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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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 was approximately HK\$111.7 million, representing an increase of approximately HK\$10.9 million or approximately 10.8%, as compared to HK\$100.8 million in the corresponding period of last year.
- Gross profit for the six months ended 30 June 2024 was approximately HK\$82.7 million, representing an increase of approximately HK\$12.9 million or approximately 18.5%, as compared to HK\$69.8 million in the corresponding period of last year.
- Profit for the six months ended 30 June 2024 was approximately HK\$49.9 million, representing an increase of approximately HK\$11.5 million or approximately 29.9%, as compared to HK\$38.4 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 2024 (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 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue			
— Wastewater treatment operation services		53,495	42,124
— Finance income from service concession arrangement		58,176	58,711
	3	111,671	100,835
Cost of sales		(28,964)	(30,997)
Gross profit		82,707	69,838
Other income	4	915	1,076
Other losses, net		(259)	(213)
General and administrative expenses		(6,404)	(6,826)
Operating profit		76,959	63,875
Finance costs		(14,643)	(17,124)
Profit before income tax		62,316	46,751
Income tax expense	5	(12,397)	(8,338)
Profit for the period		49,919	38,413
Profit for the period attributable to:			
Owners of the Company		49,919	38,413
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (<i>expressed in HK\$ per share</i>)	6	0.05	0.04

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Profit for the period	49,919	38,413
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>(32,479)</u>	<u>(60,578)</u>
Total comprehensive income/(loss) for the period	<u>17,440</u>	<u>(22,165)</u>
Total comprehensive loss attributable to:		
Owners of the Company	<u>17,440</u>	<u>(22,165)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		3,787	1,441
Right-of-use-assets		55	476
Receivable under service concession arrangement	8	1,261,432	1,317,508
Intangible assets		2,534	2,668
Restricted bank balances		4,298	4,401
		1,272,106	1,326,494
Current assets			
Inventories		1,508	1,821
Trade and other receivables	9	416,812	383,123
Receivable under service concession arrangement	8	461,894	439,866
Cash and cash equivalents		49,955	89,971
		930,169	914,781
Total assets		2,202,275	2,241,275
EQUITY			
Capital and reserves			
Share capital		10,000	10,000
Reserves		553,705	586,184
Retained earnings		812,986	763,067
Total equity		1,376,691	1,359,251

		As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Long-term borrowings	10	416,463	451,271
Lease liabilities		22	30
Deferred tax liabilities		126,523	125,772
		<u>543,008</u>	<u>577,073</u>
Current liabilities			
Trade and other payables	11	35,094	39,571
Tax payable		3,503	2,936
Current portion of long-term borrowings	10	229,508	242,741
Short-term borrowings	10	14,397	19,145
Lease liabilities		74	558
		<u>282,576</u>	<u>304,951</u>
Total liabilities		<u>825,584</u>	<u>882,024</u>
Total equity and liabilities		<u>2,202,275</u>	<u>2,241,275</u>
Net current assets		<u>647,593</u>	<u>609,830</u>
Total assets less current liabilities		<u>1,919,699</u>	<u>1,936,324</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 2024 has 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 2023 (the “**2023 Financial Statements**”), which have 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 2024. This is based on the considerations of the Group’s forecasted 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. The Board of Directors 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 2024. 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 2023 Financial Statements, except for the adoption of new amendments to standards and interpretation as described below.

2. APPLICATION OF NEW STANDARD AND AMENDMENTS TO HKFRS

Amendments to standards and interpretation adopted in the current accounting period

For the six months ended 30 June 2024, the Group has adopted the following amendments to standards and interpretation which are relevant to its operations:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
HK Int 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the above amendments to standards and interpretation have no material effect on the results and financial position of the Group.

New 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 on or after 1 January 2025 and later periods and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 to standards in the period of initial application.

3. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of directors of the Company.

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

The Group provides wastewater treatment services in the People's Republic of China (the “**PRC**”).

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Wastewater treatment operation services	53,495	42,124
Finance income from service concession arrangement	58,176	58,711
	111,671	100,835

Segment assets and liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by the CODM internally. Accordingly, no segment assets and liabilities are presented.

Geographical information

During the period, all the revenue was from customers in the PRC.

As at 30 June 2024, all non-current assets held by the Group (*primarily represented by property, plant and equipment, right-of-use-assets and intangible assets*) are located in the PRC.

4. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	616	792
Others	299	284
	<u>915</u>	<u>1,076</u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax	8,777	5,132
Deferred income tax	3,620	3,206
	<u>12,397</u>	<u>8,338</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	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to the ordinary shareholders of the Company (<i>HK\$'000</i>)	49,919	38,413
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>0.05</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 2024 and 2023, respectively.

7. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2024 (30 June 2023: Nil).

8. RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
— Current	461,894	439,866
— Non-current	<u>1,261,432</u>	<u>1,317,508</u>
	<u>1,723,326</u>	<u>1,757,374</u>

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
Trade receivables	380,226	343,111
Other receivables	36,161	36,969
Prepayment	425	3,043
	416,812	383,123

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

	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
0–30 days	18,324	16,849
31–60 days	18,869	16,884
61–90 days	18,030	17,348
91–180 days	48,131	51,926
181–365 days	100,587	106,269
Over 365 days (<i>note</i>)	176,285	133,835
	380,226	343,111

Note: Due to the disruption during the coronavirus pandemic, Municipal Administration of Yinchuan (銀川市市政管理局) (“**Yinchuan Municipal**”) has delayed the settlement process. As a result, there are long outstanding trade receivables aged over 365 days as at 30 June 2024 and 31 December 2023.

10. BORROWINGS

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Non-current		
Long-term borrowings	416,463	451,271
Current		
Current portion of long-term borrowings	229,508	242,741
Short-term borrowings	14,397	19,145
	<u>660,368</u>	<u>713,157</u>

The Group's borrowings as at 30 June 2024 and 31 December 2023 were secured by contractual rights to receive revenue generated by the Group and the land use right granted by the government in relation to parcels of land of which the wastewater treatment plants are situated.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Trade payables	23,375	27,596
Retention payables	607	395
Other payables and accruals	11,112	11,580
	<u>35,094</u>	<u>39,571</u>

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

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
0–30 days	783	2,143
31–60 days	1,584	1,952
61–90 days	1,116	2,261
Over 90 days	19,892	21,240
	<u>23,375</u>	<u>27,596</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 PRC, providing wastewater treatment services to the local government. We operate and manage our wastewater treatment plants on a Transfer — Operate — Transfer (“**TOT**”) basis for 30 years since September 2011. We also undertake the upgrading and expansion of our wastewater treatment facilities to achieve higher wastewater discharge standards and to increase our designed treatment capacities.

As at 30 June 2024, our aggregate daily wastewater treatment capacity was 375,000 cubic metres per day and the discharge standard for all wastewater treatment plants were Class IA (*275,000 cubic metres per day*) and Quasi Surface Water Standard Class IV (準四類水標準) (*100,000 cubic metres per day*).

For the Reporting Period, the total quantity of wastewater treated was approximately 38.0 million cubic metres, representing a decrease of approximately 2.1 million cubic metres or approximately 5.2% from the period ended 30 June 2023 at approximately 40.1 million cubic metres. This is mainly due to overall lower 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\$111.7 million and HK\$49.9 million, respectively, higher than revenue and PAT of approximately HK\$100.8 million and HK\$38.4 million achieved during the corresponding period of last year.

The higher revenue for the Reporting Period was primarily attributable to the higher revenue derived from the wastewater treatment operation services by approximately HK\$11.4 million caused by the forecasted cash flow (“**FCF**”) variance computed in the HK(IFRIC)-Int 12 (“**IFRIC 12**”) model. 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) higher revenue derived from the wastewater treatment operation services by approximately HK\$11.4 million; and (ii) lower finance costs by approximately HK\$2.5 million. Please refer to the section headed “Financial Review — Revenue” and “Financial Review — Finance costs” in this announcement for further analysis.

DEVELOPMENT STRATEGY AND PROSPECTS

For the first half of 2024, economic growth in China picked up, resulted from the temporary surge in exports.¹ Both exports and imports have strengthened. Manufacturing investment was firm due to solid demand for electric vehicles and batteries, as well as ongoing government support for semiconductor sector. Besides that, infrastructure investment was also solid due to public spending.²

However, the property sector continued to decline as property prices and sales have fallen further. Nonetheless, the central government of China has implemented measures to support the property sector, such as facilitating liquidity provision to property developers and reducing down payment requirements for borrowers.²

With economic activity forecasted to ease in the second half of the year, economic growth is expected to moderate to approximately 4.8% in 2024.² Economic growth is expected to ease to approximately 4.5% in 2025 due to slowing productivity growth.¹

For the second half of 2024, our Group will remain focused 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 focused on finalising the compensation agreement with Yinchuan Municipal regarding the closing down of Plant 1. 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.

