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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 2023**

**FINANCIAL HIGHLIGHTS**

- Revenue for the year was approximately HK\$180.4 million, representing a year-on-year decrease of approximately HK\$33.0 million or approximately 15.5% as compared to approximately HK\$213.4 million in the preceding year.
- Gross profit for the year was approximately HK\$114.1 million, representing a year-on-year decrease of approximately HK\$30.3 million or approximately 21.0% as compared to approximately HK\$144.4 million in the preceding year.
- Profit for the year was approximately HK\$73.3 million, representing a year-on-year increase of approximately HK\$5.2 million or approximately 7.6% as compared to approximately HK\$68.1 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 2023 (the “**Reporting Period**”) with the comparative figures for the preceding financial year, as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Revenue</b>			
— Wastewater treatment operation services		<b>64,554</b>	91,078
— Finance income from service concession arrangement		<b>115,799</b>	122,273
		<u>115,799</u>	<u>122,273</u>
Cost of sales	3	<b>180,353</b> <b>(66,244)</b>	213,351 (68,971)
		<u>114,109</u>	144,380
<b>Gross profit</b>		<b>114,109</b>	144,380
Other income	4	<b>2,519</b>	3,274
Other gains/(losses), net	5	<b>22,767</b>	(5,474)
General and administrative expenses		<b>(15,605)</b>	(16,288)
		<u>123,790</u>	125,892
<b>Operating profit</b>		<b>123,790</b>	125,892
Finance costs	6	<b>(32,873)</b>	(39,128)
		<u>90,917</u>	86,764
<b>Profit before income tax</b>		<b>90,917</b>	86,764
Income tax expense	7	<b>(17,657)</b>	(18,637)
		<u>73,260</u>	68,127
<b>Profit for the year</b>		<b>73,260</b>	68,127
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>73,260</b>	68,127
		<u>73,260</u>	<u>68,127</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted ( <i>expressed in HK\$ per share</i> )	8	<b>0.07</b>	0.07
		<u>0.07</u>	<u>0.07</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year	73,260	68,127
<b>Other comprehensive loss:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>(36,040)</u>	<u>(110,140)</u>
Total comprehensive income/(loss) for the year	<u>37,220</u>	<u>(42,013)</u>
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the Company	<u>37,220</u>	<u>(42,013)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023*

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,441	1,543
Right-of-use assets		476	1,145
Receivable under service concession arrangement	<i>10</i>	1,317,508	1,063,414
Intangible assets		2,668	68,906
Restricted bank balances		4,401	4,523
		<b>1,326,494</b>	1,139,531
<b>Current assets</b>			
Inventories		1,821	1,961
Trade and other receivables	<i>11</i>	383,123	400,778
Receivable under service concession arrangement	<i>10</i>	439,866	687,239
Cash and cash equivalents		89,971	81,914
		<b>914,781</b>	1,171,892
<b>Total assets</b>		<b>2,241,275</b>	2,311,423
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		10,000	10,000
Reserves		586,184	622,224
Retained earnings		763,067	689,807
<b>Total equity</b>		<b>1,359,251</b>	1,322,031

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	<i>12</i>	<b>451,271</b>	510,981
Lease liabilities		<b>30</b>	362
Deferred tax liabilities		<b>125,772</b>	127,183
		<u><b>577,073</b></u>	<u>638,526</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>39,571</b>	57,495
Tax payable		<b>2,936</b>	3,593
Current portion of long-term borrowings	<i>12</i>	<b>242,741</b>	269,758
Short-term borrowings	<i>12</i>	<b>19,145</b>	18,996
Lease liabilities		<b>558</b>	1,024
		<u><b>304,951</b></u>	<u>350,866</u>
<b>Total liabilities</b>		<u><b>882,024</b></u>	<u>989,392</u>
<b>Total equity and liabilities</b>		<u><b>2,241,275</b></u>	<u>2,311,423</u>
<b>Net current assets</b>		<u><b>609,830</b></u>	<u>821,026</u>
<b>Total assets less current liabilities</b>		<u><b>1,936,324</b></u>	<u>1,960,557</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 2023. This is based on the considerations of the Group’s positive operating cash inflows from its business operations including the settlement of outstanding trade and other receivables and the compensation receivable in respect of Plant 1 as at the balance sheet date and consider these are sufficient to ensure the Group has adequate resources to meet its liabilities as and when they fall due over the next twelve months from 31 December 2023. 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

