TIANLI
HOLDINGS GROUP LIMITED

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 2018

FINANCIAL HIGHLIGHTS

- The overall revenue for 2018 was RMB1,045.4 million, 32.9% down from 2017;
- The overall gross profit for 2018 was RMB460.7 million, representing an increase of RMB82.1 million, or 21.7%, from 2017;
- Gross profit margin reached 44.1% in 2018, up by 19.8 percentage points as compared to 2017; in particular, the gross profit margin of the MLCC business was raised from 31.3% in 2017 to 54.1% in 2018;
- Profit attributable to owners of the Company for 2018 was RMB159.6 million, increased from RMB134.0 million in 2017;
- Basic and diluted earnings per share was RMB21.4 cents; and
- The Board recommends no payment of final dividends for the year ended 31 December 2018.

The board of directors (the "**Board**") 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 2018, 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 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Revenue	*5*	**1,045,414**	1,557,652
Cost of sales		**(584,723)**	(1,179,036)
Gross profit		**460,691**	378,616
Other income	*6*	**114,541**	30,460
Selling and distribution costs		**(35,411)**	(23,844)
Administrative expenses		**(162,386)**	(127,836)
Other expenses		**(5,306)**	(3,351)
Research and development costs		**(66,861)**	(40,244)
Profit from operations		**305,268**	213,801
Finance costs	*7(a)*	**(26,743)**	(59,735)
Share of profit of joint ventures		**44**	3,101
Share of loss of an associate		**(17,857)**	–
Profit before taxation	*7*	**260,712**	157,167
Income tax expenses	*8*	**(99,656)**	(24,543)
Profit for the year		**161,056**	132,624
Other comprehensive (loss)/income for the year, net of income tax			
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)		**(18,017)**	–
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associate, net of related income tax		**1,292**	–
Reclassification adjustments relating to foreign operations disposed of during the year		**197**	–
Exchange differences on translation of foreign operations		**2,704**	2,190
Other comprehensive (loss)/income for the year, net of income tax		**(13,824)**	2,190
Total comprehensive income for the year, net of income tax		**147,232**	134,814

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

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**159,620**	134,032
Non-controlling interests		**1,436**	(1,408)
		161,056	132,624
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**153,989**	137,127
Non-controlling interests		**(6,757)**	(2,313)
		147,232	134,814
		RMB cents	*RMB cents*
Earnings per share			
Basic and diluted	10	**21.4**	18.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**152,860**	129,180
Investment properties		**22,915**	22,984
Prepaid land lease payments		**34,525**	17,897
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		**32,866**	10,599
Deposit paid for acquisition of a subsidiary		**–**	32,420
Interest in an associate		**17,064**	–
Interests in joint ventures		**–**	2,957
Financial assets at FVOCI		**9,524**	–
Financial assets at fair value through profit or loss ("**FVPL**")		**368,076**	–
Available-for-sale investment		**–**	26,222
Financial assets designated at FVPL – fund investments		**–**	551,949
Other intangible assets		**335**	419
Deferred tax assets		**24,052**	20,795
Total non-current assets		**662,217**	815,422
Current assets			
Inventories		**196,081**	113,796
Accounts and bills receivables	*11*	**277,353**	391,319
Loan receivables		**–**	2,774
Prepayments, deposits and other receivables		**48,176**	15,159
Amounts due from joint ventures		**–**	829
Financial assets at FVPL		**110,530**	–
Pledged bank deposits		**13,187**	28,633
Cash and bank balances		**488,424**	668,920
		1,133,751	1,221,430
Assets of disposal group classified as held for sale		**–**	15,133
Total current assets		**1,133,751**	1,236,563

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Current liabilities			
Trade and bills payables	*12*	**144,915**	123,806
Deferred income, accruals and other payables		**141,883**	107,831
Tax payable		**63,576**	32,656
Bank and other loans		**–**	518,224
Bond payable	*13*	**387,874**	393,853
Obligations under finance lease		**118**	110
Dividends payable		**88**	88
Total current liabilities		**738,454**	1,176,568
Net current assets		**395,297**	59,995
Total assets less current liabilities		**1,057,514**	875,417
Non-current liabilities			
Obligations under finance lease		**173**	278
Deferred income		**20,008**	22,095
Deferred tax liabilities		**43,907**	9,581
Total non-current liabilities		**64,088**	31,954
Net assets		**993,426**	843,463
Capital and reserves			
Share capital	*14*	**6,637**	6,637
Reserves		**980,383**	825,538
Total equity attributable to owners of the Company		**987,020**	832,175
Non-controlling interests		**6,406**	11,288
Total equity		**993,426**	843,463

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 is located at Unit 907-909, 9/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are (i) manufacturing and sale of multi-layer ceramic chips ("**MLCC**"), (ii) investment and financial services and (iii) other general trading.

2. 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 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interests in joint ventures and associates.

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 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;
– financial assets at FVOCI; and
– derivative financial instruments.

