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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 2021**

**FINANCIAL HIGHLIGHTS**

- Revenue for the year was approximately HK\$248.5 million, representing a year-on-year decrease of approximately HK\$56.5 million or approximately 18.5% as compared to approximately HK\$305.0 million in the preceding year.
- Gross profit for the year was approximately HK\$209.9 million, representing a year-on-year increase of approximately HK\$10.7 million or approximately 5.4% as compared to approximately HK\$199.2 million in the preceding year.
- Profit for the year was approximately HK\$115.3 million, representing a year-on-year decrease of approximately HK\$11.2 million or approximately 8.9% as compared to approximately HK\$126.5 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 2021 (the “**Reporting Period**”) with the comparative figures for the preceding financial year, as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>			
— Wastewater treatment operation services		113,032	129,152
— Wastewater treatment construction services		1,527	51,105
— Finance income from service concession arrangement		129,087	118,577
— Others		4,890	6,144
		<u>248,536</u>	<u>304,978</u>
Cost of sales	3	(38,628)	(105,821)
		<u>209,908</u>	<u>199,157</u>
<b>Gross profit</b>			
Other income	4	2,412	15,301
Other (losses)/gains, net		(309)	11
General and administrative expenses		(15,278)	(15,409)
		<u>196,733</u>	<u>199,060</u>
<b>Operating profit</b>			
Finance costs	5	(41,563)	(44,961)
		<u>155,170</u>	<u>154,099</u>
<b>Profit before income tax</b>			
Income tax expense	6	(39,901)	(27,563)
		<u>115,269</u>	<u>126,536</u>
<b>Profit for the year</b>			
		<u>115,269</u>	<u>126,536</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<u>115,269</u>	<u>126,536</u>
<b>Earnings per share profit attributable to owners of the Company</b>			
Basic and diluted ( <i>expressed in HK\$ per share</i> )	7	<u>0.12</u>	<u>0.13</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit for the year	<b>115,269</b>	126,536
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	<b>42,976</b>	69,106
Reclassification of exchange reserve upon deregistration of a subsidiary	<b>28</b>	173
Total comprehensive income for the year	<b><u>158,273</u></b>	<u>195,815</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b><u>158,273</u></b>	<u>195,815</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,289</b>	2,454
Right-of-use assets		<b>1,941</b>	2,359
Receivable under service concession arrangement	9	<b>1,637,683</b>	1,583,840
Intangible assets		<b>78,763</b>	80,020
Restricted bank balances		<b>4,908</b>	4,751
		<b>1,725,584</b>	1,673,424
<b>Current assets</b>			
Inventories		<b>1,598</b>	1,202
Trade and other receivables	10	<b>511,962</b>	390,983
Receivable under service concession arrangement	9	<b>267,451</b>	301,250
Cash and cash equivalents		<b>87,975</b>	107,325
		<b>868,986</b>	800,760
<b>Total assets</b>		<b>2,594,570</b>	2,474,184
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		<b>10,000</b>	10,000
Reserves		<b>782,364</b>	739,360
Retained earnings		<b>621,680</b>	506,411
<b>Total equity</b>		<b>1,414,044</b>	1,255,771

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	<i>11</i>	<b>579,109</b>	777,460
Lease liabilities		<b>1,293</b>	1,702
Deferred tax liabilities		<b>170,180</b>	140,815
		<u><b>750,582</b></u>	<u>919,977</u>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>123,460</b>	243,190
Tax payable		<b>3,287</b>	4,229
Current portion of long-term borrowings	<i>11</i>	<b>282,604</b>	27,599
Short-term borrowings	<i>11</i>	<b>19,508</b>	22,565
Lease liabilities		<b>1,085</b>	853
		<u><b>429,944</b></u>	<u>298,436</u>
<b>Total liabilities</b>		<u><b>1,180,526</b></u>	<u>1,218,413</u>
<b>Total equity and liabilities</b>		<u><b>2,594,570</b></u>	<u>2,474,184</u>
<b>Net current assets</b>		<u><b>439,042</b></u>	<u>502,324</u>
<b>Total assets less current liabilities</b>		<u><b>2,164,626</b></u>	<u>2,175,748</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.

