

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**TIANLI HOLDINGS GROUP LIMITED**  
**天利控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 117)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**FINANCIAL HIGHLIGHTS**

- The overall revenue for 2022 was RMB361.4 million, 34.1% decrease from 2021;
- The overall gross profit for 2022 was RMB15.8 million, representing a decrease of RMB202.4 million, or 92.8% from 2021;
- Gross profit margin reached 4.4% in 2022, decreased by 35.4 percentage points as compared to 2021; in particular, the gross profit margin of the MLCC business was decreased from 25.7% in 2021 to 3.1% in 2022;
- Loss attributable to owners of the Company for the year ended 31 December 2022 was RMB63.9 million, as compared to a profit of RMB68.8 million for the year ended 31 December 2021;
- Basic and diluted loss per share was RMB8.6 cents; and
- The Board recommends no payment of final dividends for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Tianli Holdings Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with the comparative results for the preceding financial year as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2022*

		2022	2021
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue	5	<b>361,377</b>	548,507
Cost of sales		<b>(345,625)</b>	(330,316)
<b>Gross profit</b>		<b>15,752</b>	218,191
Other income	6	<b>13,918</b>	19,057
Other gains and losses	7	<b>66,781</b>	(11,136)
Selling and distribution costs		<b>(17,573)</b>	(21,862)
Administrative expenses		<b>(87,020)</b>	(97,352)
Research and development costs		<b>(56,307)</b>	(45,096)
<b>(Loss)/profit from operations</b>		<b>(64,449)</b>	61,802
Finance costs	8(a)	<b>(24,420)</b>	(22,341)
Share of profit of an associate		<b>20,894</b>	18,895
<b>(Loss)/profit before taxation from continuing operations</b>	8	<b>(67,975)</b>	58,356
Income tax credit	9	<b>3,256</b>	11,137
<b>(Loss)/profit for the year from continuing operations</b>		<b>(64,719)</b>	69,493
Loss for the year from discontinued operation	12	–	(21)
<b>(Loss)/profit for the year</b>		<b>(64,719)</b>	69,472

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Other comprehensive income for the year, net of income tax</b>			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income (“FVOCI”)			
– net movement in fair value reserve (non-recycling)		<b>22,606</b>	6,832
Items that are or may be reclassified subsequently to profit or loss:			
Reclassification of cumulative exchange fluctuation reserve upon disposal of subsidiaries to profit or loss		<b>1,232</b>	–
Reclassification of cumulative exchange fluctuation reserve upon dissolution of associate to profit or loss		<b>(2,192)</b>	–
Exchange differences on translation of foreign operations		<b>1,394</b>	(4,255)
<b>Other comprehensive income for the year, net of income tax</b>		<b>23,040</b>	2,577
<b>Total comprehensive (loss)/income for the year, net of income tax</b>		<b>(41,679)</b>	72,049
<b>(Loss)/profit for the year attributable to owners of the Company:</b>			
– from continuing operations		<b>(63,851)</b>	68,840
– from discontinued operations		–	(21)
		<b>(63,851)</b>	68,819

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(63,851)	68,819
Non-controlling interests		<u>(868)</u>	<u>653</u>
		<b><u>(64,719)</u></b>	<b><u>69,472</u></b>
<b>Total comprehensive (loss)/income attributable to owners of the Company:</b>			
– from continuing operations		(52,628)	68,584
– from discontinued operations		<u>–</u>	<u>(41)</u>
		<b><u>(52,628)</u></b>	<b><u>68,543</u></b>
<b>Total comprehensive (loss)/income for the year attributable to</b>			
Owners of the Company		(52,628)	68,543
Non-controlling interests		<u>10,949</u>	<u>3,506</u>
		<b><u>(41,679)</u></b>	<b><u>72,049</u></b>
		<i>RMB cents</i>	<i>RMB cents</i>
<b>(Loss)/earnings per share attributable to owners of the Company during the year (basic and diluted)</b>			
– from continuing operations	<i>11</i>	(8.6)	9.2
– from discontinued operations	<i>11</i>	<u>0.0</u>	<u>0.0</u>
		<b><u>(8.6)</u></b>	<b><u>9.2</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>751,965</b>	481,013
Investment properties		<b>24,936</b>	20,872
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		<b>25,278</b>	51,687
Interest in an associate		–	35,791
Financial assets at FVOCI		–	12,435
Financial assets at fair value through profit or loss (“FVPL”)		<b>256,179</b>	409,092
Other intangible assets		<b>450</b>	819
Deferred tax assets		<b>29,213</b>	28,296
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>1,088,021</b>	1,040,005
<b>Current assets</b>			
Inventories		<b>195,060</b>	248,203
Financial assets at FVPL		<b>155,882</b>	–
Accounts and bills receivables	<i>13</i>	<b>261,595</b>	190,975
Prepayments, deposits and other receivables		<b>53,670</b>	47,495
Cash and bank balances		<b>62,469</b>	62,864
		<hr/>	<hr/>
<b>Total current assets</b>		<b>728,676</b>	549,537
<b>Current liabilities</b>			
Trade and bills payables	<i>14</i>	<b>60,769</b>	68,983
Deferred income, accruals and other payables		<b>109,893</b>	101,309
Lease liabilities		<b>13,023</b>	12,931
Tax payable		<b>10,968</b>	10,576
Bank and other loans		<b>420,120</b>	384,824
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>614,773</b>	578,623