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, that is, applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of IFRS 9 are disclosed in note to the consolidated financial statements.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	**IAS 39 carrying amount at 31 December 2017** *RMB'000*	**Reclassification** *RMB'000*	**IFRS 9 carrying amount at 1 January 2018** *RMB'000*
Financial assets at FVPL required by IFRS 9	(b)	–	551,949	551,949
Financial assets at FVOCI	(a)	–	26,222	26,222
Financial assets designated at FVPL	(b)	551,949	(551,949)	–
Available-for-sale investment	(a)	26,222	(26,222)	–

a) Available-for-sale investment

The Group elected to present in OCI for the fair value changes of its equity investment previously classified as available-for-sale, which related to unquoted equity investment previously measured at fair value under IAS 39. The investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB26,222,000 was reclassified from available-for-sale investment to financial assets at FVOCI.

b) Financial assets at FVPL and/or designated at FVPL

At the date of initial application, the Group no longer applied designation as measured at FVPL for the fund investment which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVPL under IFRS 9. As a result, these investments of RMB551,949,000 were reclassified from financial assets designated at FVPL to financial assets at FVPL.

There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.

c) Impairment under ECL model

The Group has applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for accounts receivables. Except for those which had been determined as credit impaired under IAS 39, accounts receivables are grouped based on past due analysis.

ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances, loan receivables, amounts due from joint ventures and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits.

3.2 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- manufacturing and sale of MLCC;
- provision of asset management and financial advisory services; and
- trading of goods other than MLCC.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 6 and 2 respectively.

There is no impact of transition to IFRS 15 on retained profits and items in the consolidated statement of financial position at 1 January 2018. There is no impact of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year.

3.3 IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Group is required to determine the date of transaction for each payment or receipt of advance consideration.

On initial application, the Group applied the interpretation prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the current year, that is 1 January 2018.

For foreign currency denominated advance considerations paid by the Group in relation to acquisition of property, plant and equipment, acquisition of a subsidiary, purchases of inventories and other prepayments and foreign currency denominated advance considerations received by the Group in relation to disposal of subsidiaries and other receipts in advance, the Group recorded these advances by applying the spot exchange rate on initial recognition between the functional currency of the relevant group entity and the foreign currency.

Accordingly, the application of this interpretation has had no significant impact on the amounts reported and/or disclosures set out in these consolidated financial statements.

3.4 Amendments to IFRS2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

(a) In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions of a cash-settled share-based payment should follow the same approach as for equity-settled share-based payments;

(b) Where tax law or regulation requires the Group to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, that is, the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature; and

(c) A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

(i) the original liability is derecognised;

(ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

(iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments do not have impact to the Group's existing equity-settled share-based payment transactions.

3.5 Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (that is, a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date. There is no impact to the classification at 1 January 2018.

3.6 Amendments to IAS 28 As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The amendments clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an equity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

There is no impact to the measurement of investment in associate or joint venture at 1 January 2018.

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.

i) MLCC: manufacturing and sale of MLCC;

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; and

iii) 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, share of profit/(loss) of joint ventures and associates 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 and other receivables, finance costs, share of profit/(loss) of joint ventures and associates, 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 2018 and 2017 is set out below:

	Year ended 31 December 2018			
	MLCC *RMB'000*	**Investment and financial services** *RMB'000*	**Other general trading** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Disaggregated by timing of revenue recognition				
Point in time	**1,143,656**	**(215,069)**	**60,769**	**989,356**
Over time	**–**	**56,058**	**–**	**56,058**
Revenue from external customers	**1,143,656**	**(159,011)**	**60,769**	**1,045,414**
Segment profit/(loss)	**512,121**	**(209,792)**	**861**	**303,190**
Corporate interest income				**493**
Other corporate income				**12,266**
Central administrative expenses				**(32,470)**
Central finance costs				**(22,767)**
Consolidated profit before taxation				**260,712**
Segment assets	**1,226,629**	**502,010**	**31,660**	**1,760,299**
Cash and bank balances				**35,570**
Unallocated corporate assets				**99**
Consolidated total assets				**1,795,968**
Segment liabilities	**403,100**	**2,551**	**926**	**406,577**
Bond payable				**387,874**
Other unallocated corporate liabilities				**8,091**
Consolidated total liabilities				**802,542**
Other segment information				
Additions to non-current assets	**136,217**	**39,872**	**–**	**176,089**
Unallocated				**–**
				176,089
Interest in an associate	**–**	**17,064**	**–**	**17,064**

	Year ended 31 December 2018			
	MLCC	Investment and financial services	Other general trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation and amortisation	**(23,474)**	**(1,203)**	**–**	**(24,677)**
Unallocated				**(9)**
				(24,686)
Interest income	**659**	**1,232**	**5**	**1,897**
Unallocated corporate interest income				**493**
				2,389
Finance costs	**(1,265)**	**(2,711)**	**–**	**(3,976)**
Unallocated				**(22,767)**
				(26,743)
Income tax (expenses)/credit	**(97,914)**	**(1,351)**	**7**	**(99,258)**
Unallocated				**(398)**
				(99,656)
Reversal of impairment loss of other receivables	**129**	**–**	**–**	**129**
Impairment loss of accounts receivables	**(5,306)**	**–**	**–**	**(5,306)**
Write-down of inventories	**(70,816)**	**–**	**–**	**(70,816)**
Reversal of write-down of inventories	**1,138**	**–**	**–**	**1,138**
Share of (loss)/profit of joint ventures and an associate	**–**	**(17,813)**	**–**	**(17,813)**

