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Freetech
英達科技

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 2013

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 2013 (the "Period").

FINANCIAL HIGHLIGHTS

	Six-month period ended 30 June		
	2013	2012	Increase/
	Unaudited	Unaudited	(decrease)
	HK$'000	*HK$'000*	
Revenue	**261,409**	156,112	67.4%
Profit attributable to owners of the Company before extraordinary items[1]	**81,506**	42,475	91.9%
Profit attributable to owners of the Company	**65,826**	46,309	42.1%
Earnings per share (Basic) *(HK cents)*	**8.72**	6.23	40.0%

1 profit attributable to owners of the Company excluding fair value gain from remeasurement of equity interest previously held in an acquired subsidiary and listing expenses

FINANCIAL RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2013

		Six-month period ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**261,409**	156,112
Cost of sales		**(122,428)**	(73,548)
Gross profit		**138,981**	82,564
Other income and gains	*4*	**2,937**	9,137
Selling and distribution expenses		**(8,414)**	(8,237)
Administrative expenses		**(38,938)**	(16,243)
Other expenses		**(4,720)**	(8,486)
Finance costs	*5*	**(3,354)**	(1,880)
Share of profits and losses of:			
Joint ventures		**(1,608)**	850
Associates		**(490)**	(7)
PROFIT BEFORE TAX	*6*	**84,394**	57,698
Income tax expense	*7*	**(19,353)**	(11,389)
PROFIT FOR THE PERIOD		**65,041**	46,309
Attributable to:			
Owners of the Company		**65,826**	46,309
Non-controlling interests		**(785)**	–
		65,041	46,309
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK8.72 cents**	HK6.23 cents
Diluted		**HK8.72 cents**	HK6.23 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2013

	Six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**65,041**	46,309
OTHER COMPREHENSIVE INCOME/(LOSS)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**4,905**	(2,070)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**4,905**	(2,070)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**69,946**	44,239
Attributable to:		
Owners of the Company	**70,384**	44,239
Non-controlling interests	**(438)**	–
	69,946	44,239

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**140,073**	128,108
Prepaid land lease payments		**6,792**	6,788
Goodwill		**731**	731
Other intangible assets		**151**	182
Prepayments		**–**	3,157
Investments in joint ventures		**31,581**	26,832
Investments in associates		**5,388**	3,447
Deferred tax assets		**14,186**	9,277
Total non-current assets		**198,902**	178,522
CURRENT ASSETS			
Inventories		**38,859**	41,057
Trade receivables	*10*	**406,514**	268,208
Prepayments, deposits and other receivables		**42,358**	17,341
Pledged deposits		**433**	448
Cash and bank balances		**633,483**	130,862
Total current assets		**1,121,647**	457,916
CURRENT LIABILITIES			
Trade payables	*11*	**74,779**	73,739
Other payables and accruals		**70,892**	44,671
Dividends payable		**–**	4,964
Due to the ultimate holding company		**–**	4,350
Interest-bearing bank borrowings		**112,403**	78,270
Tax payable		**15,195**	9,218
Total current liabilities		**273,269**	215,212
NET CURRENT ASSETS		**848,378**	242,704
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,047,280**	421,226

	Note	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**24,010**	7,463
Deferred tax liabilities		**22,120**	17,476
Due to the immediate holding company		**–**	153,538
Total non-current liabilities		**46,130**	178,477
Net assets		**1,001,150**	242,749
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**104,000**	178
Reserves		**875,424**	220,407
		979,424	220,585
Non-controlling interests		**21,726**	22,164
Total equity		**1,001,150**	242,749

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's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 June 2013 (the "Listing Date").

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").

In the opinion of the directors of the Company, the ultimate holding company of the Company is Freetech Technology Limited ("Freetech Technology"), which was incorporated in Hong Kong and is wholly owned and controlled by Mr. Sze Wai Pan (the "Controlling Shareholder"), a director of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those of the Group as set out in the accountants' report of the Group included in the prospectus of the Company dated 14 June 2013, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) that affect the Group and are adopted the first time for the current period's unaudited condensed consolidated interim financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the above new and revised HKFRSs has had no significant impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

3. OPERATING 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:

(a) the provision of road maintenance services segment; and

(b) the manufacturing and sale of road maintenance equipment segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, exchange differences, share of profits and losses of joint ventures and associates, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Geographic information

The Group's revenue from external customers is derived substantially from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

Information about a major customer

Revenue of approximately HK$29,040,000 (six-month period ended 30 June 2012: HK$45,380,000) was derived from provision of road maintenance services to a single customer of the Group.