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*At 31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Net current assets/(liabilities)</b>		<u>113,903</u>	<u>(29,086)</u>
<b>Total assets less current liabilities</b>		<u>1,201,924</u>	<u>1,010,919</u>
<b>Non-current liabilities</b>			
Lease liabilities		5,884	16,636
Deferred income		5,111	10,006
Bank and other loans		276,614	6,222
Deferred tax liabilities		<u>24,072</u>	<u>29,613</u>
<b>Total non-current liabilities</b>		<u>311,681</u>	<u>62,477</u>
<b>Net assets</b>		<u><b>890,243</b></u>	<u><b>948,442</b></u>
<b>Capital and reserves</b>			
Share capital	<i>15</i>	6,637	6,637
Reserves		<u>879,961</u>	<u>932,589</u>
<b>Total equity attributable to owners of the Company</b>		<b>886,598</b>	939,226
Non-controlling interests		<u>3,645</u>	<u>9,216</u>
<b>Total equity</b>		<u><b>890,243</b></u>	<u><b>948,442</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 1. GENERAL INFORMATION

Tianli Holdings Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company’s registered office address is the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and the principal place of business of the Company in Hong Kong was located at Unit 2711-12, 27/F, The Center, 99 Queen’s Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Group are (i) manufacturing and sale of multi-layer ceramic capacitors (“**MLCC**”) and (ii) investment and financial services.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

### b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in an associate.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). These financial statements are presented in Renminbi (“**RMB**”) which is the Company’s functional currency and the Group’s presentation currency, and all value are rounded to the nearest thousand RMB except where otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies:

- financial assets at FVPL; and
- financial assets at FVOCI.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

#### 4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Board (the chief operating decision maker) for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

During the year ended 31 December 2021, the Group ceased its businesses in other general trading which are classified as discontinued operations for the year ended 31 December 2021. Further details of the businesses in other general trading are set out in note 12.

Continuing operations:

- (i) MLCC: manufacturing and sale of MLCC; and
- (ii) Investment and financial services; including but not limited to (i) direct investments in debt, equity and/or any other asset; (ii) asset management; (iii) provision of financial advisory services; and (iv) financial technologies.

Discontinued operation:

- (i) Other general trading: trading of goods other than MLCC, including but not limited to electronic components and commodities such as metals, minerals and petroleum products.

##### a) **Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible assets, intangible assets, deferred tax assets and current assets with the exception of corporate assets. Segment liabilities include all payables, deferred income and deferred tax liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is earnings and loss of each segment without allocation of corporate interest income, other corporate income, central administrative expenses, central finance costs and income tax.

In addition to receiving segment information concerning segment profit/(loss), the Board is provided with segment information concerning revenue, interest income, depreciation and amortisation, write-down of inventories, reversal of write-down of inventories, impairment losses of accounts receivables, reversal of impairment losses of accounts receivables, finance costs, share of profit/(loss) of an associate, income tax and additions to non-current segment assets (other than financial instruments and deferred tax assets) used by the segments in their operations.

The accounting policies of the operating segments are the same as the Group's accounting policies.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

	<b>Year ended 31 December 2022</b>		
	<b>Continuing operations</b>		<b>Total RMB'000</b>
	<b>MLCC RMB'000</b>	<b>Investment and financial services RMB'000</b>	
<b>Segment revenue:</b>			
Disaggregated by timing of revenue recognition			
Point in time	356,609	(33,699)	322,910
Over time	–	38,467	38,467
	<u>356,609</u>	<u>4,768</u>	<u>361,377</u>
Revenue from external customers	<u>356,609</u>	<u>4,768</u>	<u>361,377</u>
<b>Segment (loss)/profit</b>	<b>(106,280)</b>	<b>9,855</b>	<b>(96,425)</b>
Corporate interest income			1
Other corporate income			57,757
Central administrative expenses			(8,700)
Central finance costs			<u>(20,608)</u>
Consolidated loss before taxation			<u>(67,975)</u>
<b>Segment assets</b>	<b>1,188,425</b>	<b>627,962</b>	<b>1,816,387</b>
Cash and bank balances			255
Unallocated corporate assets			<u>55</u>
Consolidated total assets			<u><u>1,816,697</u></u>
<b>Segment liabilities</b>	<b>644,048</b>	<b>2,059</b>	<b>646,107</b>
Other loan			276,614
Other unallocated corporate liabilities			<u>3,733</u>
Consolidated total liabilities			<u><u>926,454</u></u>

	Year ended 31 December 2022		
	Continuing operations		
	MLCC	Investment and financial services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Other segment information</b>			
Additions to non-current assets	360,020	69	360,089
Unallocated			—
			<u>360,089</u>
Depreciation and amortisation	(70,266)	(3,305)	(73,571)
Unallocated			—
			<u>(73,571)</u>
Interest income	170	7	177
Unallocated corporate interest income			1
			<u>178</u>
Finance costs	(3,714)	(98)	(3,812)
Unallocated			(20,608)
			<u>(24,420)</u>
Income tax credit/(expense)	5,847	(2,591)	3,256
Unallocated			—
			<u>3,256</u>
Impairment loss of accounts receivables	<u>(1)</u>	<u>—</u>	<u>(1)</u>
Write-down of inventories	<u>(54,680)</u>	<u>—</u>	<u>(54,680)</u>
Reversal of write-down of inventories	<u>61,294</u>	<u>—</u>	<u>61,294</u>
Share of profit of an associate	<u>—</u>	<u>20,894</u>	<u>20,894</u>

