

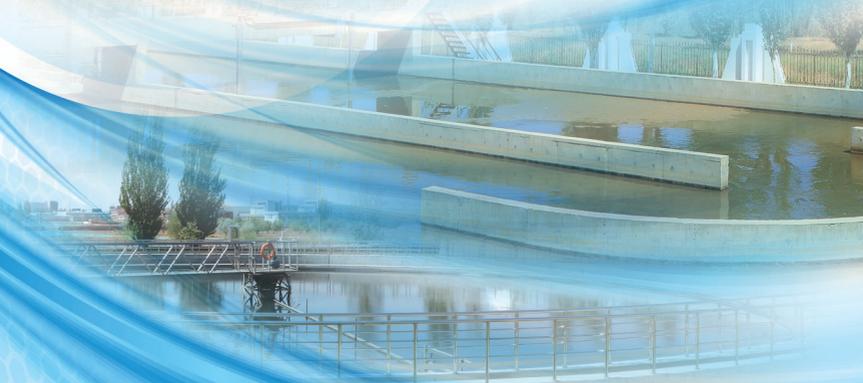
TIL ENVIRO LIMITED

達力環保有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1790

INTERIM REPORT 2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Lim Chin Sean

Executive Director and Chief Executive Officer

Mr. Wong Kok Sun

Independent Non-executive Directors

Mr. Tan Yee Boon

Mr. Hew Lee Lam Sang

Mr. Tam Ka Hei Raymond

AUDIT COMMITTEE

Mr. Hew Lee Lam Sang (*Chairman*)

Mr. Lim Chin Sean

Mr. Tam Ka Hei Raymond

REMUNERATION COMMITTEE

Mr. Tan Yee Boon (*Chairman*)

Mr. Tam Ka Hei Raymond

Mr. Hew Lee Lam Sang

NOMINATION COMMITTEE

Mr. Lim Chin Sean (*Chairman*)

Mr. Tam Ka Hei Raymond

Mr. Tan Yee Boon

AUTHORISED REPRESENTATIVES

Mr. Wong Kok Sun

Ms. Tsui Sum Yi

COMPANY SECRETARY

Ms. Tsui Sum Yi (ICSA, HKICS)

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISER

Red Sun Capital Limited

REGISTERED OFFICE IN CAYMAN ISLANDS

P.O. Box 1350, Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

HEADQUARTERS

B-301 Shanghai Jiahua Business Centre

808 Hongqiao Road

Shanghai 200030

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F, China Building

29 Queen's Road Central

Central

Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKER

Bank of Communications
Yinchuan Xita Sub-branch
No. 51 Xinhua West Road,
Xingqing District
Yinchuan 750001
Ningxia
PRC

LEGAL ADVISER AS TO HONG KONG LAWS

Loong & Yeung Solicitors

STOCK CODE

1790 (listed on the Main Board of The Stock Exchange of Hong Kong Limited)

COMPANY WEBSITE

www.tilenviro.com

DEFINITIONS

In this interim report, unless the context other requires, the following terms shall have the meanings set forth below.

“Board”	our board of Directors
“BVI”	British Virgin Islands
“Company”	TIL Enviro Limited (達力環保有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 17 April 2018, whose Shares are listed on the Main Board of the Stock Exchange
“Concert Party Deed”	a confirmatory deed in relation to parties acting in concert dated 11 April 2018 entered into between Mr. Lim Chee Meng and Mr. Lim Chin Sean to confirm and record the agreement and understanding between the parties for the acknowledgement of their acting in concert (having the meaning as ascribed to it under the Takeovers Code)
“Concession Agreement”	the concession arrangement dated 21 September 2011 entered into between TYW and Bureau of Housing and Urban-Rural Development of Yinchuan* (銀川市住房和城鄉建設局) pursuant to which TYW was granted a concession right for a term of 30 years expiring on 21 September 2041 to, among other things, operate, manage and maintain our four wastewater treatment plants to provide wastewater treatment services in Yinchuan and to undertake upgrading and expansion works (where applicable) on the facilities
“Director(s)”	the director(s) of our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing and the commencement of trading and dealing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	being 29 November 2018, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplement or modified from time to time
“Main Board”	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM operated by the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Plant 1” or “Yinchuan Wastewater Treatment Plant 1”	Yinchuan Wastewater Treatment Plant No. 1 (銀川市第一污水處理廠) operated and managed by TYW pursuant to the Concession Agreement, which is located at Bali Bridge, Manchun Town, Xingqing District, Yinchuan* (銀川市興慶區滿春鄉八里橋)
“Plant 2” or “Yinchuan Wastewater Treatment Plant 2”	Yinchuan Wastewater Treatment Plant No. 2 (銀川市第二污水處理廠) operated and managed by TYW pursuant to the Concession Agreement, which is located at Liziyuan North Road, Xixia District, Yinchuan* (銀川市西夏區麗子園北路)

DEFINITIONS

“Plant 3” or “Yinchuan Wastewater Treatment Plant 3”	Yinchuan Wastewater Treatment Plant No. 3 (銀川市第三污水處理廠) operated and managed by TYW pursuant to the Concession Agreement, which is located at South of Jingtian East Road, Xixia District, Yinchuan* (銀川市西夏區經天東路以南)
“Plant 4” or “Yinchuan Wastewater Treatment Plant 4”	Yinchuan Wastewater Treatment Plant No. 4 (銀川市第四污水處理廠) operated and managed by TYW pursuant to the Concession Agreement, which is located at Ping Fu Qiao Village, Fengdeng Town, Jinfeng District, Yinchuan* (銀川市金鳳區豐登鎮平伏橋村)
“PRC” or “China”	the People’s Republic of China
“Prospectus”	the prospectus of our Company dated 31 October 2018 (as supplement by the supplemental prospectus of our Company dated 14 November 2018 (the “ Supplemental Prospectus ”)) in relation to the initial public offering and the listing of the Shares on the Stock Exchange
“Reorganisation”	the reorganisation arrangements undertaken by our Group in preparation for the Listing
“Reporting Period”	1 January 2019 to 30 June 2019
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Offer”	issuance of 250,000,000 Shares with the offer price of HK\$0.58
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of Shares

