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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue for the year was approximately HK\$213.4 million, representing a year-on-year decrease of approximately HK\$35.1 million or approximately 14.1% as compared to approximately HK\$248.5 million in the preceding year.
- Gross profit for the year was approximately HK\$144.4 million, representing a year-on-year decrease of approximately HK\$65.5 million or approximately 31.2% as compared to approximately HK\$209.9 million in the preceding year.
- Profit for the year was approximately HK\$68.1 million, representing a year-on-year decrease of approximately HK\$47.2 million or approximately 40.9% as compared to approximately HK\$115.3 million in the preceding year.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of TIL Enviro Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, “**we**”, “**us**”, “**our**” or the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”) with the comparative figures for the preceding financial year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Revenue			
— Wastewater treatment operation services		91,078	113,032
— Wastewater treatment construction services		–	1,527
— Finance income from service concession arrangement		122,273	129,087
— Others		–	4,890
		<hr/>	<hr/>
Cost of sales	3	213,351 (68,971)	248,536 <hr/> (38,628)
		<hr/>	<hr/>
Gross profit		144,380	209,908
Other income	4	3,274	2,412
Other losses, net		(5,474)	(309)
General and administrative expenses		(16,288)	(15,278)
		<hr/>	<hr/>
Operating profit		125,892	196,733
Finance costs	5	(39,128)	(41,563)
		<hr/>	<hr/>
Profit before income tax		86,764	155,170
Income tax expense	6	(18,637)	(39,901)
		<hr/>	<hr/>
Profit for the year		68,127	115,269
		<hr/> <hr/>	<hr/> <hr/>
Profit for the year attributable to:			
Owners of the Company		68,127	115,269
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (<i>expressed in HK\$ per share</i>)	7	0.07	0.12
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	68,127	115,269
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(110,140)	42,976
Reclassification of exchange reserve upon deregistration of a subsidiary	<u> –</u>	<u> 28</u>
Total comprehensive (loss)/income for the year	<u><u>(42,013)</u></u>	<u><u>158,273</u></u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	<u><u>(42,013)</u></u>	<u><u>158,273</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,543	2,289
Right-of-use assets		1,145	1,941
Receivable under service concession arrangement	9	1,063,414	1,637,683
Intangible assets		68,906	78,763
Restricted bank balances		4,523	4,908
		1,139,531	1,725,584
Current assets			
Inventories		1,961	1,598
Trade and other receivables	10	400,778	511,962
Receivable under service concession arrangement	9	687,239	267,451
Cash and cash equivalents		81,914	87,975
		1,171,892	868,986
Total assets		2,311,423	2,594,570
EQUITY			
Capital and reserves			
Share capital		10,000	10,000
Reserves		622,224	782,364
Retained earnings		689,807	621,680
Total equity		1,322,031	1,414,044

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	<i>11</i>	510,981	579,109
Lease liabilities		362	1,293
Deferred tax liabilities		127,183	170,180
		<u>638,526</u>	<u>750,582</u>
Current liabilities			
Trade and other payables	<i>12</i>	57,495	123,460
Tax payable		3,593	3,287
Current portion of long-term borrowings	<i>11</i>	269,758	282,604
Short-term borrowings	<i>11</i>	18,996	19,508
Lease liabilities		1,024	1,085
		<u>350,866</u>	<u>429,944</u>
Total liabilities		<u>989,392</u>	<u>1,180,526</u>
Total equity and liabilities		<u>2,311,423</u>	<u>2,594,570</u>
Net current assets		<u>821,026</u>	<u>439,042</u>
Total assets less current liabilities		<u>1,960,557</u>	<u>2,164,626</u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Company Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

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 31 December 2022. This is based on the considerations of the Group’s positive operating cash inflows from its business operations including the settlement of outstanding accounts 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 31 December 2022. Accordingly, the Group continues to adopt the going concern basis in preparing the consolidated financial statements.