	Year ended 31 December 2021			Total RMB'000
	Continuing operations	Discontinued operation		
	MLCC RMB'000	Investment and financial services RMB'000	Other general trading RMB'000	
<b>Segment revenue:</b>				
Disaggregated by timing of revenue recognition				
Point in time	444,589	55,151	–	499,740
Over time	–	48,767	–	48,767
	<u>444,589</u>	<u>103,918</u>	<u>–</u>	<u>548,507</u>
Revenue from external customers	<u>444,589</u>	<u>103,918</u>	<u>–</u>	<u>548,507</u>
<b>Segment profit/(loss)</b>	298	99,500	(21)	99,777
Central administrative expenses				(21,953)
Central finance costs				<u>(19,489)</u>
Consolidated profit before taxation				<u>58,335</u>
<b>Segment assets</b>	957,320	630,111	1,553	1,588,984
Cash and bank balances				491
Unallocated corporate assets				<u>67</u>
Consolidated total assets				<u><u>1,589,542</u></u>
<b>Segment liabilities</b>	394,577	4,256	852	399,685
Other loans				237,302
Other unallocated corporate liabilities				<u>4,113</u>
Consolidated total liabilities				<u><u>641,100</u></u>

	Year ended 31 December 2021			Total RMB'000
	Continuing operations	Discontinued operation		
	MLCC RMB'000	Investment and financial services RMB'000	Other general trading RMB'000	
<b>Other segment information</b>				
Additions to non-current assets Unallocated	207,973	–	–	207,973
				<u>–</u>
				<u>207,973</u>
Interest in an associate	–	35,791	–	<u>35,791</u>
Depreciation and amortisation Unallocated	(71,487)	(5,299)	–	(76,786)
				<u>–</u>
				<u>(76,786)</u>
Interest income Unallocated corporate interest income	105	7	–	112
				<u>–</u>
				<u>112</u>
Finance costs Unallocated	(3,136)	(97)	–	(3,233)
				<u>(19,108)</u>
				<u>(22,341)</u>
Income tax credit/(expense) Unallocated	13,761	(2,624)	–	11,137
				<u>–</u>
				<u>11,137</u>
Impairment loss of accounts receivables	<u>(1,104)</u>	<u>–</u>	<u>–</u>	<u>(1,104)</u>
Write-down of inventories	<u>(50,532)</u>	<u>–</u>	<u>–</u>	<u>(50,532)</u>
Reversal of write-down of inventories	<u>37,089</u>	<u>–</u>	<u>–</u>	<u>37,089</u>
Share of profit of an associate	<u>–</u>	<u>18,895</u>	<u>–</u>	<u>18,895</u>

There are no inter-segment revenue for the years ended 31 December 2022 and 2021.

**b) Geographical information**

**(i) Revenue from external customers**

The geographical analysis of the Group's revenue from external customers by geographical location based on where the goods are sold and delivered or the services were provided is as follows:

	Continuing operations	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China (place of domicile)	322,777	384,000
Hong Kong	12,462	18,144
Other countries	26,138	146,363
	<u>361,377</u>	<u>548,507</u>

**(ii) Non-current assets**

No non-current assets information is presented for the Group's geographical location, as over 90% of the Group's non-current assets (excluding financial instruments and deferred tax assets) is located in Mainland China.

**c) Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Continuing operations	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
MLCC segment		
Customer A	<u>63,495</u>	<u>N/A*</u>

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

d) **Revenue from major products and services:**

The following is an analysis of the Group's revenue from its major products and services:

*Continuing operations*

	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Sale of MLCC	<b>356,609</b>	444,589
Assets management fee income	<b>38,467</b>	48,767
Net (loss)/gain from fund investments	<b>(33,699)</b>	55,151
Revenue from investment and financial services	<b>4,768</b>	103,918
	<b>361,377</b>	548,507

**5. REVENUE**

The principal activities of the Group are the manufacturing and sale of MLCC and investment and financial services.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from contracts with customers within the scope of IFRS 15		
Sale of MLCC	<b>356,609</b>	444,589
Assets management fee income	<b>38,467</b>	48,767
	<b>395,076</b>	493,356
Net (loss)/gain from financial assets at FVPL	<b>(33,699)</b>	55,151
Total revenue	<b>361,377</b>	548,507

*Notes:*

- a) Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 4.
- b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date:

All sales contracts with customers for MLCC are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Contracts for asset management service typically have the same terms with the funds managed by the Group, which ranged from 3 to 7 years and are subject to extension of 2 to 4 years, in which the Group bills a fixed amount for service rendered. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has the right to invoice. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

**6. OTHER INCOME**

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest income on financial assets measured at amortised cost		
– bank interest income	<b>178</b>	112
Gross rental income from investment properties	<b>3,182</b>	2,221
Government grants ( <i>note</i> )	<b>7,262</b>	9,913
Release of government grants as income	<b>2,503</b>	5,492
Other management fee income	<b>515</b>	477
Sundry income	<b>278</b>	842
	<b>13,918</b>	19,057

*Note:* Government grants represented the subsidy to the Group by the government of the PRC as incentive primarily to encourage the development of the Group and the contribution to the local economic development.

In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 7. OTHER GAINS AND LOSSES

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Impairment loss of account receivables, net	(1)	(1,104)
Gain on disposal of subsidiaries	<b>2,729</b>	–
Gain arising from extinguishment of other loan upon modification	<b>41,859</b>	–
Net foreign exchange gain/(loss)	<b>20,002</b>	(10,032)
Cumulative gain on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of an associate	<b>2,192</b>	–
	<b><u>66,781</u></b>	<b><u>(11,136)</u></b>

## 8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation from continuing operations is arrived at after charging/(crediting) the following:

### a) Finance costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans	20,955	1,165
Interest on other loans	21,717	20,313
Interest on lease liabilities	<u>1,347</u>	<u>1,878</u>
Total interest expense on financial liabilities not at fair value through profit or loss	44,019	23,356
Less: Amounts capitalised in the cost of qualifying assets	<u>(19,599)</u>	<u>(1,015)</u>
	<u><u>24,420</u></u>	<u><u>22,341</u></u>

