

TIL ENVIRO LIMITED

達力環保有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1790

Interim Report
2021



CONTENTS

2	Corporate Information
4	Definitions
8	Management Discussion and Analysis
23	Corporate Governance and Other Information
31	Report on Review of Interim Financial Information
33	Condensed Consolidated Income Statement
34	Condensed Consolidated Statement of Comprehensive Income
35	Condensed Consolidated Statement of Financial Position
37	Condensed Consolidated Statement of Changes in Equity
38	Condensed Consolidated Statement of Cash Flows
39	Notes to the Condensed Consolidated Interim Financial Information
56	Financial Summary 2016–2021

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 (ACG, ACS)

AUDITOR

PricewaterhouseCoopers

(*Certified Public Accountants and*

Registered Public Interest Entity Auditor)

REGISTERED OFFICE IN CAYMAN ISLANDS

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

HEADQUARTERS

Unit 08, Level 61, CITIC Plaza

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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

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
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Wan Chai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications
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Xingqing District
Yinchuan 750001
Ningxia
The PRC

CIMB Bank Berhad Shanghai Branch
Unit 1805–1807, AZIA Center
1233, Lujiazui Ring Road
Pudong New District
Shanghai 200120
The 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 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 supplemented 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 2021 to 30 June 2021
“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 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
“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 of America

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 supply the treated wastewater that meets all the required recycle water standard from our Plant 1 and Plant 3 as recycled water to non-residential 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 2021, our aggregate daily wastewater treatment capacity was 475,000 cubic metres per day, and the discharge standard for all Wastewater Treatment Plants were Class IA and Quasi Surface Water Standard Class IV (準四類水標準).

For the Reporting Period, the total quantity of wastewater treated was approximately 55.2 million cubic metres, representing an increase of approximately 16.5% from the same period ended 30 June 2020 at approximately 47.4 million cubic metres, mainly due to overall higher inflow of wastewater during the Reporting Period.

Our Group has actively adhered to all the prescribed discharge standards/parameters set in the national policies throughout the year and had not encountered any material quality problems or disruption with respect to our wastewater treatment services.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the on-going coronavirus (“**COVID-19**”) pandemic, our Group has experienced minimal disruption on our Wastewater Treatment Plants’ operations as our operations are not labour intensive, where our Wastewater Treatment Plants’ set up are largely automated and monitored through our quality control system. We also have enough stock of consumables to ensure minimal disruption to our operations. Our Group has adopted precautionary measures for all the staff’s safety by carrying out daily cleaning and disinfection throughout our Wastewater Treatment Plants. Unfortunately, the on-going COVID-19 pandemic has affected our collection of wastewater treatment service fees from our customer as the time for payment processing has been prolonged. However, no impairment provision is made on the trade receivables as at 30 June 2021, as the management considered the expected credit loss was minimal based on our assessment.

During the Reporting Period, the Group reported revenue and profit after tax (“**PAT**”) of HK\$132.3 million and HK\$57.9 million, respectively, higher than revenue and PAT of HK\$108.1 million and HK\$38.2 million achieved during the corresponding period of last year.

The higher revenue for the Reporting Period was primarily attributable to higher wastewater volume resulted from (i) gradual relaxation of COVID-19 containment measures that were implemented in February 2020 and (ii) new factories moved into the industrial area where Plant 3 is located.

The higher PAT for the Reporting Period was mainly attributable to higher revenue derived from the wastewater treatment operation services by approximately HK\$19.3 million, which was in line with higher wastewater volume during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT STRATEGY AND PROSPECTS

For the year 2021, China's output has continued to recover, which was in line with effective containment measures, a forceful public investment response, and central bank liquidity support.¹ The goods export growth has been robust, while the goods import growth has accelerated due to the recovering domestic demand.²

China's economy is forecasted to grow by approximately 8.5%, representing an upward revision of approximately 0.5%. This was primarily attributable to expectations of more robust external demand. However, China's growth is projected to moderate to approximately 5.4% in 2022, mainly due to diminishing fiscal and monetary support, as well as tighter property and macroprudential regulations.²

Although China's recovery from COVID-19 is becoming more extensive, the progress at rebalancing aggregate demand toward domestic consumption has been disrupted by the public investment-led support measures. Corporate and household debt levels, which were already high before the pandemic, have risen further. This has eroded previous deleveraging gains and increased financial stability risks.²

