

TIL ENVIRO LIMITED

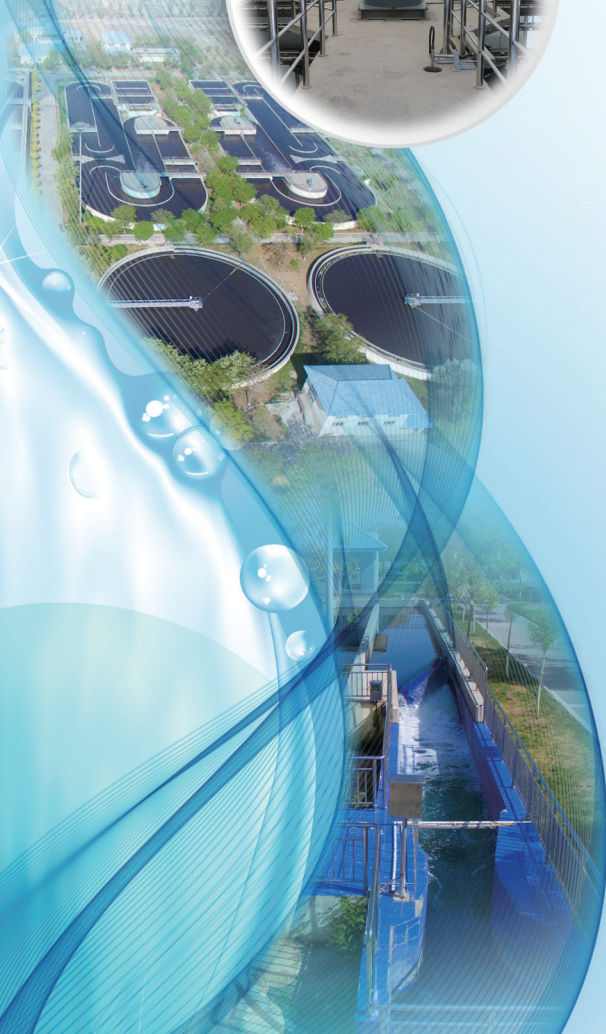
達力環保有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1790

2023

Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Lim Chin Sean

Executive Director

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, HKACG)

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

No. 233 Tianhe North Road

Tianhe District, Guangzhou

Guangdong Province

The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F

China Building, 29 Queen's Road Central

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

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 BANKER

Bank of Communications
Yinchuan Xita Sub-branch
No. 51 Xinhua West Road
Xingqing District
Yinchuan 750001
Ningxia
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 otherwise requires, the following terms shall have the meanings set forth below.

“Board”	our board of Directors
“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 Original Concession Agreement as supplemented by the Framework Agreement
“Director(s)”	the director(s) of our Company
“Framework Agreement”	a framework agreement dated 31 May 2014 entered into between Yinchuan Construction Bureau and TYW in respect of certain upgrading and expansion works to be carried out by TYW further to those provided under the Original Concession Agreement
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or modified from time to time

DEFINITIONS

“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
“Original Concession Agreement”	the concession agreement dated 21 September 2011 entered into between TYW and Yinchuan Construction Bureau pursuant to which TYW was granted a concession right for a term of 30 years from 21 September 2011 to 20 September 2041 to, among other things, operate, manage and maintain our four Wastewater Treatment Plants to provide wastewater treatment services in Yinchuan and undertake upgrading and expansion works (where applicable) on the facilities
“Plant 1” or “Yinchuan Wastewater Treatment Plant 1”	<p>Yinchuan Wastewater Treatment Plant No. 1 (銀川市第一污水處理廠) previously 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)</p> <p>Due to the rapid urbanisation in Yinchuan city, Plant 1 has ceased operations on 14 July 2021 and it was subsequently closed down on 14 October 2021</p>
“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)

DEFINITIONS

"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 2023 to 30 June 2023
"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(s)"	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
"Share Offer"	issuance of 250,000,000 Shares with the offer price of HK\$0.58
"Shareholder(s)"	holder(s) of Shares
"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 2, Plant 3 and Plant 4
"Yinchuan Construction Bureau"	Bureau of Housing and Urban-Rural Development of Yinchuan* (銀川市住房和城鄉建設局), formerly known as Construction Bureau of Yinchuan* (銀川市建設局)
"%"	per cent
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"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 three wastewater treatment facilities located in Yinchuan, being the capital city of Ningxia Hui Autonomous Region (“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 at 30 June 2023, our aggregate daily wastewater treatment capacity was 375,000 cubic metres per day pursuant to the cessation of Plant 1 operations 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 40.1 million cubic metres, representing an increase of approximately 9.6% from the period ended 30 June 2022 at approximately 36.6 million cubic metres. This was 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 Reporting Period and had not encountered any material quality problems or disruption with respect to our wastewater treatment services.

