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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 2022**

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 was approximately HK\$105.8 million, representing a decrease of approximately HK\$26.5 million or approximately 20.0% as compared to HK\$132.3 million in the corresponding period of last year.
- Gross profit for the six months ended 30 June 2022 was approximately HK\$71.6 million, representing a decrease of approximately HK\$24.9 million or approximately 25.8%, as compared to HK\$96.5 million in the corresponding period of last year.
- Profit for the six months ended 30 June 2022 was approximately HK\$34.7 million, representing a decrease of approximately HK\$23.2 million or approximately 40.1% as compared to HK\$57.9 million in the corresponding period of last year.
- The Board declared an interim dividend of HK\$0.05 per ordinary share of the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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 2022 (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 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue			
— Wastewater treatment operation services		42,939	65,601
— Wastewater treatment construction services		—	125
— Finance income from service concession arrangement		62,849	63,727
— Others		—	2,817
		<u> </u>	<u> </u>
	3	105,788	132,270
		<u> </u>	<u> </u>
Cost of sales		(34,196)	(35,727)
		<u> </u>	<u> </u>
Gross profit		71,592	96,543
Other income	4	1,088	818
Other losses, net		(1,021)	(13)
General and administrative expenses		(7,416)	(6,523)
		<u> </u>	<u> </u>
Operating profit		64,243	90,825
Finance costs		(20,612)	(20,434)
		<u> </u>	<u> </u>
Profit before income tax		43,631	70,391
Income tax expense	5	(8,963)	(12,463)
		<u> </u>	<u> </u>
Profit for the period		34,668	57,928
		<u> </u>	<u> </u>
Profit for the period attributable to:			
Owners of the Company		34,668	57,928
		<u> </u>	<u> </u>
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (<i>expressed in HK\$ per share</i>)	6	0.03	0.06
		<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	34,668	57,928
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(64,466)	15,330
Reclassification of exchange reserve upon deregistration of a subsidiary	—	28
Total comprehensive (loss)/income for the period	<u>(29,798)</u>	<u>73,286</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	<u>(29,798)</u>	<u>73,286</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		1,938	2,289
Right-of-use-assets		1,386	1,941
Receivable under service concession arrangement	8	1,548,719	1,637,683
Intangible assets		73,306	78,763
Restricted bank balances		4,685	4,908
		1,630,034	1,725,584
Current assets			
Inventories		1,490	1,598
Trade and other receivables	9	307,843	511,962
Receivable under service concession arrangement	8	267,261	267,451
Cash and cash equivalents		259,041	87,975
		835,635	868,986
Total assets		2,465,669	2,594,570
EQUITY			
Capital and reserves			
Share capital		10,000	10,000
Reserves		717,898	782,364
Retained earnings		656,348	621,680
Total equity		1,384,246	1,414,044

		As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Long-term borrowings	<i>10</i>	537,748	579,109
Lease liabilities		788	1,293
Deferred tax liabilities		160,673	170,180
		<u>699,209</u>	<u>750,582</u>
Current liabilities			
Trade and other payables	<i>11</i>	79,078	123,460
Tax payable		3,654	3,287
Current portion of long-term borrowings	<i>10</i>	286,125	282,604
Short-term borrowings	<i>10</i>	12,416	19,508
Lease liabilities		941	1,085
		<u>382,214</u>	<u>429,944</u>
Total liabilities		<u>1,081,423</u>	<u>1,180,526</u>
Total equity and liabilities		<u>2,465,669</u>	<u>2,594,570</u>
Net current assets		<u>453,421</u>	<u>439,042</u>
Total assets less current liabilities		<u>2,083,455</u>	<u>2,164,626</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 2022 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 2021 (the “**2021 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 2021 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 2022

For the six months ended 30 June 2022, the Group has adopted the following new standards, amendments to standards and interpretation which are relevant to its operations:

Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018–2020
HKFRS 3 (Amendments)	Reference to Conceptual Framework
HKAS 16 (Amendments)	Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts — cost of fulfilling a contract

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 2022 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 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (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	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wastewater treatment operation services	42,939	65,601
Wastewater treatment construction services	–	125
Finance income from service concession arrangement	62,849	63,727
Recycle water supply operation services	–	2,817
	<u>105,788</u>	<u>132,270</u>

4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	951	511
VAT refund (<i>note</i>)	116	303
Others	21	4
	<u>1,088</u>	<u>818</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 attributable to intangible assets as other income.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	4,049	7,885
Deferred income tax	4,914	4,578
	<u>8,963</u>	<u>12,463</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	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to the ordinary shareholders of the Company (HK\$'000)	34,668	57,928
Weighted average number of ordinary shares in issue (thousand)	1,000,000	1,000,000
Basic earnings per share (HK\$)	<u>0.03</u>	<u>0.06</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 2022 and 2021, respectively.

