited)	2016 (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	1,061,630,000
Effect of dilutive potential ordinary shares: Unvested share award	17,370,000	17,370,000
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 2017 and 30 June 2016 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 AND INVESTMENT PROPERTY

During the six-month period ended 30 June 2017, the Group acquired property, plant and equipment, and investment property of HK\$3,087,000 and HK\$164,229,000, respectively (six-month period ended 30 June 2016: HK\$3,918,000 and nil).

The fair value of the Group's investment property was arrived at on the basis of a valuation carried out at the end of the reporting period by Jiangsu Tianching Asset Valuation Company Limited (江蘇天勤資產評估事務所有限公司), who is a firm of independent valuer qualifications, on market value basis. The resulting increase in fair value of investment property of HK\$41,664,000 has been recognized directly in profit or loss and other comprehensive income for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

12. BILLS AND TRADE RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade receivables	791,238	727,104
Less: Allowance for bad and doubtful debts	(88,369)	(79,678)
	702,869	647,426
Portion classified as non-current assets	(48,934)	(59,664)
Current portion	653,935	587,762
Bills receivables	–	223
	653,935	587,985

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
0 to 180 days	–	223

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. Apart from the trade receivables of certain construction services which bear interest at 4.75% per annum, other receivables are non-interest bearing.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 3 months	221,464	308,143
3 to 12 months	258,005	100,881
1 to 2 years	133,137	127,717
Over 2 years	90,263	110,685
	702,869	647,426

As at 30 June 2017, included in the trade receivables are amounts due from the Group's related companies of HK\$138,501,000 (31 December 2016: HK\$134,214,000), 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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Other receivables	30,027	35,395
Less: Allowance for bad and doubtful debts	(1,159)	(1,124)
	28,868	34,271
Prepayments and deposits	57,077	78,893
Tax recoverable	802	755
	86,747	113,919

At 30 June 2017, included in the Group's other receivables are amounts due from related companies of HK\$3,044,000 (31 December 2016: HK\$20,422,000), 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 2017

14. BILLS, TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Bills payable	5,010	5,641
Trade payables	169,776	158,950
Other tax payables	37,239	37,312
Advance from customers, other payables and accrued charges	35,271	91,610
	247,296	293,513

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
0 to 180 days	5,010	5,641

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 3 months	73,026	85,588
3 to 12 months	64,554	32,652
1 to 2 years	4,615	19,375
Over 2 years	27,581	21,335
	169,776	158,950

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

As at 30 June 2017, included in the Group's trade payables are amounts due to related companies of approximately HK\$2,896,000 (31 December 2016: HK\$6,996,000), 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 2017

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

As at 31 December 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\$33,733,000, 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 2017, 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\$26,752,000 (31 December 2016: HK\$26,056,000) which is unsecured, interest-free and have no fixed terms of repayment.

At 31 December 2016, included in the Group's advance from customers, other payables and accrued charges is an amount of HK\$7,486,000, 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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2016: 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 2016: 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 2017

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 2017

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 2017 (six-month period ended 30 June 2016: Nil). Movement of share options outstanding under the Scheme during the six-month period ended 30 June 2017 are as follows:

Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2017	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30.6.2017
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	1,790,000	–	–	–	1,790,000
				4,725,000	–	–	–	4,725,000
Exercisable at the end of the period								2,485,000

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

16. SHARE OPTION SCHEME (Continued)

At 30 June 2017, the number of shares in respect of which options under the Scheme had been granted and remained outstanding was 4,725,000 (31 December 2016: 4,725,000), representing 0.44% (31 December 2016: 0.44%) 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.

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 2017, the Group recognised total expenses of HK\$97,000 (six-month period ended 30 June 2016: HK\$96,000) in relation to share options granted by the Company.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

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.

No share was awarded under Share Award Scheme during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil).

As at 31 December 2016 and 30 June 2017, 17,370,000 shares are held by the trustee and have yet to be awarded.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	3,132	4,174
In the second to fifth years, inclusive	1,873	3,516
	5,005	7,690

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Land use rights	33,480	110,696
Property, plant and equipment	8,828	14,528
Capital contributions payable to a joint venture	–	16,421
Capital contributions payable to available-for-sale investments	1,006	2,616
	43,314	144,261
Authorised, but not contracted for:		
Property, plant and equipment	2,166	6,250
	45,480	150,511

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Bank deposits	40,005	46,845
Trade receivables	–	49,141

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

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	Road maintenance service	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
天津高速公路集團有限公司 Tianjin Expressway Group Company Limited ("Tianjin Expressway Group") (note)	52,957	46,264
Subsidiaries of Tianjin Expressway Group	10,475	879
Associates of Tianjin Expressway Group	7,304	123

Note:

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 2016.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

22. RELATED PARTY DISCLOSURES (Continued)

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

Name of related parties

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
貴州英達道路工程有限公司 Guizhou Freetech Road Engineering Co., Ltd. (note)	11,385	27,421
南京路捷道路養護工程有限公司 Nanjing Lujie Road Maintenance Engineering Co., Ltd. ("Nanjing Lujie") (note)	3,030	2,266
南京金財匯融資租賃有限公司 Nanjing Golden Rich Financial Leasing Limited (note)	346	–
Tianjin Expressway Group	101,391	120,408
Subsidiaries of Tianjin Expressway Group	16,006	2,727
Associates of Tianjin Expressway Group	9,387	1,814
	141,545	154,636

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Nanjing Lujie (note)	1,862	1,491
連雲港路達道路再生工程有限公司 Lianyungang Luda Road Recycling Engineering Co., Ltd (note)	173	168
Tianjin Expressway Group	861	34,568
Subsidiaries of Tianjin Expressway Group	–	4,502
	2,896	40,729

Note: These are joint ventures of the Group.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2017

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 2017 and 2016 is as follows:

	Six-month period ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	3,012	2,470
Post-employment benefits	36	36
Share-based payment expense	12	11
	3,060	2,517

23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 30 August 2017.



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