During the Reporting Period, the Group reported revenue and profit after tax (“PAT”) of approximately HK\$100.8 million and HK\$38.4 million, respectively. The revenue was lower than the corresponding period of last year revenue of approximately HK\$105.8 million. However, the PAT was higher than the corresponding period of last year PAT of approximately HK\$34.7 million.

The lower revenue for the Reporting Period was primarily attributable to the lower revenue derived from the finance income from service concession arrangement by approximately HK\$4.1 million. Please refer to the section headed “Financial Review — Revenue” in this interim report for further analysis.

The higher PAT for the Reporting Period was primarily attributable to the: (i) lower costs of wastewater treatment operation by approximately HK\$2.6 million; and (ii) lower finance costs by approximately HK\$3.5 million. Please refer to the section headed “Financial Review — Cost of sales” and “Financial Review — Finance costs” in this interim report for further analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT STRATEGY AND PROSPECTS

For the first half of 2023, economic activity in China recovered strongly, spearheaded by the earlier-than-expected economic reopening, which have boosted consumer spending. Manufacturing activity and consumption of services rebounded at the beginning of the year when the strict coronavirus related restrictions were lifted.¹

The economic growth was also supported by strong Chinese New Year-related spending and travel, as well as the swift return of migrant workers to workplaces. Besides that, the property sector has shown signs of emerging from a prolonged slump with the rise of property prices.²

As a result, China's economy is expected to rebound to approximately 5.6% in 2023. With the economic reopening effects begin to fade in the second half of the year, China's economy is forecasted to moderate to approximately 4.6% in 2024.²

For the second half of 2023, our Group will remain focus on finalising the new tariff and new basic volume with the local authority for the expansion and/or upgrading works done on Plant 2 Phase 1, Plant 4 Phase 1 (upgrading works) and Plant 4 Phase 2 (expansion works), respectively. The management will continue to follow up closely with the local authorities on this matter.

Besides that, our Group will remain focus on finalising the compensation agreement with Municipal Administration of Yinchuan (銀川市市政管理局) ("**Yinchuan Municipal**") regarding the closing down of Plant 1. Yinchuan Municipal has set up a committee and appointed an independent third party to verify the assets of Plant 1 for the purpose of finalising the compensation agreement with TYW. The management will continue to follow up 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.

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.

¹ Source: *World Economic Outlook – July 2023, International Monetary Fund*

² Source: *Global Economic Prospects – June 2023, World Bank Group*

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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	100,835	105,788
Cost of sales	(30,997)	(34,196)
Gross profit	69,838	71,592
Other income	1,076	1,088
Other losses, net	(213)	(1,021)
General and administrative expenses	(6,826)	(7,416)
Finance costs	(17,124)	(20,612)
Profit before taxation	46,751	43,631
Income tax expense	(8,338)	(8,963)
Profit for the period	38,413	34,668
Other comprehensive losses	(60,578)	(64,466)
Total comprehensive loss for the period	(22,165)	(29,798)

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our Group's revenue for the Reporting Period is derived from (i) wastewater treatment operation services; and (ii) 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\$105.8 million for the six months ended 30 June 2022 to approximately HK\$100.8 million for the Reporting Period, representing a decrease of approximately HK\$5.0 million or approximately 4.7%.

Further analysis on the revenue is set out below:

- revenue derived from the wastewater treatment operation services decreased from approximately HK\$42.9 million for the six months ended 30 June 2022 to approximately HK\$42.1 million for the Reporting Period, representing a decrease of approximately HK\$0.8 million or approximately 1.9%.

As our operation revenue is recognised on the basis of actual cost with reasonable profit margin, the decrease was mainly attributable to lower costs of wastewater treatment operation incurred during the Reporting Period especially chemical costs. 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 decreased from approximately HK\$62.8 million for the six months ended 30 June 2022 to approximately HK\$58.7 million for the Reporting Period, representing a decrease of approximately HK\$4.1 million or approximately 6.5%, which was primarily attributable to the: (i) decrease in the opening balance of receivable under the service concession arrangement; and (ii) depreciation of our functional currency, RMB against our reporting currency HK\$ during the Reporting Period (30 June 2023 RMB/HK\$ average rate: 1.1327; 30 June 2022 RMB/HK\$ average rate: 1.2090).

