

TIL ENVIRO LIMITED

達力環保有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1790



2020

INTERIM REPORT

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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 (ICSA, HKICS)

COMPANY SECRETARY

Ms. Tsui Sum Yi (ICSA, HKICS)

AUDITOR

PricewaterhouseCoopers

(*Certified Public Accountants and*

Registered Public Interest Entity Auditor)

REGISTERED OFFICE IN CAYMAN ISLANDS

P.O. Box 1350, Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

HEADQUARTERS

Unit 08, Level 61, CITIC Plaza

No. 233 Tianhe North Road

Tianhe District, Guangzhou

Guangdong Province

The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F

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Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

P.O. Box 1350, Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

CORPORATE INFORMATION

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 BANKERS

Bank of Communications
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Xingqing District
Yinchuan 750001
Ningxia
PRC

CIMB Bank Berhad Shanghai Branch
Unit 1805–1807, AZIA Center
1233, Lujiazui Ring Road
Pudong New District
Shanghai 200120
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
“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

DEFINITIONS

“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)
“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

DEFINITIONS

“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
“Reporting Period”	1 January 2020 to 30 June 2020
“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
“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 Codes on Takeovers and Mergers and Share Buy-Backs, 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

DEFINITIONS

“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
“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

We are a wastewater treatment service provider operating and managing four wastewater treatment facilities located in Yinchuan, being the capital city of Ningxia, the PRC, providing wastewater treatment services to the local government. We operate and manage our wastewater treatment plants on a Transfer — Operate — Transfer (“TOT”) basis for 30 years since September 2011. We also undertake the upgrading and expansion of our wastewater treatment facilities to achieve higher wastewater discharge standards and to increase our designed treatment capacities. As an ancillary business, we also provide supply of recycled water, which was the treated wastewater processed by our Plant 1 and Plant 3, to end-users in Yinchuan which include but not limited to a power plant and a public institution in Yinchuan in charge of public area landscaping.

As at 30 June 2020, our aggregate daily wastewater treatment capacity was 475,000 cubic metres per day, and the discharge standard for all plants were either Class IA or Quasi Surface Water Standard Class IV (準四類水標準). In the first half of 2020, due to the outbreak of coronavirus (“COVID-19”) virus disease, the nation-wide lockdown has led to overall lower inflow of wastewater 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 47.4 million cubic metres, representing a decrease of approximately 5% from the same period ended 30 June 2019 at 49.8 million cubic metres.

The expansion of Plant 4 has commenced operations on 1 January 2020 after obtaining the environmental acceptance on 31 December 2019 and we have billed our customers on the volume of wastewater treated based on interim tariff of RMB2.00 per cubic metre.

During the Reporting Period, the Group reported revenue and profit after tax (“PAT”) of HK\$108.1 million and HK\$38.2 million, respectively, lower than revenue and PAT of HK\$154.5 million and HK\$43.8 million achieved during the corresponding period of last year.

The lower revenue for the Reporting Period was primarily attributable to: (i) lower construction revenue recognised as Plant 4 expansion was nearing completion stage; and (ii) lower wastewater volume resulted from the containment measures implemented across the PRC in relation to the COVID-19 pandemic. The lower PAT for the Reporting Period was also due to lower other income recognised. The Group recorded 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 the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT STRATEGY AND PROSPECTS

In February 2020, Yinchuan city has deployed limitation of movement, restrictions of mass gatherings, self-quarantine and closure of schools, restaurants, entertainment centres to contain the COVID-19 from spreading. These containment measures have resulted in an overall decrease in the wastewater volume treated by us.

However, the management is cautiously optimistic that the wastewater volume will increase gradually, as the wastewater volume is on an upward trend since May 2020 with the gradual lifting of the containment measures.