	Year ended 31 December 2017			
	MLCC	Investment and financial services	Other general trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Disaggregated by timing of revenue recognition				
Point in time	739,343	69,275	665,859	1,474,477
Over time	–	83,175	–	83,175
Revenue from external customers	739,343	152,450	665,859	1,557,652
Segment profit	142,046	101,835	1,215	245,096
Corporate interest income				1
Central administrative expenses				(49,330)
Central finance costs				(41,701)
Share of profit of joint ventures				3,101
Consolidated profit before taxation				157,167
Segment assets	783,468	897,472	5,202	1,686,142
Cash and bank balances				347,742
Unallocated corporate assets				18,101
Consolidated total assets				2,051,985
Segment liabilities	322,935	24,440	41	347,416
Bond payable				393,853
Other loan				447,760
Other unallocated corporate liabilities				19,493
Consolidated total liabilities				1,208,522
Other segment information				
Additions to non-current assets	18,763	33,421	–	52,184
Unallocated				–
				52,184
Interests in joint ventures	–	–	–	–
Unallocated				2,957
				2,957

	Year ended 31 December 2017			
	MLCC *RMB'000*	Investment and financial services *RMB'000*	Other general trading *RMB'000*	Total *RMB'000*
Depreciation and amortisation	(20,542)	(911)	–	(21,453)
Unallocated				–
				(21,453)
Interest income	217	22,537	8	22,762
Unallocated corporate interest income				1
				22,763
Finance costs	(5,279)	(12,755)	–	(18,034)
Unallocated				(41,701)
				(59,735)
Income tax expenses	(24,329)	(199)	(15)	(24,543)
Reversal of impairment loss of accounts receivables	209	–	–	209
Reversal of write-down of inventories	8,798	–	–	8,798
Share of profit of joint ventures	–	–	–	–
Unallocated				3,101
				3,101

There are no inter-segment revenue for the years ended 31 December 2018 and 2017.

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:

	2018	2017
	RMB'000	*RMB'000*
Mainland China (place of domicile)	**618,868**	1,259,313
Hong Kong	**399,555**	150,462
Other countries	**26,991**	147,877
	1,045,414	1,557,652

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) are located in Mainland China.

c) Information about major customers

Revenue from customers contributing 10% or more of the Group's revenue are as follows:

	2018	2017
	RMB'000	*RMB'000*
MLCC		
– Customer A	**166,288**	–
– Customer B	**157,963**	–
– Customer C	**135,496**	–
Other general trading		
– Customer D	**–**	653,326
	459,747	653,326

d) Revenue from major products and services

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

	2018	2017
	RMB'000	*RMB'000*
Sale of MLCC	**1,143,656**	739,343
Trading of chrome ore	**60,769**	12,533
Trading of electronic components	**–**	653,326
Interest income from financial investment	**89**	19,887
Advisory service income	**–**	24,627
Assets management fee income	**55,969**	38,661
Net (loss)/gain from fund investments	**(215,069)**	69,275
Revenue from investment and financial services	**(159,011)**	152,450
	1,045,414	1,557,652

5. REVENUE

The amount of each significant category of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Note (i))
Revenue from contracts with customers within the scope of IFRS 15		
Sale of MLCC	**1,143,656**	739,343
Other general trading		
– chrome ore	**60,769**	12,533
– electronic components	**–**	653,326
Advisory service income	**–**	24,627
Assets management fee income	**55,969**	38,661
	1,260,394	1,468,490
Revenue from other sources		
Investment interest income	**89**	19,887
Net loss from financial assets at FVPL	**(215,069)**	–
Net gain from financial assets designated at FVPL	**–**	69,275
	(214,980)	89,162
	1,045,414	1,557,652

Notes:

i) The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 (see note 3).

ii) Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 4.

iii) 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, other general trading and advisory services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these contracts for the remaining unsatisfied performance obligations is not disclosed.

Contracts for assets 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 right to invoice. As permitted under IFRS 15, the transaction price allocated to these contracts for the remaining unsatisfied performance obligations is not disclosed.

iv) For the year ended 31 December 2018, total amount of interest income on financial assets measured at amortised cost, including bank interest income (note 6), was RMB1,543,000 (2017: RMB22,763,000).

6. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income on financial assets measured at amortised cost		
– bank interest income	**1,454**	2,876
Interest income on financial assets measured at FVPL		
– wealth management products	**846**	–
Rental income	**6,870**	5,943
Government grants *(note)*	**2,372**	2,427
Release of government grants as income	**3,326**	8,166
Sale of materials	**33**	69
Other management fee income	**1,132**	708
Net foreign exchange gain	**20,105**	–
Gain on disposals of subsidiaries	**72,910**	7,609
Reversal of impairment loss of other receivables	**129**	–
Sundry income	**5,364**	2,662
	114,541	30,460

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.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

a) Finance costs

	2018	2017
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	**1,265**	5,279
Interest on other loans	**2,702**	29,051
Interest on bond payable	**22,767**	25,393
Finance charges on obligations under finance lease	**9**	12
	26,743	59,735

b) Staff costs (including directors' emoluments)