For the second half of 2021, our Group will focus on finalising the new tariff and new basic volume with the local authority for the expansion and/or upgrading works done on Plant 1, Plant 2 Phase 1, Plant 4 Phase 1 (upgrading works) and Plant 4 Phase 2 (expansion works), respectively. The management will continue to work closely with the local authorities and the independent auditor which are jointly appointed by the Municipal Administration of Yinchuan* (銀川市市政管理局) ("**Yinchuan Municipal**"), Yinchuan Treasury Bureau (銀川市財政局) and our Group on this matter.

¹ Source: *World Economic Outlook — April 2021, International Monetary Fund*

² Source: *Global Economic Prospects — June 2021, World Bank Group*

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the meeting hosted by Yinchuan Municipal on 14 July 2021, our Group will focus on finalising the compensation agreement with Yinchuan Municipal regarding the closing down of Plant 1. Yinchuan Municipal shall set up a committee to verify the assets of Plant 1 for the purpose of finalising the compensation agreement with TYW tentatively on/before 14 October 2021. The management will work closely with Yinchuan Municipal on this matter.

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 will also continue to focus on cost optimisation and increase efficiency in managing our Wastewater Treatment Plants. Moreover, our Group strives to manage cash flow prudently especially during the on-going COVID-19 pandemic which has affected our collection of receivables from our customer.

Our Group is also eyeing for potential merger and acquisition opportunities for wastewater treatment assets in Yinchuan, Ningxia and other regions within the PRC with the aim of strengthening our footprint in the PRC and the region.

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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	132,270	108,101
Cost of sales	(35,727)	(36,332)
Gross profit	96,543	71,769
Other income	818	4,181
Other (losses)/gains, net	(13)	131
General and administrative expenses	(6,523)	(7,452)
Finance costs	(20,434)	(22,920)
Profit before taxation	70,391	45,709
Income tax expense	(12,463)	(7,526)
Profit for the period	57,928	38,183
Other comprehensive income/(losses)	15,358	(20,009)
Total comprehensive income for the period	73,286	18,174

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's revenue is derived from (i) wastewater treatment operation services; (ii) wastewater treatment construction services for the upgrading and expansion of our existing wastewater treatment facilities; 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 increased from approximately HK\$108.1 million for the six months ended 30 June 2020 to approximately HK\$132.3 million for the Reporting Period, representing an increase of approximately HK\$24.2 million or approximately 22.4%. The revenue contributions by our three major components during the year were as follows: (i) approximately 49.6% of our revenue was derived from wastewater treatment operation services; (ii) approximately 0.1% of our revenue was derived from wastewater treatment construction services; and (iii) approximately 48.2% of our revenue was derived from finance income from service concession arrangement.

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

- revenue derived from the wastewater treatment operation services increased from approximately HK\$46.3 million for the six months ended 30 June 2020 to approximately HK\$65.6 million for the Reporting Period, representing an increase of approximately HK\$19.3 million or approximately 41.7%. The increase was due to the increase in the total quantity of wastewater treated by us in the Reporting Period, as well as appreciation of our functional currency, RMB against our reporting currency HK\$ during the Reporting Period (30 June 2021 RMB/HK\$ average rate: 1.1993; 30 June 2020 RMB/HK\$ average rate: 1.1038);

MANAGEMENT DISCUSSION AND ANALYSIS

- revenue derived from the wastewater treatment construction services decreased from approximately HK\$1.1 million for the six months ended 30 June 2020 to HK\$0.1 million for the Reporting Period, representing a decrease of approximately HK\$1.0 million or approximately 90.9%. As our construction revenue is recognised on the basis of actual cost with reasonable profit margin, the decrease was mainly attributable to lower construction costs incurred during the Reporting Period as the expansion works on Plant 4 has been completed. Please refer to the section headed “Financial Review — Cost of sales” in this interim report for further analysis;
- revenue derived from the finance income from service concession arrangement increased from approximately HK\$57.9 million for the six months ended 30 June 2020 to approximately HK\$63.7 million for the Reporting Period, representing an increase of approximately HK\$5.8 million or approximately 10.0%, 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 2020 and 2021, respectively.