DEFINITIONS

“Sparkle Century”	Sparkle Century Group Limited, a company incorporated in the BVI with limited liability on 6 February 2018 and is wholly-owned by LGB Group (HK) Limited (“ LGB (HK) ”)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“TYW”	Taliworks (Yinchuan) Wastewater Treatment Co. Ltd* (達力(銀川)污水處理有限公司), a company established with limited liability under the laws of the PRC on 6 May 2011, a wholly-owned and operating subsidiary of our Company
“Wastewater Treatment Plants”	Plant 1, Plant 2, Plant 3 and Plant 4
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SG\$”	Singapore dollars, the lawful currency of Singapore
“US\$”	United States dollars, the lawful currency of the United States

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translations of official Chinese names which are marked with “” are for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 30 June 2019, our aggregate daily wastewater treatment capacity was 375,000 cubic metres per day, and the discharge standard for all plants was Class IA. In the first half of 2019, we noted there were overall reduction in the inflow of wastewater into all plants causing a consequential decrease in the total quantity of water effluent treated by us. For the Reporting Period, the total quantity of water effluent treated was approximately 49,841,000 cubic metres per day, representing a decrease of approximately 12% from the same period ended 30 June 2018 at 56,615,000 cubic metres per day.

The construction works for the expansion for Plant 4 by additional capacity of 100,000 cubic metres where the treated water discharge shall meet Quasi Surface Water Standard Class IV (準四類水標準) progressed well in the first half of 2019, we anticipate to enter into testing and commission stage by end of 2019. On the other hand, the expansion of Plant 2 by additional capacity of 25,000 cubic metres per day where the treated water discharge standard shall meet Class IA has been put on hold until further notice from the local government of Yinchuan.

During the Reporting Period, the Group received a one-off cash incentive of approximately HK\$17.9 million (equivalent to RMB15 million) from Ningxia Hui Autonomous Region Finance Bureau for our successful listing on the Main Board of the Stock Exchange in November 2018. This is in line with Ningxia government's aspiration of promoting capital market growth in Ningxia, the PRC.

DEVELOPMENT STRATEGY AND PROSPECTS

In the second half of 2019, our Group will focus on expanding our organic growth by completing the existing expansion of additional 100,000 cubic metres capacity in Plant 4 and our management is hopeful to complete the expansion works ahead of schedule. Operationally, our Group will continue to strengthen our mission of ensuring stable operation, stable outflow of treated wastewater as per required discharge standards (穩定達標排放) under the Concession Agreement and will continue to focus on cost optimization and increasing efficiency in our wastewater treatment plants.

Our Group also endeavour to expand by pursuing new wastewater treatment projects in Yinchuan, Ningxia and at other regions where there is an increasing demand for wastewater treatment services with the aim of strengthening our market position in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results of Operations

The following table sets out a summary of consolidated statement of comprehensive income of our Group for the periods indicated:

Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	154,539	195,046
Cost of sales	(90,724)	(110,469)
Gross profit	63,815	84,577
Other income	22,471	1,150
Other losses, net	(609)	(2,446)
General and administrative expenses	(10,038)	(20,674)
— <i>Listing expenses</i>	—	(12,346)
Finance costs	(21,847)	(22,232)
Profit before taxation	53,792	40,375
Income tax expense	(9,961)	(16,729)
Profit for the period	43,831	23,646
Other comprehensive losses	(1,625)	(9,168)
Total comprehensive income for the period	42,206	14,478

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our Group's revenue is derived from (i) wastewater treatment construction services for the upgrading and expansion of our existing wastewater treatment facilities; (ii) wastewater treatment operation services; and (iii) finance income from service concession arrangement, despite that we generally only receive payments for our services rendered during the operational phase.

Our revenue decreased from approximately HK\$195.0 million for the six months ended 30 June 2018 to approximately HK\$154.5 million for the Reporting Period, representing a decrease of approximately HK\$40.5 million or approximately 21%, which was primarily attributable to the decrease in revenue derived from our wastewater treatment construction services, further analysis of which is set out below:

- revenue derived from the wastewater treatment operation services decreased from approximately HK\$65.2 million for the six months ended 30 June 2018 to approximately HK\$60.8 million for the Reporting Period, representing a decrease of approximately HK\$4.4 million or approximately 7%. The decrease was mainly due to the decrease in the total quantity of wastewater treated by us in the Reporting Period;
- revenue derived from the wastewater treatment construction services decreased from approximately HK\$77.9 million for the six months ended 30 June 2018 to approximately HK\$38.9 million for the Reporting Period, representing a decrease of approximately HK\$39.0 million or approximately 50%. As our construction revenue is recognised on the basis of actual costs with a reasonable profit margin, the decrease was mainly attributable to lower construction cost incurred during the Reporting Period. Please refer to the section headed "Financial Review — Cost of sales" in this interim report for further analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

- revenue derived from the finance income from service concession arrangement increased from approximately HK\$48.4 million for the six months ended 30 June 2018 to approximately HK\$52.1 million for the Reporting Period, representing an increase of approximately HK\$3.7 million or approximately 8%, which was primarily attributable to the increase in receivable under the service concession arrangement mainly as a result of the upgrading and expansion works during the Reporting Period; and
- the remaining revenue was primarily attributable to the recycle water supply operation services which remained largely stable at approximately HK\$2.8 million for the six months ended 30 June 2018 and 2019, respectively.

