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## **TIL ENVIRO LIMITED**

### **達力環保有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1790)**

## **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

### **FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2021 was approximately HK\$132.3 million, representing an increase of approximately HK\$24.2 million or approximately 22.4% as compared to HK\$108.1 million in the corresponding period of last year.
- Gross profit for the six months ended 30 June 2021 was approximately HK\$96.5 million, representing an increase of approximately HK\$24.7 million or approximately 34.4%, as compared to HK\$71.8 million in the corresponding period of last year.
- Profit for the six months ended 30 June 2021 was approximately HK\$57.9 million, representing an increase of approximately HK\$19.7 million or approximately 51.6% as compared to HK\$38.2 million in the corresponding period of last year.

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of TIL Enviro Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, “**we**”, “**us**”, “**our**” or the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) with the comparative figures for the corresponding period of last year, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
<b>Revenue</b>			
— 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
		<u>132,270</u>	<u>108,101</u>
	3		
Cost of sales		<u>(35,727)</u>	<u>(36,332)</u>
<b>Gross profit</b>		96,543	71,769
Other income	4	818	4,181
Other (losses)/gains, net		(13)	131
General and administrative expenses		<u>(6,523)</u>	<u>(7,452)</u>
<b>Operating profit</b>		90,825	68,629
Finance costs		<u>(20,434)</u>	<u>(22,920)</u>
<b>Profit before income tax</b>		70,391	45,709
Income tax expense	5	<u>(12,463)</u>	<u>(7,526)</u>
Profit for the period		<u>57,928</u>	<u>38,183</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		<u>57,928</u>	<u>38,183</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted ( <i>expressed in HK\$ per share</i> )	6	<u>0.06</u>	<u>0.04</u>

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

			As at <b>30 June 2021</b> (Unaudited) <i>HK\$'000</i>		As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Note</i>				
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment			2,155		2,454
Right-of-use-assets			1,878		2,359
Receivable under service concession arrangement	8		1,567,891		1,583,840
Intangible assets			79,093		80,020
Restricted bank balances			4,810		4,751
			<b>1,655,827</b>		1,673,424
<b>Current assets</b>					
Inventories			1,032		1,202
Trade and other receivables	9		464,705		390,983
Receivable under service concession arrangement	8		326,682		301,250
Cash and cash equivalents			88,711		107,325
			<b>881,130</b>		800,760
<b>Total assets</b>			<b>2,536,957</b>		2,474,184
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Share capital			10,000		10,000
Reserves			754,718		739,360
Retained earnings			564,339		506,411
<b>Total equity</b>			<b>1,329,057</b>		1,255,771

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	<i>10</i>	<b>808,335</b>	777,460
Lease liabilities		<b>1,394</b>	1,702
Deferred tax liabilities		<b>147,161</b>	140,815
		<u><b>956,890</b></u>	<u>919,977</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>187,775</b>	243,190
Tax payable		<b>4,602</b>	4,229
Current portion of long-term borrowings	<i>10</i>	<b>33,294</b>	27,599
Short-term borrowings	<i>10</i>	<b>24,650</b>	22,565
Lease liabilities		<b>689</b>	853
		<u><b>251,010</b></u>	<u>298,436</u>
<b>Total liabilities</b>		<u><b>1,207,900</b></u>	<u>1,218,413</u>
<b>Total equity and liabilities</b>		<u><b>2,536,957</b></u>	<u>2,474,184</u>
<b>Net current assets</b>		<u><b>630,120</b></u>	<u>502,324</u>
<b>Total assets less current liabilities</b>		<u><b>2,285,947</b></u>	<u>2,175,748</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

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 (“**HKFRS**”).

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.

## 2. APPLICATION OF NEW STANDARD AND AMENDMENTS TO HKFRS

### Standards and amendments to standards adopted in 30 June 2021

For the six months 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.

### 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:

		<b>Effective for accounting periods beginning on or after</b>
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.

### 3. REVENUE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>132,270</u>	<u>108,101</u>

### 4. OTHER INCOME

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

*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 are refunded according to Caishui 2015 No. 78. The Group is entitled to claim and have claimed from the governmental authority the balance of the VAT payment under the TOT agreement. Hence the Group recognised these VAT refunds attributable to intangible assets as other income.

### 5. INCOME TAX EXPENSE

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

## 6. 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\$)	<u>0.06</u>	<u>0.04</u>

### (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, respectively.

## 7. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2021 and 2020, respectively.

## 8. RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
— Current	326,682	301,250
— Non-current	<u>1,567,891</u>	<u>1,583,840</u>
	<u>1,894,573</u>	<u>1,885,090</u>

## 9. 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
	<u>464,705</u>	<u>390,983</u>

*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 coronavirus (“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 People’s Republic of China (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.