Cost of sales

Our cost of sales decreased from approximately HK\$36.3 million for the six months ended 30 June 2020 to approximately HK\$35.7 million for the Reporting Period, representing a decrease of approximately HK\$0.6 million or approximately 1.7%, which was primarily attributable to the decrease in costs of wastewater treatment operation, further analysis of which is set out below:

- costs of wastewater treatment operation decreased from approximately HK\$29.2 million for the six months ended 30 June 2020 to approximately HK\$25.7 million for the Reporting Period, representing a decrease of approximately HK\$3.5 million or approximately 12.0%. Such decrease was mainly attributable to lower chemical costs by approximately HK\$4.1 million resulted from the management’s continuous efforts to optimise the consumption of chemical;

MANAGEMENT DISCUSSION AND ANALYSIS

- construction costs increased from a credit of approximately HK\$1.5 million for the six months ended 30 June 2020 to approximately HK\$0.1 million for the Reporting Period, representing an increase of approximately HK\$1.6 million or approximately 106.7%. The increase was primarily attributable to the reversal of overprovision of construction costs for our Plant 1, Plant 2 Phase 1 and Plant 4 Phase 1 expansion during the corresponding period of last year, after the completion of the audit of the capital investment costs and operation costs by the local authorities; and
- the remaining cost of sales, which consisted primarily of employee benefit expenses, depreciation and amortisation expenses, repair and maintenance costs and other costs, recorded an increase from approximately HK\$8.6 million for the six months ended 30 June 2020 to approximately HK\$9.9 million for the Reporting Period. The increase was mainly attributable to the increase of approximately HK\$1.1 million in employee benefit expenses due to the reduction in social security insurance contributions (五險一金) during the corresponding period of last year, which was in line with the local government's temporary recovery measures from post COVID-19 effect.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$71.8 million for the six months ended 30 June 2020 to approximately HK\$96.5 million for the Reporting Period, representing an increase of approximately HK\$24.7 million or approximately 34.4%, which was primarily attributable to the increase in revenue derived from the wastewater treatment operation services and decrease in chemical costs during the Reporting Period. Our gross profit margin increased from 66.4% for the six months ended 30 June 2020 to 72.9% for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Further analysis on the gross profit and gross profit margin are set out below:

- gross profit derived from the wastewater treatment operation services and recycle water supply operation services increased from approximately HK\$11.2 million in corresponding period last year to approximately HK\$32.8 million for the Reporting Period. The increase was mainly attributable to the: (i) increased in revenue derived from the wastewater treatment operation services; and (ii) decreased in operating costs resulted from lower chemical costs due to the management's continuous efforts to optimise the consumption of chemical; and
- our finance income from service concession arrangement, representing the imputed interest income, amounted to approximately HK\$57.9 million and HK\$63.7 million for the six months ended 30 June 2020 and 2021, respectively.

Other income

Other income decreased from approximately HK\$4.2 million for the six months ended 30 June 2020 to approximately HK\$0.8 million for the Reporting Period, representing a decrease of approximately HK\$3.4 million or approximately 81.0%. The decrease was mainly attributable to lower value-added tax ("VAT") refund by approximately HK\$2.1 million due to the revision of VAT rate from 13.0% to 6.0% effective 1 May 2020 onwards.

Other (losses)/gains, net

Our Group recorded other losses, net of approximately HK\$0.01 million for the Reporting Period, representing a decrease of approximately HK\$0.14 million or approximately 107.7%, from other gains, net of approximately HK\$0.13 million for the six months ended 30 June 2020. Such decrease in the other gains, net balance was mainly attributable to the unfavourable movement in USD/RMB on our USD cash and bank balances during the Reporting Period which resulted in net foreign exchange losses of approximately HK\$0.04 million (30 June 2020: net foreign exchange gains of approximately HK\$0.13 million).

MANAGEMENT DISCUSSION AND ANALYSIS

General and administrative expenses

General and administrative expenses decreased from approximately HK\$7.5 million for the six months ended 30 June 2020 to approximately HK\$6.5 million for the Reporting Period, representing a decrease of approximately HK\$1.0 million or approximately 13.3%. Such decrease was primarily due to decrease in the employee benefit expenses during the Reporting Period by approximately HK\$0.4 million and lower legal and professional fee by approximately HK\$0.3 million.

