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

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6888)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

The board of directors (the "Board") of Freetech Road Recycling Technology (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six-month period ended 30 June 2018 (the "Period").

FINANCIAL HIGHLIGHTS

	Six-month period ended 30 June		
	2018	2017	Increase/
	Unaudited	Unaudited	(decrease)
	HK$'000	*HK$'000*	
Revenue	**175,433**	221,415	(20.8%)
Gross profit	**49,258**	57,574	(14.4%)
Profit attributable to owners of the Company	**13,416**	19,053	(29.6%)
Earnings per share (Basic) *(HK cents)*	**1.26**	1.79	(29.6%)
Gross profit margin[1]	**28.1%**	26.0%	

[1] (gross profit/revenue) x 100%

FINANCIAL RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2018

		Six-month period ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**175,433**	221,415
Cost of sales		**(126,175)**	(163,841)
Gross profit		**49,258**	57,574
Other income	*4*	**2,953**	5,916
Other gains and losses	*5*	**(593)**	(8,339)
Selling and distribution costs		**(9,813)**	(10,309)
Administrative expenses		**(35,119)**	(44,445)
Research and development costs		**(6,653)**	(5,880)
Other expenses		**(342)**	(11)
Share of losses of joint ventures		**(30)**	(3,111)
Changes in fair value of investment property		**22,999**	41,664
Finance costs	*6*	**(4,095)**	(2,418)
PROFIT BEFORE TAXATION	*7*	**18,565**	30,641
Taxation	*8*	**(7,074)**	(12,587)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**11,491**	18,054

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2018

	Note	**Six-month period ended 30 June 2018 (Unaudited) *HK$'000***	2017 (Unaudited) *HK$'000*
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**11,491**	18,054
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation		**(11,451)**	36,147
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(765)**	–
OTHER COMPREHENSIVE (EXPENSE))/INCOME FOR THE PERIOD		**(12,216)**	36,147
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD		**(725)**	54,201
Profit/(loss) for the period attributable to:			
Owners of the Company		**13,416**	19,053
Non-controlling interests		**(1,925)**	(999)
		11,491	18,054
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		**1,210**	52,286
Non-controlling interests		**(1,935)**	1,915
		(725)	54,201
EARNINGS PER SHARE	*10*		
Basic		**HK1.26 cents**	HK1.79 cents
Diluted		**HK1.24 cents**	HK1.77 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**193,752**	196,904
Investment property	*11*	**237,426**	218,018
Goodwill		**6,881**	6,881
Prepaid lease payments		**10,456**	10,747
Other intangible assets		**450**	540
Prepayments and deposits for acquisition of land use rights		**38,297**	38,748
Interests in joint ventures		**34,749**	35,075
Deferred tax assets		**1,979**	2,284
Available-for-sale investments		**–**	13,652
Equity instruments at fair value through other comprehensive income		**6,821**	–
Trade receivables — non-current	*12*	**40,226**	43,782
		571,037	566,631
CURRENT ASSETS			
Inventories		**44,814**	44,407
Bills and trade receivables	*12*	**219,749**	552,301
Contract assets		**224,210**	–
Prepayments, deposits and other receivables	*13*	**89,211**	69,336
Prepaid lease payments		**302**	306
Time deposits		**5,591**	15,914
Pledged bank deposits		**7,587**	5,698
Structured bank deposits		**–**	38,919
Financial assets at fair value through profit or loss		**56,311**	–
Bank balances and cash		**122,165**	200,037
		769,940	926,918
CURRENT LIABILITIES			
Bills, trade and other payables	*14*	**244,845**	336,836
Contract liabilities		**3,197**	–
Taxation payable		**1,878**	2,795
Bank borrowings		**151,744**	153,754
		401,664	493,385
NET CURRENT ASSETS		**368,276**	433,533
TOTAL ASSETS LESS CURRENT LIABILITIES		**939,313**	1,000,164