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits *(notes i and ii)*	**229,217**	150,435
Contributions to defined contribution retirement plans	**10,669**	8,048
Equity-settled share-based payment expenses	**856**	15,126
	240,742	173,609

c) Other items

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold		**506,185**	1,178,388
Write-down of inventories		**70,816**	–
Reversal of write-down of inventories *(note iii)*		**(1,138)**	(8,798)
Cost of inventories *(note i)*		**575,863**	1,169,590
Depreciation *(notes i and ii)*		**23,716**	20,425
Amortisation of prepaid land lease payments		**541**	490
Amortisation of other intangible assets		**429**	538
Research and development costs:			
Current year expenditure *(note ii)*		**66,861**	40,244
Minimum lease payments under operating leases in respect of buildings		**9,045**	6,832
Auditor's remuneration			
– audit services		**1,517**	1,565
– non-audit services		**515**	133
Net foreign exchange (gain)/loss		**(20,105)**	5,451
Reversal of impairment loss of accounts receivables		**–**	(209)
Impairment loss of accounts receivables*		**5,306**	–
Loss on disposal of property, plant and equipment		**3,499**	2,485
Fair value loss on derivative financial instruments*		**–**	1,043
Rental income on investment properties less direct outgoings of RMB528,000 (2017: RMB391,000)	*6*	**(6,342)**	(5,552)

* *The fair value loss on derivative financial instruments and impairment loss of accounts receivables and other receivables are included in "other expenses" of the consolidated statement of profit or loss and other comprehensive income.*

Notes:

i) Cost of inventories includes depreciation of RMB16,787,000 (2017: RMB13,813,000) and staff costs of RMB94,472,000 (2017: RMB63,706,000), which are also included in the respective total amounts disclosed separately above.

ii) Included in research and development costs are depreciation of RMB4,375,000 (2017: RMB4,398,000) and staff costs of RMB21,005,000 (2017: RMB9,988,000), which are also included in the respective total amounts disclosed separately above.

iii) During the year ended 31 December 2018, there was a reversal of write-down of inventories of RMB1,138,000 (2017: RMB8,798,000) due to subsequent usage and sale of obsolete inventories.

8. INCOME TAX EXPENSES

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

	2018 *RMB'000*	2017 *RMB'000*
Current tax		
– Hong Kong Profits Tax for the year	**544**	214
– PRC Enterprise Income Tax ("**EIT**") for the year *(note (iv))*	**63,540**	15,595
– PRC EIT on disposal of subsidiaries for the year *(note (v))*	**4,510**	–
– Over provision of Hong Kong Profits Tax in prior year	**(7)**	–
– Over provision of EIT in prior year	**–**	(2,343)
Deferred taxation		
– Origination and reversal of temporary differences	**23,653**	11,077
– Effect on deferred tax balances at 1 January resulting from a change in tax rate	**7,416**	–
Income tax expenses for the year	**99,656**	24,543

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 2018 and 2017 is calculated at 16.5% of the estimated assessable profits for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime (the "**Two-tiered Profits Tax Rate Regime**"). The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the Two-tiered Profits Tax Rate Regime, the first HK$2 million of the assessable profits of the qualifying group entity will be taxed at 8.25% and the assessable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the Two-tiered Profits Tax Rate Regime will continue to be taxed at a flat rate of 16.5%.

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 2018, all PRC subsidiaries were subject to EIT at the standard rate of 25% (2017: 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 16 October 2018 and is subject to income tax rate of 15% for three consecutive years commencing in 2018.

v) PRC EIT on disposal of subsidiaries was a capital gain tax arising from the disposal of Junjia Management Ltd (formerly known as Eyang Energy Management Co., Ltd.) and its subsidiaries (collectively "**Disposal Group**") during the year ended 31 December 2018. The Disposal Group includes a PRC company ("**PRC Company A**") which is a parent company of another PRC company. The tax is calculated at 10% on the excess of disposal considerations over the paid-up capital of PRC Company A.

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company of RMB159,620,000 (2017: RMB134,032,000) and the weighted average number of 744,750,000 (2017: 719,245,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**744,750**	496,500
Effect of completion of open offer on 14 February 2017 *(note 14)*	**–**	222,745
Weighted average number of ordinary shares at 31 December	**744,750**	719,245

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2018 and 2017 is the same as the basic earnings per share as there were no potential ordinary shares outstanding during the year.

11. ACCOUNTS AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Accounts receivables *(note a)*	**244,459**	321,831
Less: loss allowance	**(12,769)**	(7,417)
	231,690	314,414
Bills receivables *(note b)*	**45,663**	76,905
	277,353	391,319

a) Accounts receivables

	2018	2017
	RMB'000	*RMB'000*
Accounts receivables	**244,459**	321,831
Less: loss allowance	**(12,769)**	(7,417)
	231,690	314,414

i) Accounts receivables consist of trade receivables, assets management fee receivables and interest receivables arising from loan receivables. The Group's trading terms with its customers are mainly on credit. The credit periods are generally one to four months. The assets 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:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**178,617**	272,469
91 to 180 days	**29,573**	31,691
181 to 360 days	**11,201**	10,438
1 to 2 years	**17,661**	797
2 to 3 years	**268**	422
Over 3 years	**7,139**	6,014
	244,459	321,831

b) Bills receivables

	2018	2017
	RMB'000	*RMB'000*
Bills receivables	**45,663**	76,905

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:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**19,652**	54,146
91 to 180 days	**16,152**	21,840
181 to 360 days	**9,859**	919
	45,663	76,905

12. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**138,907**	71,966
Bills payables	**6,008**	51,840
	144,915	123,806

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:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**124,281**	59,371
91 to 180 days	**13,402**	11,261
181 to 360 days	**127**	65
1 to 2 years	**90**	67
Over 2 years	**1,007**	1,202
	138,907	71,966

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:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**5,793**	756
91 to 180 days	**215**	25,666
181 to 360 days	**–**	25,240
1 to 2 years	**–**	178
	6,008	51,840

13. BOND PAYABLE

	2018	2017
	RMB'000	*RMB'000*
Bond payable – repayable within one year	**387,874**	393,853

The bond payable comprise of outstanding principal and interests of RMB349,660,000 (2017: RMB332,923,000) and RMB38,214,000 (2017: RMB60,930,000), respectively, and the bond payable is denominated in Hong Kong dollars ("**HK$**").