Cost of sales

Our cost of sales decreased from approximately HK\$110.5 million for the six months ended 30 June 2018 to approximately HK\$90.7 million for the Reporting Period, representing a decrease of approximately HK\$19.8 million or approximately 18%, which was primarily attributable to the decrease in construction costs, further analysis of which is set out below:

- construction costs decreased from approximately HK\$70.8 million for the six months ended 30 June 2018 to approximately HK\$35.4 million for the Reporting Period, representing a decrease of approximately HK\$35.4 million or approximately 50%, which was primarily attributable to different scale of construction works on our wastewater treatment plants during the same six months ended 30 June 2018 and 2019. For the six months ended 30 June 2018, it was the upgrading works on Plant 1 which was nearing completion while during the Reporting Period, construction works are entirely on Plant 4 which commenced in July 2018.
- costs of wastewater treatment operation increased from approximately HK\$31.9 million for the six months ended 30 June 2018 to approximately HK\$46.2 million for the Reporting Period, representing an increase of approximately HK\$14.3 million or approximately 45%. Such increase was mainly attributable to higher chemical dosage to meet the heightened discharge standard during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

- the remaining cost of sales, which consisted primarily of employee benefit expenses, amortisation of intangible assets, repair and maintenance costs and other costs, recorded a slight increase from approximately HK\$7.8 million for the six months ended 30 June 2018 to approximately HK\$9.1 million for the Reporting Period, which was mainly attributable to an increase of approximately HK\$0.3 million in employee benefit expenses and increase of approximately HK\$0.9 million in repair and maintenance costs.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK\$84.6 million for the same period last year to approximately HK\$63.8 million for the Reporting Period, representing a decrease of approximately HK\$20.8 million or approximately 25%, which was primarily attributable to the decrease in revenue derived from our wastewater treatment construction services during the Reporting Period. Our gross profit margin decreased from 43% for the six months ended 30 June 2018 to 41% during the Reporting Period. Further analysis on the gross profit and gross profit margin is set out below:

- gross profit derived from the wastewater treatment operation services and recycle water supply operation services amounted to approximately HK\$36.1 million and HK\$17.4 million for the six months ended 30 June 2018 and 2019, respectively;
- gross profit margin for the upgrading and expansion services, which contributed approximately 25% of our revenue for the Reporting Period (30 June 2018: approximately 40%), were lower than our gross profit margin derived from the provision of wastewater treatment operation services, which contributed approximately 39% of our revenue for the Reporting Period (30 June 2018: approximately 33%); and
- our finance income from service concession arrangement, representing the imputed interest income, amounted to approximately HK\$48.4 million and HK\$52.1 million for the six months ended 30 June 2018 and 2019, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income increased by approximately HK\$21.3 million, or approximately 1,854%, to approximately HK\$22.5 million for the Reporting Period from approximately HK\$1.2 million for the six months ended 30 June 2018, which was mainly attributable to one-off cash incentive of approximately HK\$17.9 million (equivalent to RMB15 million) that we received from Ningxia Hui Autonomous Region Finance Bureau for our successful listing on the Main Board of the Stock Exchange.

Other losses, net

Our Group recorded other losses, net of approximately HK\$0.6 million for the Reporting Period compared to other losses, net of approximately HK\$2.4 million for the same period last year. Such movement in the other losses, net balance was mainly attributable to lower net foreign exchange losses suffered during the Reporting Period (30 June 2019: HK\$0.6 million, 30 June 2018: HK\$4.3 million).

General and administrative expenses

General and administrative expenses, excluding listing expenses of approximately HK\$12.3 million recognised for the six months ended 30 June 2018, increased by approximately HK\$1.6 million, or approximately 19%, to approximately HK\$10.0 million for the Reporting Period from approximately HK\$8.4 million for the same period last year.

Finance costs

Finance costs remained largely stable at approximately HK\$22.2 million and HK\$21.8 million for the six months ended 30 June 2018 and 2019, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

We incurred income tax expense of approximately HK\$10.0 million for the Reporting Period and approximately HK\$16.7 million for the same period last year at effective tax rates of approximately 19% and 41%, respectively. In April 2019, the tax administration of the PRC released a new tax incentive policy for corporates involved in environmental protection industry whereby the qualified corporates will be able to enjoy the reduced corporate income tax rate of 15% (reducing from 25%) for the next 3 years with effect from years of assessment 2019 to 2021. Our Group is qualified to benefit from this new tax incentive policy, thus attributing to lower effective tax rate during the Reporting Period.

Profit and total comprehensive income

As a result of the foregoing factors, our profit increased from approximately HK\$23.6 million for the six months ended 30 June 2018 to approximately HK\$43.8 million for the Reporting Period, representing an increase of approximately HK\$20.2 million, or approximately 86%.

The total comprehensive income for the six months ended 30 June 2018 amounted to approximately HK\$14.5 million compared to approximately HK\$42.2 million for the Reporting Period. The difference between the profit for the periods and the total comprehensive income for the periods was due to currency translation differences from the translation of RMB being our functional currency to HK\$ being our reporting currency (30 June 2019: RMB/HK\$1.1380, 30 June 2018: RMB/HK\$1.1852).

Earnings per share (“EPS”)

For the Reporting Period, the earnings per share for profit attributable to owners of the Company (basic and diluted) was HK\$0.04 per share as compared to HK\$0.31 per share for the six months ended 30 June 2018. Such decrease was primarily due to increase in number of ordinary shares in issue pursuant to capitalisation of shareholders' loan and the Share Offer which took effect in September and November 2018, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Receivable under service concession arrangement

Our receivable under service concession arrangement that were classified as (i) current assets were approximately HK\$264.9 million and HK\$277.2 million as at 31 December 2018 and 30 June 2019, respectively; and (ii) non-current assets were approximately HK\$1,266.9 million and HK\$1,274.4 million as at 31 December 2018 and 30 June 2019, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,531.8 million and HK\$1,551.6 million as at 31 December 2018 and 30 June 2019, respectively. This represented an increase of approximately 1% from 31 December 2018 to 30 June 2019, primarily due to the tariff payments received by our Group being less than the revenue recognized from (i) our wastewater treatment construction services; (ii) our wastewater treatment operation services; and (iii) finance income from service concession arrangement during the Reporting Period.

Cash and bank balances

As at 30 June 2019, our Group had cash and bank balances of approximately HK\$291.4 million as compared to approximately HK\$296.9 million as at 31 December 2018. The cash and bank balances were denominated in HK\$, RMB, US\$ and SG\$.

