



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



2019
INTERIM REPORT
中期報告

公路醫生®

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This Interim Report is printed on environmentally friendly paper



BOARD OF DIRECTORS

Chairman

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

Executive Directors

Ms. Sze Wan Nga

Mr. Chan Kai King

Non-executive Directors

Prof. Tong Wai Cheung Timothy

Dr. Chan Yan Chong

Mr. Wang Lei

Independent Non-executive Directors

Ms. Yeung Sum

Mr. Tang Koon Yiu Thomas

Dr. Lau Ching Kwong

Audit Committee

Ms. Yeung Sum (*Chairman*)

Mr. Tang Koon Yiu Thomas

Dr. Lau Ching Kwong

Nomination Committee

Mr. Sze Wai Pan (*Chairman*)

Mr. Tang Koon Yiu Thomas

Dr. 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 54, 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

Bank of Beijing

Company Website Address

www.freetech-holdings.hk

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND RATIOS

	Six-month period ended 30 June		
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	Increase/ (decrease)
Revenue	118,778	175,433	(32.3%)
Gross profit	20,208	49,258	(59.0%)
(Loss)/Profit attributable to owners of the Company	(29,774)	13,416	(321.9%)
(Loss)/Earnings per share (Basic) (HK cents)	(2.80)	1.26	(322.2%)
Gross profit margin ¹	17.0%	28.1%	

¹ (gross profit/revenue) x 100%



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 2019 (the "Period").

The year of 2019 is the 70th anniversary of the founding of new China. With strong determination, it is also a crucial year for the People's Republic of China ("PRC") government to continue implementing the requirements put forth at the National Conference on Ecological and Environmental Protection in order to prevent and treat pollution. However, due to the tightened cash flow of some of the PRC local governments and in order to reduce the operational cash flow risk of the Group, the Group has delayed some of the road maintenance projects until the customers' funds for these projects are officially in place, the asphalt pavement maintenance ("APM") services sector recorded a decrease in revenue. During the Period, the Group's plan to develop APM equipment market in the United States has been severely hindered by the escalation of the trade war between the PRC and the United States. The Group continued its effort to develop its overseas APM equipment market in the countries along the "One Belt One Road" and four Asian tigers.

During the Period, the Group's operating revenue was approximately HK\$118.8 million, representing a decrease of approximately 32.3%, as against the corresponding period of 2018. Total loss attributable to owners of the Company was approximately HK\$29.8 million, representing a decrease of approximately 321.9%, as compared to the total profit attributable to owners of the Company of approximately HK\$13.4 million for the six-month period ended 30 June 2018.



APM Services

During the Period, due to the tightened cash flow of some of the PRC local governments and in order to reduce the operational cash flow risk of the Group, the Group has delayed some of the road maintenance projects until the customers' funds for these projects are officially in place. The total serviced area of "Hot-in-Place" projects of the Group was decreased from 1.6 million square meters during the six-month period ended 30 June 2018 to 0.8 million square meters during the Period, representing a decrease of approximately 50%.

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 decreased by 13.3% as against the corresponding period of 2018. The APM services segment recorded revenue of approximately HK\$94.6 million, representing a decrease of 36.6% as against the corresponding period of 2018. Despite the decrease in the total serviced area of "Hot-in-Place" projects, the Group has continued to be a leading integrated solution provider using "Hot-in-Place" recycling technology in the APM industry in the PRC.

APM Equipment

The APM equipment segment of the Group recorded revenue of HK\$24.2 million, representing decrease of 7.8% as against the corresponding period of 2018, which was primarily due to the decrease in the number of the standard series equipment sold.

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

During the Period, despite the decrease in the Group's operating revenue, the Group continued to invest resources in research and development. As at 30 June 2019, it had registered 161 patents (as at 31 December 2018: 148), of which 18 were invention patents (as at 31 December 2018: 17), 120 were utility model patents (as at 31 December 2018: 113) and 23 were design patents (as at 31 December 2018: 18). Besides, it had 15 pending patent applications (as at 31 December 2018: 18), of which 8 invention patents and 7 utility model patents (as at 31 December 2018: 7 invention patents, 9 utility model patents and 2 design patents). As at 30 June 2019, the Group's patents including 36 expired patents (as at 31 December 2018: 18), of which 1 was invention patent, 25 were utility model patents and 10 were design patents (as at 31 December 2018: 13 utility model patents and 5 design 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. The Group does not only keep improving its current products like pavement maintenance and safety attenuator vehicles, the Group also diversified its product range in road industry. During the Period, high performance vacuum sweepers and snow removal vehicles were developed and targeted to high-end customers like airports, highways which are not satisfied with traditional domestic equipment. The Group embedded automated and smart functions in its products in order to reduce cost and provide higher quality services.

Geopolymer Injection Road Base Repair technology provide a fast, durable with minimum invasion of pavement method to repair road base. Together with the Group's designed equipment integrates drilling, mixing and injection functions, a new and independent business line is developed. It is also expected to expand the opportunities of the Group's "Hot-in Place" technology application for the roads with base problems.

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 maintain its competitive edges and leading status in the APM industry by using the recycling technology.

OUTLOOK

Global uncertainties and instability continue to escalate in 2019. Despite the difficult and complex domestic and external environment, China's determination and persistence for progressing ecological civilisation construction, strengthening ecological protection as well as preventing and controlling environmental pollution stay unaltered. With our patent "Hot-in-Place" recycling technology and other new products, the Group remains optimistic in the overall road maintenance market that it operates in.