### b) Staff costs (including directors' emoluments)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits ( <i>notes i and ii</i> )	142,671	170,613
Contributions to defined contribution retirement plans ( <i>notes i and ii</i> )	<u>12,005</u>	<u>15,569</u>
	<u><u>154,676</u></u>	<u><u>186,182</u></u>

c) **Other items**

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
Carrying amount of inventories sold		<b>348,933</b>	313,621
Write-down of inventories		<b>54,680</b>	50,532
Reversal of write-down of inventories (note iii)		<b>(61,294)</b>	(37,089)
Cost of inventories (note i)		<b>342,319</b>	327,064
Depreciation charge			
– owned property, plant and equipment		<b>58,349</b>	60,427
– investment property		<b>681</b>	681
– right-of-use assets		<b>13,981</b>	15,678
Depreciation (notes i and ii)		<b>73,011</b>	76,786
Amortisation of other intangible assets		<b>560</b>	921
Research and development costs:			
Current year expenditure (note ii)		<b>56,307</b>	45,096
Short term lease		<b>665</b>	858
Auditor's remuneration			
– audit services		<b>1,434</b>	1,497
– non-audit services		<b>306</b>	256
Impairment loss of accounts receivables, net*		<b>1</b>	1,104
Donation		<b>43</b>	10
Loss on disposal of property, plant and equipment		<b>101</b>	657
Rental income on investment properties less direct outgoings of RMB300,000 (2021: RMB286,000)		<b>(2,882)</b>	(1,935)

\* The impairment loss of accounts receivables is included in “other gains and losses” of the consolidated statement of profit or loss and other comprehensive income.

*Notes:*

- (i) Cost of inventories includes depreciation of RMB56,386,000 (2021: RMB57,152,000) and staff costs of RMB73,813,000 (2021: RMB98,407,000), which are also included in the respective total amounts disclosed separately above.
- (ii) Included in research and development costs are depreciation of RMB3,521,000 (2021: RMB5,355,000) and staff costs of RMB21,333,000 (2021: RMB20,593,000), which are also included in the respective total amounts disclosed separately above.
- (iii) During the year ended 31 December 2022, there was a reversal of write-down of inventories of RMB61,294,000 (2021: RMB37,089,000) due to an increase in the estimated net realisable value and subsequent usage and sale of obsolete inventories.

## 9. INCOME TAX CREDIT

Income tax recognised in the consolidated statement of profit or loss and other comprehensive income represents:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current tax		
– Hong Kong Profits Tax for the year	<b>2,592</b>	2,624
– PRC Enterprise Income Tax (“EIT”) for the year ( <i>note (iv)</i> )	<b>600</b>	1,550
– Under-provision of Hong Kong Profits Tax in prior year	<b>24</b>	–
– Over provision of EIT in prior year	<b>(29)</b>	–
Deferred taxation		
– Origination and reversal of temporary differences	<u><b>(6,443)</b></u>	<u>(15,311)</u>
Income tax credit for the year	<u><b>(3,256)</b></u>	<u>(11,137)</u>

*Notes:*

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

- (iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI respectively.
- (iv) For the year ended 31 December 2022, all PRC subsidiaries were subject to EIT at the standard rate of 25% (2021: 25%) on their respective taxable profit during the year, except that 深圳市宇陽科技發展有限公司 (literally translated as Shenzhen Eyang Technology Development Co., Ltd.), an indirect wholly-owned subsidiary of the Company, was recognised as High and New Technology Enterprise on 23 December 2021 and is subject to income tax rate of 15% for three consecutive years commencing in 2021.

## **10. DIVIDEND**

No dividend was paid or proposed during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

## 11. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit attributable to the owners of the Company of RMB63,851,000 (2021: RMB68,819,000) and the weighted average number of 744,750,000 (2021: 744,750,000) ordinary shares in issue during the year, calculated as follows:

(Loss)/earnings

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit for the purpose of basic (loss)/earnings per share		
– from continuing operations	<b>(63,851)</b>	68,840
– from discontinued operations	<u>–</u>	<u>(21)</u>
	<b><u>(63,851)</u></b>	<b><u>68,819</u></b>

Weighted average number of ordinary shares:

	<b>2022</b> <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares at 31 December	<b><u>744,750</u></b>	<b><u>744,750</u></b>

### (b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 December 2022 and 2021 is the same as the basic (loss)/earnings per share as there were no potential ordinary shares outstanding during the years.

## 12. DISCONTINUED OPERATION

In June 2021, the Group ceased its business in other general trading as a result of unfavourable market conditions and price competition in the relevant industry, and the businesses were stagnant since the first quarter in 2021.

The analysis of the results of discontinued operation is as follows.

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Revenue	–	–
Administrative and other operating expenses	–	(21)
Losses before income tax expense	–	(21)
Income tax expense	–	–
Losses for the year from discontinued operation	<u>–</u>	<u>(21)</u>
Net cash used in operating activities	–	(1)
Total net cash outflows	<u>–</u>	<u>(1)</u>

## 13. ACCOUNTS AND BILLS RECEIVABLES

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Accounts receivables ( <i>note a</i> )	<b>208,384</b>	184,677
<i>Less: loss allowance</i>	<u><b>(9,449)</b></u>	<u>(9,316)</u>
	<b>198,935</b>	175,361
Bills receivables ( <i>note b</i> )	<u><b>62,660</b></u>	<u>15,614</u>
	<u><b>261,595</b></u>	<u>190,975</u>