For the second half of 2020, our Group will continue to focus on cost optimisation and increase efficiency in managing our wastewater treatment plants. Our Group strives to manage cash flow prudently especially during the on-going COVID-19 pandemic. Besides that, our Group will focus on finalising the new tariff and new guaranteed basic volume with the local authority for the expansion and upgrading works done on Plant 1, Plant 2 Phase 1 and Plant 4 Phase 1, respectively.

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 entered into with the local government of Yinchuan.

Our Group is also eyeing for merger and acquisition opportunities for mature operational wastewater treatment assets in Yinchuan, Ningxia and other regions within the PRC with the aim of strengthening our footprint 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	108,101	154,539
Cost of sales	(36,332)	(90,724)
Gross profit	71,769	63,815
Other income	4,181	22,471
Other gains/(losses), net	131	(609)
General and administrative expenses	(7,452)	(10,038)
Finance costs	(22,920)	(21,847)
Profit before taxation	45,709	53,792
Income tax expense	(7,526)	(9,961)
Profit for the period	38,183	43,831
Other comprehensive losses	(20,009)	(1,625)
Total comprehensive income for the period	18,174	42,206

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\$154.5 million for the six months ended 30 June 2019 to approximately HK\$108.1 million for the Reporting Period, representing a decrease of approximately HK\$46.4 million or approximately 30%. The revenue contributions by our major components during the Reporting Period were as follows: (i) approximately 43% of our revenue was derived from wastewater treatment operation services; (ii) approximately 1% of our revenue was derived from wastewater treatment construction services; and (iii) approximately 54% of our revenue was derived from finance income from service concession arrangement.

The primary reasons for the decrease in revenue during the Reporting Period were attributable to a combined effect as set out below:

- revenue derived from the wastewater treatment operation services decreased from approximately HK\$60.8 million for the six months ended 30 June 2019 to approximately HK\$46.3 million for the Reporting Period, representing a decrease of approximately HK\$14.5 million or approximately 24%. The decrease was due to the decrease in the total quantity of wastewater treated by us in the Reporting Period, as well as depreciation of our functional currency, RMB against our reporting currency HK\$ during the Reporting Period (30 June 2020 RMB/HK\$ average rate: 1.1038; 30 June 2019 RMB/HK\$ average rate: 1.1561);
- revenue derived from the wastewater treatment construction services decreased from approximately HK\$38.9 million for the six months ended 30 June 2019 to approximately HK\$1.1 million for the Reporting Period, representing a decrease of approximately HK\$37.8 million or approximately 97%. As our construction revenue is recognised on the basis of actual cost with reasonable profit margin, the decrease was mainly attributable to lower construction cost incurred during the Reporting Period as the expansion works on Plant 4 was nearing completion stage. 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\$52.1 million for the six months ended 30 June 2019 to approximately HK\$57.9 million for the Reporting Period, representing an increase of approximately HK\$5.8 million or approximately 11%, which was primarily attributable to the increase in the opening balance of receivable under the service concession arrangement; 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 2019 and 2020, respectively.

Cost of sales

Our cost of sales decreased from approximately HK\$90.7 million for the six months ended 30 June 2019 to approximately HK\$36.3 million for the Reporting Period, representing a decrease of approximately HK\$54.4 million or approximately 60%, which was primarily attributable to the decrease in construction costs, further analysis of which is set out below:

- costs of wastewater treatment operation decreased from approximately HK\$46.2 million for the six months ended 30 June 2019 to approximately HK\$29.2 million for the Reporting Period, representing a decrease of approximately HK\$17.0 million or approximately 37%. Such decrease was mainly attributable to: (i) lower chemical costs by approximately HK\$14.1 million resulted from the management's continuous efforts to optimise the consumption of chemical; and (ii) lower utility costs by approximately HK\$2.4 million due to 5% discount on the electricity bills from February 2020 to December 2020, which was in line with the local government's temporary recovery measures from post COVID-19 effect;
- the Group incurred construction costs of approximately HK\$35.4 million for the six months ended 30 June 2019. For the Reporting Period, the Group recorded a credit of HK\$1.5 million due to cost adjustments, where the decrease was primarily attributable to the near completion of the upgrading and expansion works carried out on Plant 4. Besides that, there was a reversal of overprovision of construction costs for our Plant 2 Phase 1 and Plant 4 Phase 1 expansion during the Reporting Period, after the completion of the audit of the capital investment costs and operation costs by the local authorities; and