For the six-month period ended 30 June 2013

	Provision of road maintenance services (Unaudited) *HK$'000*	Manufacturing and sale of maintenance equipment (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:			
Sales to external customers	150,060	111,349	261,409
Intersegment sales	–	3,104	3,104
Other revenue	1,477	51	1,528
	151,537	114,504	266,041
Reconciliation:			
Elimination of intersegment sales			(3,104)
Revenue			262,937
Segment results	43,350	64,149	107,499
Reconciliation:			
Interest income			398
Exchange gains			1,011
Corporate and unallocated expenses			(19,062)
Share of profits and losses of joint ventures and associates			(2,098)
Finance costs			(3,354)
Profit before tax			84,394
Other segment information:			
Impairment losses recognised/(reversed) in the income statement	1,058	(43)	1,015
Depreciation and amortisation	8,236	1,690	9,926
Capital expenditure*	18,843	1,189	20,032

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

For the six-month period ended 30 June 2012

	Provision of road maintenance services (Unaudited) *HK$'000*	Manufacturing and sale of maintenance equipment (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:			
Sales to external customers	81,233	74,879	156,112
Intersegment sales	–	10,682	10,682
Other revenue	8,758	100	8,858
	89,990	85,661	175,652
Reconciliation:			
Elimination of intersegment sales			(10,682)
Revenue			164,970
Segment results	27,672	39,045	66,717
Reconciliation:			
Interest income			279
Exchange losses			(676)
Corporate and unallocated expenses			(7,585)
Share of profits and losses of joint ventures and associates			843
Finance costs			(1,880)
Profit before tax			57,698
Other segment information:			
Impairment losses recognised in the income statement	5,367	258	5,625
Depreciation and amortisation	4,800	1,061	5,861
Capital expenditure*	4,777	3,732	8,509

* Capital expenditure consists of additions to property, plant and equipment, land use rights and other intangible assets, excluding assets from the acquisition of a subsidiary.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts; and the value of services provided.

An analysis of the Group's other income and gains is as follows:

	Six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gains		
Government grants*	**1,424**	42
Interest income	**398**	279
Foreign exchange differences, net	**1,011**	–
Fair value gain from remeasurement of equity interest previously held in an acquired subsidiary to fair value	**–**	8,757
Others	**104**	59
	2,937	9,137

* Various government grants have been received for investments in certain provinces in Mainland China in which the Company's subsidiaries operate. There are no unfulfilled conditions for contingencies relating to these grants.

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**3,354**	1,880

6. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**9,774**	5,721
Amortisation of other intangible assets	**51**	66
Amortisation of land lease payments	**101**	74
Minimum lease payments under operating leases of land and buildings	**2,849**	1,232
Loss on disposal of items of property, plant and equipment*	**402**	64
Impairment of trade receivables*	**1,201**	5,443
Impairment/(reversal of impairment) of other receivables*	**(186)**	182
Foreign exchange differences, net	**(1,011)**	676

* These items are included in "Other expenses" in the condensed consolidated income statement.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: Nil).

PRC corporate income tax ("CIT") represents tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC CIT rate of 25% except for certain PRC subsidiaries which were entitled to preferential tax rates during the six-month periods ended 30 June 2013 and 2012.

During the six-month periods ended 30 June 2013 and 2012, 英達熱再生有限公司 (Freetech Road Recycling Corporation*) and 南京英達公路養護車製造有限公司 (Nanjing Freetech Road Maintenance Vehicle Manufacturing Corporation*) were registered as high-and-new technology enterprises, and were subject to PRC CIT at a concession rate of 15% on the assessable profits.