First, as at 31 December 2018, China has the longest expressway and the second longest highway (in terms of mileage) in the world. The overall growth of the APM industry in the PRC remains sustainable and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal and has significant potential for expansion. In addition, the Ministry of Transport will perform road inspections on highways in the second half of 2020 to inspect the quality and condition of the road maintenance work. Therefore, it offers us the largest road maintenance market and huge room to grow. Secondly, subsequent to the Company's sale of a modular series equipment to a customer in the Republic of Korea and standard series equipment to customers in Macau, Malaysia and Taiwan, the Company will continue to explore the overseas business opportunities and strategic cooperation with other companies, such as some listed companies and large-scale or state-owned enterprises. Third, the Group will continue to leverage on its state-owned partners' overseas channels to explore overseas business opportunities. The Group is making an 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 on its competitive advantages and implement favourable policies to achieve a healthy growth in its business. 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; secondly, it will increase its investment on its testing and planning department by devoting more equipment and staff so as to enhance its one-stop solution; thirdly, it will focus on the cities which will hold major events to gain and complete projects of high awareness; fourthly, it will grasp the opportunities in the wave of state-owned enterprise reforms to acquire more maintenance companies in the express highway sector; fifthly, it will appoint more local APM service providers as its franchisees; sixthly, it will further optimize its techniques and technologies to lower the construction costs; seventhly, it will leverage on its state-owned partners’ overseas channels to expand the international APM equipment and services market.

In addition, the Group has started planning the development of the investment property acquired by the Group in December 2016. The investment property will be developed into the global technology research and development centre of the Group. The investment property will not only enable the Group to enhance its research and development capabilities, but also has good potential as a long term investment.

Looking into the future, the Group holds confidence in its business prospects and will strive to provide higher returns for its shareholders with the principle of “Efficient use of technology to create multi-win situations” (“善用科技·共創多贏”).

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 2018.

1. Revenue:

a. APM Services

	Six-month period ended 30 June				
	2019		2018		Increase/ (decrease)
	Unaudited HK\$'000	Area serviced (square meters '000)	Unaudited HK\$'000	Area serviced (square meters '000)	
Revenue (net of VAT)					
"Hot-in-Place" Projects	51,153	786	99,123	1,629	(48.4%)
Non-"Hot-in-Place" Projects	43,458	–	50,107	–	(13.3%)
Total	94,611		149,230		(36.6%)

	Six-month period ended 30 June				
	2019		2018		Increase/ (decrease)
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
Gross profit					
"Hot-in-Place" Projects	4,566	8.9%	32,787	33.1%	(86.1%)
Non-"Hot-in-Place" Projects	3,787	8.7%	5,953	11.9%	(36.4%)
Total	8,353	8.8%	38,740	26.0%	(78.4%)

Revenue for this segment decreased significantly compared with that of the corresponding period in 2018 due to the tightened cash flow of some of the PRC local governments and in order to reduce the operational cash flow risk of the Group, the Group has delayed some of the road maintenance projects until the customers' funds for these projects are officially in place. The total serviced area of "Hot-in-Place" projects was decreased by approximately 50% from 1.6 million square meters during the six-month period ended 30 June 2018 to 0.8 million square meters during the Period.

During the Period, the revenue of non-"Hot-in-Place" projects of approximately HK\$43.5 million was contributed by Tianjin Expressway Maintenance and was 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.

The gross profit margin of “Hot-in-Place” Projects decreased significantly from 33.1% for the six-month period ended 30 June 2018 to 8.9% during the Period. The decrease in gross profit margin is mainly due to the significant decreased in the revenue of “Hot-in-Place” Projects, because the Group will continue to incur fixed cost of sales of this sector despite decrease in revenue.

b. APM Equipment

	Six-month period ended 30 June				
	2019		2018		Increase/ (decrease)
	Unaudited HK\$'000	units/ sets	Unaudited HK\$'000	units/ sets	
Revenue (net of VAT)					
Standard series	20,672	17	24,587	20	(15.9%)
Modular series	–	–	–	–	–
Repair and maintenance	3,495	–	1,616	N/A	116.3%
Total	24,167		26,203		(7.8%)

	Six-month period ended 30 June				
	2019		2018		Increase/ (decrease)
	Unaudited HK\$'000	Margin	Unaudited HK\$'000	Margin	
Gross profit					
Standard series	9,947	48.1%	9,613	39.1%	3.5%
Modular series	–	N/A	–	N/A	–
Repair and maintenance	1,908	54.6%	905	56.0%	110.8%
Total	11,855	49.1%	10,518	40.1%	12.7%

Revenue for the APM equipment segment for the Period was decreased by 7.8% as against the corresponding period for 2018 was primarily due to the decrease in the number of the Truck Mounted Attenuator equipment sold.

The increase in the gross profit margin for APM equipment from 40.1% in 2018 to 49.1% for the Period was due to the sale of higher gross profit margin of standard series.

2. Other Gains and Losses

Other gains and losses were increased by approximately HK\$12.8 million from HK\$0.6 million for the six-month period ended 30 June 2018 to HK\$13.4 million for the Period, primarily due to the net effect of expected credit loss of trade receivables reversed and the recognition of expected credit loss of other receivables.