#### Standard and amendments to standards adopted in 2023

In 2023, the Group has adopted the following new standard and amendments to standards which are relevant to its operations:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

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

## 2. APPLICATION OF NEW STANDARD AND AMENDMENTS TO HKFRS (CONTINUED)

### Amendments to standards and interpretation which are not yet effective

The following amendments to standards and interpretation have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2024 and later periods and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
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 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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Wastewater treatment operation services	<b>64,544</b>	91,078
Finance income from service concession arrangement	<b>115,799</b>	122,273
	<b>180,353</b>	213,351

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### 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.

#### Information about major customer

External customer, who contributes over 10% of total revenue of the Group are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	<u>180,353</u>	<u>213,351</u>

#### Geographical information

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

As at 31 December 2023, all non-current assets held by the Group (*primarily represented by property, plant and equipment, right-of-use-assets, receivable under service concession arrangement and intangible assets*) are located in the PRC.

#### 4. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government subsidy	46	12
Interest income	1,870	2,285
VAT refund ( <i>note</i> )	–	112
Others	603	865
	<u>2,519</u>	<u>3,274</u>

*Note:* 70% and 50% of the value-added tax (“VAT”) paid by the Group in relation to the wastewater processing business and the sales of recycle water respectively are refunded according to Caishui 2015 No. 78. The Group is entitled to claim and have claimed from the governmental authority the balance of the VAT payment under the Transfer-Operate-Transfer (“TOT”) agreement. Hence the Group recognised these VAT refunds as other income. On 30 December 2021, the Ministry of Finance and the State Administration of Taxation issued the Announcement on Improving the Value-Added Tax Policies for the Comprehensive Utilisation of Resources (hereinafter referred to as “Caishui 2021 No. 40”). It has replaced the Caishui 2015 No.78. According to Caishui 2021 No. 40, from 31 March 2022 onwards, taxpayers engaged in the wastewater processing business, can enjoy VAT exemption. Hence, the Group is not subject to VAT since March 2022.

#### 5. OTHER GAINS/(LOSSES), NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Remeasurement gain on the receivable under service concession arrangement ( <i>note (i)</i> )	84,377	–
Impairment loss on intangible assets ( <i>note (ii)</i> )	(61,222)	–
Net foreign exchange losses	(387)	(5,450)
Others	(1)	(24)
	<u>22,767</u>	<u>(5,474)</u>

*Notes:*

- (i) Remeasurement gain on receivable under service concession arrangement of approximately HK\$84.4 million is mainly attributable to the change in the certain assumptions in the HK(IFRIC)-Int 12 model after considering the recent developments.
- (ii) Intangible assets represent a right to charge the government authority on the excess wastewater production volume over the minimum guaranteed wastewater production volume. Due to the slow economic recovery in Yinchuan after the coronavirus (“COVID-19”) pandemic, the forecasted wastewater production volume is expected to be reduced and resulted in an impairment loss of approximately HK\$61.2 million.

## 6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expenses on borrowings	32,820	39,022
Interest expenses on lease liabilities	53	106
	<u>32,873</u>	<u>39,128</u>

## 7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax	15,769	9,054
Deferred income tax	1,888	9,583
	<u>17,657</u>	<u>18,637</u>

## 8. 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.

	2023	2022
Profit attributable to the ordinary shareholders of the Company ( <i>HK\$'000</i> )	73,260	68,127
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>0.07</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 2023 and 2022, respectively.

## 9. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2023.

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.