2. APPLICATION OF NEW STANDARD AND AMENDMENTS TO HKFRS

Standards and amendments to standards adopted in 2022

In 2022, the Group has adopted the following standards and amendments to standards 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 has no material effect on the results and financial position of the Group.

Standards and amendments to standards which are not yet effective

The following new standards and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2023 and have not been early adopted:

		Effective for accounting periods beginning on or after
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 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
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
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 has already commenced an assessment of the impact to the Group, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

3. REVENUE

	2022	2021
	HK\$'000	HK\$'000
Wastewater treatment operation services	91,078	113,032
Wastewater treatment construction services	–	1,527
Finance income from service concession arrangement	122,273	129,087
Recycle water supply operation services	–	4,890
	<u>213,351</u>	<u>248,536</u>

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government subsidy	12	71
Interest income	2,285	1,018
VAT refund (<i>note</i>)	112	1,245
Others	865	78
	<u>3,274</u>	<u>2,412</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 were refunded according to Caishui 2015 No. 78. The Group was 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. Since March 2022, the Group is not subject to VAT according to the new tax incentive policy issued by the China tax administration.

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on borrowings	39,022	41,420
Interest expenses on lease liabilities	106	143
	<u>39,128</u>	<u>41,563</u>

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax	9,054	15,644
Deferred income tax	9,583	24,257
	<u>18,637</u>	<u>39,901</u>

7. 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 in issue during the year.

	2022	2021
Profit attributable to the ordinary shareholders of the Company (<i>HK\$'000</i>)	68,127	115,269
Weighted average number of ordinary shares in issue (<i>thousand</i>)	1,000,000	1,000,000
Basic earnings per share (<i>HK\$ per share</i>)	<u>0.07</u>	<u>0.12</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 31 December 2022 and 2021, respectively.

8. DIVIDENDS

During the year ended 31 December 2022, the Board declared an interim dividend of HK\$0.05 per ordinary share of the Company amounting to HK\$50,000,000, which was fully paid on 31 October 2022.

No final dividend has been paid or declared by the Company for the year ended 31 December 2022 and 2021, respectively.

9. RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
— Current	687,239	267,451
— Non-current	<u>1,063,414</u>	<u>1,637,683</u>
	<u>1,750,653</u>	<u>1,905,134</u>

10. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	360,152	472,333
Other receivables	37,838	37,366
Prepayments	2,788	2,263
	<u>400,778</u>	<u>511,962</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	16,893	18,799
31–60 days	17,385	17,580
61–90 days	16,825	21,602
91–180 days	59,264	76,634
181–365 days	101,184	156,062
Over 365 days	148,601	181,656
	<u>360,152</u>	<u>472,333</u>

11. BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current		
Long-term borrowings — secured	510,981	579,109
Current		
Current portion of long-term borrowings — secured	50,977	34,284
Current portion of long-term borrowings — unsecured	218,781	248,320
Short-term borrowings	18,996	19,508
	<u>799,735</u>	<u>881,221</u>

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	45,596	79,845
Retention payables	171	33,523
Other payables and accruals	<u>11,728</u>	<u>10,092</u>
	<u><u>57,495</u></u>	<u><u>123,460</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	1,456	2,954
31–60 days	1,856	1,925
61–90 days	2,216	1,618
Over 90 days	<u>40,068</u>	<u>73,348</u>
	<u><u>45,596</u></u>	<u><u>79,845</u></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 31 December 2022, 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 water effluent treated was approximately 78.6 million cubic metres, representing a decrease of approximately 23.9% from the year ended 31 December 2021 of approximately 103.3 million cubic metres, mainly due to the cessation of Plant 1 operations by the local government. The total quantity of water effluent treated for the remaining 3 wastewater treatment plants for the Reporting Period increased by approximately 2.0 million cubic metres or approximately 2.6%, as compared to the preceding year (*excluding the total quantity of water effluent treated at Plant 1*). 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 year 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 and the COVID-19 related restrictions in Yinchuan city in October 2022, our Group has experienced minimal disruption on our wastewater treatment plants’ operations as our operations are not labour intensive, where our wastewater treatment plants’ set up are largely automated and monitored through our quality control system. The management has stocked up sufficient consumable inventory to make sure no disruption to our operations.