3. Selling and Distribution Costs

The increase in the selling and distribution costs by HK\$0.5 million from HK\$9.8 million for the six-month period ended 30 June 2018 to HK\$10.3 million for the Period was mainly due to more APM services demonstration works were conducted and more APM technical conference were participated by the Group to promote our technology .

4. Administrative Expenses

Administrative expenses were decreased by approximately HK\$1.9 million, or approximately 5.4%, from HK\$35.1 million for the six-month period ended 30 June 2018 to HK\$33.2 million for the Period, primarily due to the decrease in the office and staff quarter rental expenses and travelling expenses for the period as cost control had been implemented.

5. Finance Costs

Finance costs were decreased by approximately HK\$0.8 million, or approximately 19.5%, from HK\$4.1 million for the six-month period ended 30 June 2018 to HK\$3.3 million for the Period, primarily due to decrease in bank borrowing amount.

6. Share of Losses of Joint Ventures

The Group's share of losses from the joint ventures was approximately HK\$3.6 million for the Period, increased by approximately HK\$3.6 million, as against the corresponding period of 2018 primarily due to the tightened cash flow of some of the PRC local governments also affected the APM service projects of these joint ventures.

7. Changes in Fair Value of Investment Property

The Group's investment property is revalued as at 30 June 2019 on an open market basis by an independent property valuer. As at 30 June 2019, the investment property valuation amount is relatively stable and the Group did not record changes in fair value of investment property.

8. Taxation

Taxation was decreased by approximately HK\$7.6 million, or approximately 107.0%, from approximately HK\$7.1 million for the six-month period ended 30 June 2018 to reversal of taxation of approximately HK\$0.5 million for the Period, which is mainly due to the net effect of: 1) nil deferred tax expense recognised due to nil changes in fair value of investment property during the Period; 2) overprovision of taxation in the year ended 31 December 2018; and 3) in line with loss before taxation during the Period.

9. Loss

Loss attributable to owners of the Company amounted to HK\$29.8 million for the Period compared with profit attributable to owners of the Company of approximately HK\$13.4 million for the six-month period ended 30 June 2018, primarily due to the net effect of (i) the significant decrease in revenue of APM services segment; (ii) the decrease in administrative expenses; and (iii) the recognition of expected credit loss of other receivables.

10. Liquidity and Financial Resources and Capital Structure

As at 30 June 2019, the Group's bank balances and cash, time deposits, pledged bank deposits and financial assets at fair value through profit or loss amounted to approximately HK\$150.4 million (as at 31 December 2018: HK\$192.4 million). The decrease was primarily due to the net effect of net cash used in the operating activities and the repayment of bank borrowings. As at 30 June 2019, the bank borrowings of the Group amounted to HK\$117.2 million (as at 31 December 2018: HK\$123.0 million). As at 30 June 2019 and 31 December 2018, the Group was in a net cash position.

Due to the effect of the gross carrying amount of trade receivables and contract assets balance as at 31 December 2018 which were due to receive during the Period and decrease in the APM services projects performed during the Period, these balances was decreased by HK\$73.7 million, or approximately 8.7%, from HK\$850.4 million as of 31 December 2018 to HK\$776.7 million as of 30 June 2019. The contract assets 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, customers had subsequently settled trade receivables amounting to HK\$61.4 million (equivalent to approximately RMB53.9 million).

As at 30 June 2019, 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 2019, the Group had total debt of HK\$117.2 million (as at 31 December 2018: HK\$123.0 million), which was unsecured interest-bearing bank borrowings.

As at 30 June 2019, bank balances of approximately HK\$17.3 million (as at 31 December 2018: HK\$24.4 million) was pledged to secure general banking facilities granted to the Group.

The maturity profile of the interest-bearing bank borrowing as at 31 December 2018 and 30 June 2019 were repayable within one year or on demand.

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

The Group received approximately net proceeds of HK\$687.0 million, 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 2019 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	98.6	38.8
Manufacturing APM equipment and expanding our APM service teams	103.1	103.1	–
Acquisitions of other APM service providers	103.0	53.6	49.4
Constructing new production facility	68.7	68.7	–
Establishing sales offices in new markets and marketing expenses	68.7	68.7	–
General corporate purposes and working capital requirements	68.7	68.7	–
	687.0	598.8	88.2

The unutilised net proceeds have 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 20 to these condensed consolidated interim unaudited financial statements.

As at 30 June 2019, the Group did not have any material contingent liabilities.

15. Financial Risk Management

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. As at 30 June 2019, 18.5% and 81.5% (as at 31 December 2018: 18.5% and 81.5%) of the Group's bank borrowings are at fixed interest 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 Renminbi ("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 2019, certain time deposit, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK\$142,480,000 (as at 31 December 2018: HK\$178,237,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 30 June 2019, the Group's bank borrowings denominated in RMB amounted to HK\$117,235,000 (equivalent to RMB103,000,000) (as at 31 December 2018: HK\$123,012,000 (equivalent to RMB108,000,000)). The Group has not hedged its foreign currency risk. The changes in foreign currency translation reserve during the Period was the result of the depreciation 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 2019, the Group had a total of 570 full time employees (as at 31 December 2018: 572). 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 2019, 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 of Hong Kong Limited (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")	–	–	–	–	529,688,260 ⁽¹⁾	529,688,260	49.09%
Ms. Sze Wan Nga ("Ms. Sze")	–	–	100,000	–	29,640,000 ⁽²⁾	29,740,000	2.76%
Mr. Zhang Yifu	2,300,000	166,667	100,000	–	–	2,566,667	0.24%
Mr. Chan Kai King	2,300,000	166,667	100,000	–	–	2,566,667	0.24%
Ms. Yeung Sum	–	–	50,000	–	–	50,000	0.00%
Mr. Tang Koon Yiu Thomas	–	–	50,000	–	–	50,000	0.00%
Dr. Lau Ching Kwong	–	–	50,000	–	–	50,000	0.00%
Dr. Chan Yan Chong	50,000	–	–	–	–	50,000	0.00%