Borrowings

As at 30 June 2019, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$791.1 million (31 December 2018: HK\$763.7 million), represented by short-term working capital loan of HK\$18.4 million (31 December 2018: HK\$12.0 million) and long-term loan of HK\$772.7 million (31 December 2018: HK\$751.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

Our principal liquidity and capital requirements are primarily related to the construction of our wastewater treatment facilities and purchase of equipment, as well as the operating costs and expenses required in our operations. As at 30 June 2019, the net current assets and net assets of the Group amounted to approximately HK\$454.3 million and HK\$1,012.2 million, respectively (31 December 2018: net current assets and net assets of approximately HK\$421.9 million and HK\$970.0 million, respectively).

Gearing Ratio

As at 30 June 2019, the gearing ratio (calculated by net debts divided by total equity; net debts include total borrowings plus amounts due to related companies minus cash and bank balances) was approximately 49% (31 December 2018: approximately 48%).

Contracted Capital Expenditure

As at 31 December 2018 and 30 June 2019, our Group had the following capital commitments in respect of upgrading and expansion works of our wastewater treatment plants:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Contracted but not provided for	234,949	88,725

The above commitments are in relation to service concession arrangement which will be classified as receivable under service concession arrangement or intangible asset.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

Our Group did not have any material contingent liabilities or outstanding litigation as at 30 June 2019.

Off-balance sheet arrangements

As at 30 June 2019, save as disclosed, we have not, nor do we expect, to enter into any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an uncombined entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or entity that engages in leasing, hedging or research and development services with us.

Foreign Currency Risk

Our Group principally operates in the PRC with most of the transactions being settled in RMB, which is the functional currency of most of the group entities. Foreign currency risk arises from the recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through financing activities denominated in the relevant foreign currencies.

Fluctuations in exchange rates between the functional currencies of respective group entities and non-functional currency in which our Group entities conduct business may affect our Group's financial position and results of operations. Our Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimising our net foreign currency position.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on the Group's Assets

As at 30 June 2019, there were no charges on our Group's assets.

Employees and remuneration policies

Our Group had 149 full-time employees as at 30 June 2019 (31 December 2018: 158). Remuneration is determined on various factors such as their work experience, educational background, qualifications and certifications possessed.

The compensation package for our employees generally comprises basic wages, over-time work allowances, bonuses, retirement benefits and other staff benefits. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. For the Reporting Period, our employee benefit expenses were approximately HK\$4.6 million (six months ended 30 June 2018: HK\$3.3 million). Our Company has adopted a share option scheme pursuant to which the Directors and employees of our Group are entitled to participate.

Material Acquisitions and Disposals

During the Reporting Period, our Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant investments held

As at 30 June 2019, our Group had no significant investments.

Events after the Reporting Period

Our Group has no significant events after the Reporting Period up to the date of this interim report.

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of each Director and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or are required to be kept under Section 352 of the SFO or required to be notified to our Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate Percentage of interest
Mr. Lim Chin Sean (Note 1)	Interest held jointly with other persons; interest in a controlled corporation	750,000,000	75%

Note:

1. Sparkle Century is wholly-owned by LGB (HK), which is owned as to 70%, 25% and 5% by LGB (Malaysia) Sdn. Bhd. ("**LGB (Malaysia)**"), Mr. Lim Chee Meng and Mr. Lim Chin Sean, respectively. LGB (Malaysia) is owned as to 30.40%, 30.40%, 10.43%, 10.43%, 10.43%, 5.41% and 2.50% by Mr. Lim Chee Meng, Mr. Lim Chin Sean, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan (also known as Ms. Goay Sook Lan) and Ms. Lim Wang Ling, respectively. As a result of the Concert Party Deed, Mr. Lim Chee Meng and Mr. Lim Chin Sean are deemed, or taken to be, interested in all the Shares held by Sparkle Century for the purposes of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held/ interested in	Percentage of interest
Mr. Lim Chin Sean	Sparkle Century	Interest held jointly with other persons; interest in controlled corporation	2	100%
Mr. Lim Chin Sean	LGB (HK)	Interest held jointly with other persons; interest in a controlled corporation	15,000	100%
Mr. Lim Chin Sean	LGB (Malaysia)	Interest held jointly with other persons	6,080	60.8%

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of our Company had any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or are required to be kept under Section 352 of the SFO or required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDER'S INTERESTS

As at 30 June 2019, according to the register kept by our Company under Section 336 of the SFO, the corporations or persons (other than a Director or chief executives of our Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

(i) Interests in the Shares of our Company

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of interest
Mr. Lim Chee Meng (Notes 1 & 2)	Interest held jointly with other persons; interest in a controlled corporation	750,000,000	75%
LGB (Malaysia) (Note 1)	Interest in a controlled corporation	750,000,000	75%
LGB (HK) (Note 1)	Interest in a controlled corporation	750,000,000	75%
Sparkle Century	Beneficial owner	750,000,000	75%
Ms. Lee Li May (Note 3)	Interest of spouse	750,000,000	75%
Ms. Cheong Sze Theng (Note 4)	Interest of spouse	750,000,000	75%

Notes:

1. LGB (Malaysia) beneficially owns 70% of the entire issued share capital of LGB (HK), which beneficially owns 100% of the issued share capital of Sparkle Century. As such, each of LGB (Malaysia) and LGB (HK) is deemed, or taken to be, interested in all the Shares held by Sparkle Century for the purposes of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2. Sparkle Century is wholly-owned by LGB (HK), which is owned as to 70%, 25% and 5% by LGB (Malaysia), Mr. Lim Chee Meng and Mr. Lim Chin Sean, respectively. LGB (Malaysia) is owned as to 30.40%, 30.40%, 10.43%, 10.43%, 10.43%, 5.41% and 2.50% by Mr. Lim Chee Meng, Mr. Lim Chin Sean, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan (also known as Ms. Goay Sook Lan) and Ms. Lim Wang Ling, respectively. As a result of the Concert Party Deed, Mr. Lim Chee Meng and Mr. Lim Chin Sean are deemed, or taken to be, interested in all the Shares held by Sparkle Century for the purposes of the SFO.
3. Ms. Lee Li May is the spouse of Mr. Lim Chee Meng and is therefore deemed to be interested in 750,000,000 Shares in which Mr. Lim Chee Meng has, or is deemed to have, for the purpose of the SFO.
4. Ms. Cheong Sze Theng is the spouse of Mr. Lim Chin Sean and is therefore deemed to be interested in 750,000,000 Shares in which Mr. Lim Chin Sean has, or is deemed to have, for the purpose of the SFO.