	Six-month period ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong	**1,235**	–
Current — Mainland China	**18,475**	11,882
Deferred	**(357)**	(493)
Total tax charge for the period	**19,353**	11,389

The share of tax attributable to a joint venture amounting to HK$281,000 for the six-month period ended 30 June 2012 is included in the "Share of profits and losses of joint ventures" in the condensed consolidated income statement.

* *For identification purpose only*

8. DIVIDENDS

On 7 June 2013, the Company declared the dividend distribution totalling HK$60,000,000 to its shareholders before the listing of the shares of the Company. Investors becoming shareholders of the Company after the listing of the Company on the Stock Exchange are not entitled to such dividend.

No other dividends were declared or paid by the Company during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts for the six-month period ended 30 June 2013 is based on the unaudited profit for the period attributable to ordinary equity holders of the Company of HK$65,826,000 (six-month period ended 30 June 2012: HK$46,309,000) and the weighted average number of ordinary shares in issue of 755,070,575 (six-month period ended 30 June 2012: 742,979,453), on the assumption that the issue of shares for capitalisation of the amount due to the immediate holding company had been adjusted for the bonus element on 1 January 2012 and the capitalisation issue of shares had been completed on 1 January 2012.

The Group had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2013 and 2012.

10. TRADE RECEIVABLES

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Trade receivables	**439,379**	298,668
Impairment	**(32,865)**	(30,460)
	406,514	268,208

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Except for a trade receivable of approximately HK$17,617,000 as at 30 June 2013 (31 December 2012: HK$26,986,000) which provided a payment guarantee letter to the Group, the Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Within 3 months	**210,452**	113,726
3 to 12 months	**140,366**	89,436
1 to 2 years	**20,869**	24,520
Over 2 years	**34,827**	40,526
	406,514	268,208

As at 30 June 2013, included in the Group's trade receivables are amounts due from joint ventures of approximately HK$78,087,000 (31 December 2012: HK$10,532,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2013, included in the Group's trade receivables are amounts due from associates of approximately HK$19,309,000 (31 December 2012: HK$19,043,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

11. TRADE PAYABLES

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 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Within 3 months	**27,976**	24,965
3 to 12 months	**24,347**	26,631
1 to 2 years	**2,214**	2,282
Over 2 years	**20,242**	19,861
	74,779	73,739

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

As at 30 June 2013, included in the Group's trade payables is an amount due to an associate of approximately HK$2,058,000 (31 December 2012: HK$2,240,000), which is repayable within 90 days, which represents similar credit terms to those offered by the associate to its major customers.

12. SHARE CAPITAL

Shares

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (31 December 2012: 3,900,000) ordinary shares of HK$0.10 each	**1,000,000**	390
Issued and fully paid:		
1,040,000,000 (31 December 2012: 1,781,636) ordinary shares of HK$0.10 each	**104,000**	178

A summary of the transactions during the six-month period ended 30 June 2013 in the Company's authorised and issued share capital is as follows:

	Notes	**Number of ordinary shares of HK$0.10** (Unaudited)	**Nominal value of ordinary shares** (Unaudited) *HK$'000*
Authorised:			
At 1 January 2012, 31 December 2012 and 1 January 2013		3,900,000	390
Increase in authorised share capital on 7 June 2013	*(a)*	9,996,100,000	999,610
At 30 June 2013		10,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2012, 31 December 2012 and 1 January 2013		1,781,636	178
Issuance of new shares for capitalisation of the amount due to the immediate holding company	*(b)*	98,218,364	9,822
Capitalisation issue of shares	*(a)*	680,000,000	68,000
Issuance of new shares in connection with the listing of the Company's shares	*(c)*	260,000,000	26,000
At 30 June 2013		1,040,000,000	104,000

(a) Pursuant to resolutions passed on 7 June 2013, the following changes were approved:

(i) the authorised share capital of the Company was increased from HK$390,000 to HK$1,000,000,000 by the creation of additional 9,996,100,000 shares of HK$0.10 each; and

(ii) an aggregate of 680,000,000 ordinary shares of HK$0.10 each were allotted and issued to the shareholders by capitalising an amount of HK$68,000,000 standing to the credit of the share premium account of the Company. This issue and allotment of shares became unconditional on the Listing Date.