Notes:

- Mr. Sze is the beneficial owner of all the issued share capital of Freetech (Cayman) Ltd. ("Freetech Cayman"), Freetech (BVI) Limited ("Sze BVI") and Freetech Technology Limited ("Freetech Technology") and therefore is deemed to be interested in a total of 529,688,260 shares of the Company held by Freetech Cayman, Sze BVI and Freetech Technology.
- Ms. Sze is the beneficial owner of all the issued share capital of Intelligent Executive Limited ("Intelligent Executive") 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.

(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 2019, 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 2019, 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	529,688,260	49.09%
Sze BVI ⁽¹⁾	Interest in controlled corporation	529,688,260	49.09%
Freetech Cayman ⁽¹⁾	Beneficial owner	529,688,260	49.09%
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%

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 2019, 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 2019	Granted during the period	Forfeited during the period	Number of options held at 30 June 2019	Date of Grant	Exercise period	Exercise price per share	Weighted average share price immediately preceding the exercise date
Directors								
Ms. Sze	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	16/10/2017-15/10/2019	HK\$2.75	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	16/10/2017-15/10/2019	HK\$2.75	N/A
Tang Koon Yiu Thomas	50,000	-	-	50,000	16/10/2014	16/10/2017-15/10/2019	HK\$2.75	N/A
Lau Ching Kwong	50,000	-	-	50,000	16/10/2014	16/10/2017-15/10/2019	HK\$2.75	N/A
Continuous contract employees								
In aggregate	1,530,000	-	-	1,530,000	16/10/2014	16/10/2017-15/10/2019	HK\$2.75	N/A
	1,980,000	-	-	1,980,000				

Further details of the Share Option Scheme are disclosed in note 18 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 (the "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 and to hold them in trust for the benefit of the employees on and subject to the terms and conditions of the scheme rules and the trust deed of the Share Award Scheme. The trustee shall not exercise any voting right attached in respect of any Awarded Shares held in trust by it under the Share Award Scheme (including but not limited to any returned shares, bonus shares or scrip shares derived therefrom).

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

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

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

Further details of the Share Award Scheme are disclosed in note 19 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 Dr. Lau Ching Kwong, (including one independent non-executive director with the appropriate professional qualifications).

At an audit committee meeting held on 30 August 2019, 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.

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.

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 2018: nil).

On behalf of the Board

Mr. Sze Wai Pan

Chairman and Chief Executive Officer

Hong Kong, 30 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2019

	Notes	Six-month period ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	3	118,778	175,433
Cost of sales		(98,570)	(126,175)
Gross profit		20,208	49,258
Other income	4	2,709	2,953
Other gains and losses	5	(13,387)	(593)
Selling and distribution costs		(10,282)	(9,813)
Administrative expenses		(33,246)	(35,119)
Research and development costs		(3,463)	(6,653)
Other expenses		(17)	(342)
Share of losses of joint ventures		(3,614)	(30)
Changes in fair value of investment property		–	22,999
Finance costs	6	(3,287)	(4,095)
(LOSS)/PROFIT BEFORE TAXATION	7	(44,379)	18,565
Taxation	8	519	(7,074)
(LOSS)/PROFIT FOR THE PERIOD		(43,860)	11,491
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation		(1,024)	(11,451)
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(299)	(765)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		(1,323)	(12,216)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(45,183)	(725)
(Loss)/Profit for the period attributable to:			
Owners of the Company		(29,774)	13,416
Non-controlling interests		(14,086)	(1,925)
		(43,860)	11,491
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(31,314)	1,210
Non-controlling interests		(13,869)	(1,935)
		(45,183)	(725)
(LOSS)/EARNINGS PER SHARE	10		
Basic		HK(2.80)cents	HK1.26 cents
Diluted		HK(2.80)cents	HK1.24 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	159,361	174,002
Investment property	11	241,926	229,281
Right-of-use assets		13,252	–
Goodwill		6,150	6,150
Prepaid lease payments		–	9,900
Other intangible assets		280	354
Prepayments and deposits for acquisition of land use rights		28,227	36,762
Interests in joint ventures		26,298	29,846
Deferred tax assets		1,256	1,422
Equity instruments at fair value through other comprehensive income		6,752	6,955
Contract assets	13	–	20,577
Trade receivables — non-current	12	20,525	–
		504,027	515,249
CURRENT ASSETS			
Inventories		69,522	47,496
Bills and trade receivables	12	119,528	131,072
Contract assets	13	212,494	276,163
Prepayments, deposits and other receivables	14	66,317	70,219
Prepaid lease payments		–	290
Tax recoverable		1,730	–
Time deposits		12,981	1,976
Pledged bank deposits		17,268	24,432
Financial assets at fair value through profit or loss		13,089	11,417
Bank balances and cash		107,086	154,614
		620,015	717,679
CURRENT LIABILITIES			
Bills, trade and other payables	16	282,707	346,530
Contract liabilities		11,020	2,035
Lease liabilities		1,887	–
Taxation payable		–	6,412
Bank borrowings		117,235	123,012
		412,849	477,989
NET CURRENT ASSETS		207,166	239,690
TOTAL ASSETS LESS CURRENT LIABILITIES		711,193	754,939
NON-CURRENT LIABILITIES			
Deferred tax liabilities		25,518	25,535
Lease liabilities — non-current		1,454	–
		26,972	25,535
		684,221	729,404
CAPITAL AND RESERVES			
Share capital	17	107,900	107,900
Reserves		563,465	594,779
Attributable to owners of the Company		671,365	702,679
Non-controlling interests		12,856	26,725
Total equity		684,221	729,404