Save as disclosed above, as at 30 June 2019, no other person (other than a Director or chief executives of our Company) had registered an interest or short position in the Shares or underlying Shares of our Company which fell to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO.

DISCLOSURE OF CHANGE IN DIRECTOR'S INFORMATION

Mr. Tam Ka Hei Raymond, an independent non-executive Director, has been appointed as an independent non-executive director of Elegance Commercial and Financial Printing Group Limited, the shares of which are listed on GEM of the Stock Exchange (stock code 8391), effective from 1 July 2019.

Save as disclosed above, there is no other information in respect of any Director which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither our Company nor any of our subsidiaries had purchased, sold or redeemed any of our Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

Our Company has adopted the Model Code as our code of conduct regarding Directors' securities transactions. Having made specific enquiries with all of our Directors, each of the Directors has confirmed that he has complied with the Model Code throughout the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Our Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The Audit Committee consists of one non-executive Director, namely Mr. Lim Chin Sean, and two independent non-executive Directors, namely Mr. Hew Lee Lam Sang and Mr. Tam Ka Hei Raymond. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the unaudited interim results for the Reporting Period. The Audit Committee has also discussed matters with respect to the accounting policies adopted with the senior management and the external auditors of our Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the related party transactions as disclosed in note 18 to the Condensed Consolidated Interim Financial Information, there were no other transactions, arrangements or contracts of significance in relation to the business of our Group in which a Director or any of his connected entity was materially interested, whether directly or indirectly, subsisted at any time during the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company focuses on maintaining a high standard of corporate governance for purposes of enhancing the value of the Shareholders and protecting their interests. Our Company has adopted the code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules as our own corporate governance code. Our Company has complied with all the applicable code provisions as stipulated in the Corporate Governance Code for the Reporting Period.

The Board will examine and review, from time to time, our Company's corporate governance practices and operation in order to comply with the relevant provisions under the Listing Rules and to protect Shareholders' interests.

SHARE OPTION SCHEME

On 4 October 2018, a share option scheme (the "**Share Option Scheme**") was approved and adopted by the Shareholders, under which, options may be granted to any eligible participants to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme. Our Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees. The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 4 October 2018.

No share option has been granted by our Company under the Share Option Scheme since its adoption up to the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

USE OF PROCEEDS FROM SHARE OFFER

The Shares of our Company were listed on the Main Board of the Stock Exchange on 29 November 2018 with net proceeds received by our Company from the Share Offer in the estimated amount of HK\$104.7 million after deducting underwriting commissions and all related estimated expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the paragraph headed “Future Plans and Use of Proceeds” of the Supplemental Prospectus. During the six months ended 30 June 2019 and up to the date of this interim report, the net proceeds had been applied as follows:

USE OF NET PROCEEDS FROM THE SHARE OFFER

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
Complete the contemplated upgrading and expansion works of existing facilities	83.9	47.0	36.9 <i>(Note 1)</i>
Identification and evaluation of new wastewater treatment projects in Yinchuan and/or in other regions in the PRC	10.4	–	10.4 <i>(Note 2)</i>
Establishing and future upgrading of centralised monitoring system	5.2	–	5.2 <i>(Note 3)</i>
General working capital for general corporate purposes	5.2	4.4	0.8
Total	104.7	51.4	53.3

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. As to approximately HK\$36.9 million will be used to complete the contemplated upgrading and expansion works of our existing wastewater treatment facilities by December 2020.
2. As to approximately HK\$10.4 million will be used for the identification and evaluation of new wastewater treatment projects in the PRC by October 2021. As at the date of this interim report, no new wastewater treatment project has been identified.
3. As to approximately HK\$5.2 million will be used for establishing and future upgrading of a centralised monitoring system by December 2019.

As at the date of this interim report, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of our Group with licensed banks in Hong Kong. The planned use of proceeds as stated in the Supplemental Prospectus were based on the estimation and assumption of future market conditions and industry development made by our Company at the time of preparing the Supplemental Prospectus while the proceeds were applied based on the actual development of our Group's business. The Directors are not aware of any material change to the planned use of proceeds as of the date of this interim report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of TIL Enviro Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 53, which comprises the condensed consolidated statement of financial position of TIL Enviro Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2019 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

OTHER MATTER

The comparative information for the condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2018. The comparative information for the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2018 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	6	154,539	195,046
Cost of sales	8	(90,724)	(110,469)
Gross profit		63,815	84,577
Other income	7	22,471	1,150
Other losses, net		(609)	(2,446)
General and administrative expenses	8	(10,038)	(20,674)
Operating profit		75,639	62,607
Finance costs		(21,847)	(22,232)
Profit before income tax		53,792	40,375
Income tax expense	9	(9,961)	(16,729)
Profit for the period		43,831	23,646
Profit for the period attributable to:			
Owners of the Company		43,831	23,512
Non-controlling interests		—	134
		43,831	23,646
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (expressed in HK\$ per share)	10	0.04	0.31

The notes on pages 35 to 53 are an integral part of this Interim Financial Information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period	43,831	23,646
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(1,625)	(9,024)
Reclassification of exchange reserve upon deregistration/disposal of subsidiaries	–	(144)
Total comprehensive income for the period	42,206	14,478
Total comprehensive income attributable to:		
Owners of the Company	42,206	14,071
Non-controlling interests	–	407
	42,206	14,478