Finance costs

Finance costs decreased by approximately HK\$2.5 million, or approximately 10.9%, to approximately HK\$20.4 million for the Reporting Period from approximately HK\$22.9 million for the six months ended 30 June 2020. Such decrease was primarily attributable to the decrease of interest expenses as the Group has successfully restructured the existing loan facility with lower interest rates.

Income tax expense

We incurred income tax expense of approximately HK\$7.5 million for the six months ended 30 June 2020 and approximately HK\$12.5 million for the Reporting Period at effective tax rates of approximately 16.4% and 17.8%, respectively. The low effective tax rate was mainly attributable to the reduced corporate income tax rate (from 25.0% to 15.0%) announced by the China tax administration in April 2019. The new tax incentive policy is applicable to corporates involved in environment 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 for the period increased from approximately HK\$38.2 million for the six months ended 30 June 2020 to approximately HK\$57.9 million for the Reporting Period, representing an increase of approximately HK\$19.7 million, or approximately 51.6%.

MANAGEMENT DISCUSSION AND ANALYSIS

The total comprehensive income for the Reporting Period amounted to approximately HK\$73.3 million compared to approximately HK\$18.2 million for the six months ended 30 June 2020. 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 2021 RMB/HK\$ closing rate: 1.2024; 30 June 2020 RMB/HK\$ closing rate: 1.0970).

Earnings per Share

For the Reporting Period, the earnings per share for profit attributable to owners of the Company (basic and diluted) was HK\$0.06 per share as compared to HK\$0.04 per share for the six months ended 30 June 2020. The increase was primarily due to higher profit attributable to owners of the Company for the Reporting Period.

Receivable under service concession arrangement

Our receivable under service concession arrangement that were classified as (i) current assets were approximately HK\$301.3 million and HK\$326.7 million as at 31 December 2020 and 30 June 2021, respectively; and (ii) non-current assets were approximately HK\$1,583.8 million and HK\$1,567.9 million as at 31 December 2020 and 30 June 2021, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,885.1 million and HK\$1,894.6 million as at 31 December 2020 and 30 June 2021, respectively. This represented a slight increase of approximately 0.5% from 31 December 2020 to 30 June 2021, primarily due to the appreciation of our functional currency, RMB against our reporting currency HK\$ during the Reporting Period (30 June 2021 RMB/HK\$ closing rate: 1.2024; 31 December 2020 RMB/HK\$ closing rate: 1.1876).

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other receivables

Our Group's trade and other receivables increased by approximately HK\$73.7 million, or approximately 18.8%, to approximately HK\$464.7 million for the Reporting Period from approximately HK\$391.0 million for the year ended 31 December 2020. The increase was primarily attributable to the increase of trade receivables by approximately HK\$80.5 million, as there was a delay in the collection of receivables from our customer where the time for payment processing has been prolonged.

However, no impairment provision is made on the trade receivables as at 30 June 2021, as there was a partial repayments from the local authorities of approximately HK\$77.3 million (equivalent to RMB64.3 million) during the Reporting Period, as well as there is no deterioration on their credit rating. The management will continue to discuss with the local authorities on the settlement plan.

Cash and bank balances

Our Group's cash and bank balances decreased by approximately 17.3% to approximately HK\$88.7 million as at 30 June 2021 as compared to approximately HK\$107.3 million as at 31 December 2020. The decrease in cash and bank balances was due to longer receivables turnover period (30 June 2021: 608 days; 31 December 2020: 437 days). The cash and bank balances were denominated in HK\$, RMB, SG\$ and US\$.

Borrowings

As at 30 June 2021, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$866.3 million (31 December 2020: HK\$827.6 million), represented by short-term working capital loan of HK\$24.7 million (31 December 2020: HK\$22.6 million) and long-term loan of HK\$841.6 million (31 December 2020: HK\$805.0 million), which were denominated in RMB. The increase in borrowings was due to the drawdown of additional long-term loans for the payment to the contractors in relation to the expansion and/or upgrading works at Plant 1, Plant 2 and Plant 4 Phase 2, as well as drawdown of additional short-term working capital loans during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, the net current assets and net assets of our Group amounted to approximately HK\$630.1 million and HK\$1,329.1 million, respectively (31 December 2020: net current assets and net assets of approximately HK\$502.3 million and HK\$1,255.8 million, respectively).