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Our cost of sales decreased from approximately HK\$34.2 million for the six months ended 30 June 2022 to approximately HK\$31.0 million for the Reporting Period, representing a decrease of approximately HK\$3.2 million or approximately 9.4%, 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\$23.7 million for the six months ended 30 June 2022 to approximately HK\$21.1 million for the Reporting Period, representing a decrease of approximately HK\$2.6 million or approximately 11.0%. The decrease was mainly attributable to lower chemical costs by approximately HK\$2.0 million; 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 a decrease from approximately HK\$10.5 million for the six months ended 30 June 2022 to approximately HK\$9.9 million for the Reporting Period. The decrease was mainly attributable to lower employee benefit expenses by approximately HK\$0.4 million.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK\$71.6 million for the six months ended 30 June 2022 to approximately HK\$69.8 million for the Reporting Period, representing a decrease of approximately HK\$1.8 million or approximately 2.5%, which was primarily attributable to the decrease in finance income from service concession arrangement during the Reporting Period. However, our gross profit margin increased from 67.7% for the six months ended 30 June 2022 to 69.3% 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\$8.7 million in corresponding period last year to approximately HK\$11.1 million for the Reporting Period, representing increase of approximately HK\$2.4 million or approximately 27.6%. The increase was mainly attributable to the: (i) decrease in costs of wastewater treatment operation resulted from lower chemical costs; and (ii) lower employee benefit expenses; and
- our finance income from service concession arrangement, representing the imputed interest income, amounted to approximately HK\$62.8 million and HK\$58.7 million for the six months ended 30 June 2022 and 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income decreased from approximately HK\$1.09 million for the six months ended 30 June 2022 to approximately HK\$1.08 million for the Reporting Period, representing a slight decrease of approximately HK\$0.01 million, or approximately 0.9%. The decrease was mainly attributable to the lower interest income by approximately HK\$0.2 million.

Other losses, net

Our Group recorded other losses, net of approximately HK\$0.21 million for the Reporting Period, representing a decrease of approximately HK\$0.80 million or approximately 79.2%, from approximately HK\$1.02 million for the six months ended 30 June 2022. Such decrease in the other losses, net balance was mainly attributable to the unfavourable movement in RMB/HK\$ on our RMB cash and bank balances during the Reporting Period which resulted in lower net foreign exchange losses of approximately HK\$0.21 million.

General and administrative expenses

General and administrative expenses decreased from approximately HK\$7.4 million for the six months ended 30 June 2022 to approximately HK\$6.8 million for the Reporting Period, representing a decrease of approximately HK\$0.6 million or approximately 8.1%. Such decrease was primarily due to lower employee benefit expenses by approximately HK\$0.9 million during the Reporting Period.

Finance costs

Finance costs decreased by approximately HK\$3.5 million, or approximately 17.0%, to approximately HK\$17.1 million for the Reporting Period from approximately HK\$20.6 million for the six months ended 30 June 2022. Such decrease was primarily attributable to lower interest expenses on borrowings by approximately HK\$3.5 million during the Reporting Period, resulted from: (i) downward revision of the 5-year People's Bank of China loan prime rate; and (ii) the repayment of bank borrowings of approximately HK\$54.1 million during the Reporting Period.

Income tax expense

We incurred income tax expense of approximately HK\$9.0 million for the six months ended 30 June 2022 and approximately HK\$8.3 million for the Reporting Period, representing a decrease of approximately HK\$0.7 million or approximately 7.8%, at effective tax rates of approximately 20.6% and 17.7%, 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. In January 2022, this new tax incentive policy was extended for additional 2 years to 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit and total comprehensive loss for the period

As a result of the foregoing factors, our profit for the period increased from approximately HK\$34.7 million for the six months ended 30 June 2022 to approximately HK\$38.4 million for the Reporting Period, representing an increase of approximately HK\$3.7 million, or approximately 10.7%.