7. DIVIDENDS

The Board declared an interim dividend of HK\$0.05 per ordinary share of the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
— Current	267,261	267,451
— Non-current	<u>1,548,719</u>	<u>1,637,683</u>
	<u>1,815,980</u>	<u>1,905,134</u>

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
Trade receivables	266,064	472,333
Other receivables	39,277	37,366
Prepayment	2,502	2,263
	307,843	511,962

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 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
0–30 days	19,840	18,799
31–60 days	18,857	17,580
61–90 days	17,679	21,602
Over 90 days	209,688	414,352
	266,064	472,333

10. BORROWINGS

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Non-current		
Long-term borrowings — secured	537,748	579,109
Current		
Current portion of long-term borrowings — secured	53,110	34,284
Current portion of long-term borrowings — unsecured (<i>note</i>)	233,015	248,320
Short-term borrowings	12,416	19,508
	<u>836,289</u>	<u>881,221</u>

Note: Pursuant to the cessation of Plant 1 operations on 14 July 2021 and the closing down of Plant 1 after the transition period has ended on 14 October 2021, the Plant 1 loans (*non-current liabilities portion*) have been reclassified into current liabilities portion as the bank has the right to demand for early repayment of Plant 1 loans as per the bank loan agreements.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade payables	39,856	79,845
Retention payables	30,015	33,523
Other payables and accruals	9,207	10,092
	<u>79,078</u>	<u>123,460</u>

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

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
0–30 days	1,982	2,954
31–60 days	1,747	1,925
61–90 days	1,922	1,618
Over 90 days	34,205	73,348
	<u>39,856</u>	<u>79,845</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 2022, our aggregate daily wastewater treatment capacity was 375,000 cubic metres per day pursuant to the cessation of Plant 1 operations (30 June 2021: 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 36.6 million cubic metres, representing a decrease of approximately 33.7% from the corresponding period ended 30 June 2021 at approximately 55.2 million cubic metres, mainly due to the cessation of Plant 1 operations by the local government.

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.

Despite the on-going coronavirus (“**COVID-19**”) pandemic, our Group has experienced minimal disruption on our wastewater treatment plants’ operations as our operations are not very 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.

During the Reporting Period, the Group reported revenue and profit after tax (“**PAT**”) of HK\$105.8 million and HK\$34.7 million, respectively, lower than revenue and PAT of HK\$132.3 million and HK\$57.9 million achieved during the corresponding period of last year.

The lower revenue and PAT for the Reporting Period was primarily attributable to the lower revenue derived from the wastewater treatment operation services by approximately HK\$22.7 million. Please refer to the section headed “Financial Review — Revenue” in this announcement for further analysis.

DEVELOPMENT STRATEGY AND PROSPECTS

For the first half of 2022, China has experienced an economic slowdown due to the strict lockdowns imposed across major cities to contain the COVID-19 outbreaks. This led to lower consumer spending, while the real estate investment has contracted.¹ As a result, China's economy is forecasted to slow to approximately 4.3% in 2022.²

Macroeconomic policies have been eased to mitigate the ongoing economic slowdown. The People's Bank of China has implemented policy rate and reserve requirement cuts, relaxed regulations on bank loans for low-cost rental housing, and allowed commercial banks to lower mortgage rates. Hence, the infrastructure investment has rebounded. China's economy is forecasted to grow by approximately 5.2% in 2023.²

For the second half of 2022, 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 2 Phase 1, Plant 4 Phase 1 (upgrading works) and Plant 4 Phase 2 (expansion works), respectively. The management will continue to work closely with the local authorities and the independent auditor which are jointly appointed by the Municipal Administration of Yinchuan (銀川市市政管理局) (“**Yinchuan Municipal**”), Yinchuan Treasury Bureau (銀川市財政局) and our Group on this matter.