On 14 August 2015, a wholly-owned subsidiary of the Company issued a two-year corporate bond with a principal amount of HK$400,000,000 (equivalent to approximately RMB329,620,000) to an independent third party at an issue price equal to the face value of the bond. The bond was secured by all equity interests in two wholly-owned subsidiaries of the Company and was repayable on 13 August 2017, the maturity date of the bond. The principal of the bond payable bears interest at the rate of 8% per annum.

On 14 August 2017, the Group entered into an amendment deed with the bondholder (the "**Bondholder**") to revise the maturity date of the bond to 14 August 2018 and amend the interest rate to 6% per annum for the outstanding principal for the period from 15 August 2017 to 14 August 2018.

On 14 August 2018, the Group entered into an amendment deed with the Bondholder to revise the maturity date of the bond to 14 August 2019 and amend the interest rate to 8% per annum for the outstanding principal for the period from 15 August 2018 to 14 August 2019.

On 18 December 2018, the Group entered into with the Bondholder a deed of release for the bond secured by equity interests in a wholly-owned subsidiary of the Company, Junjia Management Ltd (formerly known as Eyang Energy Management Co. Ltd.), which was disposed by the Group on the same date.

As at 31 December 2018, the bond is secured by all equity interests in a wholly-owned subsidiary of the Company, Eyang Management Co., Ltd and is repayable on 14 August 2019.

The Group may at any time after the first anniversary of the issue date of the bond to the maturity date to early redeem the whole outstanding bond payable, including the principal amount of HK$400,000,000 and the interest accrued thereon, with the prior written consent from the Bondholder provided that not less than 15 days' advance notice of such redemption intention shall have been given to the Bondholder.

14. SHARE CAPITAL

	2018 *HK$'000*	2017 *HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
At the beginning of the year 744,750,000 (2017: 496,500,000) ordinary shares of HK$0.01 each	**7,448**	4,965
Issuance of shares upon open offer on 14 February 2017 (248,250,000 ordinary shares of HK$0.01 each)	**–**	2,483
At the end of the year 744,750,000 (2017: 744,750,000) ordinary shares of HK$0.01 each	**7,448**	7,448
Equivalent to *RMB'000*	**6,637**	6,637

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 2018, the Group continues its strategy to stretch and invest its diversified business, namely (i) manufacturing and sale of MLCC; (ii) investment and financial services; and (iii) other general trading. Due to the significant improvements in performance both in terms of scale and profitability since the end of 2017, the MLCC segment has recorded a substantial increase in profits. Meanwhile, the investment and financial services segment had encountered a difficult and challenging year.

MLCC

Benefiting from escalating selling prices in the MLCC market driven by a supply-shortage in conventional MLCC products since 2017, the Group witnessed a substantial sales increase for its key MLCC products as market prices kept rising during the first three quarters of 2018, resulting in a record-high MLCC annual revenue. Seizing this opportunity, the Group also refined its product mix by increasing the proportion of production and sales volume of its 0201 series miniature products, laying a solid foundation for its operational strategy to focus on miniature products. The shortage in MLCC products combined with the US-China trade war has caused some major domestic clients to acknowledge the benefits of collaborating with local suppliers, while high-end international clients also began to re-evaluate non-Japanese MLCC supply chains. This allowed the Group to secure some well-known large customers or gain access to high-end international customers. The Group took this opportunity to concentrate available resources on securing client-side design-in from high-end markets, and speeding up the phasing-out of small and medium customers with higher operational risks by selling through dealers instead. The Group is set to utilise the dealers' funding platforms to optimise its customer base.

The MLCC market, however, went through an abrupt change in the fourth quarter of 2018. After rising for over a year, prices of MLCC products dropped as a result of a market-wide sell-off among MLCC agents, alleviating the supply shortage in conventional MLCC products. The global macroeconomy faced daunting headwinds created by the US-China trade war. Consequently, the fast decline in MLCC prices was exacerbated as customers cut orders and took time to reduce their excess inventories amid a weakening domestic consumer market with subdued activities in the traditional peak seasons for consumer electronics. As a result, the MLCC segment reported a decrease in revenue for the last two months and the downturn is expected to sustain for a period of time. The new production capacities of those MLCC producers who invested in expansion during 2017 would keep coming to the market, leading to a potential over supply of MLCC products and thus a further decline in the price of conventional MLCC products. As a result, there is still a high level of uncertainty concerning the prospect of the MLCC market. Furthermore, as the Chinese government has introduced more stringent policies and standards on environmental protection in conjunction with its nation-wide eco-friendly rectifying initiatives since 2018, many manufacturers (including MLCC upstream suppliers) will be affected and raw material prices are likely to go up. The Group also work actively to comply with new laws and regulations related to environmental protection, including increasing investment on pollution treatment facilities and outsourcing certain processes with high emissions. These will result in higher product costs for the MLCC business, and consequently greater operational challenges.