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

#### Standards and amendments to standards adopted in 2021

In 2021, the Group has adopted the following standards and amendments to standards which are relevant to its operations:

HKFRS 16 (Amendments)	COVID-19–Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

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 after 1 January 2021 and later periods and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	COVID-19 – Related Rent Concessions beyond 2021	1 April 2021
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 3 (Amendments)	Reference to Conceptual Framework	1 January 2022
HKAS 16 (Amendments)	Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — cost of fulfilling a contract	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates	1 January 2023

**Effective for  
accounting periods  
beginning on or after**

HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group 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**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Wastewater treatment operation services	113,032	129,152
Wastewater treatment construction services	1,527	51,105
Finance income from service concession arrangement	129,087	118,577
Recycle water supply operation services	4,890	6,144
	<u>248,536</u>	<u>304,978</u>

**4. OTHER INCOME**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government subsidy ( <i>note (i)</i> )	71	11,363
Interest income	1,018	2,384
VAT refund ( <i>note (ii)</i> )	1,245	1,216
Others	78	338
	<u>2,412</u>	<u>15,301</u>

*Notes:*

- (i) The government subsidy of HK\$11.4 million in 2020 represents the incentive received from Ningxia Hui Autonomous Region Finance Bureau and Ningxia Hui Autonomous Region Housing and Urban- Rural Development Bureau for successfully upgraded the Plant 4 Phase 2 to Quasi Surface Water Standard Class IV discharge standard.
- (ii) 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.

## 5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on borrowings	41,420	44,786
Interest expenses on lease liabilities	143	175
	<u>41,563</u>	<u>44,961</u>

## 6. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax	15,644	13,512
Deferred income tax	24,257	14,051
	<u>39,901</u>	<u>27,563</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.

	2021	2020
Profit attributable to the ordinary shareholders of the Company ( <i>HK\$'000</i> )	115,269	126,536
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>0.12</u>	<u>0.13</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 2021 and 2020, respectively.

## 8. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2021 and 2020, respectively.



## 9. RECEIVABLE UNDER SERVICE CONCESSION ARRANGEMENT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
— Current	267,451	301,250
— Non-current	<u>1,637,683</u>	<u>1,583,840</u>
	<u><u>1,905,134</u></u>	<u><u>1,885,090</u></u>

## 10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables ( <i>note</i> )	472,333	364,201
Other receivables	37,366	15,667
Prepayments	<u>2,263</u>	<u>11,115</u>
	<u><u>511,962</u></u>	<u><u>390,983</u></u>

*Note:* The increase was primarily due to delay in the collection of receivables from our customer as the time for payment processing has been prolonged due to the on-going coronavirus (“COVID-19”) pandemic. The management considered the expected credit loss was minimal because (i) the majority of the trade and other receivables are due from governmental authorities in the People’s Republic of China (the “PRC”) which has no recent history of impairment; (ii) there is no deterioration on the credit rating of the debtor; and (iii) the Group has continued to receive partial repayments from the debtor and have discussed the latest settlement plan with the debtor. The amortised cost remains the same before and after the modification of settlement plan.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	18,799	25,689
31–60 days	17,580	27,362
61–90 days	21,602	25,471
Over 90 days	<u>414,352</u>	<u>285,679</u>
	<u><u>472,333</u></u>	<u><u>364,201</u></u>

## 11. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current		
Long-term borrowings — secured	579,109	777,460
Current		
Current portion of long-term borrowings — secured	34,284	27,599
Current portion of long-term borrowings — unsecured ( <i>note</i> )	248,320	—
Short-term borrowings	19,508	22,565
	<u>881,221</u>	<u>827,624</u>

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

## 12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	79,845	111,849
Retention payables	33,523	40,596
Other payables and accruals	10,092	90,745
	<u>123,460</u>	<u>243,190</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	2,954	5,823
31–60 days	1,925	3,611
61–90 days	1,618	3,603
Over 90 days	73,348	98,812
	<u>79,845</u>	<u>111,849</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

We are a wastewater treatment service provider operating and managing four 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 2021, our aggregate daily wastewater treatment capacity was 375,000 cubic metres per day pursuant to the cessation of Plant 1 operations (2020: 475,000 cubic metres per day) and the discharge standard for all wastewater treatment plants were Class IA and Quasi Surface Water Standard Class IV (準四類水標準).

For the Reporting Period, the total quantity of water effluent treated was approximately 103.3 million cubic metres, representing a decrease of approximately 1.2% from the year ended 31 December 2020 at approximately 104.6 million cubic metres, 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 year and had not encountered any material quality problems or disruption with respect to our wastewater treatment services.