MANAGEMENT DISCUSSION AND ANALYSIS

- the remaining cost of sales, which consisted primarily of employee benefit expenses, depreciation and amortisation expenses, repair and maintenance costs and other costs, recorded a slight decrease from approximately HK\$9.1 million for the six months ended 30 June 2019 to approximately HK\$8.6 million for the Reporting Period. Such movement was mainly attributable to: (i) a decrease of approximately HK\$0.3 million in employee benefit expenses due to reduction in social security insurance contributions (五險一金) effective from February 2020 up to December 2020, which was in line with the local government's temporary recovery measures from post COVID-19 effect; and (ii) a decrease of approximately HK\$0.6 million in repair and maintenance costs due to the deferment of non-critical repair and maintenance works as a measure to conserve cash flow due to the COVID-19 pandemic.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$63.8 million for the same period last year to approximately HK\$71.8 million for the Reporting Period, representing an increase of approximately HK\$8.0 million or approximately 13%, which was primarily attributable to the decrease in chemical and utility costs during the Reporting Period. Our gross profit margin increased from 41% for the six months ended 30 June 2019 to 66% for 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 increased from approximately HK\$8.2 million in corresponding period last year to HK\$11.2 million for the Reporting Period. The increase was mainly attributable to the decreased in operating cost resulted from lower chemical costs due to the management's continuous efforts to optimise the consumption of chemical, lower utility cost due to temporary discount given by the local government as well as lower social security contributions due to the temporary relief from the local government;
- construction services, which contributed approximately 1% of our revenue for the Reporting Period (30 June 2019: approximately 25%), has lower gross profit margin than wastewater treatment operation services, which contributed approximately 43% of our revenue for the Reporting Period (30 June 2019: approximately 39%); and
- our finance income from service concession arrangement, representing the imputed interest income, amounted to approximately HK\$52.1 million and HK\$57.9 million for the six months ended 30 June 2019 and 2020, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income decreased from approximately HK\$22.5 million for the six months ended 30 June 2019 to approximately HK\$4.2 million for the Reporting Period, representing a decrease of approximately HK\$18.3 million or approximately 81%. The decrease was primarily 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 in the corresponding period of last year.

Other gains/(losses), net

Our Group recorded other gains/(losses), net of approximately HK\$0.1 million for the Reporting Period, representing an increase of approximately HK\$0.7 million or approximately 117%, as compared to other losses, net of approximately HK\$0.6 million for the same period last year. Such increase in the other gains/(losses), net balance was mainly attributable to favourable movement in USD/RMB on our USD cash and bank balances during the Reporting Period which resulted in net foreign exchange gains of approximately HK\$0.1 million. (30 June 2019: net foreign exchange losses of approximately HK\$0.6 million).

General and administrative expenses

General and administrative expenses decreased from approximately HK\$10.0 million for the six months ended 30 June 2019 to approximately HK\$7.5 million for the Reporting Period, representing a decrease of approximately HK\$2.5 million or approximately 25%. Such decrease was primarily due to the decrease in the legal and professional fee during the Reporting Period amounted to approximately HK\$2.8 million.

Finance costs

Finance costs increased by approximately HK\$1.1 million, or approximately 5%, to approximately HK\$22.9 million for the Reporting Period from approximately HK\$21.8 million for the six months ended 30 June 2019. Such increase was primarily attributable to the increase of interest expenses as the Group has higher drawdown of loan to fund the Plant 4 expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

We incurred income tax expense of approximately HK\$8.0 million for the Reporting Period and approximately HK\$10.0 million for the same period last year at effective tax rates of approximately 18% and 19%, respectively. The low effective tax rate was mainly attributable to the reduced corporate income tax rate (from 25% to 15%) announced by the China tax administration in April 2019. The new tax incentive policy is applicable to corporates involved in environmental protection industry for tax assessment years from 2019 to 2021.