The notes on pages 35 to 53 are an integral part of this Interim Financial Information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,665	1,810
Receivable under service concession arrangement	12	1,274,408	1,266,925
Intangible assets		66,946	66,457
Prepayment		19,355	–
Restricted bank balances		4,552	4,554
		1,366,926	1,339,746
Current assets			
Inventories		1,333	731
Trade and other receivables	13	83,472	72,389
Receivable under service concession arrangement	12	277,168	264,922
Cash and cash equivalents		291,413	296,897
		653,386	634,939
Total assets		2,020,312	1,974,685
EQUITY			
Capital and reserves			
Share capital	14	10,000	10,000
Reserves		686,175	687,800
Retained earnings		316,010	272,179
Total equity		1,012,185	969,979

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	699,877	685,176
Deferred tax liabilities		109,172	106,540
		809,049	791,716
Current liabilities			
Trade and other payables	16	104,184	128,149
Tax payable		3,654	6,361
Current portion of long-term borrowings	15	72,805	66,526
Short-term borrowings	15	18,435	11,954
		199,078	212,990
Total liabilities		1,008,127	1,004,706
Total equity and liabilities		2,020,312	1,974,685
Net current assets		454,308	421,949
Total assets less current liabilities		1,821,234	1,761,695

The notes on pages 35 to 53 are an integral part of this Interim Financial Information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to equity shareholders of the Group						Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Capital reserve	Retained Earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2018	-	-	(7,770)	1	202,183	194,414	(12,928)	181,486
Profit for the period	-	-	-	-	23,512	23,512	134	23,646
Changes in equity for the six months ended 30 June 2018:								
Other comprehensive income for the period								
Currency translation differences	-	-	(9,297)	-	-	(9,297)	273	(9,024)
Deregistration of a subsidiary	-	-	(144)	-	-	(144)	-	(144)
Transactions with owners in their capacity of owners								
Disposal of subsidiaries	-	-	(1,291)	30,506	-	29,215	12,521	41,736
Balance at 30 June 2018	-	-	(18,502)	30,507	225,695	237,700	-	237,700

	Attributable to equity shareholders of the Group						Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Capital reserve	Retained Earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2019	10,000	708,746	(51,453)	30,507	272,179	969,979	-	969,979
Profit for the period	-	-	-	-	43,831	43,831	-	43,831
Changes in equity for the six months ended 30 June 2019:								
Other comprehensive income for the period								
Currency translation differences	-	-	(1,625)	-	-	(1,625)	-	(1,625)
Balance at 30 June 2019	10,000	708,746	(53,078)	30,507	316,010	1,012,185	-	1,012,185

The notes on pages 35 to 53 are an integral part of this Interim Financial Information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash used in operations	(3,368)	(44,342)
Income tax paid	(10,027)	–
Net cash used in operating activities	(13,395)	(44,342)
Cash flows from investing activities		
Purchases of property, plant and equipment	(73)	(620)
Proceeds from the disposals of financial assets at fair value through profit or loss	–	64,661
Interest received	2,212	397
Net cash generated from investing activities	2,139	64,438
Cash flows from financing activities		
Proceeds from borrowings	47,747	52,619
Repayments of borrowings	(19,548)	(20,514)
Interest paid	(21,847)	(22,232)
Changes in amount due to LGB (HK)	–	61,423
Net cash generated from financing activities	6,352	71,296
Net (decrease)/increase in cash and cash equivalents	(4,904)	91,392
Cash and cash equivalents at beginning of period	296,897	130,141
Currency translation differences	(580)	(1,814)
Cash and cash equivalents at end of period	291,413	219,719

The notes on pages 35 to 53 are an integral part of this Interim Financial Information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

TIL Enviro Limited (the “**Company**”) was incorporated in the Cayman Islands on 17 April 2018 as an exempted company with limited liability. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108.

The ultimate holding company is LGB (Malaysia) Sdn Bhd (“**LGB (Malaysia)**”), a private limited liability company incorporated in Malaysia.

The Company is an investment holding company. The Company and its subsidiaries (together, “**the Group**”) are principally engaged in the wastewater treatment business in the People’s Republic of China (the “**PRC**”).

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. It was authorised for issue by the Board of Directors on 29 August 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information of the Group (the “**Interim Financial Information**”) for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2018 (the “**2018 financial statements**”), which has been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The significant accounting policies applied are consistent with those set out in the 2018 financial statements, except for the adoption of new standards as described below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.1 Standards, amendments to standards and interpretation adopted

For the six month ended 30 June 2019, the Group has adopted the following new standards, amendments to standards and interpretation which are relevant to its operations:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Improvements to HKFRSs
Amendments to HKFRS 9	Prepayment Features with Negative Compensation of Financial Liabilities
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

Accounting policies of the Group were amended after the adoption of HKFRS 16, but it does not have a significant financial impact on the Group as at 1 January 2019 (date of initial application) and 30 June 2019, and for the period ended 30 June 2019 as explained in note 3 below. Other than that, the adoption of other new standards, amendments to standards and interpretation did not have any significant impact on the Interim Financial Information or result in any significant changes in the Group's accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Standards and amendments to standards which are not yet effective

The following new standards and amendments to standards have been issued and are mandatory for the Group's accounting periods beginning after 1 January 2020 and later periods and have not been early adopted:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2019	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021

The Group has already commenced an assessment of the related impact to the Group of the above standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment made by the management of the Company, the directors do not anticipate any significant impact on the Group's financial positions and results of operations.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group and discloses the new accounting policies that have been applied from 1 January 2019 below.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Any cumulative effect of initially applying the new standard are therefore recognised on 1 January 2019.

Impacts on adoption of HKFRS 16

In applying HKFRS 16 for the first time, the Group has used the practical expedient permitted by the standard that allow the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases. Once a lease arrangement is regarded as a short-term lease as defined in the standard, a lessee may elect not to recognise a right-of-use asset and a lease liability in relation to the lease arrangement.

Since the remaining lease term of all operating leases of the Group as at 1 January 2019 are less than 12 months comma, the Group has elected not to recognise lease liabilities and associated right-of-use assets of these leases on adoption of HKFRS 16.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead the Group relied on its assessment made by applying HKAS 17 Leases, for contracts entered into before the transition date.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Accounting policy adopted since 1 January 2019 – Leased assets

The Group leases various properties. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, payments made under operating leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2018 financial statements.