During the COVID-19 related restrictions in Yinchuan city, our Group has implemented remote work flexibility for employees (except operation team). Our Group has also 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, our Group reported revenue and profit after tax (“PAT”) of HK\$213.4 million and HK\$68.1 million, respectively, lower than revenue and PAT of HK\$248.5 million and HK\$115.3 million achieved in the preceding year.

The lower revenue for the Reporting Period was primarily attributable to the lower revenue derived from the wastewater treatment operation services by approximately HK\$21.9 million caused by the FV loss computed in the IFRIC 12 model. The FV loss was mainly due to the lower total quantity of wastewater treated in the Reporting Period, as compared to the forecasted quantity of wastewater in the IFRIC 12 model, resulted from the COVID-19 related restrictions in Yinchuan City during the Reporting Period, where most commercial activities in the service area were closed. Please refer to the section headed “Financial Review — Revenue” in this announcement for further analysis.

The lower PAT for the Reporting Period was primarily attributable to the: (i) lower revenue derived from the wastewater treatment operation services by approximately HK\$21.9 million as mentioned above; and (ii) reversal of overprovision of construction costs for our Plant 4 Phase 2 expansion of approximately HK\$28.8 million in the preceding year. Please refer to the section headed “Financial Review — Cost of Sales” in this announcement for further analysis.

DEVELOPMENT STRATEGY AND PROSPECTS

For the year 2023, China’s economy is expected to grow by approximately 4.3%.¹ Economic growth is expected to pick up with the full reopening in 2023. The shift towards full reopening has been faster than expected, which paves the way for swift economic recovery.² The lifting of COVID-19 related restrictions will increase consumer spending, as well as allowing economic activity in China to gradually recover.¹ Thus, fuelling a stronger rebound in China.²

However, significant health repercussions due to still-low population immunity levels and insufficient hospital capacity, especially outside the major urban areas, could dampen the economic recovery.² There is uncertainty about the trajectory of the COVID-19 pandemic and how households, businesses, and policy makers in China will respond. The economic recovery may be delayed if the full reopening results in major COVID-19 outbreaks that overburden the health sector.¹ The slowdown in external demand is also poised to become a challenge.³

¹ *Source: Global Economic Prospects — January 2023, World Bank Group*

² *Source: World Economic Outlook — January 2023, International Monetary Fund*

³ *Source: Global Economic Outlook — December 2022, Fitch Ratings*

Due to the COVID-19 related restrictions in Yinchuan City during the Reporting Period, government offices were closed. Hence, there were delays in finalising the new tariff and new basic volume with the local authority, as well as 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.

With the full reopening of China in 2023, our Group’s strategy for this year is to 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.

Our Group will remain 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 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. 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.

FINANCIAL REVIEW

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\$248.5 million for the year ended 31 December 2021 to approximately HK\$213.4 million for the year ended 31 December 2022, representing a decrease of approximately HK\$35.1 million or approximately 14.1%.

Further analysis on the revenue is set out below:

- revenue derived from the wastewater treatment operation services decreased from approximately HK\$113.0 million for the year ended 31 December 2021 to approximately HK\$91.1 million for the Reporting Period, representing a decrease of approximately HK\$21.9 million or approximately 19.4%.

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	2022	2021	Difference
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FV (loss)/gain	<u>(12,023)</u>	<u>6,506</u>	<u>(18,529)</u>

FV loss for the Reporting Period

The FV loss for the Reporting Period of approximately HK\$12.0 million is attributable to a combined effect as set out below:

- 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 215,441 cubic metres per day as compared to the forecasted quantity of 230,000 cubic metres per day, representing a decrease of approximately 14,559 cubic metres per day (primarily from Plant 4 Phase 1 and Plant 4 Phase 2 — actual wastewater volume: approximately 94,105 cubic metres per day; forecasted wastewater volume: approximately 110,000 cubic metres per day). It is primarily attributable to the COVID-19 related restrictions in Yinchuan City during the Reporting Period, where most commercial activities in the service area were closed.