¹ Source: *World Economic Outlook — July 2024, International Monetary Fund*

² Source: *Global Economic Prospects — June 2024, World Bank Group*

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

Revenue

Our Group's revenue is derived from (i) wastewater treatment operation services; and (ii) finance income from service concession arrangement.

Our revenue increased from approximately HK\$100.8 million for the six months ended 30 June 2023 to approximately HK\$111.7 million for the Reporting Period, representing an increase of approximately HK\$10.9 million or approximately 10.8%.

Further analysis on the revenue is set out below:

- revenue derived from the wastewater treatment operation services increased from approximately HK\$42.1 million for the six months ended 30 June 2023 to approximately HK\$53.5 million for the Reporting Period, representing an increase of approximately HK\$11.4 million or approximately 27.1%.

The increase was primarily attributable to the FCF variance computed in the IFRIC 12 model, as shown in the table below:

FCF	Six months ended 30 June		
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	Variance <i>HK\$'000</i>
FCF gain/(loss)	<u>5,420</u>	<u>(7,555)</u>	<u>12,975</u>

- revenue derived from the finance income from service concession arrangement decreased from approximately HK\$58.7 million for the six months ended 30 June 2023 to approximately HK\$58.2 million for the Reporting Period, representing a decrease of approximately HK\$0.5 million or approximately 0.9%, which was primarily attributable to the depreciation of the functional currency, RMB against the reporting currency, HK\$ during the Reporting Period (30 June 2024 RMB/HK\$ average rate: 1.0850; 30 June 2023 RMB/HK\$ average rate: 1.1327).

Cost of sales

Our cost of sales decreased from approximately HK\$31.0 million for the six months ended 30 June 2023 to approximately HK\$29.0 million for the Reporting Period, representing a decrease of approximately HK\$2.0 million or approximately 6.5%.

Further analysis on the cost of sales is set out below:

- costs of wastewater treatment operation decreased from approximately HK\$21.1 million for the six months ended 30 June 2023 to approximately HK\$20.0 million for the Reporting Period, representing a decrease of approximately HK\$1.1 million or approximately 5.2%. The decrease was mainly attributable to lower chemical costs by approximately HK\$1.6 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\$9.9 million for the six months ended 30 June 2023 to approximately HK\$9.0 million for the Reporting Period, representing a decrease of approximately HK\$0.9 million or approximately 9.1%. The decrease was mainly attributable to lower depreciation and amortisation expenses by approximately HK\$1.8 million.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$69.8 million for the six months ended 30 June 2023 to approximately HK\$82.7 million for the Reporting Period, representing an increase of approximately HK\$12.9 million or approximately 18.5%, which was primarily attributable to the increase in revenue derived from the wastewater treatment operation services during the Reporting Period.

Our gross profit margin increased from 69.3% for the six months ended 30 June 2023 to 74.1% for the Reporting Period.

Other income

Other income decreased from approximately HK\$1.1 million for the six months ended 30 June 2023 to approximately HK\$0.9 million for the Reporting Period, representing a decrease of approximately HK\$0.2 million, or approximately 18.2%. 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\$0.26 million for the Reporting Period, representing an increase of approximately HK\$0.05 million or approximately 23.8%, from approximately HK\$0.21 million for the six months ended 30 June 2023. Such increase in the other losses, net balance was mainly attributable to the unfavourable movement in RMB/HK\$ during the Reporting Period which resulted in higher net foreign exchange losses by approximately HK\$0.05 million.

General and administrative expenses

General and administrative expenses decreased from approximately HK\$6.8 million for the six months ended 30 June 2023 to approximately HK\$6.4 million for the Reporting Period, representing a decrease of approximately HK\$0.4 million or approximately 5.9%. Such decrease was primarily due to lower employee benefit expenses by approximately HK\$0.4 million during the Reporting Period.