## 10. RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
— Current	439,866	687,239
— Non-current	1,317,508	1,063,414
	<u>1,757,374</u>	<u>1,750,653</u>

## 11. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	343,111	360,152
Other receivables	36,969	37,838
Prepayments	3,043	2,788
	<u>383,123</u>	<u>400,778</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	16,849	16,893
31–60 days	16,884	17,385
61–90 days	17,348	16,825
91–180 days	51,926	59,264
181–365 days	106,269	101,184
Over 365 days ( <i>note</i> )	133,835	148,601
	<u>343,111</u>	<u>360,152</u>

*Note:* Due to the COVID-19 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 31 December 2023 and 2022. The settlement process improves gradually after the COVID-19 pandemic.

## 12. BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current		
Long-term borrowings	451,271	510,981
Current		
Current portion of long-term borrowings	242,741	269,758
Short-term borrowings	19,145	18,996
	<u>713,157</u>	<u>799,735</u>

The Group's borrowings as at 31 December 2023 and 2022 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.

## 13. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	27,596	45,596
Retention payables	395	171
Other payables and accruals	11,580	11,728
	<u>39,571</u>	<u>57,495</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	2,143	1,456
31–60 days	1,952	1,856
61–90 days	2,261	2,216
Over 90 days	21,240	40,068
	<u>27,596</u>	<u>45,596</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

We are a wastewater treatment service provider operating and managing three wastewater treatment facilities located in Yinchuan, being the capital city of Ningxia Hui Autonomous Region (“**Ningxia**”), the 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 2023, our aggregate daily wastewater treatment capacity was 375,000 cubic metres per day pursuant to the cessation of Plant 1 operations and the discharge standard for all wastewater treatment plants were Class IA (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 80.4 million cubic metres, representing an increase of approximately 1.8 million cubic metres or approximately 2.3%, from the year ended 31 December 2022 at approximately 78.6 million cubic metres. This was mainly due to the overall higher inflow of wastewater during the Reporting Period.

Our Group has actively adhered to all the prescribed discharge standards/parameters set in the national policies throughout the Reporting Period and had not encountered any material quality problems or disruption with respect to our wastewater treatment services.

During the Reporting Period, the Group reported revenue and profit after tax (“**PAT**”) of approximately HK\$180.4 million and HK\$73.3 million, respectively. The revenue was lower than the preceding year revenue of approximately HK\$213.4 million. However, the PAT was higher than the preceding year PAT of approximately HK\$68.1 million.

The lower revenue for the Reporting Period was primarily attributable to the lower revenue derived from the wastewater treatment operation services by approximately HK\$26.5 million caused by the forecasted cash flow (“**FCF**”) variance computed in the HK(IFRIC)-Int 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 higher other gains, net by approximately HK\$28.3 million, resulted from the remeasurement gain on receivable under service concession arrangement, net of impairment loss on intangible assets. Please refer to the section headed “Financial Review — Other Gains/(Losses), net” in this announcement for further analysis.

## DEVELOPMENT STRATEGY AND PROSPECTS

For the year 2024, China's economy is expected to grow by approximately 4.6%.<sup>1</sup> It would be the slowest expansion in over three decades outside the pandemic-affected years.<sup>2</sup>

Consumer spending is expected to weaken due to the increased economic uncertainty. Investment growth is expected to remain subdued caused by the lingering tension in the property sector, after construction starts fell to the lowest level since 2006. Trade growth is also expected to remain weak, with soft global demand weighing on exports and slower domestic demand growth hindering imports.<sup>2</sup>

However, it is expected that there would be further monetary policy easing in 2024 such as banks' reserve requirement ratios and interest rate cuts to partially offset the economic slowdown.<sup>3</sup> The central government of China is also expected to provide further support to boost infrastructure spending.<sup>2</sup>

During the Reporting Period, there were delays in finalising the new tariff and new basic volume with the local authority, as well as finalising the compensation agreement with Yinchuan Municipal regarding the closing down of Plant 1, resulted from the change of the leadership within the local government.

Our Group's strategy for the year 2024 is to 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 with the local government of Yinchuan. Our Group will also continue to focus on cost optimisation and increase efficiency in managing our wastewater treatment plants.

Our Group is also eyeing for potential merger and acquisition opportunities for wastewater treatment assets in Yinchuan, Ningxia and other regions within the PRC with the aim of strengthening our footprint in the PRC and the region.