Profit and total comprehensive income for the period

As a result of the foregoing factors, our profit decreased from approximately HK\$43.8 million for the six months ended 30 June 2019 to approximately HK\$38.2 million for the Reporting Period, representing a decrease of approximately HK\$5.6 million, or approximately 13%.

The total comprehensive income for the six months ended 30 June 2019 amounted to approximately HK\$42.2 million compared to approximately HK\$18.2 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 2020 RMB/HK\$ average rate: 1.1038; 30 June 2019 RMB/HK\$ average rate: 1.1561).

Earnings per Share

The earnings per share for profit attributable to owners of the Company (basic and diluted) was HK\$0.04 per share for the six months ended 30 June 2019 and 2020, 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\$269.7 million and HK\$267.1 million as at 31 December 2019 and 30 June 2020, respectively; and (ii) non-current assets were approximately HK\$1,477.7 million and HK\$1,431.5 million as at 31 December 2019 and 30 June 2020, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,747.4 million and HK\$1,698.6 million as at 31 December 2019 and 30 June 2020, respectively. This represented a decrease of approximately 3% from 31 December 2019 to 30 June 2020, primarily due to the tariff payments received by our Group was slightly higher than the revenue recognised 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 2020, our Group had cash and bank balances of approximately HK\$159.0 million as compared to approximately HK\$186.3 million as at 31 December 2019. The decrease in cash on bank balances was due to higher net repayments of borrowing as at 30 June 2020. The cash and bank balances were denominated in HK\$, RMB and US\$.

Borrowings

As at 30 June 2020, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$778.4 million (31 December 2019: HK\$794.2 million), represented by short-term working capital loan of HK\$18.9 million (31 December 2019: HK\$12.9 million) and long-term loan of HK\$759.5 million (31 December 2019: HK\$781.3 million). The decrease in borrowings was due to scheduled principal repayment of approximately HK\$23.2 million in June 2020.

Liquidity and Capital Resources

Our principal liquidity and capital requirements primarily related to construction of our wastewater treatment facilities and purchase of equipments, as well as costs and expenses from business operations. As at 30 June 2020, the net current assets and net assets of our Group amounted to approximately HK\$373.2 million and HK\$1,078.1 million, respectively (31 December 2019: net current assets and net assets of approximately HK\$330.4 million and HK\$1,060.0 million, respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

As at 30 June 2020, the gearing ratio (calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances) was approximately 57% (31 December 2019: approximately 57%).

Contingent Liabilities

Our Group did not have any material contingent liabilities or outstanding litigation as at 30 June 2020.

Off-Balance Sheet Arrangements

As at 30 June 2020, 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, including the US\$ (the "**Non-functional Currency**").

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 its exposure to foreign currency risk by closely monitoring and minimising its net foreign currency position.

Charges on the Group's Assets

As at 30 June 2020, the Group's borrowings are secured by contractual rights to receive revenue generated by the Group and the land use right granted by the government in relation to the parcel of land at which our Wastewater Treatment Plants are situated.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

Our Group had 155 full-time employees as at 30 June 2020 (31 December 2019: 154). 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\$10.1 million (six months ended 30 June 2019: HK\$10.6 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.

Significant Investments Held

As at 30 June 2020, our Group had no significant investments.

Events after the Reporting Period

Save as disclosed in note 18 to the condensed consolidated interim financial information, there is no material subsequent event undertaken by the Group after the Reporting Period and up to the date of this interim report.