(b) On 7 June 2013, the Company capitalised the amount due to the immediate holding company of approximately HK$153,183,000 by the issuance of 98,218,364 ordinary shares of the Company of HK$0.10 each.

(c) In connection with the Company's global offering, 260,000,000 ordinary shares of the Company of HK$0.10 each were issued at a price of HK$2.43 per share for a total cash consideration, before expenses, of approximately HK$631,800,000. Dealings in the shares of the Company on the Stock Exchange commenced on 26 June 2013.

13. COMMITMENTS

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

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**40,262**	43,673
Capital contributions payable to joint ventures	**11,714**	7,613
Capital contributions payable to an associate	**6,192**	6,095
	58,168	57,381
Authorised, but not contracted for:		
Property, plant and equipment	**16,824**	18,742
	74,992	76,123

BUSINESS REVIEW

The board of directors is pleased to present the unaudited consolidated interim results of Freetech Road Recycling Technology (Holdings) Limited (the "Company") and its subsidiaries for the six-month period ended 30 June 2013.

During the Period, as a result of the uniqueness of our leading technology, the unreluctant effort contributed by the Group's employees, and the implementation of various favorable guidance policies issued by the PRC government, the road recycling technology industry maintained a satisfactory upward development trend and the existing businesses of the Group recorded high year-on-year growth.

During the Period, the Group's operating revenue was approximately HK$261.4 million, representing an increase of approximately 67.4 % as against the corresponding period of 2012. Total profit attributable to owners of the Company and total profit attributable to owners of the Company before extraordinary items were approximately HK$65.8 million and HK$81.5 million, respectively, representing an increase of approximately 42.1% and 91.9%, respectively as against the corresponding period of 2012. The Group remains a leading and fast-growing service provider using "Hot-in-Place" recycling technology in the asphalt pavement maintenance industry in the PRC.

Asphalt Pavement Maintenance ("APM") Services

During the Period, we remained a leading and fast-growing service provider in the PRC market by using "Hot-in-Place" recycling technology in provision of APM services. Especially in municipal road market, we are the key player to perform APM services. In addition, we have set up a new sales office in Xinjiang Autonomous Region and new revenue generated from our city excavation rapid backfilling restoration process (城市道路開挖快速回填恢復施工工藝) has been started to generate revenue. The city excavation rapid backfilling restoration process uses recycled materials from the excavated road or recycled construction materials to refill the road base. Compared with the traditional excavation process which uses new sand and aggregates as filling materials and often requires lengthy road closures, this process is more environmentally friendly, lowers the cost of raw materials used and lessens the length of time for road closures and traffic diversions.

As at above result, APM services segment recorded revenue of approximately HK$150.1 million, representing an increase of 84.7% as against the corresponding period of 2012.

APM Equipment

During the Period, we maintained our position as the leading APM equipment providers in the PRC market through establishing three new joint ventures each in Guangdong Province, Fujian Province and Jiangsu Province with local service providers or investors and selling four sets of modular series products to four joint ventures. During the Period, our APM equipment segment generated revenue of HK$111.3 million, representing an increase of 48.7% as against the corresponding period of 2012.

Research and Development

To maintain our leading position in using "Hot-in-Place" recycling technology in APM industry, the Group persists in technological innovation.

New Product Series

As disclosed in the Company's prospectus dated 14 June 2013, during the Period, we continued to further strengthen our research and development capabilities, and focus our efforts on overcoming certain technological limitations in the APM service industry.

In the maintenance technology research sector, we have successfully developed our own rejuvenating agents so that they can best meet to the needs of specific aged roads in order to optimize the performance of the recycled materials. We also intend to invest in a multi-purposed road surveying vehicle. This will enable us to collect, analyse, and generate all road quality indexes in a more accurate and much faster manner.

New Patents

In addition, we continue to invest significant resources in our research and development efforts. As at 30 June 2013, we had registered 85 patents (31 December 2012: 79), of which seven were invention patents (31 December 2012: seven), 68 were utility model patents (31 December 2012: 64) and 10 were design patents (31 December 2012: 8), and we had 16 patent pending applications (31 December 2012: 17), of which 14 were invention patents (31 December 2012: 13) and two were utility model patents (31 December 2012: four).