	Note	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**26,667**	21,358
		912,646	978,806
CAPITAL AND RESERVES			
Share capital	*15*	**107,900**	107,900
Reserves		**773,273**	794,661
Attributable to owners of the Company		**881,173**	902,561
Non-controlling interests		**31,473**	76,245
Total equity		**912,646**	978,806

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except 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-month period ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

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 HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from manufacture and sale of road maintenance equipment, and provision of road maintenance services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

<u>Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation</u>

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

2.1.2 *Summary of effects arising from initial application of HKFRS 15*

There was no material impact of transition to HKFRS 15 on retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017** *HK$'000*	**Reclassification** *HK$'000*	**Carrying amounts under HKFRS 15 at a 1 January 2018** ***HK$'000***
Current Assets				
Bills and trade receivables	*(a)*	552,301	(296,776)	**255,525**
Contract assets	*(a)*	–	296,776	**296,776**
Current Liabilities				
Bills, trade and other payables	*(b)*	336,836	(1,674)	**335,162**
Contract liabilities	*(b)*	–	1,674	**1,674**

(a) At the date of initial application, unbilled revenue of HK$296,776,000 arising from some of the sale of road maintenance equipment and provision of road maintenance services contracts are conditional, and hence such balance was reclassified from bills and trade receivables to contract assets.

(b) As at 1 January 2018, advances from customers of HK$1,674,000 in respect of sale of road maintenance equipment contracts previously included in bills, trade and other payables were reclassified to contract liabilities.

The following table summaries the impact of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line item affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position at 30 June 2018

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current Assets			
Bills and trade receivables	219,749	224,210	443,959
Contract assets	224,210	(224,210)	–
Current Liabilities			
Bills, trade and other payables	244,845	3,197	248,042
Contract liabilities	3,197	(3,197)	–

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

<u>Classification and measurement of financial assets</u>

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at cost less any identified impairment losses. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and losses" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.1.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets including bills and trade receivables, prepayments, deposits and other receivables, pledged bank deposits, time deposits, bank balances and cash which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of bills and trade receivables, and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.1.2.

2.2.2 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments	Financial assets at FVTPL	Equity instruments at FVTOCI	Structured bank deposits	Amortised cost (previously classified as loan and receivables) instruments	FVTOCI reserve	Retained profits	Non-Controlling Interests
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017 — HKAS 39 (audited)		13,652	-	–	38,919	879,139	-	9,770	76,245
Effect arising from initial application of HKFRS 9:									
Reclassification									
From available-for-sale investments	*(a)*	(13,652)	-	13,652	-	-	-	-	-
From structured bank deposits	*(b)*	-	38,919	-	(38,919)	-	-	-	-
Remeasurement		-	-	-	-	-	-	-	
From amortised cost to fair value	*(a)*	-	-	449	-	-	449	-	-
Impairment under ECL model	*(c)*	-	-	-	-	(65,884)	-	(23,047)	(42,837)
At 1 January 2018 (restated)		-	38,919	14,101	-	813,255	449	(13,277)	33,408

(a) Available-for-sale investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments classified as available-for-sale investments and preciously measured at cost less impairment under HKAS 39. These investments are not held for trading. At the date of initial application of HKFRS 9, HK$13,652,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gain amounting to HK$449,000 relating to those equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve at 1 January 2018.

(b) Structured bank deposits and investments in interest bearing instruments

At the date of initial application of HKFRS 9, the Group's structured bank deposits did not meet the HKFRS 9 criteria for classification at amortised cost and FVTOCI, as their cash flows did not represent solely payments of principal and interest. As a result, the carrying amounts of structured bank deposits of HK$38,919,000 were reclassified to financial assets at FVTPL respectively.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. Time deposits, pledged bank deposits and bank balances are subject to ECL model but the impairment is immaterial.