Interim Dividend

No interim dividend has been recommended by the Board for the six months ended 30 June 2019 and 2020, respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, 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 2020, 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 2020, 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%, 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 2020, 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

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- The Director's fees of Mr. Lim Chin Sean have been revised from HK\$130,000 to HK\$ 150,000 per year with effect from 1 January 2020.
- The Director's fees of Mr. Hew Lee Lam Sang have been revised from HK\$130,000 to HK\$ 150,000 per year with effect from 1 January 2020.
- The Director's fees of Mr. Tan Yee Boon have been revised from HK\$130,000 to HK\$ 150,000 per year with effect from 1 January 2020.
- The Director's fees of Mr. Tam Ka Hei Raymond have been revised from HK\$130,000 to HK\$ 150,000 per year with effect from 1 January 2020.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

Our Company has adopted the Model Code as the 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 17 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 then 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 and no share options were outstanding, lapsed, cancelled or exercised under the Share Option Scheme during the Reporting Period.

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 2020 and up to the date of this interim report, the net proceeds had been applied as follows:

CORPORATE GOVERNANCE AND OTHER INFORMATION

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	(71.3)	12.6 (note 1)
Identification and evaluation of new wastewater treatment projects in Yinchuan and/or other regions in the PRC	10.4	–	10.4 (note 2)
Establishing and future upgrading of centralised monitoring system	5.2	–	5.2 (note 3)
General working capital for general corporate purposes	5.2	(5.2)	–
Total	104.7	(76.5)	28.2

Notes:

1. As to approximately HK\$12.6 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. Due to the relocation of our Company's headquarters from Shanghai to Guangzhou in October 2019, our Company decided to evaluate the centralised monitoring system concurrent with the emerging needs of integrated business solutions for finance, human resources and administration in the new headquarters. Thus, an amount of HK\$5.2 million has not yet been utilised for establishing and future upgrading of a centralised monitoring system as intended. It is expected that this unutilised proceeds will be used by June 2021, barring any unforeseen circumstances.

As at 30 June 2020, 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 best 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 and the industry. 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 28 to 49, which comprises the interim condensed consolidated statement of financial position of TIL Enviro Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2020 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim 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.

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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue			
– Wastewater treatment operation services		46,320	60,804
– Wastewater treatment construction services		1,101	38,887
– Finance income from service concession agreement		57,882	52,080
– Others		2,798	2,768
	6	108,101	154,539
Cost of sales	8	(36,332)	(90,724)
Gross profit		71,769	63,815
Other income	7	4,181	22,471
Other gains/(losses), net		131	(609)
General and administrative expenses	8	(7,452)	(10,038)
Operating profit		68,629	75,639
Finance costs		(22,920)	(21,847)
Profit before income tax		45,709	53,792
Income tax expense	9	(7,526)	(9,961)
Profit for the period		38,183	43,831
Profit for the period attributable to:			
Owners of the Company		38,183	43,831
		38,183	43,831
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in HK\$ per share)	10	0.04	0.04

The notes on pages 34 to 49 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit for the period	38,183	43,831
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(20,009)	(1,625)
Total comprehensive income for the period attributable to owners of the Company	18,174	42,206

The notes on pages 34 to 49 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		2,116	2,222
Right-of-use assets		2,594	3,075
Receivable under service concession arrangement	12	1,431,483	1,477,659
Intangible assets		73,151	76,282
Restricted bank balances		4,388	4,474
		1,513,732	1,563,712
Current assets			
Inventories		887	1,146
Trade and other receivables	13	250,086	197,352
Receivable under service concession arrangement	12	267,095	269,717
Cash and cash equivalents		158,970	186,289
		677,038	654,504
Total assets		2,190,770	2,218,216
Equity			
Capital and reserves			
Share capital	14	10,000	10,000
Reserves		650,072	670,081
Retained earnings		418,058	379,875
Total equity		1,078,130	1,059,956