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2019

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Shares held under the		Reserve funds HK\$'000	Share-based compensation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
			share award scheme HK\$'000	Contributed surplus HK\$'000								
			(Note c)	(Note a)	(Note b)							
At 1 January 2019 (Audited)	107,900	732,463	(26,584)	25,328	91,342	470	(73,744)	(154,101)	(395)	702,679	26,725	729,404
Loss for the period	-	-	-	-	-	-	-	(29,774)	-	(29,774)	(14,086)	(43,860)
Other comprehensive (expense)/income for the period	-	-	-	-	-	-	(1,241)	-	(299)	(1,540)	217	(1,323)
Total comprehensive expense for the period	-	-	-	-	-	-	(1,241)	(29,774)	(299)	(31,314)	(13,869)	(45,183)
At 30 June 2019 (Unaudited)	107,900	732,463	(26,584)	25,328	91,342	470	(74,985)	(183,875)	(694)	671,365	12,856	684,221

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2018

	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	FVTOCI reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 31 December 2017 (Audited)	107,900	732,463	(26,584)	25,328	89,143	590	(36,049)	-	9,770	902,561	76,245	978,806
Adjustments	-	-	-	-	-	-	-	449	(23,047)	(22,598)	(42,837)	(65,435)
At 1 January 2018 (restated)	107,900	732,463	(26,584)	25,328	89,143	590	(36,049)	449	(13,277)	879,963	33,408	913,371
Profit (loss) for the period	-	-	-	-	-	-	-	-	13,416	13,416	(1,925)	11,491
Other comprehensive expense for the period	-	-	-	-	-	-	(11,441)	(765)	-	(12,206)	(10)	(12,216)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(11,441)	(765)	13,416	1,210	(1,935)	(725)
Fair value change of equity instrument transfer to retained earnings upon disposal	-	-	-	-	-	-	-	(474)	474	-	-	-
At 30 June 2018 (Unaudited)	107,900	732,463	(26,584)	25,328	89,143	590	(47,490)	(790)	613	881,173	31,473	912,646

Notes:

- (a) 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.
- (b) 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.
- (c) The amount represents payments by the Group to the trustee of the Share Award Scheme (as defined in note 19), 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 19.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2019

	Notes	Six-month period ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Operating activities			
Loss before taxation		(44,379)	18,565
Adjustments for:			
Interest income	4	(2,087)	(2,256)
Finance costs	6	3,287	4,095
Share of losses of joint ventures		3,614	30
Depreciation of property, plant and equipment	7	16,060	16,225
Depreciation of right-of-use assets	7	1,098	–
Amortisation of prepaid lease payments	7	–	157
Amortisation of other intangible assets	7	75	85
Write off of property, plant and equipment	7	31	23
Expected credit loss of trade receivables (reversed)/recognized	7	(5,053)	1,058
Expected credit loss of other receivables recognized	7	18,397	–
Changes in fair value of investment property		–	(22,999)
Unrealised exchange differences		(972)	1,089
Operating cash flows before movements in working capital		(9,929)	16,072
Increase in inventories		(22,460)	(1,026)
Decrease in bills and trade receivables		17,827	39,486
Decrease in contract assets		63,565	–
Increase in contract liabilities		9,154	–
Increase in prepayments, deposits and other receivables		(12,311)	(13,397)
Decrease in bills, trade and other payables		(69,163)	(87,552)
Cash used in operations		(23,317)	(46,417)
Interest paid		(3,193)	(4,095)
Income tax paid		(8,173)	(2,016)
Net cash flows used in operating activities		(34,683)	(52,528)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2019

	Notes	Six-month period ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Investing activities			
Interest received		550	2,256
Purchase of property, plant and equipment	11	(1,142)	(16,504)
Addition to investment property		(1,236)	(93)
Purchase of equity instruments at fair value through other comprehensive income		–	(1,961)
Placement of pledged bank deposits		(5,305)	(3,640)
Withdrawal of pledged bank deposits		12,469	1,752
Placement of time deposits		(11,005)	(2,355)
Withdrawal of time deposits		–	12,678
Placement of structured bank deposits		(10,786)	–
Placement of financial assets at fair value through profit or loss		–	(35,473)
Withdrawal of structured bank deposits		9,114	–
Withdrawal of financial assets at fair value through profit or loss		–	18,081
Net cash flows used in investing activities		(7,341)	(25,259)
Financing activities			
Bank borrowing raised		74,176	60,265
Repayment of bank borrowings		(79,971)	(60,265)
Net cash flows used in financing activities		(5,795)	–
Net decrease in cash and cash equivalents		(47,819)	(77,787)
Cash and cash equivalents at beginning of period		154,614	200,037
Effect of exchange rate changes on the balance of cash held in foreign currencies		291	(85)
Cash and cash equivalents at the end of the period, represented by bank balances and cash		107,086	122,165