Despite the on-going COVID-19 pandemic and the brief outbreak of COVID-19 in Yinchuan city in mid-October 2021, 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. We also have enough stock of consumables to ensure minimal disruption to our operations.

During the brief outbreak of COVID-19 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.

Unfortunately, the on-going COVID-19 pandemic has affected our collection of wastewater treatment service fees from our customer as the time for payment processing has been prolonged. However, no impairment provision is made on the trade receivables as at 31 December 2021, as the management considered the expected credit loss was minimal based on our assessment.

During the Reporting Period, our Group reported revenue and profit after tax (“PAT”) of HK\$248.5 million and HK\$115.3 million, respectively, lower than revenue and PAT of HK\$305.0 million and HK\$126.5 million achieved in the preceding year.

The lower revenue for the Reporting Period was primarily attributable to (i) lower construction revenue incurred during the Reporting Period as there were additional construction costs incurred at Plant 1 in the preceding year after the completion of the audit of the capital investment costs and operation costs by the local authorities; and (ii) lower wastewater volume resulted from the cessation of Plant 1 operations on 14 July 2021.

The lower PAT for the Reporting Period was mainly attributable to the one-off cash incentive received from local authorities in the preceding year, where we received a one-off government cash incentive of approximately HK\$11.1 million (equivalent to RMB10.0 million) from Ningxia Hui Autonomous Region Finance Bureau (寧夏回族自治區財政局) and Ningxia Hui Autonomous Region Housing and Urban-Rural Development Bureau (寧夏回族自治區住房和城鄉建設局) for the successful upgrade of Plant 4 expansion to Quasi Surface Water Standard Class IV (準四類水標準) discharge standard.

## **DEVELOPMENT STRATEGY AND PROSPECTS**

For the year 2022, China’s economy is expected to moderate by approximately 5.1%, due to the lasting effects of the on-going COVID-19 pandemic, tighter regulations on certain economy sectors, and dwindling support from exports. Macroeconomic policy is assumed to partially offset the impact of regulatory tightening and the downturn in the real estate sector.<sup>1</sup>

The decline in the real estate sector has served as a prologue to a wider economic slowdown. Private consumption and real estate investment would be lower with a strict zero COVID-19 policy, as the policy will lead to recurrent mobility restrictions and weakening prospects for construction sector employment.<sup>2</sup>

As export growth begins to slow in 2022, macroeconomy policy is anticipated to ease. This will include further reduction in the reserve requirement ratio, as well as further cut in the People’s Bank of China’s benchmark interest rate.<sup>3</sup>

<sup>1</sup> Source: *Global Economic Prospects — January 2022, World Bank Group*

<sup>2</sup> Source: *World Economic Outlook — January 2022, International Monetary Fund*

<sup>3</sup> Source: *Global Economic Outlook — December 2021, Fitch Ratings*

Our Group's strategy for this year is to focus on finalising the new tariff and new basic volume with the local authority for the expansion and/or upgrading works done on Plant 2 Phase 1, Plant 4 Phase 1 (upgrading works) and Plant 4 Phase 2 (expansion works), respectively. The management will continue to work closely with the local authorities and the independent auditor which are jointly appointed by the Municipal Administration of Yinchuan (銀川市市政管理局) (“**Yinchuan Municipal**”), Yinchuan Treasury Bureau and our Group on this matter.

Pursuant to the meeting hosted by Yinchuan Municipal on 14 July 2021, our Group will focus on finalising the compensation agreement with Yinchuan Municipal regarding the closing down of Plant 1. Yinchuan Municipal has set up a committee and appointed an independent third party to verify the assets of Plant 1 for the purpose of finalising the compensation agreement with Taliworks (Yinchuan) Wastewater Treatment Co. Ltd (達力(銀川)污水處理有限公司). The management will work closely with Yinchuan Municipal and the independent third party on this matter.

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

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**

### **Results of Operations**

#### *Revenue*

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

Our revenue decreased from approximately HK\$305.0 million for the year ended 31 December 2020 to approximately HK\$248.5 million for the year ended 31 December 2021, representing a year-on-year decrease of approximately HK\$56.5 million or approximately 18.5%. The revenue contributions by our three major components during the year were as follows: (i) approximately 45.5% of our revenue was derived from wastewater treatment operation services; (ii) approximately 0.6% of our revenue was derived from wastewater treatment construction services and (iii) approximately 51.9% of our revenue was derived from finance income from service concession arrangement.