Gearing Ratio

As at 30 June 2021, the gearing ratio (calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances) was approximately 58.5% (31 December 2020: approximately 57.4%).

Contingent Liabilities

Our Group did not have any material contingent liabilities or outstanding litigation as at 30 June 2021.

Off-Balance Sheet Arrangements

As at 30 June 2021, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, 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.

Employees and Remuneration Policies

Our Group had 151 full-time employees as at 30 June 2021 (31 December 2020: 150). 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\$10.9 million (six months ended 30 June 2020: HK\$10.1 million). Our Company has adopted a share option scheme pursuant to which the Directors and employees of our Group are entitled to participate.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, our Group had no significant investments.

Events after the Reporting Period

Save as disclosed in note 17 to the condensed consolidated interim financial information, our Group has no material subsequent event after the Reporting Period and up to the date of this interim report.

Interim Dividends

No interim dividend has been recommended by the Board for the six months ended 30 June 2021 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 2021, 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 ^(note 2)	Approximate Percentage of interest
Mr. Lim Chin Sean (note 1)	Interest held jointly with other persons; interest in a controlled corporation	750,000,000 (L)	75%

Notes:

1. Sparkle Century is wholly-owned by LGB (HK), which is owned as to 70.00%, 25.00% and 5.00% 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.
2. The letter "L" denotes the person's long position in the Shares.

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 ^(note)	Percentage of interest
Mr. Lim Chin Sean	Sparkle Century	Interest held jointly with other persons; interest in controlled corporation	2 (L)	100%
	LGB (HK)	Interest held jointly with other persons; interest in a controlled corporation	15,000 (L)	100%
	LGB (Malaysia)	Interest held jointly with other persons	6,080 (L)	60.8%

Note: The letter "L" denotes the person's long position in the shares.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 ^(note 5)	Percentage of interest
Mr. Lim Chee Meng (notes 1 & 2)	Interest held jointly with other persons; interest in a controlled corporation	750,000,000 (L)	75%
LGB (Malaysia) (note 1)	Interest in a controlled corporation	750,000,000 (L)	75%
LGB (HK) (note 1)	Interest in a controlled corporation	750,000,000 (L)	75%
Sparkle Century	Beneficial owner	750,000,000 (L)	75%
Ms. Lee Li May (note 3)	Interest of spouse	750,000,000 (L)	75%
Ms. Cheong Sze Theng (note 4)	Interest of spouse	750,000,000 (L)	75%

Notes:

- 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 70.00%, 25.00% and 5.00% 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.
5. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 30 June 2021, 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 Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Tan Yee Boon retired as an independent non-executive director of Central Global Berhad (which is listed on the Main Market of Bursa Malaysia Berhad) (Stock Code: 8052) on 22 June 2021.

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 its 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 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 16 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The following table sets forth the status of the use of proceeds from the Share Offer up to 30 June 2021:

	Net proceeds (HK\$ million)					
	Original allocation	Utilised amount from 1 January 2021 to 30 March 2021	Unutilised amount as at 1 January 2021	Revised allocation of unutilised amount from 1 January 2021 to 30 March 2021 ^(note 1)	Utilised amount from 31 March 2021 to 30 June 2021	Unutilised balance as at 30 June 2021
Complete the contemplated upgrading and expansion works of existing facilities	83.9	(71.3)	12.6	12.6	(12.6)	–
Identification and evaluation of new wastewater treatment projects in Yinchuan and/or other regions in the PRC	10.4	–	10.4	3.4	–	3.4 ^(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)	–	12.2	(5.7)	6.5 ^(note 4)
Total	104.7	(76.5)	28.2	28.2	(18.3)	9.9

Notes:

- In accordance with the annual results announcement dated 30 March 2021 (the “**2020 Results Announcement**”), due to the reasons and benefits mentioned in the 2020 Results Announcement, the unutilised net proceeds were re-allocated with effect from 30 March 2021. For more details, please refer to the 2020 Results Announcement.
- The original amount of HK\$10.4 million has been revised to HK\$3.4 million, where HK\$7.0 million will be used as general working capital.