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	15	686,573	713,116
Lease liabilities		1,998	2,361
Deferred tax liabilities		120,191	118,653
		808,762	834,130
Current liabilities			
Trade and other payables	16	208,325	239,443
Tax payable		2,994	2,772
Current portion of long-term borrowings	15	72,930	68,204
Short-term borrowings	15	18,869	12,864
Lease liabilities		760	847
		303,878	324,130
Total liabilities		1,112,640	1,158,260
Total equity and liabilities		2,190,770	2,218,216
Net current assets		373,160	330,374
Total assets less current liabilities		1,886,892	1,894,086

The notes on pages 34 to 49 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Group					
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 January 2019	10,000	708,746	(51,453)	30,507	272,179	969,979
Profit for the period	-	-	-	-	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)
Balance at 30 June 2019	10,000	708,746	(53,078)	30,507	316,010	1,012,185

	Attributable to equity shareholders of the Group					
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 January 2020	10,000	708,746	(69,172)	30,507	379,875	1,059,956
Profit for the period	-	-	-	-	38,183	38,183
Changes in equity for the six months ended 30 June 2020:						
Other comprehensive income for the period						
Currency translation differences	-	-	(20,009)	-	-	(20,009)
Balance at 30 June 2020	10,000	708,746	(89,181)	30,507	418,058	1,078,130

The notes on pages 34 to 49 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	1,002	(3,368)
Income tax paid	(3,411)	(10,027)
Net cash used in operating activities	(2,409)	(13,395)
Cash flows from investing activities		
Purchases of property, plant and equipment	(177)	(73)
Interest received	1,673	2,212
Net cash generated from investing activities	1,496	2,139
Cash flows from financing activities		
Proceeds from borrowings	26,877	47,747
Repayments of borrowings	(27,349)	(19,548)
Interest paid	(22,920)	(21,847)
Payment of lease liabilities	(444)	-
Net cash (used in)/generated from financing activities	(23,836)	6,352
Net decrease in cash and cash equivalents	(24,749)	(4,904)
Cash and cash equivalents at beginning of period	186,289	296,897
Currency translation differences	(2,570)	(580)
Cash and cash equivalents at end of period	158,970	291,413

The notes on pages 34 to 49 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 27 August 2020.

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 2020 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 2019 (the “**2019 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 2019 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 and amendments to standards adopted

For the six month ended 30 June 2020, the Group has adopted the following new standards, amendments to standards and interpretation which are relevant to its operations:

HKAS 1 and HKAS 8	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform
HKFRS 3 (Amendments)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above standards and amendments to standards does not have significant effect on the results and financial position of the Company.

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 2021 and later periods and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16 COVID-19-Related Rent Concessions	HKFRS 16 COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of the impact of these new standards and amendments in the period of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 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 2019 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 2020, the carrying amounts of Group's financial assets and liabilities approximate their fair values.

4 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 2019 financial statements.

5 THE IMPACT OF COVID-19 DURING THE REPORTING PERIOD

Since the outbreak of the COVID-19 virus disease in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. Our Group has implemented precautionary and control measures to combat against this disease and safeguard our employees and our business operations. The containment measures at Yinchuan City have resulted in an overall decrease in the wastewater volume treated by us during the Reporting Period.

As the outbreak of the COVID-19 continues to evolve, it is challenging at this juncture to assess the full extent of its impact to the business and the global economy. The management has assessed the impact of COVID-19 across the Group, and up to the date of this Interim Financial Information, has not identified any areas that could have a material impact on the financial performance or position of the Group as at 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue		
Wastewater treatment operation services	46,320	60,804
Recycle water supply operation services	2,798	2,768
Wastewater treatment construction services	1,101	38,887
Finance income from service concession arrangement	57,882	52,080
	108,101	154,539

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Timing of revenue recognition		
At a point in time	2,798	2,768
Over time	47,421	99,691
Finance income from service concession arrangement	50,219 57,882	102,459 52,080
	108,101	154,539

(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, rights-of-use assets, receivable under service concession arrangement and intangible asset), these are located in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Government subsidy (note (i))	–	17,931
Interest income	1,673	2,212
VAT refund (note (ii))	2,417	2,032
Others	91	296
	4,181	22,471