The primary reasons for the decrease in revenue during the Reporting Period are attributable to a combined effect as set out below:

- revenue derived from the wastewater treatment operation services decreased from approximately HK\$129.2 million for the year ended 31 December 2020 to approximately HK\$113.0 million for the Reporting Period, representing a year-on-year decrease of approximately HK\$16.2 million or approximately 12.5%. The decrease was due to the: (i) lower total quantity of wastewater treated by us in the Reporting Period; and (ii) lower operation revenue caused by the lower costs of wastewater treatment operation incurred during the Reporting Period such as chemical costs, as our operation revenue is recognised on the basis of actual cost with reasonable profit margin. Please refer to the section headed “Financial Review — Cost of sales” in this announcement for further analysis;
- revenue derived from the wastewater treatment construction services decreased from approximately HK\$51.1 million for the year ended 31 December 2020 to approximately HK\$1.5 million for the Reporting Period, representing a year-on-year decrease of approximately HK\$49.6 million or approximately 97.1%. As our construction revenue is recognised on the basis of actual cost with reasonable profit margin, the decrease was mainly attributable to higher construction costs incurred in the preceding year as there were additional costs incurred at Plant 1 after the completion of the audit of the capital investment costs and operation costs by the local authorities. 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 increased from approximately HK\$118.6 million for the year ended 31 December 2020 to approximately HK\$129.1 million for the Reporting Period, representing a year-on-year increase of approximately HK\$10.5 million or approximately 8.9%, which was primarily attributable to the increase in the opening balance of receivable under the service concession arrangement; and

- the remaining revenue which derived from the recycle water supply operation services decreased from approximately HK\$6.1 million for the year ended 31 December 2020 to approximately HK\$4.9 million for Reporting Period, representing a year-on-year decrease of approximately HK\$1.2 million or approximately 19.7%. The decrease 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 is taking over the recycle water sales in the city.

#### *Cost of sales*

Our cost of sales decreased from approximately HK\$105.8 million for the year ended 31 December 2020 to approximately HK\$38.6 million for the Reporting Period, representing a year-on-year decrease of approximately HK\$67.2 million or approximately 63.5%, which was primarily attributable to the decrease in construction costs, further analysis of which is set out below:

- costs of wastewater treatment operation decreased from approximately HK\$54.9 million for the year ended 31 December 2020 to approximately HK\$47.7 million for the Reporting Period, representing a decrease of approximately HK\$7.2 million or approximately 13.1%. Such decrease was mainly attributable to lower chemical costs by approximately HK\$6.1 million resulted from the management's continuous efforts to optimise the consumption of chemical;
- construction costs decreased from approximately HK\$34.2 million for the year ended 31 December 2020 to a credit of approximately HK\$28.8 million for the Reporting Period, representing a decrease of approximately HK\$63.0 million or approximately 184.2%. The decrease was primarily attributable to the reversal of overprovision of construction costs for our Plant 4 Phase 2 expansion during the Reporting Period, 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, recorded an increase from approximately HK\$16.8 million for the year ended 31 December 2020 to approximately HK\$19.7 million for the Reporting Period. The increase was mainly attributable to the increase of approximately HK\$1.9 million in employee benefit expenses due to the reduction in social security insurance contributions (五險一金) in the preceding year, which was in line with the local government's temporary recovery measures from post COVID-19 effect.

### *Gross profit and gross profit margin*

Our gross profit increased from approximately HK\$199.2 million for the year ended 31 December 2020 to approximately HK\$209.9 million for the Reporting Period, representing a year-on-year increase of approximately HK\$10.7 million or approximately 5.4%, which was primarily attributable to the: (i) reversal of overprovision of construction costs for Plant 4 Phase 2 expansion; and (ii) decrease in chemical costs during the Reporting Period. Our gross profit margin increased from 65.3% for the year ended 31 December 2020 to 84.5% 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\$63.7 million in preceding year to approximately HK\$50.5 million for the Reporting Period. The decrease was mainly attributable to the decreased in revenue derived from the wastewater treatment operation services.

However, the decrease in revenue derived from the wastewater treatment operation services was partially offset by the decreased in operating costs resulted from lower chemical costs due to the management's continuous efforts to optimise the consumption of chemical; and

- our finance income from service concession arrangement, representing the imputed interest income, amounted to approximately HK\$118.6 million and HK\$129.1 million for the year ended 31 December 2020 and 2021, respectively.