Others

We have also recently undergone a stringent mid-year inspection conducted by the experts of Jiangsu Science and Technology Bureau (江蘇省科技廳) in connection with the funding from the Jiansu Province Science and Technology Achievement Project Fund (江蘇省科技成果轉換項目基金) granted to us in October 2012.

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

Production Capacity

With the introduction of certain favorable policies by the PRC government to encourage the use of recycling technology in the APM, we anticipate an increase in sales of our APM equipment, modular series to joint ventures and an increase in demand for our own use as we continue to expand our APM service operations. In February 2013 we commenced the construction of a new plant to increase our APM equipment production capacity. Construction progress is in line with our plans and we expect that the new production facility will become operational by late 2013 upon partial completion. The new facility is expected to increase our production output capacity by double at the end of 2014 when construction is completed.

OUTLOOK

With the purchase price for asphalt mixture rising, the implementation of various favorable guidance policies by the PRC government and the urbanisation level in the PRC is expected to continue to increase, demand for services and equipment in the road recycling technology industry is growing. As a leading service provider of "Hot-in-Place" recycling technology in the APM industry, the Group intends to build on its competitive advantages to benefit from the current favorable policies. The Group aims to continuously strengthen its market position and increase its market share through: (i) investing more resources to maintain our leading role in providing APM services through establishing more sales offices in different cities; (ii) increasing market penetration, particularly in cities where the use of "Hot-in-Place" recycling technology is currently relatively limited; (iii) establishing new joint ventures; and (iv) further strengthening our research and development capabilities and increasing our equipment production and service capacities.

Recently, in the equipment research and development sector, we have developed a new and unique sub-series under our existing modular series equipment named HiPav 5, which integrates the functions of a Hot-in-Place recycling unit and a traditional asphalt paver. HiPav 5 owns 4 patents and equips with high flexibility, reliability and efficiency features, it is capable to further explore our new markets, including secondary or narrow asphalt roads where traditional recycling trains cannot gain access. The success of HiPav 5's technology, represents a significant technology breakthrough over worldwide APM industry. We believe that this equipment will provide favorable return to the Group in the near future.

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

FINANCIAL PERFORMANCE REVIEW

The Group consists of two main business segments: the asphalt pavement maintenance service segment, where we provide asphalt pavement maintenance services under our registered trademark "公路醫生®" (Road Doctor) to repair damaged asphalt pavement surfaces, and the asphalt pavement maintenance equipment segment, where we manufacture and sell a wide range of asphalt pavement maintenance equipment.

The following is a description of the Group's operating activities during the Period, with comparisons against the corresponding period for 2012.

REVENUE

1. APM Services

	Six-month period ended 30 June		
	2013	2012	Increase/
	Unaudited	Unaudited	(decrease)
	HK$'000	*HK$'000*	
Revenue	**150,060**	81,233	84.7%
Gross profit	**65,095**	35,479	83.5%
Gross profit margin	**43.4%**	43.7%	

Revenue and gross profit for this segment both grew strongly against the corresponding period in 2012. Revenue increased by 84.7% primarily because the use of recycling technology is encouraged by recent policies issued by the PRC government. In addition, increase in revenue in the Period was also due to: (i) increase in the total APM area we serviced; (ii) increase in our average selling price of using "Hot-in-Place" technology; and (iii) new revenue generated from our city excavation rapid backfilling restoration process, which has higher average selling price than "Hot-in-Place" technology.

During the Period, our Group continued to maintain high gross profit margin in this segment.