In general, the Group agreed the credit periods with each customer individually. Aging analysis of gross trade receivables based on the invoice dates is 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
	<u>444,666</u>	<u>364,201</u>

## 10. BORROWINGS

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
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
	<u>866,279</u>	<u>827,624</u>

## 11. TRADE AND OTHER PAYABLES

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

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

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
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
	<u>84,928</u>	<u>111,849</u>

## 12. SUBSEQUENT EVENTS

On 14 July 2021, Municipal Administration of Yinchuan (銀川市市政管理局) (“**Yinchuan Municipal**”) hosted a meeting with Taliworks (Yinchuan) Wastewater Treatment Co. Ltd (達力(銀川)污水處理有限公司), (“**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 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.

## 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.

Despite the on-going 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.

## **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.<sup>1</sup> The goods export growth has been robust, while the goods import growth has accelerated due to the recovering domestic demand.<sup>2</sup>

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.<sup>2</sup>

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.<sup>2</sup>

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 Yinchuan Municipal, Yinchuan Treasury Bureau (銀川市財政局) and our Group on this matter.

Pursuant to the 14 July 2021 Meeting, 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.

<sup>1</sup> *Source: World Economic Outlook – April 2021, International Monetary Fund*

<sup>2</sup> *Source: Global Economic Prospects – June 2021, World Bank Group*

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.

## **FINANCIAL REVIEW**

### **Results of Operations**

#### *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);

- 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 announcement 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;
- 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.

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 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).

### *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%.

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).

### *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.

### *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%).

### *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.

### *Contingent liabilities*

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

### *Interim dividends*

No interim dividend has been recommended by the Board for the six months ended 30 June 2021 and 2020, respectively.

## INITIAL PUBLIC OFFERING AND USE OF PROCEEDS

The shares of our Company were listed on the Main Board of the Stock Exchange on 29 November 2018 and our Company issued 250,000,000 shares of par value of HK\$0.01 per share with the offer price of HK\$0.58 per share (the “**Share Offer**”). The total issuance size (before deducting the expenses) amounted to approximately HK\$145 million. The net proceeds from the Share Offer received by our Company, after deduction of underwriting fees and commissions, and estimated expenses payable by us in connection with the Share Offer, were approximately HK\$104.7 million.

The net proceeds have been/will be applied in accordance with the proposed application as disclosed in the supplemental prospectus issued by our Company dated 14 November 2018 (the “**Supplemental Prospectus**”).

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

	Original allocation	Net proceeds (HK\$ million)				Unutilised balance as at 30 June 2021
		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 <sup>(note 1)</sup>	Utilised amount from 31 March 2021 to 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 <sup>(note 2)</sup>
Establishing and future upgrading of centralised monitoring system	5.2	–	5.2	– <sup>(note 3)</sup>	–	–
General working capital for general corporate purposes	5.2	(5.2)	–	12.2	(5.7)	6.5 <sup>(note 4)</sup>
<b>Total</b>	<b>104.7</b>	<b>(76.5)</b>	<b>28.2</b>	<b>28.2</b>	<b>(18.3)</b>	<b>9.9</b>

*Notes:*

1. 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.
2. 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 announcement, no new wastewater treatment project has been identified.

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 a licensed bank 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 announcement.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Our Company has applied the principles and complied with all the applicable code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the Reporting Period.

## **AUDIT COMMITTEE**

Our Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code for the purpose of reviewing and providing supervision over our Group’s financial reporting process, risk management and internal controls.

The Audit Committee comprises of two independent non-executive Directors, Mr. Hew Lee Lam Sang (being the chairman of the Audit Committee who has a professional qualification in accountancy) and Mr. Tam Ka Hei Raymond, and one non-executive Director, Mr. Lim Chin Sean.

The Audit Committee has reviewed the unaudited interim results of our Group 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.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in other sections of this announcement, our Group has no material subsequent event after the Reporting Period and up to the date of this announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in the Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Our Company has made specific enquiries with all of our Directors, and all of the Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

During the Reporting Period, neither our Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of our Company.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement has been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.tilenviro.com](http://www.tilenviro.com)). The interim report of our Company for the six months ended 30 June 2021 will be despatched to our Company’s shareholders and published on the aforesaid websites in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express its sincere gratitude to our Company’s shareholders for their support and to our Group’s staff for their hard work and contribution during the Reporting Period.

By order of the Board  
**TIL Enviro Limited**  
**Lim Chin Sean**  
*Chairman*

Hong Kong, 27 August 2021

*As at the date of this announcement, the non-executive Director is Mr. Lim Chin Sean; the executive Director is Mr. Wong Kok Sun; and the independent non-executive Directors are Mr. Tan Yee Boon, Mr. Hew Lee Lam Sang and Mr. Tam Ka Hei Raymond.*