<sup>1</sup> Source: *World Economic Outlook – January 2024, International Monetary Fund*

<sup>2</sup> Source: *Global Economic Prospects – January 2024, World Bank Group*

<sup>3</sup> Source: *Global Economic Outlook – December 2023, Fitch Ratings*

## FINANCIAL REVIEW

### Revenue

Our Group's revenue is derived from (i) wastewater treatment operation services; and (ii) finance income from service concession arrangement, despite that we generally only receive payments for our services rendered during the operational phase.

Our revenue decreased from approximately HK\$213.4 million for the year ended 31 December 2022 to approximately HK\$180.4 million for the Reporting Period, representing a decrease of approximately HK\$33.0 million or approximately 15.5%.

Further analysis on the revenue is set out below:

- revenue derived from the wastewater treatment operation services decreased from approximately HK\$91.1 million for the year ended 31 December 2022 to approximately HK\$64.6 million for the Reporting Period, representing a decrease of approximately HK\$26.5 million or approximately 29.1%.

The decrease was primarily attributable to the FCF variance computed in the HK(IFRIC)-Int 12 model, as shown in the table below:

	<b>2023</b>	<b>2022</b>	<b>Difference</b>
<b>FCF variance</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FCF loss	<u>(38,962)</u>	<u>(12,023)</u>	<u>(26,939)</u>

- revenue derived from the finance income from service concession arrangement decreased from approximately HK\$122.3 million for the year ended 31 December 2022 to approximately HK\$115.8 million for the Reporting Period, representing a decrease of approximately HK\$6.5 million or approximately 5.3%, which was primarily attributable to the: (i) lower opening balance of receivable under the service concession arrangement; and (ii) depreciation of the functional currency, RMB against the reporting currency HK\$ during the Reporting Period (31 December 2023 RMB/HK\$ average rate: 1.1079; 31 December 2022 RMB/HK\$ average rate: 1.1664).

## **Cost of sales**

Our cost of sales decreased from approximately HK\$69.0 million for the year ended 31 December 2022 to approximately HK\$66.2 million for the Reporting Period, representing a decrease of approximately HK\$2.8 million or approximately 4.1%, 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\$48.6 million for the year ended 31 December 2022 to approximately HK\$45.0 million for the Reporting Period, representing a decrease of approximately HK\$3.6 million or approximately 7.4%. The decrease was mainly attributable to lower chemical costs by approximately HK\$3.4 million; and
- the remaining cost of sales, which consisted primarily of employee benefit expenses, depreciation and amortisation expenses, repair and maintenance expenses and other costs, recorded an increase from approximately HK\$20.4 million for the year ended 31 December 2022 to approximately HK\$21.2 million for the Reporting Period, representing an increase of approximately HK\$0.8 million or approximately 3.9%. The increase was mainly attributable to higher repair and maintenance expenses by approximately HK\$1.2 million.

## **Gross profit and gross profit margin**

Our gross profit decreased from approximately HK\$144.4 million for the year ended 31 December 2022 to approximately HK\$114.1 million for the Reporting Period, representing a decrease of approximately HK\$30.3 million or approximately 21.0%, 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 approximately 67.7% for the year ended 31 December 2022 to approximately 63.2% for the Reporting Period.

## **Other income**

Other income decreased from approximately HK\$3.3 million for the year ended 31 December 2022 to approximately HK\$2.5 million for the Reporting Period, representing a decrease of approximately HK\$0.8 million, or approximately 24.2%. The decrease was mainly attributable to the lower interest income by approximately HK\$0.4 million.

### **Other gains/(losses), net**

Our Group recorded other gains, net of approximately HK\$22.8 million for the Reporting Period, representing an increase of approximately HK\$28.3 million or approximately 514.5%, from other losses, net of approximately HK\$5.5 million for the year ended 31 December 2022. Such increase in the other gains, net balance was mainly attributable to the remeasurement gain on receivable under service concession arrangement of approximately HK\$84.4 million, which was partially offsetted by the impairment loss on intangible assets of approximately HK\$61.2 million.