As at 1 January 2018, the additional credit loss allowance of HK$65,884,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including trade receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables *HK$'000*
At 31 December 2017	
— HKAS 39	249,099
Amounts remeasured through opening retained profits	65,884
At 1 January 2018	314,983

3. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

Maintenance services	—	Provision of road maintenance services
Sale of equipment	—	Manufacturing and sale of road maintenance equipment

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, exchange differences, share of profits and losses of joint ventures, 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 2018 and 2017 is set out below:

	Six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A — Provision of road maintenance services	**39,346**	52,957
Customer B — Provision of road maintenance services	**19,098**	29,556
Customer C — Provision of road maintenance services	**17,778**	27,120

For the six-month period ended 30 June 2018

	Maintenance services	**Sale of equipment**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***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**
Reconciliation:			
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**
Reconciliation:			
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:			
Impairment losses (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 rights and other intangible assets.

For the six-month period ended 30 June 2017

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

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

4. OTHER INCOME

	Six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Government grants *(Note)*	**198**	2,733
Interest income	**2,256**	3,054
Others	**499**	129
	2,953	5,916

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Write off of property, plant and equipment	**(23)**	(1,148)
Impairment of trade receivables recognised	**(1,058)**	(6,124)
Net foreign exchange losses	**(200)**	(908)
Dividend income from equity institute	**688**	–
Others	**–**	(159)
	(593)	(8,339)

6. FINANCE COSTS

	Six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
— Bank borrowings wholly repayable within five years	**4,095**	2,418
Less: amounts capitalised	**–**	–
	4,095	2,418

7. PROFIT BEFORE TAXATION

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

	Six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**16,225**	24,906
Amortisation of other intangible assets	**85**	61
Amortisation of land lease payments	**157**	151
Minimum lease payments under operating leases of land and buildings	**2,687**	2,693
Write off of property, plant and equipment	**23**	1,148
Impairment of trade receivables recognised	**1,058**	6,124
Foreign exchange differences, net	**200**	908

8. TAXATION

The charge comprises:

	Six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("EIT"):		
— Current tax	**31**	1,068
— Under provision in prior years	**1,080**	1,255
— Over provision in prior years	**(12)**	(372)
	1,099	1,951
Deferred tax charge	**5,975**	10,636
	7,074	12,587

No provision for Hong Kong profits tax has been made for the periods ended 30 June 2018 and 2017 as the Group did not generate any assessable profits arising in Hong Kong or had available tax losses brought forward from prior years to offset the assessable profits generated during both periods.

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

英達熱再生有限公司 Freetech Road Recycling Corporation ("Freetech Road Recycling") was recognised as a High-Tech company in 2010, 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 and 2015 respectively and the applicable tax rate is 15% from 1 January 2009 to 3 November 2018.

Withholding tax of approximately HK$48,000 (six-month period ended 30 June 2017: Nil) was provided 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 2018, the directors resolve not to pay any interim dividend to shareholders (six-month period ended 30 June 2017: Nil).

10. EARNINGS PER SHARE

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

Earnings

	Six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings for the purposes of calculating basic and diluted earnings per share — attributable to the owners of the Company	**13,416**	19,053

Number of shares

	Six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue less shares held under share award scheme during the period for the purpose of calculating basic earnings per share	**1,061,630,000**	1,061,630,000
Effect of dilutive potential ordinary shares:		
Unvested share award	**17,370,000**	17,370,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,079,000,000**	1,079,000,000

The computation of diluted earnings per share for the six-month periods ended 30 June 2018 and 30 June 2017 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 2018, the Group acquired property, plant and equipment, and investment property of HK$16,504,000 and HK$93,000, respectively (six-month period ended 30 June 2017: HK$3,087,000 and HK$164,229,000).

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 Jiangsu Tianching Asset Valuation Company Limited (江蘇天勤資產評估事務所有限公司), who is a firm of independent valuer qualifications, on market value basis. The resulting increase in fair value of investment property of HK$22,999,000 has been recognized directly in profit or loss and other comprehensive income for the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: HK$41,664,000).