Pursuant to the meeting hosted by Yinchuan Municipal on 14 July 2021, our Group will focus on finalising the compensation agreement with Yinchuan Municipal regarding the closing down of Plant 1. Yinchuan Municipal 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 work closely with Yinchuan Municipal and the independent third party on this matter.

Operationally, our Group will continue to strengthen our mission of ensuring stable operation, stable outflow of treated wastewater as per required discharge standards (穩定達標排放) under the concession agreement entered into with the local government of Yinchuan. Our Group will also continue to focus on cost optimisation and increase efficiency in managing our wastewater treatment plants. Moreover, our Group strives to manage cash flow prudently especially during the on-going COVID-19 pandemic.

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 2022, International Monetary Fund*

² Source: *Global Economic Prospects — June 2022, World Bank Group*

FINANCIAL REVIEW

Results of Operations

Revenue

Our 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 decreased from approximately HK\$132.3 million for the six months ended 30 June 2021 to approximately HK\$105.8 million for the Reporting Period, representing a decrease of approximately HK\$26.5 million or approximately 20.0%.

Further analysis on the revenue is set out below:

- revenue derived from the wastewater treatment operation services decreased from approximately HK\$65.6 million for the six months ended 30 June 2021 to approximately HK\$42.9 million for the Reporting Period, representing a decrease of approximately HK\$22.7 million or approximately 34.6%.

The decrease was primarily attributable to the fair value ("FV") variance computed in the IFRIC 12 model, as shown in the table below:

FV Variance	Six months ended 30 June		
	2022	2021	Difference
	(Unaudited)	(Unaudited)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FV (loss)/gain	<u>(8,827)</u>	<u>17,317</u>	<u>(26,144)</u>

FV loss for the Reporting Period

The FV loss for the Reporting Period of approximately HK\$8.8 million was attributable to a combined effect as set out below:

- (i) lower total quantity of wastewater treated in the Reporting Period, as compared to the forecasted quantity of wastewater in the IFRIC 12 model; and

The total quantity of water effluent treated for the Reporting Period was approximately 202,000 cubic metres per day as compared to the forecasted quantity of 230,000 cubic metres per day, representing a decrease of approximately 28,000 cubic metres per day (*primarily from Plant 4 Phase 1 and Plant 4 Phase 2 — actual wastewater volume: approximately 90,400 cubic metres per day; forecasted wastewater volume: approximately 110,000 cubic metres per day*). This is because the forecasted quantity of wastewater in the IFRIC 12 model is based on the average annual production volume.

- (ii) lower costs of wastewater treatment operation during the Reporting Period by approximately HK\$13.7 million, as compared to the forecasted cost of wastewater treatment operation in the IFRIC 12 model.

FV gain for the six months ended 30 June 2021

The FV gain for the six months ended 30 June 2021 of approximately HK\$17.3 million was attributable to a combined effect as set out below:

- (i) higher total quantity of wastewater treated in the six months ended 30 June 2021, as compared to the forecasted quantity of wastewater in the IFRIC 12 model; and

The total quantity of water effluent treated in the six months ended 30 June 2021 was approximately 305,232 cubic metres per day as compared to the forecasted quantity of 294,000 cubic metres per day, representing an increase of approximately 11,232 cubic metres per day (*primarily from Plant 3 — actual wastewater volume: approximately 75,330 cubic metres per day; forecasted wastewater volume: approximately 60,000 cubic metres per day*). This was because new factories moved into the industrial area where Plant 3 is located.