As to approximately HK\$3.4 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

3. The original amount of HK\$5.2 million will be used as general working capital.
4. It is expected that these unutilised proceeds will be used by December 2022, barring any unforeseen circumstances.

As at 30 June 2021, 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, save as disclosed in the 2020 Results Announcement, 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 33 to 55, 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 2021 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.

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".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2021

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue			
— Wastewater treatment operation services		65,601	46,320
— Wastewater treatment construction services		125	1,101
— Finance income from service concession arrangement		63,727	57,882
— Others		2,817	2,798
	5	132,270	108,101
Cost of sales	7	(35,727)	(36,332)
Gross profit		96,543	71,769
Other income	6	818	4,181
Other (losses)/gains, net		(13)	131
General and administrative expenses	7	(6,523)	(7,452)
Operating profit		90,825	68,629
Finance costs		(20,434)	(22,920)
Profit before income tax		70,391	45,709
Income tax expense	8	(12,463)	(7,526)
Profit for the period		57,928	38,183
Profit for the period attributable to:			
Owners of the Company		57,928	38,183
		57,928	38,183
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted (expressed in HK\$ per share)	9	0.06	0.04

The notes on pages 39 to 55 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Profit for the period	57,928	38,183
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	15,330	(20,009)
Reclassification of exchange reserve upon deregistration of a subsidiary	28	–
Total comprehensive income for the period attributable to owners of the Company	73,286	18,174

The notes on pages 39 to 55 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		2,155	2,454
Right-of-use assets		1,878	2,359
Receivable under service concession arrangement	11	1,567,891	1,583,840
Intangible assets		79,093	80,020
Restricted bank balances		4,810	4,751
		1,655,827	1,673,424
Current assets			
Inventories		1,032	1,202
Trade and other receivables	12	464,705	390,983
Receivable under service concession arrangement	11	326,682	301,250
Cash and cash equivalents		88,711	107,325
		881,130	800,760
Total assets		2,536,957	2,474,184
Equity			
Capital and reserves			
Share capital	13	10,000	10,000
Reserves		754,718	739,360
Retained earnings		564,339	506,411
Total equity		1,329,057	1,255,771

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	14	808,335	777,460
Lease liabilities		1,394	1,702
Deferred tax liabilities		147,161	140,815
		956,890	919,977
Current liabilities			
Trade and other payables	15	187,775	243,190
Tax payable		4,602	4,229
Current portion of long-term borrowings	14	33,294	27,599
Short-term borrowings	14	24,650	22,565
Lease liabilities		689	853
		251,010	298,436
Total liabilities		1,207,900	1,218,413
Total equity and liabilities		2,536,957	2,474,184
Net current assets		630,120	502,324
Total assets less current liabilities		2,285,947	2,175,748

The notes on pages 39 to 55 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to equity shareholders of the Group					
	Share capital	Share premium	Exchange reserve	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
Balance as at						
1 January 2021	10,000	708,746	107	30,507	506,411	1,255,771
Profit for the period	-	-	-	-	57,928	57,928
Changes in equity for the six months ended 30 June 2021:						
Other comprehensive income for the period						
Currency translation differences	-	-	15,330	-	-	15,330
Deregistration of a subsidiary	-	-	28	-	-	28
Balance at 30 June 2021	10,000	708,746	15,465	30,507	564,339	1,329,057

The notes on pages 39 to 55 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated from operations	(19,782)	1,002
Income tax paid	(7,424)	(3,411)
Net cash used in operating activities	(27,206)	(2,409)
Cash flows from investing activities		
Purchases of property, plant and equipment	(11)	(177)
Interest received	511	1,673
Net cash generated from investing activities	500	1,496
Cash flows from financing activities		
Proceeds from borrowings	51,344	26,877
Repayments of borrowings	(23,009)	(27,349)
Interest paid	(20,434)	(22,920)
Payment of lease liabilities	(472)	(444)
Net cash generated from/(used in) financing activities	7,429	(23,836)
Net decrease in cash and cash equivalents	(19,277)	(24,749)
Cash and cash equivalents at beginning of period	107,325	186,289
Currency translation differences	663	(2,570)
Cash and cash equivalents at end of period	88,711	158,970

The notes on pages 39 to 55 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 Windward 3, Regatta Office Park, PO 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 2021.