12. BILLS AND TRADE RECEIVABLES

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Trade receivables	**259,382**	594,680
Portion classified as non-current assets	**(40,226)**	(43,782)
Current portion	**219,156**	550,898
Bills receivables	**593**	1,403
	219,749	552,301

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
0 to 180 days	**593**	1,403

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.

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 3 months	**17,323**	209,075
3 to 12 months	**43,132**	121,458
1 to 2 years	**104,976**	195,370
Over 2 years	**93,951**	68,777
	259,382	594,680

As at 30 June 2018, included in the trade receivables are amounts due from the Group's related companies of HK$49,977,000 (31 December 2017: HK$160,657,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Other receivables	**41,422**	22,488
Prepayments and deposits	**46,039**	46,687
Tax recoverable	**1,750**	161
	89,211	69,336

At 30 June 2018, included in the Group's other receivables are amounts due from related companies of HK$2,208,000 (31 December 2017: HK$2,147,000), which are unsecured, interest-free and have no fixed terms of repayment.

14. BILLS, TRADE AND OTHER PAYABLES

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Bills payable	**15,483**	17,766
Trade payables	**175,083**	243,193
Other tax payables	**15,075**	28,496
Advance from customers, other payables and accrued charges	**39,204**	47,381
	244,845	336,836

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
0 to 180 days	**15,483**	17,766

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 3 months	**60,094**	147,634
3 to 12 months	**45,717**	36,083
1 to 2 years	**53,220**	41,841
Over 2 years	**16,052**	17,635
	175,083	243,193

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

As at 30 June 2018, included in the Group's trade payables are amounts due to related companies of approximately HK$9,383,000 (31 December 2017: HK$678,000), which are repayable within 90 days, which represents credit terms similar to those offered by the related companies to their major customers.

As at 31 December 2017, included in the Group's advance from customers, other payables and accrued charges is an amount due to a related party of approximately HK$770,000 which is unsecured, interest- free and have no fixed terms of repayment.

As at 30 June 2018, included in the Group's advance from customers, other payables and accrued charges is an amount due to a non-controlling shareholder of approximately HK$27,679,000 (31 December 2017: HK$27,910,000) which is unsecured, interest-free and have no fixed terms of repayment.

15. SHARE CAPITAL

Shares

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Authorised:		
10,000,000,000 (31 December 2017: 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 2017: 1,079,000,000) ordinary shares of HK$0.10 each	**107,900**	107,900

16. COMMITMENTS

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

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Contracted, but not provided for:		
Land use rights	**34,460**	34,916
Property, plant and equipment	**7,609**	5,128
Capital contributions payable to available-for-sale investments	**–**	1,036
Capital contribution payable to an equity instrument at fair value through other comprehensive income	**315**	–
	42,384	41,080
Authorised, but not contracted for:		
Property, plant and equipment	**1,100**	1,114
	43,484	42,194

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 2018 (the "Period").

The year of 2018 is the commencing year for the People's Republic of China's (the "PRC") full implementation of the principles of the 19th National Congress of the Communist Party and also a crucial year for the implementation of "National 13th Five-Year Plan". Some of the important policy documents on environmental protection had come into effect in 2018, such as "Reform Program of the Ecological Environmental Protection Tax Law" and "Opinions on Strengthening the Protection of the Ecological Environment in all aspects and firmly winning the battle of the Preventing and Controlling Environmental Pollution", which is a significant move to step up with reforms of the ecological civilization regime and drive green development. However, due to some of the asphalt pavement maintenance ("APM") services projects were delayed to the second half of 2018 as the local government requires additional time to perform internal approval process including the obtaining of financial budget and the existing penetration rate of recycling technology in APM industry is still low, the APM services sector recorded a decrease in revenue.