- lower costs of wastewater treatment operation during the Reporting Period by approximately HK\$23.5 million, as compared to the forecasted cost of wastewater treatment operation in the IFRIC 12 model.

FV gain for the year ended 31 December 2021

The FV gain for the year ended 31 December 2021 of approximately HK\$6.5 million is attributable to a combined effect as set out below:

- lower total quantity of wastewater treated in the year ended 31 December 2021, as compared to the forecasted quantity of wastewater in the IFRIC 12 model; and

The total quantity of water effluent treated in the year ended 31 December 2021 was approximately 283,006 cubic metres per day as compared to the forecasted quantity of 294,000 cubic metres per day, representing a decrease of approximately 10,994 cubic metres per day (primarily from Plant 1 — actual wastewater volume: approximately 73,122 cubic metres per day; forecasted wastewater volume: approximately 84,000 cubic metres per day). This is due to the cessation of Plant 1 operations.

- (ii) lower costs of wastewater treatment operation during the year ended 31 December 2021 by approximately HK\$65.5 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\$1.5 million for the year ended 31 December 2021 to nil for the Reporting Period. 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\$129.1 million for the year ended 31 December 2021 to approximately HK\$122.3 million for the Reporting Period, representing a decrease of approximately HK\$6.8 million or approximately 5.3%, 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\$4.9 million for the year ended 31 December 2021 to nil for the Reporting Period, 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 increased from approximately HK\$38.6 million for the year ended 31 December 2021 to approximately HK\$69.0 million for the Reporting Period, representing an increase of approximately HK\$30.4 million or approximately 78.8%, which was primarily attributable to the reversal of overprovision construction costs for our Plant 4 Phase 2 expansion in the preceding year, further analysis of which is set out below:

- costs of wastewater treatment operation increased from approximately HK\$47.7 million for the year ended 31 December 2021 to approximately HK\$48.6 million for the Reporting Period, representing an increase of approximately HK\$0.9 million or approximately 1.9%. The increase was mainly attributable to higher chemical costs by approximately HK\$3.6 million;
- construction costs increased from a credit of approximately HK\$28.8 million for the year ended 31 December 2021 to nil for the Reporting Period. The increase was primarily attributable to the reversal of overprovision of construction costs for our Plant 4 Phase 2 expansion in the preceding year, after the completion of the audit of the capital investment costs and operation costs by the local authorities; and
- the remaining cost of sales, which consisted primarily of employee benefit expenses, depreciation and amortisation expenses, repair and maintenance costs and other costs, increased from approximately HK\$19.7 million for the year ended 31 December 2021 to approximately HK\$20.4 million for the Reporting Period, representing an increase of approximately HK\$0.7 million or approximately 3.6%. The increase was mainly attributable to the higher repair and maintenance costs by approximately HK\$1.0 million.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK\$209.9 million for the year ended 31 December 2021 to approximately HK\$144.4 million for the Reporting Period, representing a decrease of approximately HK\$65.5 million or approximately 31.2%, which was primarily attributable to the: (i) decrease in revenue derived from the wastewater treatment operation services during the Reporting Period; and (ii) reversal of overprovision of construction costs for our Plant 4 Phase 2 expansion in the preceding year. Our gross profit margin decreased from 84.5% for the year ended 31 December 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\$50.5 million in the preceding year to approximately HK\$22.1 million for the Reporting Period. The decrease was mainly attributable to the: (i) decrease in revenue derived from the wastewater treatment operation services caused by the FV loss computed in the IFRIC 12 model as mentioned above; and (ii) reversal of overprovision of construction costs for our Plant 4 Phase 2 expansion in the preceding year; and
- our finance income from service concession arrangement, representing the imputed interest income, amounted to approximately HK\$129.1 million and HK\$122.3 million for the year ended 31 December 2021 and 2022, respectively.