- (ii) lower costs of wastewater treatment operation during the six months ended 30 June 2021 by approximately HK\$29.8 million, as compared to the forecasted cost of wastewater treatment operation in the IFRIC 12 model.
- revenue derived from the wastewater treatment construction services decreased from approximately HK\$0.1 million for the six months ended 30 June 2021 to nil for the Reporting Period, representing a decrease of approximately HK\$0.1 million or approximately 100.0%. As our construction revenue is recognised on the basis of actual cost with reasonable profit margin, the decrease was mainly attributable to no construction cost incurred during the Reporting Period as the expansion works on Plant 4 have 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 decreased from approximately HK\$63.7 million for the six months ended 30 June 2021 to approximately HK\$62.8 million for the Reporting Period, representing a decrease of approximately HK\$0.9 million or approximately 1.4%, which was primarily attributable to the decrease in the opening balance of receivable under the service concession arrangement; and
 - revenue derived from the recycle water supply operation services decreased from approximately HK\$2.8 million for the six months ended 30 June 2021 to nil for the Reporting Period, representing a decrease of approximately HK\$2.8 million or approximately 100.0%, which was primarily attributable to the cessation of the recycle water supply to end-users in Yinchuan city from 1 November 2021 onwards, as the local government decided to take over the entire recycle water sales in the city.

Cost of sales

Our cost of sales decreased from approximately HK\$35.7 million for the six months ended 30 June 2021 to approximately HK\$34.2 million for the Reporting Period, representing a decrease of approximately HK\$1.5 million or approximately 4.2%, 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\$25.7 million for the six months ended 30 June 2021 to approximately HK\$23.7 million for the Reporting Period, representing a decrease of approximately HK\$2.0 million or approximately 7.8%. Such decrease was mainly attributable to lower utility costs by approximately HK\$1.0 million pursuant to the cessation of Plant 1 operations;

- construction costs decreased from approximately HK\$0.1 million for the six months ended 30 June 2021 to nil for the Reporting Period, representing a decrease of approximately HK\$0.1 million or approximately 100.0%. The decrease was primarily attributable to the completion of the expansion works carried out on Plant 4; and
- the remaining cost of sales, which consisted primarily of employee benefit expenses, depreciation and amortisation expenses, repair and maintenance costs and other costs, increased from approximately HK\$9.9 million for the six months ended 30 June 2021 to approximately HK\$10.5 million for the Reporting Period, representing an increase of approximately HK\$0.6 million or approximately 6.1%. The increase was mainly attributable to the higher repair and maintenance costs by approximately HK\$0.5 million.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK\$96.5 million for the six months ended 30 June 2021 to approximately HK\$71.6 million for the Reporting Period, representing a decrease of approximately HK\$24.9 million or approximately 25.8%, which was primarily attributable to the decrease in revenue derived from the wastewater treatment operation services during the Reporting Period. Our gross profit margin decreased from 72.9% for the six months ended 30 June 2021 to 67.7% 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, decreased from approximately HK\$32.8 million in corresponding period last year to approximately HK\$8.7 million for the Reporting Period, representing a decrease of approximately HK\$24.1 million or approximately 73.5%. The decrease was mainly attributable to the decreased in revenue derived from the wastewater treatment operation services caused by the FV loss computed in the IFRIC 12 model as mentioned above; and
- our finance income from service concession arrangement, representing the imputed interest income, amounted to approximately HK\$63.7 million and HK\$62.8 million for the six months ended 30 June 2021 and 2022, respectively.

Other income

Other income increased from approximately HK\$0.8 million for the six months ended 30 June 2021 to approximately HK\$1.1 million for the Reporting Period, representing an increase of approximately HK\$0.3 million or approximately 37.5%. The increase was mainly attributable to the higher interest income by approximately HK\$0.4 million due to the increase in cash and bank balances.

Other losses, net

Our Group recorded other losses, net of approximately HK\$1.02 million for the Reporting Period, representing an increase of approximately HK\$1.01 million or approximately 10,100.0%, from other losses, net of approximately HK\$0.01 million for the six months ended 30 June 2021. Such increase 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 net foreign exchange losses of approximately HK\$1.02 million.

General and administrative expenses

General and administrative expenses increased from approximately HK\$6.5 million for the six months ended 30 June 2021 to approximately HK\$7.4 million for the Reporting Period, representing an increase of approximately HK\$0.9 million or approximately 13.8%. Such increase was primarily due to: (i) higher employee benefit expenses by approximately HK\$0.7 million; and (ii) higher legal and professional fee by approximately HK\$0.2 million.

Finance costs

Finance costs increased by approximately HK\$0.2 million or approximately 1.0%, to approximately HK\$20.6 million for the Reporting Period from approximately HK\$20.4 million for the six months ended 30 June 2021. Such increase was primarily attributable to higher interest expenses on borrowings, resulted from drawdown of additional long-term loans for the payment to the contractors in relation to the expansion works at Plant 4 Phase 2, as well as drawdown of additional short-term working capital loans during the Reporting Period.