Finance costs

Finance costs decreased by approximately HK\$2.5 million, or approximately 14.6%, to approximately HK\$14.6 million for the Reporting Period from approximately HK\$17.1 million for the six months ended 30 June 2023. Such decrease was primarily attributable to lower interest expenses on borrowings by approximately HK\$2.5 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\$45.6 million during the Reporting Period.

Income tax expense

We incurred income tax expense of approximately HK\$8.3 million for the six months ended 30 June 2023 and approximately HK\$12.4 million for the Reporting Period, representing an increase of approximately HK\$4.1 million or approximately 49.4%, at effective tax rates of approximately 17.7% and 19.9%, 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. In August 2023, this new tax incentive policy was extended for additional 4 years to 2027.

Profit and total comprehensive income for the period

As a result of the foregoing factors, our profit for the period increased from approximately HK\$38.4 million for the six months ended 30 June 2023 to approximately HK\$49.9 million for the Reporting Period, representing an increase of approximately HK\$11.5 million, or approximately 29.9%.

The total comprehensive income for the Reporting Period amounted to approximately HK\$17.4 million as compared to total comprehensive loss of approximately HK\$22.2 million for the six months ended 30 June 2023. The difference between the profit for the period and the total comprehensive income for the period was due to the currency translation differences from the translation of RMB, being the functional currency to HK\$, being the reporting currency (30 June 2024 RMB/HK\$ closing rate: 1.0744; 30 June 2023 RMB/HK\$ closing rate: 1.0804).

Earnings per share

For the Reporting Period, the earnings per share for profit attributable to owners of the Company (*basic and diluted*) was HK\$0.05 per share (30 June 2023: HK\$0.04 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\$439.9 million and HK\$461.9 million as at 31 December 2023 and 30 June 2024, respectively; and (ii) non-current assets were approximately HK\$1,317.5 million and HK\$1,261.4 million as at 31 December 2023 and 30 June 2024, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,757.4 million and HK\$1,723.3 million as at 31 December 2023 and 30 June 2024, respectively. This represented a decrease of approximately HK\$34.1 million or approximately 1.9%, primarily due to the depreciation of the functional currency, RMB against the reporting currency, HK\$ during the Reporting Period (30 June 2024 RMB/HK\$ closing rate: 1.0744; 31 December 2023 RMB/HK\$ closing rate: 1.1003).

Trade and other receivables

Our Group's trade and other receivables increased by approximately HK\$33.7 million, or approximately 8.8%, to approximately HK\$416.8 million as at 30 June 2024 from approximately HK\$383.1 million as at 31 December 2023. The increase was primarily attributable to the increase of trade receivables by approximately HK\$37.1 million.

Cash and bank balances

Our Group's cash and bank balances decreased by approximately HK\$40.0 million, or approximately 44.4%, to approximately HK\$50.0 million as at 30 June 2024 as compared to approximately HK\$90.0 million as at 31 December 2023. The decrease in cash on bank balances was mainly due to the repayment of bank borrowings of approximately HK\$45.6 million during the Reporting Period. The cash and bank balances were denominated in HK\$, RMB, SG\$ and US\$.

Borrowings

As at 30 June 2024, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$660.4 million (31 December 2023: HK\$713.2 million), represented by short-term working capital loans of approximately HK\$14.4 million (31 December 2023: HK\$19.2 million) and long-term loans of approximately HK\$646.0 million (31 December 2023: HK\$694.0 million), which were denominated in RMB. This represented a decrease of approximately HK\$52.8 million or approximately 7.4%

The decrease in borrowings was primarily due to the repayment of short-term working capital loans of approximately HK\$13.9 million and long-term loans of approximately HK\$31.7 million during the Reporting Period.

Liquidity and capital resources

Our principal liquidity and capital requirements are primarily related to costs and expenses from business operations, repayment of bank borrowings, as well as purchase of equipment, if any. As at 30 June 2024, the net current assets and net assets of our Group amounted to approximately HK\$647.6 million and HK\$1,376.7 million, respectively (31 December 2023: net current assets and net assets of approximately HK\$609.8 million and HK\$1,359.3 million, respectively).

Gearing ratio

As at 30 June 2024, the gearing ratio (*calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances*) was approximately 44.3% (31 December 2023: approximately 45.8%).

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 2024.

Interim dividends

No interim dividend has been recommended by the Board for the six months ended 30 June 2024 and 2023, respectively.

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 Part 2 of Appendix C1 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 of our 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 C3 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 2024 will be 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 2024

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.