Other income

Other income increased from approximately HK\$2.4 million for the year ended 31 December 2021 to approximately HK\$3.3 million for the Reporting Period, representing an increase of approximately HK\$0.9 million or approximately 37.5%. The increase was mainly attributable to the higher interest income by approximately HK\$1.3 million during the Reporting Period, resulted from higher cash and bank balances after the collection of wastewater treatment service fees from the local authorities of approximately HK\$285.7 million (equivalent to approximately RMB252.6 million).

Other losses, net

Our Group recorded other losses, net of approximately HK\$5.5 million for the Reporting Period, representing an increase of approximately HK\$5.2 million or approximately 1,733.3%, from other losses, net of approximately HK\$0.3 million for the year ended 31 December 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\$5.4 million.

General and administrative expenses

General and administrative expenses increased from approximately HK\$15.3 million for the year ended 31 December 2021 to approximately HK\$16.3 million for the Reporting Period, representing an increase of approximately HK\$1.0 million or approximately 6.5%. Such increase was primarily due to higher employee benefit expenses by approximately HK\$1.0 million during the Reporting Period.

Finance costs

Finance costs decreased by approximately HK\$2.5 million, or approximately 6.0%, to approximately HK\$39.1 million for the Reporting Period from approximately HK\$41.6 million for the year ended 31 December 2021. Such decrease was primarily attributable to lower interest expenses on borrowings by approximately HK\$2.4 million during the Reporting Period, resulted from the downward revision of the 5-year People's Bank of China loan prime rate.

Income tax expense

We incurred income tax expense of approximately HK\$39.9 million for the year ended 31 December 2021 and approximately HK\$18.6 million for the Reporting Period, representing a decrease of approximately HK\$21.3 million or approximately 53.4%, at effective tax rates of approximately 25.7% and 21.4%, respectively.

The lower effective tax rate was primarily attributable to the recognition of deferred income tax expenses in relation to the 10% withholding tax on the declaration of profits repatriation from PRC in the preceding year.

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

As a result of the foregoing factors, our profit for the year decreased from approximately HK\$115.3 million for the year ended 31 December 2021 to approximately HK\$68.1 million for the Reporting Period, representing a decrease of approximately HK\$47.2 million, or approximately 40.9%.

The total comprehensive loss for the Reporting Period amounted to approximately HK\$42.0 million as compared to total comprehensive income of approximately HK\$158.3 million for the year ended 31 December 2021. The difference between the profit for the year and the total comprehensive income/(loss) for the year was due to currency translation differences from the translation of RMB being our functional currency to HK\$ being our reporting currency (31 December 2022 RMB/HK\$ closing rate: 1.1307; 31 December 2021 RMB/HK\$ closing rate: 1.2269).

Earnings per share

For the Reporting Period, the earnings per share for profit attributable to owners of the Company (basic and diluted) was HK\$0.07 per share (2021: HK\$0.12 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\$687.2 million as at 31 December 2021 and 2022, respectively; and (ii) non-current assets were approximately HK\$1,637.7 million and HK\$1,063.4 million as at 31 December 2021 and 2022, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,905.1 million and HK\$1,750.6 million as at 31 December 2021 and 2022, respectively. This represented a decrease of approximately HK\$154.5 million or approximately 8.1%, primarily due to: (i) the FV loss during the Reporting Period; and (ii) the depreciation of our functional currency, RMB against our reporting currency HK\$ during the Reporting Period (31 December 2022 RMB/HK\$ closing rate: 1.1307; 31 December 2021 RMB/HK\$ closing rate: 1.2269).

Trade and other receivables

Our Group's trade and other receivables decreased by approximately HK\$111.2 million or approximately 21.7%, to approximately HK\$400.8 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\$112.2 million, resulted from the collection of wastewater treatment service fees from the local authorities of approximately HK\$285.7 million (equivalent to approximately RMB252.6 million) during the Reporting Period.

Cash and bank balances

Our Group's cash and bank balances decreased by approximately HK\$6.1 million or approximately 6.9%, to approximately HK\$81.9 million for the Reporting Period from approximately HK\$88.0 million for the year ended 31 December 2021. The decrease in cash and bank balances was due to the interim dividend payment of HK\$50.0 million during the Reporting Period.