**a) Accounts receivables**

- (i) Accounts receivables consist of trade receivables and asset management fee receivables. The Group's trading terms with its customers are mainly on credit. The credit periods for accounts receivables of MLCC segment are generally one to four months. The credit periods for accounts receivables of investments and financial services segment are due from the date of billing. The asset management fee is received or receivable at the end of each quarter. Each customer is assigned a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are reviewed regularly by management. The accounts receivables are non-interest-bearing.
- (ii) An ageing analysis of the accounts receivables as at the end of the reporting period based on the revenue recognition date is as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 90 days	<b>49,796</b>	71,409
91 to 180 days	<b>13,017</b>	13,163
181 to 360 days	<b>20,330</b>	23,925
1 to 2 years	<b>51,593</b>	37,396
2 to 3 years	<b>40,800</b>	25,081
Over 3 years	<b>32,848</b>	13,703
	<b>208,384</b>	184,677

**b) Bills receivables**

- (i) The bills receivables were all due within one year from the end of the reporting period.
- (ii) As at the end of the reporting period, the ageing analysis of bills receivables based on bills issue date is as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 90 days	<b>38,586</b>	13,431
91 to 180 days	<b>22,399</b>	1,987
181 to 360 days	<b>1,675</b>	196
	<b>62,660</b>	15,614

#### 14. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	59,439	60,552
Bills payables	<u>1,330</u>	<u>8,431</u>
	<u><b>60,769</b></u>	<u><b>68,983</b></u>

- a) An ageing analysis of the trade payables as at the end of the reporting period based on the suppliers' statements date is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	49,193	50,485
91 to 180 days	7,371	9,342
181 to 360 days	2,019	41
1 to 2 years	190	9
Over 2 years	<u>666</u>	<u>675</u>
	<u><b>59,439</b></u>	<u><b>60,552</b></u>

- b) The trade payables are non-interest-bearing and are normally settled within 30 to 120 days.
- c) An ageing analysis of the bills payables as at the end of the reporting period based on bills issue date is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	<u><b>1,330</b></u>	<u><b>8,431</b></u>

## 15. CAPITAL AND RESERVES

### Share capital

#### *Authorised and issued share capital*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.01 each	<u><u>10,000</u></u>	<u><u>10,000</u></u>
Issued and fully paid:		
At the beginning and end of the year		
744,750,000 (2021: 744,750,000)		
ordinary shares of HK\$0.01 each	<u><u>7,448</u></u>	<u><u>7,448</u></u>
Equivalent to RMB'000	<u><u>6,637</u></u>	<u><u>6,637</u></u>

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the year ended 31 December 2022, the global economic recovery has been hindered due to geopolitical conflicts, the resurgence of the COVID-19 pandemic, and high inflation. These factors have led to a significant increase in risk and had varying degrees of negative impact on the Group's MLCC segment and the investment and financial services segment.

### **MLCC**

In 2022, due to the impact of the economic environment, the electronics industry, especially in the consumer electronics markets such as mobile phones and computers, experienced a significant decline in end-use demand, leading to a decrease in demand for MLCC from related industries. In addition, several MLCC manufacturers expanded their production capacity, increasing market supply and intensifying competition in the industry. Following the industry entering a downward cycle in the second half of 2021, MLCC prices continued to decline in 2022. Given the prevailing conditions, the Group achieved sales revenue from MLCC of RMB356.6 million for the year, a decrease of 19.8% as compared to 2021. The gross profit margin of the MLCC segment was 3.1% in 2022 as compared to the gross profit margin of 25.7% for the same period in 2021.

In 2022, the MLCC industry was in a downward phase of the business cycle with market conditions falling below expectations. However, the Group continued to increase its investment in research and development to enhance its core competitiveness. On the one hand, the Group continued to focus on the traditional consumer grade market and made continuous improvements, and on the other hand, it accelerated research and development of technology and strategic deployment in the industrial and automotive grade. In 2022, the Group had achieved significant breakthroughs in high-capacity and mid-high voltage specifications, and realized bulk delivery. In the industrial grade microwave high-Q products field, the Group further expanded the range of specifications on the basis of existing specifications and had completed the development of mini-sized specifications and client authentication. In the automotive-grade field, the Group completed the validation for various specifications and achieved bulk delivery.

Currently, the Group has production bases in Chuzhou and Dongguan. Although the market faces certain challenges in the short run, the Group remains optimistic about the long-term development of the MLCC industry, and is therefore accelerating the construction of new plants upgrading and transforming the production environment and facilities, and moderately expanding production capacity. During the reporting period, the new base in Chuzhou had its first-phase plant construction and equipment procurement completed. As the existing equipment was being relocated to the new base successively, the existing Chuzhou plant gradually reduced its output in the second half of the year. With the transition of production from the old base to the new base, the costs and expenses the Group also increased in the short term. Meanwhile, the construction of the new base in Dongguan has commenced in the second half of 2022 and the project has been progressing smoothly.

## Asset Management

As at 31 December 2022, the Group is managing 11 funds, each with a distinct focus. The Group derives asset management fee income by providing asset management services to the funds. The capital commitments from their limited partners are listed in the table below. The Group, being one of the limited partners, also directly invests into six of the funds.