Income tax expense

We incurred income tax expense of approximately HK\$12.5 million for the six months ended 30 June 2021 and approximately HK\$9.0 million for the Reporting Period, representing a decrease of approximately HK\$3.5 million or approximately 28.0%, at effective tax rates of approximately 17.8% and 20.6%, 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 two years to 2023.

Profit and total comprehensive income/(loss) for the period

As a result of the foregoing factors, our profit for the period decreased from approximately HK\$57.9 million for the six months ended 30 June 2021 to approximately HK\$34.7 million for the Reporting Period, representing a decrease of approximately HK\$23.2 million or approximately 40.1%.

The total comprehensive loss for the Reporting Period amounted to approximately HK\$29.8 million as compared to total comprehensive income of approximately HK\$73.3 million for the six months ended 30 June 2021. The difference between the profit for the periods and the total comprehensive income/(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 2022 RMB/HK\$ closing rate: 1.1714; 30 June 2021 RMB/HK\$ closing rate: 1.2024).

Earnings per share

For the Reporting Period, the earnings per share for profit attributable to owners of the Company (basic and diluted) was HK\$0.03 per share (30 June 2021: HK\$0.06 per share). The decrease was primarily due to lower 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\$267.4 million and HK\$267.3 million as at 31 December 2021 and 30 June 2022, respectively; and (ii) non-current assets were approximately HK\$1,637.7 million and HK\$1,548.7 million as at 31 December 2021 and 30 June 2022, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,905.1 million and HK\$1,816.0 million as at 31 December 2021 and 30 June 2022, respectively. This represented a decrease of approximately HK\$89.1 million or approximately 4.7% from 31 December 2021 to 30 June 2022, primarily due to the FV loss during the Reporting Period.

Trade and other receivables

Our Group's trade and other receivables decreased by approximately HK\$204.2 million or approximately 39.9%, to approximately HK\$307.8 million for the Reporting Period from approximately HK\$512.0 million for the year ended 31 December 2021. The decrease was primarily attributable to the decrease of trade receivables by approximately HK\$206.3 million, resulted from the collection of wastewater treatment service fees from the local authorities of approximately HK\$289.6 million (*equivalent to approximately RMB247.2 million*) during the Reporting Period.

Cash and bank balances

Our Group's cash and bank balances increased by approximately HK\$171.0 million or approximately 194.3%, to approximately HK\$259.0 million for the Reporting Period as compared to approximately HK\$88.0 million for the year ended 31 December 2021. The increase in cash on bank balances was due to the collection of wastewater treatment service fees from the local authorities of approximately HK\$289.6 million (*equivalent to approximately RMB247.2 million*) during the Reporting Period. The cash and bank balances were denominated in HK\$, RMB, SG\$ and US\$.

Borrowings

As at 30 June 2022, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$836.3 million (31 December 2021: HK\$881.2 million), represented by short-term working capital loans of approximately HK\$12.4 million (31 December 2021: HK\$19.5 million) and long-term loans of approximately HK\$823.9 million (31 December 2021: HK\$861.7 million), which were denominated in RMB. This represented a decrease of approximately HK\$44.9 million or approximately 5.1%. The decrease in borrowings was primarily due to: (i) the repayment of short-term working capital loans of approximately HK\$15.8 million and long-term loans of approximately HK\$18.7 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 2022 RMB/HK\$ closing rate: 1.1714; 31 December 2021 RMB/HK\$ closing rate: 1.2269).

Liquidity and capital resources

Our principal liquidity and capital requirements primarily related to construction of our wastewater treatment facilities and purchase of equipments, as well as costs and expenses from business operations. As at 30 June 2022, the net current assets and net assets of our Group amounted to approximately HK\$453.4 million and HK\$1,377.1 million, respectively (31 December 2021: net current assets and net assets of approximately HK\$439.0 million and HK\$1,414.0 million, respectively).

Gearing ratio

As at 30 June 2022, the gearing ratio (*calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances*) was approximately 41.7% (31 December 2021: approximately 56.1%).

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 2022.