The total comprehensive loss for the Reporting Period amounted to approximately HK\$22.2 million as compared to approximately HK\$29.8 million for the six months ended 30 June 2022. The difference between the profit for the periods and the total comprehensive loss for the periods was due to the currency translation differences from the translation of RMB being our functional currency to HK\$ being our reporting currency (30 June 2023 RMB/HK\$ closing rate: 1.0804; 30 June 2022 RMB/HK\$ closing rate: 1.1714).

Earnings per Share

For the Reporting Period, the earnings per Share for profit attributable to owners of the Company (basic and diluted) was HK\$0.04 per Share (30 June 2022: HK\$0.03 per Share). 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\$687.2 million and HK\$664.2 million as at 31 December 2022 and 30 June 2023, respectively; and (ii) non-current assets were approximately HK\$1,063.4 million and HK\$1,000.6 million as at 31 December 2022 and 30 June 2023, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,750.6 million and HK\$1,664.8 million as at 31 December 2022 and 30 June 2023, respectively. This represented a decrease of approximately HK\$85.8 million or approximately 4.9%, primarily due to: (i) the tariff payments received by our Group was higher than the revenue recognised from both wastewater operation services and finance income from service concession arrangement; and (ii) the depreciation of our functional currency, RMB against our reporting currency HK\$ during the Reporting Period (30 June 2023 RMB/HK\$ closing rate: 1.0804; 31 December 2022 RMB/HK\$ closing rate: 1.1307).

Trade and other receivables

Our Group's trade and other receivables decreased by approximately HK\$90.6 million, or approximately 22.6%, to approximately HK\$310.2 million for the Reporting Period from approximately HK\$400.8 million for the year ended 31 December 2022. The decrease was primarily attributable to the decrease of trade receivables by approximately HK\$88.1 million, resulted from the collection of wastewater treatment service fees from the local authorities of approximately HK\$176.5 million (equivalent to approximately RMB163.3 million) during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and bank balances

Our Group's cash and bank balances increased by approximately HK\$58.7 million, or approximately 71.7%, to approximately HK\$140.6 million for the Reporting Period as compared to approximately HK\$81.9 million as at 31 December 2022. The increase in cash on bank balances was due to the collection of wastewater treatment service fees from the local authorities of approximately HK\$176.5 million (*equivalent to approximately RMB163.3 million*) during the Reporting Period. The cash and bank balances were denominated in HK\$, RMB, SG\$ and US\$.

Borrowings

As at 30 June 2023, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$718.5 million (31 December 2022: HK\$799.7 million), represented by short-term working capital loans of approximately HK\$12.2 million (31 December 2022: HK\$19.0 million) and long-term loans of approximately HK\$706.3 million (31 December 2022: HK\$780.7 million), which were denominated in RMB. This represented a decrease of approximately HK\$81.2 million or approximately 10.2%.

The decrease in borrowings was primarily due to: (i) the repayment of short-term working capital loans of approximately HK\$14.4 million and long-term loans of approximately HK\$39.7 million during the Reporting Period; and (ii) currency translation differences from the translation of RMB being our functional currency to HK\$ being our reporting currency (30 June 2023 RMB/HK\$ closing rate: 1.0804; 31 December 2022 RMB/HK\$ closing rate: 1.1307).

Liquidity and Capital Resources

Our principal liquidity and capital requirements primarily related to construction of our wastewater treatment facilities and purchase of equipment, as well as costs and expenses from business operations. As at 30 June 2023, the net current assets and net assets of our Group amounted to approximately HK\$818.5 million and HK\$1,299.9 million, respectively (31 December 2022: net current assets and net assets of approximately HK\$821.0 million and HK\$1,322.0 million, respectively).

Gearing Ratio

As at 30 June 2023, the gearing ratio (*calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances*) was approximately 44.5% (31 December 2022: approximately 54.3%).

Contingent Liabilities

Our Group did not have any material contingent liabilities or outstanding litigation as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Off-Balance Sheet Arrangements

As at 30 June 2023, 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 2023, 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 129 full-time employees as at 30 June 2023 (31 December 2022: 127). 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\$10.4 million (30 June 2022: HK\$11.7 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 2023, our Group had no significant investments.