INVESTMENT AND FINANCIAL SERVICES

Asset Management

One of our operating subsidiaries was granted the licences for Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities by the Securities and Futures Commission in Hong Kong in November 2016.

During the year, after the participating shares of Wasen-Tianli SPC were redeemed, the relevant investor switched to directly investing into individual fund managed by the Group. Other than the above, there were no significant changes in the number, size and structure of funds managed by the Group. As at 31 December 2018, the Group has established and/or managed a total number of 11 funds, each with a distinct investment focus. In the meantime, the Group also directly invests into certain funds as a limited partner.

Unit: US$ million

	Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment Total of the Fund[7]	Capital Commitment Total from the Group[8]
1	Tianli China Opportunities Fund I L.P.	January 2017	3+1[5]+1[5]	Project fund established for an investment in Beijing	116.4	17.5
2	Tianli SPC	January 2017	3[6]	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	5+1[3]+1[4]	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	5+3[1]+1[1]	Invest predominantly across a wide range of private debt instruments globally	175.0	9.8
5	Tianli Global Opportunities Capital L.P.[2]	March 2017	7+2[1]	Invest globally across various sectors and distressed assets	175.0	12.2
6	Tianli Special Situations Capital L.P.	March 2017	7+2[1]+1[1]	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	175.0	9.8
7	Tianli Public Markets Capital L.P.	March 2017	4+2[1]+2[1]	Invest predominantly in the secondary market of publicly traded securities globally	100.0	5.6
8	Tianli M&A Investment L.P.	March 2017	3+2[1]+2[4]	Invest predominantly in global mergers and acquisitions or other corporate finance related investments	310.0	–
9	Tianli China Opportunities Fund II L.P.	March 2017	5+1[3]+1[4]	Project fund established for an investment in Shanghai	80.4	–
10	Tianli UK Opportunities Fund L.P.	March 2017	5+1[3]+1[4]	Invest predominantly in projects located in United Kingdom	150.4	–
11	Tianli US Opportunities Fund L.P.	April 2017	5+1[3]+1[4]	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 sole discretion of the general partner
4. Extension upon recommendation of the general partner with approval of the advisory committee
5. Extension upon approval of the limited partners
6. Refers to investor lockup period
7. Including cross holdings among the funds
8. Including direct capital

As at 31 December 2018, the total capital commitment of the above funds (after eliminating the cross-holding effect) is approximately US$1,057.9 million, among which the Group has committed approximately US$89.9 million with US$79.0 million capital invested. During 2018, these 11 funds has recorded a total net loss of RMB215.1 million on the Group's capital invested and contributed a total management fee revenue of RMB56.0 million to the Group.

The funds managed by the Group mainly invested in six countries and regions including Australia, Hong Kong, Korea, PRC, UK and USA. The product types were debt, common equity and preferred equity.

The majority of such outward investments was made within 2017, with over half being equity or debt investments related to domestic and overseas real estate projects, which were susceptible to macroeconomic conditions. During 2018, especially the second half of the year, activities in global property markets were largely subdued, of which: in the UK, valuations of properties, in particular, commercial properties, were under pressure amidst uncertainties around Brexit; in Australia, housing market saw a decline in both sales volume and price in the market; while in mainland China, growth in leasing demand for office space also slowed down due to the impact of the US-China trade war. Under such a backdrop, and as a result of a number of factors combined, including overestimation of markets and projects by certain funds at the initial investment phase, as well as the weakening of all relevant currencies (British pound, Australian dollar, Korean Won and RMB, each at varying degrees) against the US dollar during the year, the Group's investments in certain funds recorded significant decrease in fair value during 2018.

Faced with challenging market conditions, the Group's funds have suspended new investments since the second quarter of 2018. Committed to improving returns and minimizing further losses through enhanced management, the Group has actively adjusted personnel and management structures of its fund operation, consolidating available resources on the post-investment management of existing projects.

Unit: US$ million

Fund Name	**Country/Region**	**Invested Amount**
Tianli China Opportunities Fund I L.P.	PRC	116.4
Tianli Private Debt Fund L.P.	Australia	42.7
	Korea	35.0
	UK	62.6
	USA	21.4
Tianli Special Situations Capital L.P.	Hong Kong	113.6
Tianli M&A Investment L.P.	Hong Kong	310.0
Tianli China Opportunities Fund II L.P.	PRC	81.0
Tianli UK Opportunities Fund L.P.	UK	133.5
Tianli US Opportunities Fund L.P.	USA	10.4

Unit: US$ million

Fund Name	**Product**	**Invested Amount**
Tianli China Opportunities Fund I L.P.	Common Equity	116.4
Tianli Private Debt Fund L.P.	Debt	105.1
	Common Equity	21.4
	Preferred Equity	35.2
Tianli Special Situations Capital L.P.	Debt	113.6
Tianli M&A Investment L.P.	Debt	310.0
Tianli China Opportunities Fund II L.P.	Common Equity	81.0
Tianli UK Opportunities Fund L.P.	Common Equity	108.3
	Preferred Equity	25.2
Tianli US Opportunities Fund L.P.	Common Equity	10.4

Investment

As at 31 December 2018, other than the capital invested into funds managed by the Group as limited partner, the Group's balance of direct financial investment is approximately RMB26.6 million, including equity investment of approximately RMB9.5 million and interest in an associate of approximately RMB17.1 million.