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 2021 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 2020 (the “**2020 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 2020 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 2021, the Group has adopted the following new standards, amendments to standards and interpretation which are relevant to its operations:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

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

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 2021 and later periods and have not been early adopted:

		Effective for accounting periods beginning on or after
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 3 (Amendments)	Reference to Conceptual Framework	1 January 2022
HKAS 16 (Amendments)	Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — cost of fulfilling a contract	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendments)	Disclosure of accounting policies	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
HKAS12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	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 2020 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 2021, 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 2020 Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue		
Wastewater treatment operation services	65,601	46,320
Wastewater treatment construction services	125	1,101
Finance income from service concession arrangement	63,727	57,882
Recycle water supply operation services	2,817	2,798
	132,270	108,101

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Timing of revenue recognition		
At a point in time	2,817	2,798
Over time	65,726	47,421
	68,543	50,219
Finance income from service concession arrangement	63,727	57,882
	132,270	108,101

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

6 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	511	1,673
VAT refund (<i>note</i>)	303	2,417
Others	4	91
	818	4,181

Note: 70% and 50% of the 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

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Employee benefit expenses including directors' emoluments		
— Cost of sales	6,910	5,811
— General and administrative expenses	3,963	4,339
Depreciation of property, plant and equipment	245	201
Depreciation of right-of-use assets	483	482
Amortisation of intangible assets	1,933	1,728
Construction costs (<i>note</i>)	114	(1,540)
Costs of wastewater treatment operation and recycle water supply operation services		
— Chemical	9,174	13,300
— Utility	11,118	10,327
— Others	5,456	5,635
Legal and professional fee	509	769
Rental expenses	42	16
Travelling and transportation expenses	190	169
Repair and maintenance costs	821	888
Office expenses	362	313
Information technology ("IT") service fee (<i>note 16</i>)	236	494
Others	694	852
	42,250	43,784

Note: The negative figure for the six months ended 30 June 2020 was due to the reversal of overprovision of construction costs for Plant 2 Phase 1 and Plant 4 Phase 1 expansion during the 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

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current income tax	7,885	3,672
Deferred income tax	4,578	3,854
	12,463	7,526

Hong Kong profits tax has not been provided as the Group had no estimated assessable profit (2020: Nil). Taxation on Mainland China profits has been calculated on the estimated taxable profits at the rate of 15% (2020: 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 2021.

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

9 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	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the ordinary shareholders of the Company (HK\$'000)	57,928	38,183
Weighted average number of ordinary shares in issue (thousand)	1,000,000	1,000,000
Basic earnings per share (HK\$)	0.06	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 2021 and 2020.

10 DIVIDENDS

No dividend has been paid or declared by the Company for the period (six months ended 30 June 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 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 2020 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 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 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Receivable under service concession arrangement		
— Current	326,682	301,250
— Non-current	1,567,891	1,583,840
	1,894,573	1,885,090

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT (CONTINUED)

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.

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade receivables (<i>note</i>)	444,666	364,201
Other receivables	17,940	15,667
Prepayment	2,099	11,115
	464,705	390,983

Note: The increase was primarily due to delay in the collection of receivables from our customer as the time for payment processing has been prolonged due to the on-going COVID-19 pandemic. The management considered the expected credit loss was minimal because (i) the majority of the trade and other receivables are due from governmental authorities in the PRC which has no recent history of impairment; (ii) there is no deterioration on the credit rating of the debtor; and (iii) the Group has continued to receive partial repayments from the debtor and have discussed the latest settlement plan with the debtor. The amortised cost remains the same before and after the modification of settlement plan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

In general, the Group agreed the credit periods with each customer individually. Aging analysis of gross trade receivables at the respective reporting dates, based on the invoice dates are as follows:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
0–30 days	25,653	25,689
31–60 days	26,075	27,362
61–90 days	25,653	25,471
Over 90 days	367,285	285,679
	444,666	364,201

13 SHARE CAPITAL

	Number of shares	Share capital (Audited) HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2020 and 30 June 2021	10,000,000,000	100,000
Issued and fully paid		
At 31 December 2020 and 30 June 2021	1,000,000,000	10,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 BORROWINGS

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Non-current		
Long-term borrowings	808,335	777,460
Current		
Current portion of long-term borrowings	33,294	27,599
Short-term borrowings	24,650	22,565
	866,279	827,624