Notes:

- (i) The amount represented the incentive received in the previous period from Ningxia Hui Autonomous Region Finance Bureau for the Company's successful listing on the Main Board of The Stock Exchange.
- (ii) 70% and 50% of the value-added tax ("VAT") paid by the Group in relation to the wastewater processing business and the sales of recycle water respectively are refunded according to Caishui 2015 No. 78. The Group is entitled to claim and have claimed from the governmental authority (the "Grantor") the balance of the VAT payment under the TOT agreement. Hence the Group recognised these VAT refunds attributable to intangible assets as other income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Employee benefit expenses including directors' emoluments		
— Cost of sales	5,811	6,074
— General and administrative expenses	4,339	4,572
Depreciation of property, plant and equipment	201	225
Depreciation of right-of-use assets	482	—
Amortisation of intangible assets	1,728	1,472
Construction cost (note)	(1,540)	35,352
Costs of wastewater treatment operation and recycle water supply operation services		
— Chemical	13,300	27,352
— Utility	10,327	12,676
— Others	5,635	6,136
Legal and professional fee	769	3,566
Rental expenses	16	181
Travelling and transportation expenses	169	805
Repair and maintenance costs	888	1,451
Office expenses	313	301
Information technology ("IT") service fee	494	—
Others	852	599
	43,784	100,762

Note: The negative figure was due to the reversal of overprovision of construction costs for Plant 2 Phase 1 and Plant 4 Phase 1 expansion during the Reporting Period, following the completion of the audit of the capital investment costs and operation costs by the local authorities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current income tax	3,672	7,279
Deferred income tax	3,854	2,682
	7,526	9,961

Hong Kong profits tax has not been provided as the Group had no estimated assessable profit (2019: Nil). Taxation on Mainland China profits has been calculated on the estimated taxable profits at the rate of 15% (2019: 15%).

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 2020.

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit attributable to the ordinary shareholders of the Company (HK\$'000)	38,183	43,831
Weighted average number of ordinary shares in issue (thousand)	1,000,000	1,000,000
Basic earnings per share (HK\$)	0.04	0.04

(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 2020 and 2019, respectively.

11 DIVIDENDS

No dividend has been paid or declared by the Company for the period (six months ended 30 June 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

The Group has entered into a service concession arrangement with 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 2019 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT (CONTINUED)

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 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Receivable under service concession arrangement		
— Current	267,095	269,717
— Non-current	1,431,483	1,477,659
	1,698,578	1,747,376

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 the counterparty has strong capability to meet its contractual cash flow obligations. 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 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade receivables (note (i))	224,553	174,604
Other receivables	15,231	5,109
Loan receivable (note (ii))	–	6,809
Prepayment	10,302	10,830
	250,086	197,352

Notes:

- (i) The increase was primarily due to slight delay in the collection of receivables from our customer as the time for payment processing has been prolonged due to extended holidays and remote working arrangements caused by the COVID-19 outbreak.
- (ii) Upon the request of Municipal Government of Yinchuan in 2018, all wastewater treatment service providers in Yinchuan were required to provide short-term funding to a sludge treatment company (the "**Borrower**") to finance its upgrade and expansion works to ensure smooth operation of the wastewater treatment facilities.

Accordingly, under the guidance of Construction Bureau of Yinchuan, TYW, a subsidiary of the Company, entered into an entrusted loan arrangement with a PRC bank and the Borrower for a sum of RMB6,000,000. The loan was interest-bearing at a floating rate of 115% of People's Bank of China base rate per annum and repayable within 12 months after 31 December 2018. The loan has been fully repaid by the Borrower in January 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

In general, the Group grants credit periods of within 15-30 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 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
0-30 days	26,295	22,456
31-60 days	25,277	48,201
61-90 days	22,159	21,923
Over 90 days	150,822	82,024
	224,553	174,604

