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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 2023**

**FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2023 was approximately HK\$100.8 million, representing a decrease of approximately HK\$5.0 million or approximately 4.7%, as compared to HK\$105.8 million in the corresponding period of last year.
- Gross profit for the six months ended 30 June 2023 was approximately HK\$69.8 million, representing a decrease of approximately HK\$1.8 million or approximately 2.5%, as compared to HK\$71.6 million in the corresponding period of last year.
- Profit for the six months ended 30 June 2023 was approximately HK\$38.4 million, representing an increase of approximately HK\$3.7 million or approximately 10.7%, as compared to HK\$34.7 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 2023 (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 2023

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>			
— Wastewater treatment operation services		<b>42,124</b>	42,939
— Finance income from service concession arrangement		<b>58,711</b>	62,849
	<b>3</b>	<b>100,835</b>	105,788
Cost of sales		<b>(30,997)</b>	(34,196)
<b>Gross profit</b>		<b>69,838</b>	71,592
Other income	<b>4</b>	<b>1,076</b>	1,088
Other losses, net		<b>(213)</b>	(1,021)
General and administrative expenses		<b>(6,826)</b>	(7,416)
<b>Operating profit</b>		<b>63,875</b>	64,243
Finance costs		<b>(17,124)</b>	(20,612)
<b>Profit before income tax</b>		<b>46,751</b>	43,631
Income tax expense	<b>5</b>	<b>(8,338)</b>	(8,963)
Profit for the period		<b>38,413</b>	34,668
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>38,413</b>	34,668
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted ( <i>expressed in HK\$ per share</i> )	<b>6</b>	<b>0.04</b>	0.03

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2023*

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

		As at <b>30 June 2023</b> (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,263	1,543
Right-of-use-assets		625	1,145
Receivable under service concession arrangement	8	1,000,587	1,063,414
Intangible assets		64,098	68,906
Restricted bank balances		4,321	4,523
		<b>1,070,894</b>	1,139,531
<b>Current assets</b>			
Inventories		1,218	1,961
Trade and other receivables	9	310,184	400,778
Receivable under service concession arrangement	8	664,165	687,239
Cash and cash equivalents		140,553	81,914
		<b>1,116,120</b>	1,171,892
<b>Total assets</b>		<b>2,187,014</b>	2,311,423
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		10,000	10,000
Reserves		561,646	622,224
Retained earnings		728,220	689,807
<b>Total equity</b>		<b>1,299,866</b>	1,322,031

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	<i>10</i>	467,554	510,981
Lease liabilities		–	362
Deferred tax liabilities		121,999	127,183
		<u>589,553</u>	<u>638,526</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	42,484	57,495
Tax payable		3,374	3,593
Current portion of long-term borrowings	<i>10</i>	238,743	269,758
Short-term borrowings	<i>10</i>	12,208	18,996
Lease liabilities		786	1,024
		<u>297,595</u>	<u>350,866</u>
<b>Total liabilities</b>		<u>887,148</u>	<u>989,392</u>
<b>Total equity and liabilities</b>		<u>2,187,014</u>	<u>2,311,423</u>
<b>Net current assets</b>		<u>818,525</u>	<u>821,026</u>
<b>Total assets less current liabilities</b>		<u>1,889,419</u>	<u>1,960,557</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 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 (“**HKFRS**”).

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 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.

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

### Standard and amendments to standards adopted in the current accounting period

For the six months 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 Statement 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.

### 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:

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

### 3. REVENUE

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

#### 4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	792	951
VAT refund ( <i>note</i> )	–	116
Others	284	21
	<u>1,076</u>	<u>1,088</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 Transfer-Operate-Transfer (“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.

#### 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax	5,132	4,049
Deferred income tax	3,206	4,914
	<u>8,338</u>	<u>8,963</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	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to the ordinary shareholders of the Company ( <i>HK\$'000</i> )	38,413	34,668
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	1,000,000	1,000,000
Basic earnings per share ( <i>HK\$</i> )	<u>0.04</u>	<u>0.03</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 2023 and 2022, respectively.

## 7. 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).

## 8. RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
— Current	664,165	687,239
— Non-current	<u>1,000,587</u>	<u>1,063,414</u>
	<u>1,664,752</u>	<u>1,750,653</u>

## 9. TRADE AND OTHER RECEIVABLES

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

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

	<b>As at 30 June 2023 (Unaudited) HK\$'000</b>	<b>As at 31 December 2022 (Audited) HK\$'000</b>
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
	<u>272,002</u>	<u>360,152</u>

## 10. 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
	<u>718,505</u>	<u>799,735</u>

## 11. 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
	<u>42,484</u>	<u>57,495</u>

The aging analysis of trade payables based on invoice 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
	<u>33,235</u>	<u>45,596</u>

## 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 People’s Republic of China (the “**PRC**”), providing wastewater treatment services to the local government. We operate and manage our Wastewater Treatment Plants on a 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 announcement 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 announcement for further 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.<sup>1</sup>

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.<sup>2</sup>

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.<sup>2</sup>

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 Taliworks (Yinchuan) Wastewater Treatment Co. Ltd (達力(銀川)污水處理有限公司). 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.

<sup>1</sup> Source: *World Economic Outlook — July 2023, International Monetary Fund*

<sup>2</sup> Source: *Global Economic Prospects — June 2023, World Bank Group*

## FINANCIAL REVIEW

### 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 announcement 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).

## **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.

## **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.

### **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.

## **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%).

## **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 2023.

## **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).

## **INITIAL PUBLIC OFFERING AND USE OF PROCEEDS**

The shares of our Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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\$145.0 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 2023:

	Net proceeds (HK\$ million)											
	Utilised	Revised	Utilised	Net proceeds (HK\$ million)				Further	Utilised	Utilised	Balance	
	amount from	allocation	amount from	Unutilised	Utilised	Unutilised	revised	amount from	amount from			
	1 January	of unutilised	31 March	balance as at	1 January	balance as at	of unutilised	30 August	Unutilised	1 January		
2021 to	balance as at	2021 to	balance as at	2022 to	balance as at	balance as at	2022 to	balance as at	2023 to			
Original	30 March	30 March	31 December	1 January	29 August	29 August	29 August	31 December	1 January	30 June	30 June	
Allocation	2021	2021 <sup>(note 1)</sup>	2021	2022	2022	2022	2022 <sup>(note 4)</sup>	2022	2023	2023	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 <sup>(note 2)</sup>	-	3.4	-	3.4	-	-	-	-	-
Establishing and future upgrading of centralised monitoring system	5.2	-	- <sup>(note 3)</sup>	-	-	-	-	-	-	-	-	-
General working capital for general corporate purposes	5.2	(5.2)	12.2	(8.1)	4.1	(2.3)	1.8	5.2 <sup>(note 5)</sup>	(1.6)	3.6 <sup>(note 6)</sup>	(3.6)	-
<b>Total</b>	<b>104.7</b>	<b>(76.5)</b>	<b>28.2</b>	<b>(20.7)</b>	<b>7.5</b>	<b>(2.3)</b>	<b>5.2</b>	<b>5.2</b>	<b>(1.6)</b>	<b>3.6</b>	<b>(3.6)</b>	<b>-</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.
3. The original amount of HK\$5.2 million will be used as general working capital.
4. 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.
5. 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.
6. 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.

## **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 D.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.

## **REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

The unaudited condensed consolidated interim financial information have been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The review report of the independent auditor will be included in the interim report to be sent to the shareholders of the Company.

## **EVENTS AFTER THE REPORTING PERIOD**

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 2023 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, 24 August 2023

*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.*