### *Other income*

Other income decreased from approximately HK\$15.3 million for the year ended 31 December 2020 to approximately HK\$2.4 million for the Reporting Period, representing a decrease of approximately HK\$12.9 million, or approximately 84.3%.

The decrease was mainly attributable to the one-off cash incentive received from local authorities in the preceding year, where we received a one-off government cash incentive of approximately HK\$11.1 million (equivalent to RMB10.0 million) from Ningxia Hui Autonomous Region Finance Bureau (寧夏回族自治區財政局) and Ningxia Hui Autonomous Region Housing and Urban-Rural Development Bureau (寧夏回族自治區住房和城鄉建設局) for the successful upgrade of Plant 4 expansion to Quasi Surface Water Standard Class IV (準四類水標準) discharge standard.



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

Our Group recorded other losses, net of approximately HK\$0.31 million for the Reporting Period, representing a decrease of approximately HK\$0.32 million or approximately 3,200.0%, from other gains, net of approximately HK\$0.01 million for the for the year ended 31 December 2020. Such decrease in the other gains, net balance was mainly attributable to the gain of deregistration of a subsidiary of approximately HK\$1.18 million in the preceding year.

### *General and administrative expenses*

General and administrative expenses decreased from approximately HK\$15.4 million for the year ended 31 December 2020 to approximately HK\$15.3 million for the Reporting Period, representing a slight decrease of approximately HK\$0.1 million or approximately 0.6%. Such decrease was primarily due to lower legal and professional fee during the Reporting Period by approximately HK\$0.4 million.

### *Finance costs*

Finance costs decreased by approximately HK\$3.4 million, or approximately 7.6%, to approximately HK\$41.6 million for the Reporting Period from approximately HK\$45.0 million for the year ended 31 December 2020. Such decrease was primarily attributable to the decrease of interest expenses as our Group has successfully restructured the existing loan facility with lower interest rates.

### *Income tax expense*

We incurred income tax expense of approximately HK\$27.6 million for the year ended 31 December 2020 and approximately HK\$39.9 million for the Reporting Period at effective tax rates of approximately 17.9% and 25.7%, respectively. The higher 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.

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

As a result of the foregoing factors, our profit for the year decreased from approximately HK\$126.5 million for the year ended 31 December 2020 to approximately HK\$115.3 million for the Reporting Period, representing a decrease of approximately HK\$11.2 million, or approximately 8.9%.

The total comprehensive income for the Reporting Period amounted to approximately HK\$158.3 million compared to approximately HK\$195.8 million for the year ended 31 December 2020. The difference between the profit for the year and the total comprehensive income for the year was due to currency translation differences from the translation of RMB being our functional currency to HK\$ being our reporting currency (2021 RMB/HK\$ closing rate: 1.2269; 2020 RMB/HK\$ closing rate: 1.1876).

### *Earnings per share*

For the Reporting Period, the earnings per share for profit attributable to owners of the Company (basic and diluted) was HK\$0.12 per share (2020: HK\$0.13 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\$301.3 million and HK\$267.4 million as at 31 December 2020 and 2021, respectively; and (ii) non-current assets were approximately HK\$1,583.8 million and HK\$1,637.7 million as at 31 December 2020 and 2021, respectively.

Our total receivable under service concession arrangement amounted to approximately HK\$1,885.1 million and HK\$1,905.1 million as at 31 December 2020 and 2021, respectively. This represented a slight increase of approximately 1.1% from 2020 to 2021, primarily due to the appreciation of our functional currency, RMB against our reporting currency HK\$ during the Reporting Period (2021 RMB/HK\$ closing rate: 1.2269; 2020 RMB/HK\$ closing rate: 1.1876).

### *Trade and other receivables*

Our Group's trade and other receivables increased by approximately HK\$121.0 million, or approximately 30.9%, to approximately HK\$512.0 million for the Reporting Period from approximately HK\$391.0 million for the year ended 31 December 2020. The increase was primarily attributable to the increase of trade receivables by approximately HK\$108.1 million, as there was a delay in the collection of receivables from our customer where the time for payment processing has been prolonged.