14 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2019 and 30 June 2020	10,000,000,000	100,000
Issued and fully paid		
At 31 December 2019 and 30 June 2020	1,000,000,000	10,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 BORROWINGS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Non-current		
Long-term borrowings	686,573	713,116
Current		
Current portion of long-term borrowings	72,930	68,204
Short-term borrowings	18,869	12,864
	778,372	794,184

16 TRADE AND OTHER PAYABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade payables	51,217	36,665
Retention payables	38,084	38,874
Other payables and accruals	119,024	163,904
	208,325	239,443

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
0–30 days	5,579	5,881
31–60 days	3,992	27,120
61–90 days	4,375	2,139
Over 90 days	37,271	1,525
	51,217	36,665

17 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:

Name	Relationship	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Extra Sdn. Bhd.	Fellow subsidiary	494	–

IT expenses were charged in accordance with the terms of the agreement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 SUBSEQUENT EVENTS

On 27 July 2020, our Group has received a letter issued by Municipal Administration of Yinchuan (銀川市市政管理局) that, due to the rapid urbanisation in Yinchuan City, the government is studying a proposal to divert the wastewater influent from Plant 1 to a new recycled water treatment plant in Yinchuan (*not owned by the Group*) and the possibility of closing down Plant 1 when the new recycled water treatment plant commences operation (the "**Proposal**").

Based on the PRC legal advice obtained, the Group will be entitled to compensation for losses and damages suffered should the Proposal materialised. As per the Concession Agreement and in line with the PRC legal advice, the Proposal should not have any impact on the Group's remaining three wastewater treatment plants.

The Group has replied to the government on 14 August 2020 stating its disagreement to the Proposal and will continue to engage with the government on the viability of the Proposal. The management considered such Proposal is still at its ongoing feasibility study stage and therefore has not drawn any conclusion as at to date. The Group will continue to monitor the ongoing development of the Proposal.

FINANCIAL SUMMARY 2015–2020

A summary of the results and assets and liabilities of our Group for the last five financial years from 2015 to 2019 and six months ended 30 June 2019 and 2020, as extracted from the Company's consolidated financial statements and the Prospectus, is set out below:

RESULTS

	Interim results Six months ended 30 June 2020 (Unaudited) HK\$'000	Annual results Year ended 31 December					
		2019	2019	2018	2017	2016	2015
		(Unaudited) HK\$'000	(Audited) HK\$000	(Audited) HK\$000	(Audited) HK\$000	(Audited) HK\$000	(Audited) HK\$000
Revenue	108,101	154,539	515,401	492,505	366,381	207,419	250,521
Profit before tax	45,709	53,792	135,362	105,095	80,559	62,729	60,794
Income tax expense	(7,526)	(9,961)	(27,666)	(34,965)	(21,659)	(17,174)	(15,741)
Profit for the year attributable to:	38,183	43,831	107,696	70,130	58,900	45,555	45,053
Owners of our Company	38,183	43,831	107,696	69,996	58,915	46,218	45,596
Non-controlling interests	-	-	-	134	(15)	(663)	(543)

ASSETS AND LIABILITIES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December				
		2019	2018	2017	2016	2015
		(Audited) HK\$'000	(Audited) HK\$000	(Audited) HK\$000	(Audited) HK\$000	(Audited) HK\$000
Total assets	2,190,770	2,218,216	1,974,685	1,775,041	1,484,137	1,470,746
Total liabilities	1,112,640	1,158,260	1,004,706	1,593,555	1,403,804	1,398,056
Total equity	1,078,130	1,059,956	969,979	181,486	80,333	72,690

Comparative Figures of the results for the years ended 31 December 2015, 2016, 2017, 2018 and 2019, for the six months ended 30 June 2019, and assets and liabilities as at 31 December 2015, 2016, 2017, 2018 and 2019 have not been restated to reflect the impacts of the new standards, amendments to standards and interpretation adopted during the period.