During the Period, the Group's operating revenue was approximately HK$175.4 million, representing a decrease of approximately 20.8%, as against the corresponding period of 2017. Total profit attributable to owners of the Company was approximately HK$13.4 million, representing a decrease of approximately 29.6%, as against the corresponding period of 2017.

The Group has continued to be a leading integrated solution provider using "Hot-in-Place" recycling technology in the asphalt pavement maintenance industry in the PRC. As at 30 June 2018, the Group had a total of eleven joint ventures engaging in the provision of Asphalt Pavement Maintenance ("APM") services and had a total of twelve franchisees to promote the Group's "Hot-in-Place" recycling technology in certain cities in the PRC.

APM Services

During the Period, as a result of some of the APM projects (including Hot-in-Place and non Hot-in-Place) were delayed to the second half of 2018 as the local government requires additional time to perform internal approval process including the obtaining of financial budget and the existing penetration rate of recycling technology is still low. The total serviced area of "Hot-in-Place" projects of the Group was decreased from 1.9 million square meters during the six-month period ended 30 June 2017 to 1.6 million square meters during the Period, representing a decrease of 15.8%.

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 31.1% as against the corresponding period of 2017. The APM services segment recorded revenue of approximately HK$149.2 million, representing a decrease of 25.3% as against the corresponding period of 2017.

APM Equipment

The APM equipment segment of the Group recorded revenue of HK$26.2 million, representing an increase of 20.8% as against the corresponding period of 2017, which was primarily due to the increase in the number of the standard series equipment sold in Hong Kong Special Administrative Region and overseas market. The management considers that while the Group has continued to maintain its position as the leading APM equipment provider in the PRC market, the Group is expanding its business outside China.

Research and Development

To maintain our leading position in using "Hot-in-Place" recycling technology in the APM industry, the Group continued to place emphasis on technological innovation.

New Patents

In addition, the Group continued to invest significant resources in research and development. As at 30 June 2018, it had registered 142 patents (as at 31 December 2017: 131), of which 17 were invention patents (as at 31 December 2017: 16), 107 were utility model patents (as at 31 December 2017: 98) and 18 were design patents (as at 31 December 2017: 17). Besides, it had 11 pending patent applications (as at 31 December 2017: 27), of which 7 invention patents and 4 utility model patents (as at 31 December 2017: 10 invention patents, 16 utility model patents and 1 design patent). As at 30 June 2018, the Group's patents including 18 expired patents, of which 13 were utility model patents and 5 were 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.

In 2017, a complete new product, named Truck Mounted Attenuator (TMA) is developed. During the Period, we enhanced the features of TMA. TMA is not only a vehicle with an impact attenuator mounted at the back to absorb force from a colliding vehicle so as to minimize risk of damage or casualties, particularly important to workers and drivers safety. TMA is also equipped with other features to perform other daily maintenance works. TMA is equipped with safety device but also integrates with other features which enable it to perform daily maintenance works. The PRC now owns the biggest road network in the world, and therefore we expect this product will contribute significant revenue to our equipment sales business sector.

The PRC national standard of "Technical Specifications for Urban Road Asphalt Pavement Hot-in-Place Recycling" was officially published and implemented during the Period. It was drafted and edited by the Group. Once again, the Group is a leading developer of technical standards in the field of Hot-in-Place recycling technology. The Group will develop its "Hot-in-Place" recycling technology in the urban road market based on this standard.

Others

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

OUTLOOK

Some of the important policy documents on environmental protection had come into effect in 2018, and therefore, the year of 2018 will be an extraordinary year in the building of ecological civilization in the PRC. With our patent Hot-in-Place recycling technology and other new products, the Group will benefit from the increasing demand for APM in the PRC, especially those using the recycling technologies.