2. APM Equipment

	Six-month period ended 30 June				
	2013		2012		Increase/
	Unaudited		Unaudited		(decrease)
	HK$'000	**units/sets**	*HK$'000*	units/sets	
Revenue					
Standard series	**38,003**	**17**	33,398	16	13.8%
Modular series	**71,299**	**4**	39,975	2	78.4%
Repair and maintenance	**2,047**	**N/A**	1,506	N/A	
Total	**111,349**		74,879		48.7%

	2013		2012		Increase/
	Unaudited		Unaudited		(decrease)
	HK$'000	Margin	*HK$'000*	Margin	
Gross profit					
Standard series	**21,822**	57.4%	19,944	59.7%	9.4%
Modular series	**50,971**	71.5%	26,379	66.0%	93.2%
Repair and maintenance	**1,093**	53.4%	762	50.6%	43.4%
Total	**73,886**	66.4%	47,085	62.9%	56.9%

Revenue for the APM equipment segment for the Period increase by 48.7% as against the corresponding period for 2012. The increase was primarily due to our business strategy of establishing additional joint ventures with other APM service providers or third party investors to tap into new markets, broaden our customer base and increase our market share. Thus, revenue generated from sales of modular series products in the Period increased by 78.4% (sales increased by 2 sets) as against the corresponding period for 2012.

Gross profit margin improved from 62.9% for the six-month period ended 30 June 2012 to 66.4% for the Period, primarily due to increase in sales of higher margin products, i.e. modular series products.

SELLING AND DISTRIBUTION COSTS EXPENSES

Selling and distribution expenses remained stable and relatively low, accounting for only 5.3% and 3.2% of revenue for the six-month period ended 30 June 2012 and the Period, respectively.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately HK$22.7 million, or approximately 139.7%, from HK$16.2 million for the six-month period ended 30 June 2012 to HK$38.9 million for the Period, primarily due to increase in listing expenses from approximately HK$4.9 million for the six-month period ended 30 June 2012 to approximately HK$15.7 million for the Period, representing an increase of approximately 218.5%.

OTHER EXPENSES

Other expenses decreased by approximately HK$3.8 million, or approximately 44.4%, from approximately HK$8.5 million for the six-month period ended 30 June 2012 to approximately HK$4.7 million for the Period, primarily due to the effect of decrease in impairment of trade and bills receivables.

FINANCE COSTS

Finance costs increased by approximately HK$1.5 million, or approximately 78.4%, from HK$1.9 million for the six-month period ended 30 June 2012 to HK$3.4 million for the Period, primarily due to the Group's bank loans for the six-month period ended 30 June 2012 were lower, which partially repaid in August 2011 by the advance from the immediate holding company using the proceeds from the pre-IPO investments.

SHARE OF PROFITS AND LOSSES OF JOINT VENTURES AND ASSOCIATES

The Group's share of profits from joint ventures was approximately HK$0.9 million for the six-month period ended 30 June 2012. For the Period, the Group's share of losses from joint ventures was approximately HK$1.6 million.

The Group's share of losses from associates was approximately HK$7,000 for the six-month period ended 30 June 2012 and approximately HK$0.5 million for the Period.

We believe that these losses are primarily due to the early stage nature of the joint ventures and associated businesses.

INCOME TAX EXPENSES

Income tax expenses increased by approximately HK$8.0 million, or approximately 70.0%, from approximately HK$11.4 million for the six-month period ended 30 June 2012 to approximately HK$19.3 million for the Period, primarily as a result of the higher profit before tax earned by the Group during the Period.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by approximately HK$19.5 million, or approximately 42.1%, from approximately HK$46.3 million for the six-month period ended 30 June 2012 to approximately HK$65.8 million for the Period, primarily due to the net effect of increased revenue over higher costs such as administrative expenses. Excluding extraordinary items, profit attributable to owners of the Company increased by approximately HK$39.0 million, or approximately 91.9%, from approximately HK$42.5 million for the six-month period ended 30 June 2012 to approximately HK$81.5 million for the Period.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2013, the Group's cash and bank balances amounted to approximately HK$633.5 million (31 December 2012: HK$130.9 million). The increase was primarily due to the net cash proceeds of HK$603.8 million raised from the Company's initial public offering. As at 30 June 2013, the bank borrowings of the Group amounted to HK$136.4 million (31 December 2012: HK$85.7 million). As at 30 June 2013, the Group is in net cash position because net cash proceeds received from the Company's initial public offering (31 December 2012: Gearing ratio, which is calculated by the Group's net debts divided by equity attributable to owners of the Company plus net debts, 51.7%).