The Group has been exploring opportunities for strategic expansion into the Korean asset management market since mid-2017, and decided to indirectly acquire 28.31% interest in Asset One Investments Korea Limited, which is a fully licensed comprehensive asset management company in Korea. This transaction was completed in February 2018.

Financial Technology

In 2017, following an assessment on market demand and subsequent investment needs, the management decided to cease further investment into the financial technology business for the time being. In December 2017, an agreement was entered into by the Group and an independent third party for the sale of 北京希為科技有限公司 and 深圳市香納商業保理有限公司, two of the Group's financial technology subsidiaries. This transaction was completed in January 2018.

OTHER GENERAL TRADING

The spot price of chrome ore at China's seaports increased slightly in the first quarter of 2018 driven by a surge in purchasing orders from ferrochrome factories. However, entering the second quarter, the spot price of chrome ore began to decline due to the sliding sales price of downstream chrome metal and the rising level of chrome ore stock at China's seaports.

As the spot price of chrome ore commenced its downward trend, combined with the movement in the US dollar exchange rate, chrome ore importers' willingness to purchase remained low. The spot price stabilized in the fourth quarter after chrome ore stocks at China's seaports came down in the third quarter and downstream ferrochrome factories began to build up inventory in preparation for the new year holiday.

In response to the downturn in the chrome ore market in 2018, the Group has been trading cautiously to minimize its risk exposure. The Group completed approximately 39,000 tons of chrome ore sales in 2018.

During the year, the other general trading segment contributed a revenue of approximately RMB60.8 million (2017: RMB665.9 million), representing a 90.9% decrease as compared to 2017, which was mainly due to the lower than expected trading volume of chrome ore. The segment contributed a segment profit of RMB0.9 million (2017: RMB1.2 million).

BUSINESS PROSPECT

Driven by the development of new applications such as 5G technology, the internet of things (IoT) and artificial intelligence (AI), the Group believes that the demand for passive components will grow significantly in the long run. In particular, miniature MLCC products will become the mainstream of the market, as terminal manufacturers tend to choose smaller MLCC products due to a drive for smaller form factors in electronic terminal products. The Group remains on track to orderly implement its expansion plan, increasing production capacity of its miniature MLCC products with the gradual installation of certain new equipments. In response to wild market swings and environmental risks, the Group will strive to minimize those substantial market threats by further controlling costs and increasing research and development spendings.

In terms of investment and financial services, the Group will reinforce the post-investment monitoring and management of existing projects in its fund operation in 2019, taking various measures to prevent and mitigate potential risks, through enhancing risk-control measures and reducing risk exposure based on existing contract terms 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 in 2019 when appropriate, exploring value-add opportunities for investors in stable and reliable investment projects.

In terms of other general trading, the Group currently holds a positive view. In the short term, the Group keeps a close eye on market prices of chrome ore and other commodities. In the medium to long-term, it will monitor the impact of outcome of the US-China trade war negotiations on global trade. In light of limited resources, the Group will be adequately prepared for opportunities emerging in the market.

FINANCIAL REVIEW

Revenue

As aforementioned, the Group generates revenue from three distinct business segments, namely (i) manufacturing and sale of MLCC; (ii) investment and financial services; and (iii) other general trading. Aggregately the three segments produced total revenue of RMB1,045.4 million in 2018, 32.9% down from 2017.

Revenue from the MLCC segment in 2018 was RMB1,143.7 million, an increase of 54.7% from 2017. This was mainly due to the higher selling prices of our products, driven by the supply-shortage in the MLCC market throughout the first three quarters of 2018. This contributed to a significant increase in revenue. Yet, revenue in the last two months of 2018 started to drop as market demand, selling prices and order volume all shrank.

Revenue from investment and financial services segment was negative RMB159.0 million, mainly due to the fair value loss (2017: positive RMB152.5 million). The revenue primarily consists of asset management fee income of RMB56.0 million (2017: RMB38.7 million) and net loss in fund investments of RMB215.1 million (2017: net gain of RMB69.3 million). The increase in asset management fee income is mainly attributed to the higher capital drawdown from investors in 2018 while the net loss in fund investments was mainly due to the decreased fair value of fund investments in 2018.

The other general trading segment noted a revenue of RMB60.8 million in 2018, 90.9% reduced from 2017.

Gross Profit Margin

The Group's aggregate gross profit margin in 2018 was approximately 44.1%, which was 19.8 percentage points up from approximately 24.3% for 2017.

The gross profit margin of the Group's MLCC business for 2018 reached 54.1%, a remarkable improvement from approximately 31.3% for 2017, primarily because MLCC products went through a substantially greater surge in price than in cost during 2018.

The gross profit margin of other general trading business remained slim in both years, and were 1.3% and 0.7% for 2018 and 2017, respectively.

Other Income

The Group's other income amounted to RMB114.5 million in 2018, representing an increase of 276% from the same period in 2017. The increase was mainly due to recognising a gain on disposals of subsidiaries of RMB72.9 million, and foreign exchange gain of RMB20.1 million attributable to exchange fluctuation.

Selling and Distribution Costs

The Group's selling and distribution costs totalled RMB35.4 million in 2018, and this was a 48.5% increase from 2017. This was mainly due to a growth in sales for the year, which resulted in higher selling expenses.