15 TRADE AND OTHER PAYABLES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade payables	84,928	111,849
Retention payables	35,837	40,596
Other payables and accruals	67,010	90,745
	187,775	243,190

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
0–30 days	1,597	5,823
31–60 days	1,425	3,611
61–90 days	1,734	3,603
Over 90 days	80,172	98,812
	84,928	111,849

16 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	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Extra Sdn. Bhd.	Fellow subsidiary		
		236	494

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 SUBSEQUENT EVENTS

On 14 July 2021, Yinchuan Municipal hosted a meeting with TYW (the “**14 July 2021 Meeting**”). During the 14 July 2021 Meeting, TYW was informed by the representatives of Yinchuan Municipal, among others, that the wastewater influent to the Plant 1 shall be diverted to the new recycled water treatment plant in Yinchuan (not owned by the Group) (the “**Third Party Plant**”) by 5 p.m. on 14 July 2021 for the Third Party Plant to perform testing and commissioning. The testing and commissioning of the Third Party Plant is tentatively set for 3 months ending on 14 October 2021 (the “**Transition Period**”).

During the Transition Period, Yinchuan Municipal shall continue to pay the wastewater treatment service fees to TYW for the wastewater influent which have been diverted to the Third Party Plant. Upon the completion of the testing and commissioning of the Third Party Plant, as well as obtaining the completion acceptance, the wastewater treatment service fees for the Plant 1 which are payable to TYW by Yinchuan Municipal shall discontinue.

During the Transition Period, Yinchuan Municipal shall set up a committee to verify the assets of the Plant 1 for the purpose of finalising the compensation agreement with TYW. TYW shall not be allowed to dispose or change any of the facilities in the Plant 1 during the Transition Period.

Based on the preliminary legal advice by the Group’s legal adviser of the PRC, the 14 July 2021 Meeting and the arrangements contemplated thereunder shall have no impact on the Group’s remaining three wastewater treatment plants. The management will work closely with Yinchuan Municipal on this matter.

Significant judgements are required to determine the recoverable amounts of the financial assets and the intangible assets. Having considered the compensation that the Group is entitled to under the Service Concession Agreement, there should be no impairment of the carrying amounts of financial assets and intangible assets related to the service concession arrangement of the Plant 1 as at 30 June 2021 based on the management’s best estimation.

FINANCIAL SUMMARY 2016–2021

A summary of the results and assets and liabilities of our Group for the last five financial years from 2016 to 2020 and six months ended 30 June 2020 and 2021, as extracted from the Company's consolidated financial statements and the Prospectus, is set out below:

RESULTS

	Interim results			Annual results			
	Six months ended 30 June			Year ended 31 December			
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2020 (Audited) HK\$'000	2019 (Audited) HK\$'000	2018 (Audited) HK\$'000	2017 (Audited) HK\$'000	2016 (Audited) HK\$'000
Revenue	132,270	108,101	304,978	515,401	492,505	366,381	207,419
Profit before tax	70,391	45,709	154,099	135,362	105,095	80,559	62,729
Income tax expense	(12,463)	(7,526)	(27,563)	(27,666)	(34,965)	(21,659)	(17,174)
Profit for the year attributable to:							
Owners of our Company	57,928	38,183	126,536	107,696	70,130	58,900	45,555
Non-controlling interests	57,928	38,183	126,536	107,696	69,996	58,915	46,218
	–	–	–	–	134	(15)	(663)

ASSETS AND LIABILITIES

	As at	As at 31 December				
	30 June	2020	2019	2018	2017	2016
	2021 (Unaudited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
Total assets	2,536,957	2,474,184	2,218,216	1,974,685	1,775,041	1,484,137
Total liabilities	1,207,900	1,218,413	1,158,260	1,004,706	1,593,555	1,403,804
Total equity	1,329,057	1,255,771	1,059,956	969,979	181,486	80,333

Comparative Figures of the results for the years ended 31 December 2016, 2017, 2018, 2019 and 2020, for the six months ended 30 June 2020, and assets and liabilities as at 31 December 2016, 2017, 2018, 2019 and 2020 have not been restated to reflect the impacts of the new standards, amendments to standards and interpretation adopted during the period.