There have been no changes in the Group's financial risk management policies and procedures since the last year end.

(b) Fair value measurements

At 30 June 2019, the carrying amounts of Group's financial assets and liabilities approximate their fair values.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 financial statements.

6 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of directors of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole. The Board of directors of the Company considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole and regards the Group as a single operating segment and reviews the Interim Financial Information accordingly. Therefore, the Board of directors of the Company considers these to be only one operating segment under the requirements of HKFRS 8 “Operating Segments”.

The Group provides wastewater treatment services in the PRC.

An analysis of the Group’s revenue from contracts with customers is as follows:

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue		
Wastewater treatment operation services	60,804	65,210
Recycle water supply operation services	2,768	2,806
Wastewater treatment construction services	38,887	77,887
Finance income from service concession arrangement	52,080	48,402
Management fees from related companies (note 18)	–	741
	154,539	195,046
	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Timing of revenue recognition		
At a point in time	2,768	2,806
Over time	99,691	143,838
	102,459	146,644
Finance income from service concession arrangement	52,080	48,402
	154,539	195,046

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment Assets and Liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by the CODM internally. Accordingly, no segment assets and liabilities are presented.

(b) Geographical Information

During the period, all of the revenue was from customers in the PRC.

In relation to non-current assets held by the Group (primarily represented by property, plant and equipment, receivable under service concession arrangement and intangible asset), these are located in the PRC.

7 OTHER INCOME

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Government subsidy (<i>note</i>)	17,931	–
Interest income	2,212	397
Others	2,328	753
	22,471	1,150

The amount represents the incentive received in the current period from Ningxia Hui Autonomous Region Finance Bureau for the successful listing on the Main Board of The Stock Exchange of Hong Kong Limited.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Employee benefit expenses including directors' emoluments		
— Cost of sales	6,074	5,783
— General and administrative expenses	4,572	3,324
Depreciation of property, plant and equipment	225	180
Amortisation of intangible assets	1,472	1,279
Construction cost	35,352	70,806
Costs of wastewater treatment operation and recycle water supply operation services		
— Chemical	27,352	12,958
— Utility	12,676	12,086
— Others	6,136	6,863
Legal and professional fee	3,566	20
Auditor's remuneration		
— Audit service	383	170
Rental expenses	181	186
Travelling and transportation expenses	805	1,643
Repair and maintenance costs	1,451	519
Office expenses	301	292
Listing expenses	—	12,346
Others	216	2,688
	100,762	131,143

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current income tax	7,279	809
Deferred income tax	2,682	15,920
	9,961	16,729

Hong Kong profits tax has not been provided as the Group had no estimated assessable profit (2018: Nil). Taxation on Mainland China profits has been calculated on the estimated taxable profits at the rate of 15% (2018: 25%).

In April 2019, the China tax administration released a new tax incentive policy for corporates involved in environmental protection industry whereby the qualified corporates will be able to enjoy reduced corporate income tax rate of 15% (reducing from 25%) for the next 3 years with effect from years of assessment 2019 to 2021. The Group is qualified to benefit from this new tax incentive policy during the period ended 30 June 2019.

According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued during the period.

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit attributable to the ordinary shareholders of the Company (HK\$'000)	43,831	23,512
Weighted average number of ordinary shares in issue (thousand)	1,000,000	75,000
Basic earnings per share (HK\$)	0.04	0.31

The weighted average number of ordinary shares for the purpose of calculating 2018 basic earnings per shares has been determined on the assumption that the Reorganisation as described in note 1.2 in the 2018 financial statements has been effective from 1 January 2018.

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding as at 30 June 2019 and 2018.

11 DIVIDENDS

No dividend has been paid or declared by the Company for the period (six months ended 30 June 2018: Nil).

12 RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

The Group has entered into a service concession arrangement with a government authority (the “**Grantor**”) in the PRC under a transfer-operate-transfer (“**TOT**”) model in respect of its wastewater treatment services based on the TOT agreement dated September 2011 (the “**Service Concession Agreement**”). This service concession arrangement involves the Group as an operator (i) paying a specific amount for the wastewater treatment plants (collectively, the “**Facilities**”) for an arrangement under a TOT model; and (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authority for 30 years from September 2011, and the Group will be paid for its services over the service concession period at prices stipulated through a pricing mechanism as defined in the Service Concession Agreement.

The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authority as the Grantor will control and regulate the scope of service that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the service concession period.

The service concession arrangement is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, and specific obligations levied on the Group to restore the Facilities to a specified level of serviceability at the end of the service concession period and arrangements for arbitrating disputes.

As further explained in the accounting policy for “Service concession arrangement” set out in note 2.7 in the 2018 financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (service concession) or a financial asset (receivable under service concession arrangement) or a combination of both, as appropriate.

12 RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT (CONTINUED)

The service concession arrangement with the government authority is recognised as a combination of financial asset and intangible asset since the project had an unconditional contractual right to receive cash from the government authority based on the guaranteed wastewater treatment volume, and a right to charge the government authority on the additional wastewater treatment volume.

The following is the summarised information of the financial asset component (receivable under service concession arrangement) with respect to the Group's service concession arrangement:

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
Receivable under service concession arrangement		
— Current	277,168	264,922
— Non-current	1,274,408	1,266,925
	1,551,576	1,531,847

The collection of receivable under the service concession arrangement is closely monitored in order to minimise any credit risk associated with the receivables.