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Freetech Road Recycling Technology (Holdings) Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2011 under the Companies Law, Chapter 22 of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacturing and sale of road maintenance equipment and provision of road maintenance services in the People’s Republic of China (the “PRC”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment property and financial instruments which measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months period ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

(Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC/properties in Hong Kong was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$4,164,000 and right-of-use assets of HK\$14,354,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5%.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

(Continued)

As a lessee (Continued)

	1 January 2019 (Unaudited) HK\$'000
Operating lease commitment disclosed as at 31 December 2018	5,361
Lease liabilities discounted at relevant incremental borrowing rates	5,087
Less: Recognition exemption — short-term leases	(923)
Lease liabilities as at 1 January 2019	4,164
Analysed as	
Current	1,758
Non-current	2,406
	4,164

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets (Unaudited) HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	4,164
Reclassified from prepaid lease payments (note)	10,190
	14,354
By class:	
Leasehold land	10,190
Motor vehicles	1,316
Building	2,848
	14,354

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the prepaid lease payments amounting to HK\$10,190,000 were reclassified to right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases**
*(Continued)***2.1.2 Transition and summary of effects arising from initial application of HKFRS 16***(Continued)**As a lessee (Continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Non-current Assets			
Prepaid lease payments	9,900	(9,900)	–
Right-of-use assets	–	14,354	14,354
Current assets			
Prepaid lease payments	290	(290)	–
Current Liabilities			
Lease liabilities	–	(1,758)	(1,758)
Non-current Liabilities			
Lease liabilities	–	(2,406)	(2,406)
	10,190	–	10,190

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

3.1 Revenue

Disaggregation of revenue from contracts with customers

Segments	For the six months ended 30 June 2019		
	Maintenance Service (Unaudited) HK\$'000	Sales of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods			
Maintenance Service			
— "Hot-in-place" Projects	51,153	–	51,153
— Non-"Hot-in-place" Projects	43,458	–	43,458
Sales of equipment			
— Standard series	–	20,672	20,672
— Repair and maintenance	–	3,495	3,495
Total	94,611	24,167	118,778
Geographical markets			
Mainland China	94,611	18,879	113,490
Overseas	–	5,288	5,288
Total	94,611	24,167	118,778
Timing of revenue recognition			
A point in time	–	24,167	24,167
Over time	94,611	–	94,611
Total	94,611	24,167	118,778

3. REVENUE AND SEGMENT INFORMATION *(Continued)***3.1 Revenue** *(Continued)***Disaggregation of revenue from contracts with customers** *(Continued)*

Segments	For the six months ended 30 June 2018		
	Maintenance Service (Unaudited) HK\$'000	Sales of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods			
Maintenance Service			
— "Hot-in-place" Projects	99,123	—	99,123
— Non-"Hot-in-place" Projects	50,107	—	50,107
Sales of equipment			
— Standard series	—	24,587	24,587
— Repair and maintenance	—	1,616	1,616
Total	149,230	26,203	175,433
Geographical markets			
Mainland China	149,230	19,588	168,818
Overseas	—	6,615	6,615
Total	149,230	26,203	175,433
Timing of revenue recognition			
A point in time	—	26,203	26,203
Over time	149,230	—	149,230
Total	149,230	26,203	175,433

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

3.2 Operating segment

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 (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that interest income, exchange differences, share of profits and losses of joint ventures, 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 2019 and 2018 is set out below:

	Six-month period ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Customer A — Provision of road maintenance services	47,878	39,346
Customer B — Provision of road maintenance services	N/A	19,098
Customer C — Provision of road maintenance services	N/A	17,778

3. REVENUE AND SEGMENT INFORMATION (Continued)**3.2 Operating segment** (Continued)

	For the six-month period ended 30 June 2019		
	Maintenance services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	94,611	24,167	118,778
Other revenue	311	311	622
Revenue	94,922	24,478	119,400
Allocated corporate expenses	(130,296)	(21,733)	(152,029)
Segment results	(35,374)	2,745	(32,629)
<i>Reconciliation:</i>			
Interest income			2,087
Finance costs			(3,287)
Unallocated corporate expenses			(6,936)
Share of profits and losses of joint ventures			(3,614)
Loss before tax			(44,379)
Other segment information:			
Expected credit loss (reversed)/recognised in the statement of profit or loss	18,440	(5,096)	13,344
Depreciation and amortisation	15,717	1,516	17,233
Capital expenditure*	13,928	46	13,974