First, as at 31 December 2017, the total mileage for expressway in the PRC was the longest in the world and the highway mileage was the second longest in the world. In addition, the overall sustained growth of the APM industry in the PRC and the existing penetration rate of recycling technology (including the Group's "Hot-in-Place" recycling technology) is still minimal. Therefore, it offers us the largest road maintenance market and huge room to grow. Secondly, subsequent to the Company sold a modular series equipment to a customer in the Republic of Korea and standard series equipment to customers in Macau Special Administrative Region, Malaysia and Taiwan. The Company will continue to explore the overseas business opportunities and strategic cooperations with other companies, such as some listed companies and large-scale or state-owned enterprises. Third, on 11 April 2017, the Group has entered into a cooperation agreement with China Highway Engineering Consulting Corporation (a wholly-owned subsidiary of China Communications Construction Company Limited, a large state-owned enterprise) and agreed to share their resources on the strategic level such as investing and financing, public-private partnership project, merger & acquisition and overseas business. 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 its competitive advantages and implement favorable policies to achieve a healthy growth. The Group plans to enhance its market position, enter into new markets and enlarge its share in existing markets by the following means: first, it will increase market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; second, it will increase its investment to add equipment and staff to its testing and planning departments so as to enhance its one stop solution; third, it will focus on the cities which will hold major events to gain and complete projects of high awareness; fourth, it will grasp the opportunities in the wave of state-owned enterprise reforms to acquire more maintenance companies in the express highway sector; fifth, it will appoint more local APM service providers as its franchisees; sixth, it will further optimize its techniques and technologies to lower the construction costs; and seventh, it will leverage its state- owned partners' overseas channels to expand the international APM equipment and services market.

In addition, the investment property acquired by the Group in December 2016, which will be a new base of the global technology research and development centre of the Group, it will not only enable the Group to enhance its research and development capability, but also has good long term investment potential.

Looking ahead, the Group remains optimistic about its long term prospects. The Group is committed to upholding its development principle — "Efficient use of technology to create multi-win situation" ("善用科技, 共創多贏"), and generating better returns to its shareholders.

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 2017.

REVENUE

a. APM Services

	Six-month period ended 30 June				
	2018		2017		
	Unaudited ***HK$'000***	***Area serviced (square meters '000)***	Unaudited *HK$'000*	*Area serviced (square meters '000)*	Increase/ (decrease)
Revenue (net of VAT)					
"Hot-in-Place" Projects	**99,123**	**1,629**	127,029	1,876	(22.0%)
Non-"Hot-in-Place" Projects	**50,107**	**–**	72,703	–	(31.1%)
Total	**149,230**		199,732		(25.3%)

	Six-month period ended 30 June				
	2018		2017		
	Unaudited ***HK$'000***	***Margin***	Unaudited *HK$'000*	*Margin*	Increase/ (decrease)
Gross profit					
"Hot-in-Place" Projects	**32,787**	**33.1%**	41,106	32.4%	(20.2%)
Non-"Hot-in-Place" Projects	**5,953**	**11.9%**	5,809	8.0%	2.5%
Total	**38,740**	**26.0%**	46,915	23.5%	(17.4%)

Revenue for this segment decreased compared with that of the corresponding period in 2017 due to the some of the APM services projects were delayed to the second half of 2018 as the local government requires additional time to perform internal approval process including the obtaining of the financial budget and the existing penetration rate of recycling technology is still low. The total serviced area of "Hot-in-Place" projects was decreased by 15.8% from 1.9 million square meters during the six-month period ended 30 June 2017 to 1.6 million square meters during the Period. The decrease on revenue amount is higher than the total serviced area of "Hot-in-Place" projects due to the reduced selling price of some of the APM projects conducted during the Period as a result of the exclusion of the raw material cost of asphalt mixture at the request of certain customer(s). During the Period, the revenue of non-"Hot-in-Place" projects of approximately HK$50.1 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 in this segment was relatively stable during the Period and slightly increased from 23.5% in 2017 to 26.0% for the Period.