### **General and administrative expenses**

General and administrative expenses decreased from approximately HK\$16.3 million for the year ended 31 December 2022 to approximately HK\$15.6 million for the Reporting Period, representing a decrease of approximately HK\$0.7 million or approximately 4.3%. Such decrease was primarily due to lower employee benefit expenses by approximately HK\$1.0 million during the Reporting Period.

### **Finance costs**

Finance costs decreased from approximately HK\$39.1 million for the year ended 31 December 2022 to approximately HK\$32.9 million for the Reporting Period, representing a decrease of approximately HK\$6.2 million, or approximately 15.9%. Such decrease was primarily attributable to lower interest expenses on borrowings by approximately HK\$6.2 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\$84.2 million during the Reporting Period.

### **Income tax expense**

We incurred income tax expense of approximately HK\$18.6 million for the year ended 31 December 2022 and approximately HK\$17.7 million for the Reporting Period, representing a decrease of approximately HK\$0.9 million or approximately 4.8%, at effective tax rates of approximately 21.4% and 19.5%, respectively. The low effective tax rate was mainly attributable to the decrease in non-deductible expenses during the Reporting Period.

## **Profit and total comprehensive income for the year**

As a result of the foregoing factors, our profit for the year increased from approximately HK\$68.1 million for the year ended 31 December 2022 to approximately HK\$73.3 million for the Reporting Period, representing an increase of approximately HK\$5.2 million, or approximately 7.6%.

The total comprehensive income for the Reporting Period amounted to approximately HK\$37.2 million as compared to total comprehensive loss of approximately HK\$42.0 million for the year ended 31 December 2022. The difference between the profit for the year and the total comprehensive income for the year was due to the currency translation differences from the translation of RMB being the functional currency to HK\$ being the reporting currency (31 December 2023 RMB/HK\$ closing rate: 1.1003; 31 December 2022 RMB/HK\$ closing rate: 1.1307).

## **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 (2022: HK\$0.07 per share).

## **Receivable under service concession arrangement**

Our receivable under service concession arrangement that were classified as (i) current assets were approximately HK\$687.2 million and HK\$439.9 million as at 31 December 2022 and 31 December 2023, respectively; and (ii) non-current assets were approximately HK\$1,063.4 million and HK\$1,317.5 million as at 31 December 2022 and 31 December 2023, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,750.6 million and HK\$1,757.4 million as at 31 December 2022 and 31 December 2023, respectively. This represented an increase of approximately HK\$6.8 million or approximately 0.4%, primarily due to the FCF variance computed in the HK(IFRIC)-Int 12 model.

## **Trade and other receivables**

Our Group's trade and other receivables decreased by approximately HK\$17.7 million, or approximately 4.4%, to approximately HK\$383.1 million for the Reporting Period from approximately HK\$400.8 million as at 31 December 2022. The decrease was primarily attributable to the decrease of trade receivables by approximately HK\$17.0 million, resulted from the collection of wastewater treatment service fees from the local authorities of approximately HK\$216.6 million (*equivalent to approximately RMB196.9 million*) during the Reporting Period.

## **Cash and bank balances**

Our Group's cash and bank balances increased by approximately HK\$8.1 million, or approximately 9.9%, to approximately HK\$90.0 million for the Reporting Period as compared to approximately HK\$81.9 million as at 31 December 2022. The increase in cash on bank balances was due to the collection of wastewater treatment service fees from the local authorities of approximately HK\$216.6 million (*equivalent to approximately RMB196.9 million*) during the Reporting Period. The cash and bank balances were denominated in HK\$, RMB, SG\$ and US\$.

## **Borrowings**

As at 31 December 2023, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$713.2 million (31 December 2022: HK\$799.7 million), represented by short-term working capital loans of approximately HK\$19.2 million (31 December 2022: HK\$19.0 million) and long-term loans of approximately HK\$694.0 million (31 December 2022: HK\$780.7 million), which were denominated in RMB. This represented a decrease of approximately HK\$86.5 million or approximately 10.8%.

The decrease in borrowings was primarily due to: (i) the repayment of short-term working capital loans of approximately HK\$18.5 million and long-term loans of approximately HK\$65.7 million during the Reporting Period; and (ii) the depreciation of the functional currency, RMB against the reporting currency HK\$ during the Reporting Period (31 December 2023 RMB/HK\$ closing rate: 1.1003; 31 December 2022 RMB/HK\$ closing rate: 1.1307).