Events after the Reporting Period

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 2023 (30 June 2022: HK\$50.0 million)

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, the interests and short positions of each Director 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 (<i>note</i>)	Interest held jointly with other persons; interest in a controlled corporation	750,000,000	75%

Note: Sparkle Century Group Limited ("**Sparkle Century**") is wholly-owned by LGB Group (HK) Limited ("**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 28.850%, 28.850%, 11.850%, 11.850%, 11.850%, 4.625% and 2.125% 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 <i>(note)</i>	Sparkle Century	Interest held jointly with other persons; interest in controlled corporation	2	100.0%
	LGB (HK)	Interest held jointly with other persons; interest in a controlled corporation	537,560,260	100.0%
	LGB (Malaysia)	Interest held jointly with other persons	11,540	57.7%

Note: Pursuant to Section 341(1) of the SFO, if certain conditions are met, the Directors are required to submit a disclosure of interest notice. In the event of changes in the shareholding of the Director in the associated corporation, the Director will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Director in the associated corporation disclosed in this interim report may be different from the shareholding submitted to the Stock Exchange.

Save as disclosed above, as at 30 June 2023, none of the Directors 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 2023, according to the register kept by our Company under Section 336 of the SFO, the corporations or persons (other than a Director 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 <i>(note 5)</i>	Percentage of interest
Mr. Lim Chee Meng <i>(notes 1 & 2)</i>	Interest held jointly with other persons; interest in a controlled corporation	750,000,000 (L)	75%
LGB (Malaysia) <i>(note 1)</i>	Interest in a controlled corporation	750,000,000 (L)	75%
LGB (HK) <i>(note 1)</i>	Interest in a controlled corporation	750,000,000 (L)	75%
Sparkle Century	Beneficial owner	750,000,000 (L)	75%
Ms. Lee Li May <i>(note 3)</i>	Interest of spouse	750,000,000 (L)	75%
Ms. Cheong Sze Theng <i>(note 4)</i>	Interest of spouse	750,000,000 (L)	75%

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.
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 28.850%, 28.850%, 11.850%, 11.850%, 11.850%, 4.625% and 2.125% 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 2023, no other person (other than a Director 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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. Hew Lee Lam Sang, an independent non-Executive Director, has been appointed as an independent non-executive director of SEG International Bhd (which is listed on the Main Market of Bursa Malaysia Berhad) (Stock Code: 9792) with effect from 21 June 2023.

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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company focuses on maintain 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 since its adoption and no share options were outstanding, lapsed, cancelled or exercised under the Share Option Scheme during the Reporting Period. Therefore, the total number of Shares available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 was 100,000,000 Shares, representing 10% of the issued share capital of the Company.

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 2023:

	Net proceeds (HK\$ million)											
	Utilised	Revised	Utilised	Utilised				Further	Utilised	Utilised		
	amount from	allocation of	amount from	Unutilised	amount from	Unutilised	allocation of	amount from	Unutilised	amount from	Unutilised	amount from
	1 January	unutilised	31 March	Unutilised	1 January	Unutilised	unutilised	30 August	Unutilised	amount from	Unutilised	amount from
2021 to	balance as at	2021 to	balance as at	2022 to	balance as at	balance as at	2022 to	balance as at	1 January	2023 to	Balance as at	
Original	30 March	30 March	31 December	1 January	29 August	29 August	29 August	31 December	1 January	2023 to	Balance as at	
Allocation	2021	2021 ⁽ⁱ⁾	2021	2022	2022	2022	2022 ⁽ⁱⁱ⁾	2022	2023	30 June 2023	30 June 2023	
Complete the contemplated upgrading and expansion works of existing wastewater treatment facilities	83.9	(71.3)	12.6	(12.6)	-	-	-	-	-	-	-	-
Identification and evaluation of new wastewater treatment projects in Yinchuan and/or other regions in the PRC	10.4	-	3.4 ⁽ⁱⁱⁱ⁾	-	3.4	-	3.4	-	-	-	-	-
Establishing and future upgrading of centralised monitoring system	5.2	-	- ^(iv)	-	-	-	-	-	-	-	-	-
General working capital for general corporate purposes	5.2	(5.2)	12.2	(8.1)	4.1	(2.3)	1.8	5.2 ^(v)	(1.6)	3.6 ^(vi)	(3.6)	-
Total	104.7	(76.5)	28.2	(20.7)	7.5	(2.3)	5.2	5.2	(1.6)	3.6	(3.6)	-

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.
- The original amount of HK\$5.2 million will be used as general working capital.
- In accordance with the interim results announcement dated 29 August 2022 (the “**2022 Interim Results Announcement**”), due to the reasons and benefits mentioned in the 2022 Interim Results Announcement, the remaining amount of HK\$3.4 million were further re-allocated to general working capital with effect from 29 August 2022. For more details, please refer to the 2022 Interim Results Announcement.
- Due to the re-allocation of additional HK\$3.4 million to general working capital with effect from 29 August 2022, the remaining unutilised net proceeds amount of HK\$5.2 million will be used as general working capital.
- The unutilised net proceeds from the Share Offer as at 1 January 2023 were deposited in the bank accounts of our Group with a licensed bank in Hong Kong.