b. APM Equipment

	Six-month period ended 30 June				
	2018		2017		
	Unaudited	***units/***	Unaudited	*units/*	Increase/
	HK$'000	***sets***	*HK$'000*	*sets*	(decrease)
Revenue (net of VAT)					
Standard series	**24,587**	**20**	19,583	16	25.6%
Modular series	**–**	**–**	–	–	–
Repair and maintenance	**1,616**	**N/A**	2,100	N/A	(23.0%)
Total	**26,203**		21,683		20.8%

	Six-month period ended 30 June				
	2018		2017		
	Unaudited		Unaudited		Increase/
	HK$'000	***Margin***	*HK$'000*	*Margin*	(decrease)
Gross profit					
Standard series	**9,613**	**39.1%**	9,452	48.3%	1.7%
Modular series	**–**	**N/A**	–	N/A	–
Repair and maintenance	**905**	**56.0%**	1,207	57.5%	(25.0%)
Total	**10,518**	**40.1%**	10,659	49.2%	(1.3%)

Revenue for the APM equipment segment for the Period was increased by 20.8% as against the corresponding period for 2017 was primarily due to the increase in the number of the standard series equipment sold in Hong Kong Special Administrative Region and overseas market.

The decrease in the gross profit margin for APM equipment from 49.2% in 2017 to 40.1% for the Period was due to the sale of lower gross profit margin of standard series.

OTHER GAINS AND LOSSES

Other gains and losses were decreased by approximately HK$7.7 million from HK$8.3 million for the six-month period ended 30 June 2017 to HK$0.6 million for the Period, primarily due to the net effect of the decrease in impairment loss of trade receivables and dividend income from equity instrument.

SELLING AND DISTRIBUTION COSTS

The decrease in the selling and distribution costs by HK$0.5 million from HK$10.3 million for the six-month period ended 30 June 2017 to HK$9.8 million for the Period was relatively stable.

ADMINISTRATIVE EXPENSES

Administrative expenses were decreased by approximately HK$9.3 million, or approximately 20.9%, from HK$44.4 million for the six-month period ended 30 June 2017 to HK$35.1 million for the Period, primarily due to the decrease in depreciation expenses for the Period as a result of the recognition of impairment loss on property, plant and equipment during the year ended 31 December 2017.

FINANCE COSTS

Finance costs were increased by approximately HK$1.7 million, or approximately 70.8%, from HK$2.4 million for the six-month period ended 30 June 2017 to HK$4.1 million for the Period, primarily due to the increase in bank borrowing interest rate.

SHARE OF LOSSES OF JOINT VENTURES

The Group's share of losses from the joint ventures was approximately HK$30,000 for Period, decreased by approximately HK$3.1 million, as against the corresponding period of 2017 primarily due to the recognition of impairment losses on property, plant and equipment of certain joint ventures during the year ended 31 December 2017.

CHANGES IN FAIR VALUE OF INVESTMENT PROPERTY

The Group's investment property is revalued as at 30 June 2018 on an open market basis by an independent property valuer.

During the Period, the Group recorded changes in fair value of investment property of HK$23.0 million.

TAXATION

Taxation was decreased by approximately HK$5.5 million, or approximately 43.7%, from approximately HK$12.6 million for the six-month period ended 30 June 2017 to approximately HK$7.1 million for the Period, which is mainly due to the decrease in the recognition of changes in fair value of investment property during the Period and resulted decrease in the recognition of its deferred tax expense.

PROFIT

Profit attributable to owners of the Company was decreased by approximately HK$5.7 million, or approximately 29.6%, from approximately HK$19.1 million for the six-month period ended 30 June 2017 to approximately HK$13.4 million for the Period, primarily due to the net effect of (i) the decrease in revenue of APM services segment, (ii) the decrease in administrative expenses, (iii) the decrease in impairment loss of trade receivables, and (iv) the decrease in recognition of changes in fair value of investment property.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, 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$191.7 million (as at 31 December 2017: HK$260.6 million). The decrease was primarily due to the net effect of net cash used in the operating activities and the purchase of property, plant and equipment. As at 30 June 2018, the bank borrowings of the Group amounted to HK$151.7 million (as at 31 December 2017: HK$153.8 million). As at 30 June 2018 and 31 December 2017, the Group was in a net cash position.