## **Liquidity and capital resources**

Our principal liquidity and capital requirements are primarily related to costs and expenses from business operations, as well as purchase of equipment, if any. As at 31 December 2023, the net current assets and net assets of our Group amounted to approximately HK\$609.8 million and HK\$1,359.3 million, respectively (31 December 2022: net current assets and net assets of approximately HK\$821.0 million and HK\$1,322.0 million, respectively).

## **Gearing ratio**

As at 31 December 2023, the gearing ratio (*calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances*) was approximately 45.8% (31 December 2022: approximately 54.3%).

## **Foreign currency risk**

Our Group principally operates in the PRC with most of the transactions being settled in RMB, which is the functional currency of most of the group entities. Foreign currency risk arises from the recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through financing activities denominated in the relevant foreign currencies, including the US\$ (the “**Non-functional Currency**”).

Fluctuations in exchange rates between the functional currencies of respective group entities and Non-functional Currency in which our group entities conduct business may affect our Group's financial position and results of operations. Our Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimising its net foreign currency position.

## **Contingent liabilities**

Our Group did not have any material contingent liabilities or outstanding litigation as at 31 December 2023.

## **FINAL DIVIDENDS**

No final dividend has been recommended by the Board for the year ended 31 December 2023 and 2022, 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 2023:

	Net proceeds (HK\$ million)												
	Utilised			Utilised			Further revised			Utilised		Utilised	
	amount from			amount from			allocation			amount from		amount from	
	1 January 2021	Revised allocation of unutilised balance as at 30 March 2021	31 March 2021	Unutilised balance as at 1 January 2022	1 January 2022	Unutilised balance as at 29 August 2022	of unutilised balance as at 29 August 2022	30 August 2022 to 31 December 2022	Unutilised balance as at 1 January 2023	1 January 2023	1 January 2023 to 31 December 2023	Balance as at 31 December 2023	
Complete the contemplated upgrading and expansion works of existing wastewater treatment facilities	83.9	(71.3)	12.6	(12.6)	-	-	-	-	-	-	-	-	
Identification and evaluation of new wastewater treatment projects in Yinchuan and/or other regions in the PRC	10.4	-	3.4 <sup>(note 2)</sup>	-	3.4	-	3.4	-	-	-	-	-	
Establishing and future upgrading of centralised monitoring system	5.2	-	- <sup>(note 3)</sup>	-	-	-	-	-	-	-	-	-	
General working capital for general corporate purposes	5.2	(5.2)	12.2	(8.1)	4.1	(2.3)	1.8	5.2 <sup>(note 5)</sup>	(1.6)	3.6 <sup>(note 6)</sup>	(3.6)	-	
<b>Total</b>	<b>104.7</b>	<b>(76.5)</b>	<b>28.2</b>	<b>(20.7)</b>	<b>7.5</b>	<b>(2.3)</b>	<b>5.2</b>	<b>5.2</b>	<b>(1.6)</b>	<b>3.6</b>	<b>(3.6)</b>	<b>-</b>	

**Notes:**

- 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.
- The original amount of HK\$5.2 million will be used as general working capital.
- 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.
- 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.
- The unutilised net proceeds from the Share Offer as at 1 January 2023 were deposited in the bank accounts of our Group with a licensed bank in Hong Kong.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Our Company has applied the principles and complied with all the applicable code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 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 consolidated annual results of our Group for the financial year ended 31 December 2023. 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 2023 have been agreed by our Company’s auditor, PricewaterhouseCoopers, to the amounts set out in our Group’s audited 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 C3 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](http://www.hkexnews.hk)) and the website of the Company ([www.tilenviro.com](http://www.tilenviro.com)). The annual report of our Company for the year ended 31 December 2023 will be despatched to our Company’s shareholders and published on the aforesaid websites in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express its sincere gratitude to our Company’s shareholders for their support and to our Group’s staff for their hard work and contribution in 2023.

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

Hong Kong, 26 March 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.*