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 27 to 47, 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 2023 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 selected 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, 24 August 2023

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue			
— Wastewater treatment operation services		42,124	42,939
— Finance income from service concession arrangement		58,711	62,849
	5	100,835	105,788
Cost of sales	7	(30,997)	(34,196)
Gross profit		69,838	71,592
Other income	6	1,076	1,088
Other losses, net		(213)	(1,021)
General and administrative expenses	7	(6,826)	(7,416)
Operating profit		63,875	64,243
Finance costs		(17,124)	(20,612)
Profit before income tax		46,751	43,631
Income tax expense	8	(8,338)	(8,963)
Profit for the period		38,413	34,668
Profit for the period attributable to:			
Owners of the Company		38,413	34,668
		38,413	34,668
Earnings per Share for profit attributable to owners of the Company			
Basic and diluted (expressed in HK\$ per Share)	9	0.04	0.03

The notes on pages 33 to 47 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Profit for the period	38,413	34,668
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(60,578)	(64,466)
Total comprehensive loss for the period	(22,165)	(29,798)
Total comprehensive loss attributable to:		
Owners of the Company	(22,165)	(29,798)

The notes on pages 33 to 47 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
Assets			
Non-current assets			
Property, plant and equipment		1,263	1,543
Right-of-use assets		625	1,145
Receivable under service concession arrangement	11	1,000,587	1,063,414
Intangible assets		64,098	68,906
Restricted bank balances		4,321	4,523
		1,070,894	1,139,531
Current assets			
Inventories		1,218	1,961
Trade and other receivables	12	310,184	400,778
Receivable under service concession arrangement	11	664,165	687,239
Cash and cash equivalents		140,553	81,914
		1,116,120	1,171,892
Total assets		2,187,014	2,311,423
Equity			
Capital and reserves			
Share capital	13	10,000	10,000
Reserves		561,646	622,224
Retained earnings		728,220	689,807
Total equity		1,299,866	1,322,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
Liabilities			
Non-current liabilities			
Long-term borrowings	14	467,554	510,981
Lease liabilities		–	362
Deferred tax liabilities		121,999	127,183
		589,553	638,526
Current liabilities			
Trade and other payables	15	42,484	57,495
Tax payable		3,374	3,593
Current portion of long-term borrowings	14	238,743	269,758
Short-term borrowings	14	12,208	18,996
Lease liabilities		786	1,024
		297,595	350,866
Total liabilities		887,148	989,392
Total equity and liabilities		2,187,014	2,311,423
Net current assets		818,525	821,026
Total assets less current liabilities		1,889,419	1,960,557

The notes on pages 33 to 47 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 2022	10,000	708,746	43,111	30,507	621,680	1,414,044
Profit for the period	-	-	-	-	34,668	34,668
Changes in equity for the six months ended 30 June 2022:						
Other comprehensive loss for the period						
Currency translation differences	-	-	(64,466)	-	-	(64,466)
Total comprehensive (loss)/ income for the period	-	-	(64,466)	-	34,668	(29,798)
Balance at 30 June 2022	10,000	708,746	(21,355)	30,507	656,348	1,384,246
Balance as at 1 January 2023	10,000	658,746	(67,029)	30,507	689,807	1,322,031
Profit for the period	-	-	-	-	38,413	38,413
Changes in equity for the six months ended 30 June 2023:						
Other comprehensive loss for the period						
Currency translation differences	-	-	(60,578)	-	-	(60,578)
Total comprehensive (loss)/ income for the period	-	-	(60,578)	-	38,413	(22,165)
Balance at 30 June 2023	10,000	658,746	(127,607)	30,507	728,220	1,299,866