*Unit: US\$ million*

Fund Name		Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment	
					Total of the Fund <sup>(4)</sup>	Total from the Group <sup>(5)</sup>
1	Tianli China Opportunities Fund I L.P.	January 2017	6.5	Project fund established for an investment in Beijing	116.4	17.5
2	Tianli SPC	January 2017	Not Applicable	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments	87.4	–
3	Tianli Private Debt Fund L.P.	January 2017	7	Invest in a wide range of private debt instruments with regional focus primarily in developed countries and China	300.0	35.0
4	Tianli Private Debt Capital L.P.	March 2017	9	Invest predominantly across a wide range of private debt instruments globally	175.0	9.8
5	Tianli Global Opportunities Capital L.P. <sup>(2)</sup>	March 2017	7+2 <sup>(1)</sup>	Invest globally across various sectors and distressed assets	175.0	12.2

Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment	
				Total of the Fund <sup>(4)</sup>	Total from the Group <sup>(5)</sup>
6 Tianli Special Situations Capital L.P.	March 2017	7+2 <sup>(1)</sup> +1 <sup>(1)</sup>	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	35.0	9.8
7 Tianli Public Markets Capital L.P.	March 2017	8	Invest predominantly in the secondary market of publicly traded securities globally	20.0	5.6
8 Tianli M&A Investment L.P.	March 2017	7	Invest predominantly in global mergers and acquisitions or other corporate finance related investments	120.0	–
9 Tianli China Opportunities Fund II L.P.	April 2017	7	Project fund established for an investment in Shanghai	80.4	–
10 Tianli UK Opportunities Fund L.P.	March 2017	7	Invest predominantly in projects located in the United Kingdom	150.4	–
11 Tianli US Opportunities Fund L.P.	May 2017	7	Invest predominantly in projects located in the United States	12.6	–

*Notes:*

1. Extension upon recommendation of the general partner with approval of the investment committee
2. Formerly known as Tianli Real Estate Capital L.P.
3. Extension upon recommendation of the general partner with approval of the advisory committee
4. Including cross holdings among the funds
5. Including direct capital

As at 31 December 2022, the total capital commitment of the above funds (after eliminating the cross-holding effect) was approximately US\$647.8 million, among which the Group had committed approximately US\$89.9 million with US\$75.8 million capital invested. During the year 2022, the six funds that the Group has invested resulted in a net loss of RMB33.8 million to the Group's financial results, in addition to the asset management fee income of RMB38.5 million.

Unit: US\$ million

Fund name	Country/region	Debt	Product		Invested amount
			Common equity	Preferred equity	
Tianli China Opportunities Fund I L.P.	PRC	–	107.7	–	107.7
Tianli Private Debt Fund L.P.	Australia	–	–	17.6	17.6
	Korea	5.5	–	–	5.5
	UK	17.3	–	–	17.3
Tianli M&A Investment L.P.	Hong Kong	56.4	–	–	56.4
Tianli Private Debt Capital L.P.	Cayman Islands	32.1	–	–	32.1
Tianli China Opportunities Fund II L.P.	PRC	–	66.9	–	66.9
Tianli UK Opportunities Fund L.P.	UK	–	134.0	24.1	158.1
Tianli US Opportunities Fund L.P.	US	–	15.5	–	15.5
<b>Total</b>		<b>111.3</b>	<b>324.1</b>	<b>41.7</b>	<b>477.1</b>

Consistent with prior periods, the investments made by these funds were in six countries or regions, including Australia, Hong Kong, Korea, PRC, UK and the US, and these investments were in the form of debt, common equity or preferred equity.

## Investment

Following the investment strategy from previous periods, the Group continues to hold two passive financial investments, including one equity investment (classified as financial assets at fair value through other comprehensive income on the face of consolidated statement of financial position), and one investment in an associate (classified as interest in an associate on the face of consolidated statement of financial position). On 13 May 2022, the equity investment bought the share back with the cash consideration of approximately US\$2.0 million (equivalent to approximately RMB13.2 million). The equity investment was fully redeemed through the share repurchase by a non wholly owned subsidiary on 28 June 2022 which resulted in a net cash flow of approximately US\$1.9 million (equivalent to approximately RMB12.6 million) in aggregate from investment activities since the investment.

The investment in an associate refers to a private equity fund established in Korea, which is 29.98% held by a non-wholly owned subsidiary of the Group, a licensed comprehensive asset management company in Korea. The interests in an associate is accounted for by the Group in the consolidated financial statements using equity method. Logan Pass Private Equity Fund ceased to be an associate of the Group upon its dissolution on 19 May 2022.

## **BUSINESS PROSPECTS**

MLCC is one of the most widely used and rapidly developing chip electronic components, which is widely applied in consumer electronics, communications, automotive electronics and other fields. High-end capacitor and resistance are also one of the “bottleneck” technology projects in China. Against the backdrop of China’s accelerated efforts to construct a technology powerhouse and achieve technological self-reliance, the progress of domestic substitution for MLCCs has become increasingly clear.

Despite of a difficult time in 2022 due to the macroeconomic environment, the MLCC market expects a sound development momentum in the long run and market demands for 5G, automotive electronics, and the Internet of Things is expected to continue to grow. With the recovery of downstream demands and the destocking of distributors, the MLCC industry is expected to resume normal inventory level, and industrial and automotive-grade products will drive future revenue growth. With an aim of satisfying customers’ demands, the Group will continue to invest in research and development, equipment, environmental protection, automation and informatization and enhance its core competency. In the past, the Group was known for its small-and-micro sized MLCC, while in recent years, through continuous investment in research and development, the Group has not only achieved technological breakthroughs in miniature and high-capacitance products, but also successively broadened the medium-and large-sized product portfolio with high-capacitance, high-Q, high-temperature and high-voltage characteristics, especially those that meet reliability requirements of industrial and automotive grade. The Group will continue to explore new markets, actively promote internationalization strategy and expand its market share, and provide customers with better products and services through relentless innovation and excellent quality.