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

3.2 Operating segment *(Continued)*

	For the six-month period ended 30 June 2018		
	Maintenance services (Unaudited) HK\$'000	Sale of equipment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	149,230	26,203	175,433
Intersegment sales	–	6,380	6,380
Other revenue	213	484	697
	149,443	33,067	182,510
<i>Reconciliation:</i>			
Elimination of intersegment sales	–	(6,380)	(6,380)
Revenue	149,443	26,687	176,130
Allocated corporate expenses	(119,235)	(52,870)	(172,105)
Segment results	30,208	(26,183)	4,025
<i>Reconciliation:</i>			
Interest income			2,256
Exchange losses			(200)
Finance costs			(4,095)
Unallocated corporate expenses			(6,390)
Share of profits and losses of joint ventures			(30)
Changes in fair value of investment property			22,999
Profit before tax			18,565
Other segment information:			
Expected credit loss (reversed)/recognised in the statement of profit or loss	(21,631)	22,689	1,058
Depreciation and amortisation	15,211	1,256	16,467
Capital expenditure*	15,768	829	16,597

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

4. OTHER INCOME

	Six-month period ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Government grants (Note)	615	198
Interest income	2,087	2,256
Others	7	499
	2,709	2,953

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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Write off of property, plant and equipment	(31)	(23)
Expected credit loss of trade receivables reversed/(recognized)	5,053	(1,058)
Expected credit loss of other receivables recognised	(18,397)	–
Net foreign exchange losses	–	(200)
Dividend income from equity instrument	–	688
Donation	(12)	–
	(13,387)	(593)

6. FINANCE COSTS

	Six-month period ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on:		
— Bank borrowings wholly repayable within five years	3,193	4,095
Interest on lease liabilities	94	—
	3,287	4,095

7. (LOSS)/PROFIT BEFORE TAXATION

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

	Six-month period ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	16,060	16,225
Depreciation of right-of-use assets	1,098	—
Amortisation of other intangible assets	75	85
Amortisation of prepaid lease payments	—	157
Minimum lease payments under operating leases of land and buildings	1,510	2,687
Write off of property, plant and equipment	31	23
Expected credit loss of trade receivables (reversed)/recognized	(5,053)	1,058
Expected credit loss of other receivables recognised	18,397	—
Foreign exchange differences, net	—	200

8. TAXATION

The charge comprises:

	Six-month period ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
PRC Enterprise Income Tax ("EIT"):		
— Current tax	997	31
— Under provision in prior years	—	1,080
— Over provision in prior years	(1,683)	(12)
	(686)	1,099
Deferred tax charge	167	5,975
	(519)	7,074

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements since there is no tax assessable profit for the six-month periods ended 30 June 2018 and 2019.

Except as described below, provision for PRC EIT 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, 2014 and 2017 respectively and the applicable tax rate is 15% from 1 January 2010 to 31 October 2020.

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, 2015 and 2018 respectively and the applicable tax rate is 15% from 1 January 2009 to 3 November 2021.

Withholding tax of approximately HK\$48,000 was provided for the six-month period ended 30 June 2018 with reference to the anticipated dividends to be distributed by the PRC entities to non-PRC tax residents.

9. DIVIDENDS

At a meeting of the board of directors held on 30 August 2019, the directors resolve not to pay any interim dividend to shareholders (six-month period ended 30 June 2018: Nil).

10. (LOSS)/EARNINGS PER SHARE

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

(Loss)/Earnings

	Six-month period ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
(Loss)/Earnings for the purposes of calculating basic and diluted (loss)/earnings per share — attributable to the owners of the Company	(29,774)	13,416

Number of shares

	Six-month period ended 30 June	
	2019 (Unaudited)	2018 (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 (loss)/earnings per share	1,061,630,000	1,061,630,000
Effect of dilutive potential ordinary shares: Unvested share award	—	17,370,000
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	1,061,630,000	1,079,000,000

The computation of diluted loss per share for the six-month period ended 30 June 2019 did not assume the exercise of the Company's outstanding share options and the share award as that would decrease the loss per share for the period presented.

The computation of diluted earnings per share for the six-month period ended 30 June 2018 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 2019, the Group acquired property, plant and equipment, and investment property of HK\$1,142,000 and HK\$12,832,000, respectively (six-month period ended 30 June 2018: HK\$16,504,000 and HK\$93,000).

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 Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司), who is a firm of independent valuer qualifications, on market value basis. There is no changes in fair value of investment property for the six-month period ended 30 June 2019 (six-month period ended 30 June 2018: HK\$22,999,000).

12. BILLS AND TRADE RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade receivables	136,619	127,598
Portion classified as non-current assets	(20,525)	–
Current portion	116,094	127,598
Bills receivables	3,434	3,474
	119,528	131,072

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
0 to 180 days	3,434	3,474

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.

12. BILLS AND TRADE RECEIVABLES (Continued)

The following is aging 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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 3 months	22,947	27,811
3 to 12 months	25,153	37,373
1 to 2 years	41,327	36,108
Over 2 years	47,192	26,306
	136,619	127,598

As at 30 June 2019, included in the trade receivables are amounts due from the Group's related companies of HK\$16,127,000 (31 December 2018: HK\$20,025,000), 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 23.

13. CONTRACT ASSETS

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Sale of road maintenance equipment	4,752	48,130
Provision of road maintenance services	207,742	248,610
	212,494	296,740
Current	212,494	276,163
Non-current	–	20,577
	212,494	296,740

The contract assets primarily relate to the Group's right to consideration for work completed and not billed nor due because the rights are conditioned on the Group's future performance in achieving specified milestone at the reporting date on sale of road maintenance equipment and provision of road maintenance services. The contract assets are transferred to trade receivables when the rights become unconditional.