INTERIM DIVIDENDS

To reward the Company's shareholders for their loyal support, the Board has resolved to declare an interim dividend of HK\$0.05 per ordinary share of the Company for the six months ended 30 June 2022 (30 June 2021: Nil). The interim dividend will be paid on Monday, 31 October 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 13 October 2022 to Friday, 14 October 2022 (both dates inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 October 2022.

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\$145.0 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 2022:

	Net proceeds (HK\$ million)						
	Utilised amount from 1 January 2021 to 30 March 2021	Utilised amount from 1 January 2022 to 30 June 2022	Revised allocation of unutilised balance as at 30 March 2021 ^(note 1)	Utilised amount from 31 March 2021 to 31 December 2021	Unutilised balance as at 1 January 2022	Utilised amount from 1 January 2022 to 30 June 2022	Unutilised balance as at 30 June 2022
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	-	3.4	-	3.4 ^(note 2)
Establishing and future upgrading of centralised monitoring system	5.2	-	^(note 3)	-	-	-	-
General working capital for general corporate purposes	5.2	(5.2)	12.2	(8.1)	4.1	(2.3)	1.8 ^(note 4)
Total	104.7	(76.5)	28.2	(20.7)	7.5	(2.3)	5.2

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.

Due to the on-going COVID-19 pandemic, an amount of HK\$3.4 million has not yet been utilised for the identification and evaluation of new wastewater treatment projects in the PRC. As at the date of this announcement, no new wastewater treatment project has been identified. It is expected that these unutilised proceeds will be used by December 2022, barring any unforeseen circumstances.

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.

Further Change in Use of Proceeds

In order to strengthen the use efficiency of the proceeds, the Board has resolved to further change the use of net proceeds from the Share Offer. The remaining proportion of net proceeds for identification and evaluation of new wastewater treatment projects in Yinchuan and/or other regions in the PRC will be used to supplement the general working capital.

Reasons for and Benefits of the Further Change in Use of Proceeds

Due to the on-going COVID-19 pandemic, our Company currently has not yet identified any suitable wastewater treatment project, resulting in a low efficiency of the capital use. Our Company strives to manage cash flow prudently especially during the on-going COVID-19 pandemic.

As at the date of this announcement, the HK\$3.4 million originally allocated for identification and evaluation of new wastewater treatment projects in Yinchuan and/or other regions in the PRC will be reallocated as general working capital and be applied on general uses as required by the Company in its daily operations, is more beneficial to meet the operation needs of our Company and increase its financial effects as well as provide more buffer to cope with the economic uncertainty in the future.

Our Company will use internally generated funds for identification and evaluation of new wastewater treatment projects in the PRC, as our Company expects that the costs are payable in RMB.

For the reasons set out above, the Board has resolved to further change the use of net proceeds from the Share Offer as follows:

	Net proceeds (HK\$ million)							Further revised allocation
	Utilised amount from 1 January 2021 to 30 March 2021	Revised allocation of unutilised balance as at 30 March 2021	Utilised amount from 31 March 2021 to 31 December 2021	Unutilised balance as at 1 January 2022	Utilised amount from 1 January 2022 to the date of this announcement	Unutilised balance as at the date of this announcement		
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	-	3.4	-	3.4	- (note 1)
Establishing and future upgrading of centralised monitoring system	5.2	-	-	-	-	-	-	-
General working capital for general corporate purposes	5.2	(5.2)	12.2	(8.1)	4.1	(2.3)	1.8	5.2 (note 2)
Total	104.7	(76.5)	28.2	(20.7)	7.5	(2.3)	5.2	5.2

Notes:

1. The remaining amount of HK\$3.4 million will be reallocated as general working capital.
2. It is expected that these unutilised proceeds will be used by December 2022, barring any unforeseen circumstances.

Save for the aforesaid change, there are no other material changes in the use of the net proceeds from the Share Offer. The Board considers that the development direction of our Group is still in line with the disclosure in the Supplemental Prospectus in spite of such change in use of proceeds as stated above. The aforesaid change in the use of net proceeds from the Share Offer is in the interest of our Company and its shareholders as a whole.

As at the date of this announcement, 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 and the announcement herein, 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 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.

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) and the website of the Company (www.tilenviro.com). The interim report of our Company for the six months ended 30 June 2022 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, 29 August 2022

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.