In respect of investment and financial services, the Group will reinforce the post-investment monitoring and management of existing projects in its fund operation, take various measures to prevent and mitigate potential risks, through enhancing risk-control measures and reducing risk exposure based on the terms of the existing agreements in order to safeguard the interests of fund investors. With most of its efforts directed towards the subsequent management of existing projects, the Group will also start developing new business when appropriate, exploring value-added opportunities for investors in stable and reliable investment projects.

## **FINANCIAL REVIEW**

For the year ended 31 December 2022, the Group's revenue was derived from (i) MLCC segment; and (ii) investment and financial services segment. Total revenue of the Group was RMB361.4 million, which represented a decrease of RMB187.1 million, or 34.1%, as compared to that for the year ended 31 December 2021. Revenue from the MLCC segment for the year ended 31 December 2022 was RMB356.6 million, representing a decrease of RMB88.0 million, or 19.8% from the year ended 31 December 2021, which was due to weakening market circumstances in the industry. Revenue from the investment and financial services segment for the year ended 31 December 2022 was RMB4.8 million. Among this, the asset management fee income was RMB38.5 million for the year ended 31 December 2022 which represented a decrease of RMB10.3 million, or 21.1%, as compared to that for the year ended 31 December 2021. And the Group's net loss from financial assets at fair value through profit or loss ("FVPL"), which recorded RMB33.7 million for the year ended 31 December 2022 as compared to a profit of RMB55.2 million for the year ended 31 December 2021.

### **Gross Profit Margin**

Aggregate gross profit margin for the year ended 31 December 2022 was 4.4%, representing a decrease of 35.4 percentage points as compared to the year ended 31 December 2021.

Specially, the gross profit margin of the MLCC segment decreased from gross profit margin of 25.7% for the year ended 31 December 2021 to gross profit margin of 3.1% for the year ended 31 December 2022. This was due to the decline in market demand and the release of production capacity by competitors, resulting in intense competition and price reduction for conventional products. Meanwhile, in response to the changes in the market environment and the relocation of plants, the Group had exercised a certain level of production control in the second half of 2022, leading to an increase in average cost.

### **Other Income**

The Group's other income amounted to RMB13.9 million for the year ended 31 December 2022, representing a decrease of 27.0% from the year ended 31 December 2021. The decrease was mainly due to the decrease of government grant amounted to RMB2.7 million and release of government grants as income amounted to RMB3.0 million.

## **Selling and Distribution Costs**

The Group's selling and distribution costs totalled RMB17.6 million for the year ended 31 December 2022, and this was a decrease of 19.6% from the year ended 31 December 2021. This was mainly due to a decrease in sales level of MLCC segment leading to a corresponding reduction in relevant sales expenses.

## **Administrative Expenses**

The Group's administrative expenses for the year ended 31 December 2022 were RMB87.0 million, representing a decrease of RMB10.3 million from the year ended 31 December 2021. The decrease was mainly attributable to the decrease in staff cost in the MLCC segment for the year ended 31 December 2022.

## **Research and Development Costs**

The Group incurred research and development costs of RMB56.3 million for the year ended 31 December 2022, representing an increase of RMB11.2 million from the year ended 31 December 2021. The increase was mainly due to the Group's continuous efforts in research and development of new products and technologies during the year.

## **Finance Costs**

The Group's finance costs amounted to RMB24.4 million for the year ended 31 December 2022 representing an increase of RMB2.1 million from the year ended 31 December 2021. The increase was mainly due to the additional drawdown of bank and other loans in 2022.

## **Property, Plant and Equipment**

The net book values of the Group's property, plant and equipment were RMB752.0 million as at 31 December 2022, increased by RMB271.0 million from the balance as at 31 December 2021. The increase was mainly due to the additions to plant and machinery used in production of MLCC.

## **Investment Properties**

The Group's investment property was carried at RMB24.9 million as at 31 December 2022, comparable to the carrying value of RMB20.9 million as at 31 December 2021. The increase is mainly due to the reclassification of properties amounted to RMB4.0 million in 2022.

## **Financial Assets at Fair Value Through Profit or Loss**

As at 31 December 2022, the Group's financial assets at FVPL had a carrying value of RMB412.1 million, which was an increase of 0.7% from the balance as at 31 December 2021 which was classified as financial assets designated at FVPL. This was mainly due to a fair value loss of RMB33.7 million and net off the effect of depreciation in exchange rate in Renminbi for the US dollar based financial assets.

## **Accounts and Bills Receivables**

As at 31 December 2022, the Group's accounts and bills receivables amounted to RMB261.6 million, an increase of RMB70.6 million from the balance as at 31 December 2021. The increase was mainly due to an increase in discounted bills receivables which was not matured at the reporting date.

## **Prepayments, Deposits and Other Receivables**

As at 31 December 2022, prepayments, deposits and other receivables in current assets amounted to RMB53.7 million, representing an increase of RMB6.2 million as compared to the balance as at 31 December 2021. The increase was mainly due to the increase in other tax receivables.

## **Cash and Bank Balances and Pledged Bank Deposits**

As at 31 December 2022, the Group's cash and bank balances totalled RMB62.5 million, decreased by RMB0.4 million from 31 December 2021. There was no material change since 31 December 2021.

### **Trade and Bills Payables**

As at 31 December 2022, the Group's trade and bills payables amounted to RMB60.8 million, a decrease of RMB8.2 million from 31 December 2021. The decrease was mainly due to the decrease in MLCC production during the year ended 31 December 2022.

### **Deferred Income, Accruals and Other Payables**

As at 31 December 2022, total deferred income, accruals and other payables amounted to RMB115.0 million, which was an increase of RMB3.7 million from 31 December 2021. The increase was mainly due to the increase in other payables from acquisition of production equipment in 2022.