Details of the impairment assessment are set out in note 15.

As at 30 June 2019, included in the contract assets are amounts due from the Group's related companies of HK\$56,701,000 (31 December 2018: HK\$72,388,000), details of which are set out in note 23.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Other receivables	32,417	22,995
Prepayments and deposits	29,846	42,821
Tax recoverable	4,054	4,403
	66,317	70,219

At 30 June 2019, included in the Group's prepayments, deposits and other receivables are amounts due from related companies of HK\$2,390,000 (31 December 2018: HK\$920,000), which are unsecured, interest-free and have no fixed terms of repayment, details of which are set out in note 23.

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

	Six-month period ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Expected credit loss (reversed)/recognised in respect of		
Trade receivables	(5,053)	1,058
Other receivables	18,397	–
	13,344	1,058

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six-month period ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

16. BILLS, TRADE AND OTHER PAYABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Bills payable	26,964	8,201
Trade payables	199,618	275,274
Other tax payables	17,490	19,898
Advance from customers, other payables and accrued charges	38,635	43,157
	282,707	346,530

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
0 to 180 days	26,964	8,201

An aging analysis of the Group's trade payables at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 3 months	59,876	194,568
3 to 12 months	99,430	23,297
1 to 2 years	19,858	33,586
Over 2 years	20,454	23,823
	199,618	275,274

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

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

As at 30 June 2019, included in the Group's trade payables are amounts due to related companies of approximately HK\$1,970,000 (31 December 2018: HK\$2,541,000), 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 23.

As at 30 June 2019, 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\$26,690,000 (31 December 2018: HK\$26,690,000) which is unsecured, interest-free and have no fixed terms of repayment.

17. SHARE CAPITAL**Shares**

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2018: 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 2018: 1,079,000,000) ordinary shares of HK\$0.10 each	107,900	107,900

18. 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.

18. 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 2019 (six-month period ended 30 June 2018: Nil). Movement of share options outstanding under the Scheme during the six-month period ended 30 June 2019 are as follows:

Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at 1.1.2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 30.6.2019
Directors								
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	16.10.2017–15.10.2019	HK\$2.75	100,000	–	–	–	100,000
Zhang Yifu	16.10.2014	16.10.2017–15.10.2019	HK\$2.75	100,000	–	–	–	100,000
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	16.10.2017–15.10.2019	HK\$2.75	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	16.10.2017–15.10.2019	HK\$2.75	1,530,000	–	–	–	1,530,000
				1,980,000	–	–	–	1,980,000
Exercisable at the end of the period								1,980,000

At 30 June 2019, the number of shares in respect of which options under the Scheme had been granted and remained outstanding was 1,980,000 (31 December 2018: 1,980,000), representing 0.18% (31 December 2018: 0.18%) 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.

18. 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.

19. 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 2019 (six-month period ended 30 June 2018: Nil).

As at 31 December 2018 and 30 June 2019, 17,370,000 shares are held by the trustee and have yet to be awarded.

20. COMMITMENTS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Contracted, but not provided for:		
Land use rights	33,084	33,108
Property, plant and equipment	20,506	9,479
Capital contribution payable to an equity instrument at fair value through other comprehensive income	315	315
	53,905	42,902
Authorised, but not contracted for:		
Property, plant and equipment	1,057	1,057
	54,962	43,959

21. PLEDGE OF ASSETS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Bank deposits	17,268	24,432

22. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

23. 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		Purchase of materials		Consulting service	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
天津高速公路集團有限公司 Tianjin Expressway Group Company Limited ("Tianjin Expressway Group") (Note (1))	47,878	39,346	-	-	-	-
Freotech Technology Limited (Note (2))	-	-	-	-	1,380	-
Associates of Tianjin Expressway Group	-	1,525	-	-	-	-
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))	2,528	-	-	2,121	-	-

Notes:

- (1) 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.
- (2) Freotech Technology Limited is the ultimate holding company of the Group.
- (3) A joint venture of the Group.

23. RELATED PARTY DISCLOSURES *(Continued)*

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

Name of related parties	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
貴州英達道路工程有限公司 Guizhou Freetech Road Engineering Co., Ltd. (note)	10,668	11,146
Nanjing Lujie (note)	–	680
Tianjin Expressway Group	60,601	59,090
Subsidiaries of Tianjin Expressway Group	1,481	3,727
Associates of Tianjin Expressway Group	2,454	18,690
	75,204	93,333

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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Nanjing Lujie (note)	1,799	2,370
連雲港路達道路再生工程有限公司 Lianyungang Luda Road Recycling Engineering Co., Ltd (note)	157	171
	1,956	2,541

Note: These are joint ventures of the Group.

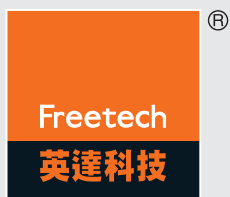
23. RELATED PARTY DISCLOSURES *(Continued)***(d) Compensation of key management personnel of the Group**

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 2019 and 2018 is as follows:

	Six-month period ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short term employee benefits	2,682	2,475
Post-employment benefits	27	36
Share-based payment expense	–	–
	2,709	2,511

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 30 August 2019.



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