The notes on pages 33 to 47 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated from operations	138,069	216,748
Income tax paid	(8,112)	(10,465)
Net cash generated from operating activities	129,957	206,283
Cash flows from investing activities		
Purchases of property, plant and equipment	(40)	(81)
Interest received	792	951
Net cash from investing activities	752	870
Cash flows from financing activities		
Proceeds from borrowings	8,427	29,518
Repayments of borrowings	(54,050)	(34,525)
Interest paid	(17,123)	(20,612)
Payment of lease liabilities	(565)	(558)
Net cash used in financing activities	(63,311)	(26,177)
Net increase in cash and cash equivalents	67,398	180,976
Cash and cash equivalents at beginning of period	81,914	87,975
Currency translation differences	(8,759)	(9,910)
Cash and cash equivalents at end of period	140,553	259,041

The notes on pages 33 to 47 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, Cayman Islands.

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 24 August 2023.

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 2023 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 2022 (the “**2022 financial statements**”), which has been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Board of Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 30 June 2023. This is based on the considerations of the Group’s available banking facilities and positive operating cash inflows from its business operations including the settlement of outstanding trade and other receivables and the compensation receivable in respect of Plant 1 (*note 11*) as at the balance sheet date and consider these are sufficient to ensure the Group has adequate resources to meet its liabilities as and when they fall due over the next twelve months from 30 June 2023. Accordingly, the Group continues to adopt the going concern basis in preparing the condensed consolidated interim financial information.

The accounting policies applied are consistent with those set out in the 2022 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 Standard and amendments to standards adopted in the current accounting period

For the six month ended 30 June 2023, the Group has adopted the following new standard and amendments to standards which are relevant to its operations:

HKAS 1 and HKFRS Practice standard 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Amendments to standards and interpretation which are not yet effective

The following amendments to standards and interpretation have been issued and are mandatory for the Group’s accounting periods beginning on or after 1 January 2024 and later periods and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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 amendments and interpretation 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 2022 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 2023, 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 2022 financial statements.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

The Group provides wastewater treatment services in the PRC.

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue		
Wastewater treatment operation services	42,124	42,939
Finance income from service concession arrangement	58,711	62,849
	100,835	105,788

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Timing of revenue recognition		
Over time	42,124	42,939
	42,124	42,939
Finance income from service concession arrangement	58,711	62,849
	100,835	105,788

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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest income	792	951
VAT refund (<i>note</i>)	–	116
Others	284	21
	1,076	1,088

Note: 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 were refunded according to Caishui 2015 No. 78. The Group was 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 as other income. On 30 December 2021, the Ministry of Finance and the State Administration of Taxation issued the Announcement on Improving the Value-Added Tax Policies for the Comprehensive Utilisation of Resources (hereinafter referred to as "Caishui 2021 No. 40"). It has replaced the Caishui 2015 No.78. According to Caishui 2021 No. 40, from 31 March 2022 onwards, taxpayers engaged in the wastewater processing business, can enjoy VAT exemption. Hence, the Group is not subject to VAT since March 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Employee benefit expenses including directors' emoluments		
— Cost of sales	6,652	7,053
— General and administrative expenses	3,758	4,652
Depreciation of property, plant and equipment	181	249
Depreciation of right-of-use assets	520	555
Amortisation of intangible assets	1,828	1,953
Costs of wastewater treatment operation and recycle water supply operation services		
— Chemical	7,329	9,360
— Utility	9,953	10,129
— Others	3,854	4,198
Legal and professional fee	623	756
Rental expenses	12	13
Travelling and transportation expenses	502	209
Repair and maintenance costs	1,272	1,323
Office expenses	272	283
Information technology ("IT") service fee (note 16)	306	139
Others	761	740
	37,823	41,612

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current income tax	5,132	4,049
Deferred income tax	3,206	4,914
	8,338	8,963

Hong Kong profits tax has not been provided as the Group had no estimated assessable profit (2022: Nil). Taxation on Mainland China profits has been calculated on the estimated taxable profits at the rate of 15% (2022: 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. In January 2022, the new tax incentive policy was extended for 2 years to 2023. The Group is qualified to benefit from this new tax incentive policy during the period ended 30 June 2023.

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	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to the ordinary shareholders of the Company (HK\$'000)	38,413	34,668
Weighted average number of ordinary shares in issue (thousand)	1,000,000	1,000,000
Basic earnings per Share (HK\$)	0.04	0.03

(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 2023 and 2022.

10 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2023 (30 June 2022: HK\$50,000,000).

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT (CONTINUED)

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 2022 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.