The receivable under the service concession arrangement are future billable receivables. They were mainly due from a governmental authority in the PRC, as the Grantor in respect of the Group's service concession arrangement. All of these financial assets are considered to have low credit risk as they have a low risk of default and the counterparty has strong capability to meet its contractual cash flow obligations in the near term. Therefore, impairment provision was limited to twelve months expected losses and estimated to be minimal.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
Trade receivables	70,746	49,947
Other receivables	5,378	6,735
Loan receivable	6,828	6,830
Prepayment	520	8,877
	83,472	72,389

In general, the Group grants credit periods of within 5–20 days to its customers. Aging analysis of gross trade receivables at the respective reporting dates, based on the invoice dates are as follows:

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
0–30 days	24,332	26,372
31–60 days	23,851	23,572
61–90 days	22,561	1
Over 90 days	2	2
	70,746	49,947

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 17 April 2018 (date of incorporation)		
<i>(Note (a))</i>	38,000,000	380
Increase in authorised share capital		
<i>(Note (d))</i>	9,962,000,000	99,620
<hr/>		
At 31 December 2018 and		
30 June 2019	10,000,000,000	100,000
<hr/>		
Issued and fully paid		
At 17 April 2018 (date of incorporation)		
<i>(Note (a))</i>	1	–
Issuance of shares pursuant to the		
Reorganisation <i>(Note (b))</i>	9,999	–
Capitalisation of amount due to		
LGB (HK) <i>(Note (c))</i>	90,000	1
Capitalisation issue of shares		
<i>(Note (e))</i>	749,900,000	7,499
Share issued pursuant to the		
Share Offer <i>(Note (f))</i>	250,000,000	2,500
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At 31 December 2018 and		
30 June 2019	1,000,000,000	10,000
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14 SHARE CAPITAL (CONTINUED)

- (a) On 17 April 2018, the Company was incorporated in the Cayman Islands with authorised share capital of HK\$380,000 divided into 38,000,000 shares. At the time of the incorporation, one nil paid share was issued and allotted to an initial subscriber and was transferred to Sparkle Century Group Limited ("**Sparkle Century**").
- (b) On 10 May 2018, the Company allot and issue a total of 9,999 shares to Sparkle Century at par value pursuant to the Reorganisation as disclosed in note 1.2(v) of the 2018 financial statements.
- (c) On 28 September 2018, LGB Group (HK) Limited ("**LGB (HK)**"), Sparkle Century and the Company entered into a deed of loan assignment pursuant to which LGB (HK) assigned the loan due from the Company to LGB (HK) ("**LGB HK Shareholder Loan**") to Sparkle Century, in consideration of Sparkle Century undertaking to repay a sum with the same amount under the same terms as the above LGB HK Shareholder Loan to LGB (HK). On the same day, Sparkle Century capitalised the shareholder's loan owed by the Company to it of approximately HK\$590,961,000, in consideration of the Company issuing and allotting 90,000 shares to Sparkle Century. After the capitalisation, the Company remained to be wholly owned by Sparkle Century.
- (d) Pursuant to the written resolutions passed on 4 October 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by creation of an additional 9,962,000,000 shares at par value upon completion of the placing.
- (e) Pursuant to the written resolutions passed on 4 October 2018, the Company issued additional 749,900,000 shares at par value upon completion of the placing, credited to share premium account as fully paid, to the existing shareholders of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 SHARE CAPITAL (CONTINUED)

- (f) In connection with the Company's listing on the Main Board of the Stock Exchange of Hong Kong Limited on 29 November 2018, 250,000,000 shares of par value of HK\$0.01 per share with the offer price of HK\$0.58 per share (the "**Share Offer**") for a total consideration of HK\$145,000,000, with issuance costs amounted to approximately HK\$17,215,000 being charged to the share premium account of the Company.

15 BORROWINGS

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
Non-current		
Long-term borrowings	699,877	685,176
Current		
Current portion of long-term borrowings	72,805	66,526
Short-term borrowings	18,435	11,954
	791,117	763,656

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 TRADE AND OTHER PAYABLES

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
Trade payables	11,150	9,216
Retention payables	19,957	21,213
Other payables and accruals	73,077	97,720
	104,184	128,149

The aging analysis of trade payables based on invoices dates is as follows:

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
0–30 days	9,391	3,640
31–60 days	–	4,024
61–90 days	114	71
Over 90 days	1,645	1,481
	11,150	9,216

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 CAPITAL COMMITMENTS

The Group has the following capital commitments in respect of upgrade and expansion of the wastewater treatment plants:

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
Contracted but not provided for	234,949	88,725

The above commitments are in relation to service concession arrangement which will be classified as receivable under service concession arrangement or intangible asset.

18 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Interim Financial Information, the Group had the following material related party transactions:

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Management fees income from:		
— Tianjin-SWM (M) Environment Ltd., Co.	—	406
— Puresino (Guanghan) Water Co. Ltd.	—	335
Interest expenses to LGB (HK)	—	286

Management fee and interest expenses were charged in accordance with the terms of respective agreements.

FINANCIAL SUMMARY 2015–2019

A summary of the results and assets and liabilities of our Group for the last four financial years from 2015 to 2018 and six months ended 30 June 2018 and 2019, as extracted from the Company's consolidated financial statements and the Prospectus, is set out below:

RESULTS

	Interim results			Annual results		
	Six months ended			Year ended 31 December		
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2018 (Audited) HK\$000	2017 (Audited) HK\$000	2016 (Audited) HK\$000	2015 (Audited) HK\$000
Revenue	154,539	195,046	492,505	366,381	207,419	250,521
Profit before tax	53,792	40,375	105,095	80,559	62,729	60,794
Income tax expense	(9,961)	(16,729)	(34,965)	(21,659)	(17,174)	(15,741)
Profit for the year						
attributable to:						
Owners of our Company	43,831	23,646	70,130	58,900	45,555	45,053
Non-controlling interests	–	134	134	(15)	(663)	(543)

ASSETS AND LIABILITIES

	As at	As at 31 December			
	30 June	2018	2017	2016	2015
	2019 (Unaudited) HK\$'000	(Audited) HK\$000	(Audited) HK\$000	(Audited) HK\$000	(Audited) HK\$000
Total assets	2,020,312	1,974,685	1,775,041	1,484,137	1,470,746
Total liabilities	1,008,127	1,004,706	1,593,555	1,403,804	1,398,056
Total equity	1,012,185	969,979	181,486	80,333	72,690

Comparative Figures of the results for the years ended 31 December 2015, 2016, 2017 and 2018, for the six months ended 30 June 2018, and assets and liabilities as at 31 December 2015, 2016, 2017 and 2018 have not been restated to reflect the impacts of the new standards, amendments to standards and interpretation adopted during the period.