However, no impairment provision is made on the trade receivables as at 31 December 2021, as there were partial repayments from the local authorities of approximately HK\$194.2 million (equivalent to RMB158.3 million) during the Reporting Period, as well as there is no deterioration on their credit rating. The management will continue to discuss with the local authorities on the settlement plan.

#### *Cash and bank balances*

Our Group's cash and bank balances decreased by approximately 18.0% to approximately HK\$88.0 million in 2021 as compared to approximately HK\$107.3 million in 2020. The decrease in cash and bank balances was due to longer receivables turnover period (2021: 694 days; 2020: 437 days) as at 31 December 2021. The cash and bank balances were denominated in HK\$, RMB, SG\$ and US\$.

#### *Borrowings*

As at 31 December 2021, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$881.2 million (2020: HK\$827.6 million), represented by short-term working capital loan of HK\$19.5 million (2020: HK\$22.6 million) and long-term loan of HK\$861.7 million (2020: HK\$805.0 million), which were denominated in RMB. The increase in borrowings was due to the drawdown of additional long-term loans for the payment to the contractors in relation to the expansion and/or upgrading works at Plant 1, Plant 2 and Plant 4 Phase 2, as well as drawdown of additional short-term working capital loans during the Reporting Period.

#### *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 2021, the net current assets and net assets of our Group amounted to approximately HK\$439.0 million and HK\$1,414.0 million, respectively (2020: net current assets and net assets of approximately HK\$502.3 million and HK\$1,255.8 million, respectively).

#### *Gearing ratio*

As at 31 December 2021, our gearing ratio (calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances) was approximately 56.1% (2020: approximately 57.4%).

### *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 2021.

### *Dividends*

No final dividend has been recommended by the Board for the year ended 31 December 2021 and 2020, 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 2021:

	Net proceeds (HK\$ million)					
	Original allocation	Utilised amount from 1 January 2021 to 30 March 2021	Unutilised amount as at 1 January 2021	Revised allocation of unutilised amount from 1 January 2021 to 30 March 2021 <sup>(note 1)</sup>	Utilised amount from 31 March 2021 to 31 December 2021	Unutilised balance as at 31 December 2021
Complete the contemplated upgrading and expansion works of existing wastewater treatment facilities	83.9	(71.3)	12.6	12.6	(12.6)	–
Identification and evaluation of new wastewater treatment projects in Yinchuan and/or other regions in the PRC	10.4	–	10.4	3.4	–	3.4 <sup>(note 2)</sup>
Establishing and future upgrading of centralised monitoring system	5.2	–	5.2	– <sup>(note 3)</sup>	–	–
General working capital for general corporate purposes	5.2	(5.2)	–	12.2	(8.1)	4.1 <sup>(note 4)</sup>
<b>Total</b>	<u>104.7</u>	<u>(76.5)</u>	<u>28.2</u>	<u>28.2</u>	<u>(20.7)</u>	<u>7.5</u>

*Notes:*

1. In accordance with the annual results announcement dated 30 March 2021 (the “**2020 Results Announcement**”), due to the reasons and benefits mentioned in the 2020 Results Announcement, the unutilised net proceeds were re-allocated with effect from 30 March 2021. For more details, please refer to the 2020 Results Announcement.

2. The original amount of HK\$10.4 million has been revised to HK\$3.4 million, where HK\$7.0 million will be used as general working capital.

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

3. The original amount of HK\$5.2 million will be used as general working capital.

4. It is expected that these unutilised proceeds will be used by December 2022, barring any unforeseen circumstances.

As at 31 December 2021, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of our Group with a licensed bank in Hong Kong. The planned use of proceeds as stated in the Supplemental Prospectus were based on the best estimation and assumption of future market conditions and industry development made by our Company at the time of preparing the Supplemental Prospectus while the proceeds were applied based on the actual development of our Group's business and the industry. The Directors are not aware of any material change to the planned use of proceeds, save as disclosed in the 2020 Results Announcement, 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**”) (version up to 31 December 2021) 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 C.3 (which has changed to D.3 since 1 January 2022) 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 2021. 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 2021 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](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 2021 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 2021.

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

Hong Kong, 30 March 2022

*As at the date of this announcement, the non-executive Director is Mr. Lim Chin Sean; the executive Director is Mr. Wong Kok Sun; and the independent non-executive Directors are Mr. Tan Yee Boon, Mr. Hew Lee Lam Sang and Mr. Tam Ka Hei Raymond.*