On 14 July 2021, Yinchuan Municipal hosted a meeting with TYW, a wholly-owned and operating subsidiary of the Company, (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 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**”). TYW shall not be allowed to dispose or change any of the facilities in the Plant 1 during 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 were payable to TYW by Yinchuan Municipal have been discontinued on 14 October 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT (CONTINUED)

Yinchuan Municipal has set up a committee and appointed an independent third party to verify the assets of Plant 1 and in the midst of finalising the compensation amount. A compensation, which the amount was estimated according to the calculation basis as set out in the Service Concession Agreement, would be entitled by the Group. With the Group's agreement on Yinchuan Municipal's proposal on closing down of Plant 1, the management has updated the expected future income generated from Plant 1 with the estimated compensation, which is classified in the current portion (31 December 2022: current portion), under the Service Concession Agreement.

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 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Receivable under service concession arrangement		
— Current	664,165	687,239
— Non-current	1,000,587	1,063,414
	1,664,752	1,750,653

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. The Group applies the HKFRS 9 to measure 12-month expected credit losses allowance using general approach for receivable under service concession arrangement. The expected credit loss rates are estimated based on the external credit rating of the Grantor, the risk of a default occurring on the assets at the end of each reporting period and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the Grantor to settle the receivables under service concession arrangement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade receivables	272,002	360,152
Other receivables	36,323	37,838
Prepayment	1,859	2,788
	310,184	400,778

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

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
0–30 days	17,810	16,893
31–60 days	18,332	17,385
61–90 days	17,930	16,825
91–180 days	50,275	59,264
181–365 days	105,453	101,184
Over 365 days	62,202	148,601
	272,002	360,152

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2022 and 30 June 2023	10,000,000,000	100,000
Issued and fully paid		
At 31 December 2022 and 30 June 2023	1,000,000,000	10,000

14 BORROWINGS

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Non-current		
Long-term borrowings — secured	467,554	510,981
Current		
Current portion of long-term borrowings — secured	36,982	50,977
Current portion of long-term borrowings — unsecured	201,761	218,781
Short-term borrowings — secured	12,208	18,996
	718,505	799,735

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE AND OTHER PAYABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade payables	33,235	45,596
Retention payables	208	171
Other payables and accruals	9,041	11,728
	42,484	57,495

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

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
0–30 days	1,392	1,456
31–60 days	1,222	1,856
61–90 days	1,279	2,216
Over 90 days	29,342	40,068
	33,235	45,596

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Exitra Sdn. Bhd. <i>(note)</i>		
IT expenses paid to Exitra Sdn. Bhd.	306	139

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

Note: A company controlled by the controlling shareholders of the ultimate holding company.

FINANCIAL SUMMARY 2018–2023

A summary of the results and assets and liabilities of our Group for the last five financial years from 2018 to 2022 and six months ended 30 June 2022 and 2023, 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			
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2022 (Audited) HK\$'000	2021 (Audited) HK\$'000	2020 (Audited) HK\$'000	2019 (Audited) HK\$'000	2018 (Audited) HK\$'000
Revenue	100,835	105,788	213,351	248,536	304,978	515,401	492,505
Profit before tax	46,751	43,631	86,764	155,170	154,099	135,362	105,095
Income tax expense	(8,338)	(8,963)	(18,637)	(39,901)	(27,563)	(27,666)	(34,965)
Profit for the year							
attributable to:	38,413	34,668	68,127	115,269	126,536	107,696	70,130
Owners of our Company	38,413	34,668	68,127	115,269	126,536	107,696	69,996
Non-controlling interests	–	–	–	–	–	–	134

ASSETS AND LIABILITIES

	As at	As at 31 December				
	30 June	2022	2021	2020	2019	2018
	2023 (Unaudited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
Total assets	2,187,014	2,311,423	2,594,570	2,474,184	2,218,216	1,974,685
Total liabilities	887,148	989,392	1,180,526	1,218,413	1,158,260	1,004,706
Total equity	1,299,866	1,322,031	1,414,044	1,255,771	1,059,956	969,979

Comparative Figures of the results for the years ended 31 December 2018, 2019, 2020, 2021 and 2022, for the six months ended 30 June 2022, and assets and liabilities as at 31 December 2018, 2019, 2020, 2021 and 2022 have not been restated to reflect the impacts of the new standards, amendments to standards and interpretation adopted during the period.