### **Bank and Other Loans**

As at 31 December 2022, the Group's bank and other loans was carrying RMB696.7 million, which represented an increase of RMB305.7 million from RMB391.0 million as at 31 December 2021. The increase was mainly due to the additional drawdown of the bank and other loans.

### **Contingent Liabilities**

As at 31 December 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

### **Capital Commitments**

As at 31 December 2022, the Group had capital commitments of RMB366.6 million (31 December 2021: RMB256.8 million), including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US\$13.2 million, or RMB91.3 million (31 December 2021: US\$13.2 million or RMB83.5 million), Tianli China Opportunities Fund I L.P. of approximately US\$1.2 million, or RMB8.7 million (31 December 2021: US\$1.2 million or RMB7.9 million) from the investment and financial services segment. Also, the capital commitment for construction of plant of approximately RMB220.8 million (31 December 2021: RMB87.0 million), Nil for acquisition of land use right (31 December 2021: RMB43.8 million) and additions to production equipment of approximately RMB45.8 million (31 December 2021: RMB34.6 million) from the MLCC segment. The increase was mainly due to the construction of new factories from the MLCC segment, and the increase of the capital commitment of the investment and financial services segment was attributable to the decrease of the exchange rate of Renminbi. There was no material change in terms of US dollars for the capital commitment of the investment and financial services segment.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Liquidity and Capital Resources**

As at 31 December 2022, the Group had net current assets of approximately RMB113.9 million (31 December 2021: net current liabilities RMB29.1 million), comprising of current assets of RMB728.7 million (31 December 2021: RMB549.5 million), net off current liabilities of RMB614.8 million (31 December 2021: RMB578.6 million).

As at 31 December 2022, the Group's current ratio was 1.2 (31 December 2021: 1.0). The increase in current ratio was mainly due to the other loan of RMB313.5 million is classified as non-current liabilities as at 31 December 2022, which is extended to be repayable on 12 August 2025.

### **Capital Expenditure**

Capital expenditure incurred by the Group (representing acquisition and deposit of property, plant and equipment) for the year ended 31 December 2022 was approximately RMB360.1 million (2021: RMB167.8 million). The Group anticipates that the funding required for future capital expenditure will be principally financed by cash generated from operations and bank borrowings, although the Group may consider raising additional funds as and when appropriate.

### **Banking Facilities**

As at 31 December 2021, the Group had been granted four new banking facilities of RMB568.0 million in aggregate, which utilised banking facilities amounted to RMB132.4 million. A leasehold land and land use right of the Group with carrying values of approximately RMB56.2 million in aggregate was pledged to a bank to secure the banking facilities and a guarantee was provided by a wholly owned subsidiary to the bank in respect of the bank facilities.

As at 31 December 2022, the Group had been granted banking facilities of RMB550.0 million in aggregate, which utilised banking facilities amounted to RMB364.0 million. A leasehold land, land use right, machinery and bills receivables of the Group with carrying values of approximately RMB122.4 million in aggregate was pledged to a bank to secure the banking facilities and a guarantee was provided by a wholly owned subsidiary to the bank in respect of the bank facilities.

## **Gearing Ratio**

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated at the sum of bank and other loans, lease liabilities, trade and bills payables and accruals and other payables (excluding deferred income and receipt in advance) less cash and cash equivalents. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 31 December 2022 and 31 December 2021, the gearing ratios of the Group were approximately 47.8% and 36.0% respectively. The increase in gearing ratio was a result of the increase in bank and other loans during the year ended 31 December 2022.

## **Financial Resources**

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial reserves to meet its ongoing operational requirements.

## **FOREIGN EXCHANGE RISK**

For the year ended 31 December 2022, the Group's revenue was mainly denominated in Renminbi, US dollars and HK\$, whilst its purchases were mainly denominated in Renminbi, US dollars, HK\$ and Japanese Yen. The trade receivables denominated in US dollars were greater than the trade payables denominated in US dollars, and the trade receivables denominated in HK\$ were smaller than the trade payables denominated in HK\$. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of exchange rates, foreign exchange risk will exist to a certain extent. The Group will adopt corresponding hedging measures in relation to its foreign currency exposure, with a view to providing protection against future foreign exchange risk.

## **CHARGES ON ASSETS**

As at 31 December 2022, leasehold land, land use right, machinery, and bills receivables of the Group with carrying amounts of approximately RMB35.6 million (31 December 2021: RMB34.8 million), RMB20.9 million (31 December 2021: RMB21.5 million), RMB15.9 million (31 December 2021: RMB18.4 million), and RMB49.9 million (31 December 2021: Nil) respectively have been pledged as securities for bank and other loans facilities.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, the Group had a total of 1,084 (2021: 1,199) employees. The remuneration policy regarding the employees of the Group is based on their merit, qualifications and competence. Remuneration and bonuses are awarded to employees based on individual performances and are in line with market practices. Other benefits including share award scheme, insurance policies, retirement benefit plans are offered to eligible employees.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

## **CORPORATE GOVERNANCE CODE**

During the year ended 31 December 2022, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the required standards as set out in Model Code regarding their securities transactions throughout the year ended 31 December 2022.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (chairman of the Audit Committee), Mr. David Tsoi and Mr. Xu Xuechuan. The principal responsibilities of the Audit Committee include the review and supervision of the Group’s financial reporting process and risk management (including but not limited to business, operation as well as environmental, social and governance related risks) and internal control systems. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022.

By Order of the Board  
**Tianli Holdings Group Limited**  
**Zhou Chunhua**  
*Chairman*

Hong Kong, 31 March 2023

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Zhou Chunhua (Chairman) and Mr. Pan Tong (Chief Executive Officer); and three independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. David Tsoi and Mr. Xu Xuechuan.*