Trade receivables balance increased from HK$268.2 million as at 31 December 2012 to HK$406.5 million as at 30 June 2013 were due to most of our APM services projects are still in progress, most of the trade receivables will be received in the second half of 2013. In addition, increase in trade receivables was also as a result of modular series sold towards 30 June 2013. Trade payables balance as at 30 June 2013 is relatively stable.

Following the listing of the shares of the Company on 26 June 2013 on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group's liquidity position has strengthened and the Directors believe that this will enable the Group to expand in accordance with their plans.

USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERINGS ("IPO")

As stated in the prospectus of the Company dated 14 June 2013, the Company intends to use the proceeds for (i) investment in research and development activities; (ii) establishing joint ventures and expanding APM service teams of our joint ventures; (iii) manufacturing APM equipment and expanding our APM service teams; (iv) acquisitions of other APM service providers; (v) constructing new production facility and expanding current production facility; (vi) establishing sales offices in new markets and marketing expenses; and (vii) general corporate purposes and working capital requirements.

As at 30 June 2013, the net proceeds raised from IPO was applied in the manner as stated in the prospectus of the Company dated 14 June 2013. The net proceeds pending their usage were held by us in short-term deposits with licensed banks and authorised financial institutions in Hong Kong.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the Company's prospectus dated 14 June 2013, there were no material acquisitions or disposals of any subsidiaries, associates or joint ventures during the six-month period ended 30 June 2013.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital commitments are set out in note 13 to these interim condensed unaudited financial information.

As at 30 June 2013, the Group did not have any material contingent liabilities.

FINANCIAL RISK MANAGEMENT

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk.

The business of the Group is principally conducted in the PRC and most of the transactions are denominated in RMB, except for certain bank deposits which are denominated in United States dollars and Hong Kong dollars. The Group has not hedged its foreign currency risk.

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 2013, the Group had a total of 540 full time employees (31 December 2012: 506). 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.

EVENTS AFTER THE REPORTING PERIOD

On 18 July 2013, the Company announced that the Over-allotment Option referred to in the prospectus of the Company dated 14 June 2013 (the "Prospectus") was fully exercised by CITIC Securities Corporate Finance (HK) Limited, on behalf of the International Underwriters (as defined in the Prospectus) in respect of 39,000,000 shares (the "Over Allotment Shares") representing 15% of the offer shares available under the Global Offering (as defined in the Prospectus) before any exercise of the Over-allotment Option, to cover over-allocations in the

International Offering (as defined in the Prospectus). The Over Allotment Shares were issued and allotted by the Company on 23 July 2013 at HK$2.43 per share, resulting in proceeds of approximately HK$91.9 million after deducting underwriting commission and other applicable fees and expenses.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the period after its listing date up to 30 June 2013, 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, except code provision A.2.1 as more particularly described below.

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 organization, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. Sze. The Group also has in place an internal control system to perform the 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 are adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

AUDIT COMMITTEE

The audit committee of the Company has been set up in accordance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Ms. Yeung Sum (Chairman), Mr. Tang Koon Yiu Thomas and Mr. Lau Ching Kwong, (including one independent non-executive director with the appropriate professional qualifications). None of the members of the audit committee is a former partner of the Company's existing external auditors.

At an audit committee meeting held on 28 August 2013, the audit committee, along with the management of the Company, reviewed the accounting principles and practices adopted by the Group and financial reporting matters and conducted a review of the interim condensed consolidated unaudited financial statements for the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code between the date of listing and 30 June 2013.

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

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

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities from the date of listing up to 30 June 2013.

INTERIM DIVIDEND

On 7 June 2013, the Company declared the dividend distribution totalling HK$60,000,000 to its shareholders before the listing of the shares of the Company. Investors becoming shareholders of the Company after the listing of the Company on the Stock Exchange are not entitled to such dividend.

No other dividends were declared or paid by the Company during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: 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 2013 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

I wish to express my sincere gratitude to our management and staff members for their dedication and hard work during the Period. I would like to extend thanks to all our business partners, customers and shareholders for their support. I 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, 28 August 2013

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