Moreover, we have collected approximately HK\$285.7 million (equivalent to approximately RMB252.6 million) of wastewater treatment service fees from the local authorities during the Reporting Period. The cash and bank balances were denominated in HK\$, RMB, SG\$ and US\$.

Borrowings

As at 31 December 2022, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$799.7 million (2021: HK\$881.2 million), represented by short-term working capital loan of HK\$19.0 million (2021: HK\$19.5 million) and long-term loan of HK\$780.7 million (2021: HK\$861.7 million), which were denominated in RMB. This represented a decrease of approximately HK\$81.5 million or approximately 9.2%.

The decrease in borrowings was primarily due to: (i) the repayment of short-term working capital loans of approximately HK\$18.0 million and long-term loans of approximately HK\$41.6 million during the Reporting Period; and (ii) the depreciation of our functional currency, RMB against our reporting currency HK\$ during the Reporting Period (31 December 2022 RMB/HK\$ closing rate: 1.1307; 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 equipment, as well as costs and expenses from business operations. As at 31 December 2022, the net current assets and net assets of our Group amounted to approximately HK\$403.5 million and HK\$1,322.0 million, respectively (2021: net current assets and net assets of approximately HK\$439.0 million and HK\$1,414.0 million, respectively).

Gearing ratio

As at 31 December 2022, our gearing ratio (calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances) was approximately 54.3% (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 31 December 2022.

FINAL DIVIDENDS

No final dividend has been recommended by the Board for the year ended 31 December 2022 and 2021, respectively.

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 (“**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 31 December 2022:

	Net proceeds (HK\$ million)									
	Utilised amount from 1 January 2021 to 30 March 2021		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 29 August 2022		Further revised allocation of unutilised balance as at 29 August 2022 ^(note 4)	Utilised amount from 30 August 2022 to 31 December 2022	Unutilised balance as at 31 December 2022
	Original Allocation	to 30 March 2021	30 March 2021 ^(note 1)	31 December 2021	1 January 2022	to 29 August 2022	29 August 2022	29 August 2022 ^(note 4)	31 December 2022	31 December 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 ^(note 2)	-	3.4	-	3.4	-	-	-
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	5.2 ^(note 5)	(1.6)	3.6 ^(note 6)
Total	104.7	(76.5)	28.2	(20.7)	7.5	(2.3)	5.2	5.2	(1.6)	3.6

Notes:

- In accordance with the annual results announcement dated 30 March 2021 (the “**2020 Results Announcement**”), due to the reasons and benefits mentioned in the 2020 Results Announcement, the unutilised net proceeds were re-allocated with effect from 30 March 2021. For more details, please refer to the 2020 Results Announcement.
- The original amount of HK\$10.4 million has been revised to HK\$3.4 million, where HK\$7.0 million will be used as general working capital.

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. It was expected that these unutilised proceeds would be used by December 2022, barring any unforeseen circumstances. However, due to the on-going COVID-19 pandemic and the re-allocation of additional HK\$3.4 million, the remaining amount of HK\$3.6 million were unutilised. The remaining unutilised proceeds are expected to be fully utilised by 31 December 2023, barring any unforeseen circumstances.

As at 31 December 2022, 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 both the 2020 Results Announcement and the 2022 Interim Results Announcement, as of the date of this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

Our Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.12 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 consolidated annual results of our Group for the financial year ended 31 December 2022. The Audit Committee has also reviewed our Group's internal control and risk management systems.

SCOPE OF WORK OF THE AUDITOR

The figures as set out in this announcement in respect of our Group's results for the year ended 31 December 2022 have been agreed by our Company's auditor, PricewaterhouseCoopers, to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

EVENT 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 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Our Company has made specific enquiries with all of its 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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual 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 annual report of our Company for the year ended 31 December 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 in 2022.

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

Hong Kong, 30 March 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.