Due to the net effect of the trade receivables and contract assets balance as at 31 December 2017 were due to receive during the Period and most of the APM services projects performed and APM equipment products sold during the Period that are due to be received in the second half of 2018, these balances was decreased by HK$48.3 million, or approximately 5.7%, from HK$843.8 million as of 31 December 2017 to HK$795.5 million as of 30 June 2018. The contract asset 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$31.1 million (equivalent to approximately RMB26.2 million).

As at 30 June 2018, 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.

INTEREST-BEARING BANK BORROWINGS

As at 30 June 2018, the Group had total debt of HK$151.7 million (as at 31 December 2017: HK$153.8 million), which was unsecured interest-bearing bank borrowings.

As at 30 June 2018, bank balances of approximately HK$7.6 million (as at 31 December 2017: HK$5.7 million) was pledged to secure general banking facilities granted to the Group.

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Repayable		
Within one year or on demand	**151,744**	153,754
In the second year	**–**	–
	151,744	153,754

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 2018 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	102.4	0.7
Acquisitions of other APM service providers	103.0	53.6	49.4
Constructing new production facility	68.7	65.8	2.9
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	595.2	91.8

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of any subsidiaries, associates or joint ventures during the Period. Except as disclosed in this announcement, there was no concrete plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

As at 30 June 2018, the Group did not have any material contingent liabilities.

FINANCIAL RISK MANAGEMENT

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. As at 30 June 2018, the Group's bank borrowings are at fixed rate (as at 31 December 2017: 88.3% and 11.7% are at fixed rate and floating interest rate, respectively). The Group has not used any interest rate swaps to hedge its interest rate risk.

The Group collects most of its revenue in RMB and most of its expenditures as well as capital expenditures are also denominated in RMB. The Group's exposures to foreign currency risk arises mainly from certain bank deposits and interest-bearing bank borrowings denominated in foreign currency of the relevant group entities. As at 30 June 2018, certain time deposit, bank balances and cash, pledged bank deposits and financial assets at fair value through profit or loss of approximately HK$183,431,000 (as at 31 December 2017: HK$234,311,000) are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 30 June 2018, the Group's bank borrowings denominated in RMB amounted to HK$151,744,000 (equivalent to RMB128,000,000) (as at 31 December 2017, HK$153,754,000 (equivalent to RMB128,000,000). 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.

EMPLOYEES AND REMUNERATION

As at 30 June 2018, the Group had a total of 606 full time employees (as at 31 December 2017: 598). The Group provides competitive remuneration packages to retain its employees including discretionary bonus schemes, medical insurance and other allowances and benefits in kind as well as mandatory provident fund schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving a high standard of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. During the Period, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except code provision A.2.1 as more particularly described below.

CG Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Sze Wai Pan ("Mr. Sze") to assume both roles as the chairman and chief executive officer of the Company since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider separating the two roles to be assumed by two individuals. With the strong business experience of directors of the Company, the Group does not expect any issues would arise due to the combined roles of Mr. Sze. The Group also has in place an internal control system to perform a check-and-balance function. There are also three independent non-executive directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there is an adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

AUDIT COMMITTEE

The audit committee of the Company has been set up in accordance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Ms. Yeung Sum (Chairman), Mr. Tang Koon Yiu Thomas and Dr. Lau Ching Kwong (including one independent non-executive director with the appropriate professional qualifications).

At an audit committee meeting held on 30 August 2018, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (for the six-month period ended 30 June 2017: nil).

PUBLICATION OF INTERIM RESULTS AND REPORT

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

The interim report of the Company for the six-month period ended 30 June 2018 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2018

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