Administrative Expenses

The Group's administrative expenses for 2018 were RMB162.4 million, representing an increase of RMB34.6 million from 2017. As compared to 2017, the main change was an increase in staff costs of RMB21.0 million.

Research and Development Costs

The Group incurred research and development costs of RMB66.9 million in 2018, representing an increase of 66.1% from 2017. This was mainly due to our continued efforts on the research and development of super-miniature MLCC products during the year, together with improved compensation packages for the R&D team.

Other Expenses

The Group's other expenses were RMB5.3 million in 2018, nature of which was an impairment loss of accounts receivables.

Finance Costs

The Group's finance costs amounted to RMB26.7 million in 2018, significantly reduced from RMB59.7 million recorded in 2017. The decrease in finance costs was due to settlement of bank and other loans in the first half of 2018.

Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB152.9 million at 31 December 2018, increased by RMB23.7 million from the balance at 31 December 2017. This was mainly due to additions (i.e., upgrading and replacing) of machinery and equipment of RMB109.7 million, net off by disposals (directly and through disposals of subsidiaries) of RMB62.4 million and depreciation of approximately RMB23.0 million.

Investment Properties

The Group's investment properties were carried at RMB22.9 million at 31 December 2018, comparable to the carrying value of RMB23.0 million as at 31 December 2017.

Financial Assets at Fair Value Through Profit or Loss

At 31 December 2018, the Group's financial assets at fair value through profit or loss ("**FVPL**") had a carrying value of RMB478.6 million, which was 13.3% down from the balance at 31 December 2017 which was classified as financial assets designated at FVPL. This was mainly due to fair value loss of RMB215.1 million, and newly bought wealth management products of RMB110.5 million.

Other Intangible Assets

The Group's other intangible assets amounted to RMB0.3 million at 31 December 2018, comparable to RMB0.4 million at 31 December 2017. RMB0.3 million was capitalised for the newly-installed SPC software system during the second half of 2018, with an amortisation of RMB0.4 million for the existing intangible assets, including SAP management software.

Accounts and Bills Receivables

At 31 December 2018, the Group's accounts and bills receivables amounted to RMB277.4 million, down by RMB114.0 million or 29.1% from the balance at 31 December 2017. This was mainly due to a reduction in accounts receivables attributable to the drastic decline in sales number and revenue of the MLCC business during the last two months of 2018, while a growth was noted in the corresponding period of 2017.

Prepayments, Deposits and Other Receivables

At 31 December 2018, prepayments, deposits and other receivables amounted to RMB81.0 million, up by RMB22.9 million as compared to the balance at 31 December 2017. This was mainly due to an increase of RMB20.1 million in deposits paid for acquisition of fixed assets, and an increase of RMB23.6 million in deductible VAT, offset by RMB32.4 million deposits paid for acquisition of a subsidiary.

Cash and Bank Balances and Pledged Bank Deposits

At 31 December 2018, the Group's cash and bank balances and pledged bank deposits totalled RMB501.6 million, down by RMB195.9 million from 31 December 2017. The decrease was mainly due to settlement of borrowings in early 2018, partly offset by the faster receivable turnover as demonstrated in the MLCC segment during 2018.

Trade and Bills Payables

At 31 December 2018, the Group's trade and bills payables amounted to RMB144.9 million, increased by RMB21.1 million from 31 December 2017. This was mainly due to additional inventories purchased to guarantee future production.

Deferred Income, Accruals and Other Payables

At 31 December 2018, total deferred income, accruals and other payables amounted to RMB161.9 million, which was RMB32.0 million up from 31 December 2017. This was mainly due to an increase of RMB61.6 million in wages payable, an increase of RMB6.0 million in unpaid equipment costs, offset by RMB23.0 million down in deposits received for disposal of subsidiaries and RMB15.3 million down in other tax payable.

Bank and Other Loans

During 2018 the Group had settled all outstanding bank and other loans.

Bond Payable

The bond payable by the Group at 31 December 2018 was carrying at RMB387.9 million, down by RMB6.0 million from 31 December 2017. The decrease was a mixed result of the accrual of interests during the year, as well as the fluctuations in exchange rate of Renminbi against HK$ during 2018.

Contingent Liabilities

At 31 December 2018, the Group had no material contingent liabilities.

Capital Commitments

At 31 December 2018, the Group had capital commitments of RMB168.8 million, including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US$11.2 million, or RMB76.0 million, and capital commitment for addition of production equipment of approximately RMB92.8 million.

LIQUIDITY, FINANCIAL RESEROUCES AND CAPITAL STRUCTURE

Net Current Assets

As at 31 December 2018, the Group had net current assets of approximately RMB395.3 million (2017: RMB60.0 million), comprising of current assets of RMB1,133.8 million (2017: RMB1,236.6 million), net of current liabilities of RMB738.5 million (2017: RMB1,176.6 million).

The Group's current ratio was 1.54 as at 31 December 2018, while this ratio was 1.05 as at 31 December 2017. The increase in current ratio was mainly due to the settlement of bank and other loans in early 2018.

Banking Facilities

As at 31 December 2018, the Group had been granted banking facilities of RMB267.8 million aggregately, RMB265.7 million of which had not been utilised.

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, bond payable, obligations under finance lease, dividend payable, 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 2018 and 2017, the gearing ratios of the Group were approximately 15.5% and 34.7%, respectively. The improvement in gearing ratio was a result of the settlement of bank and other loans in early 2018.

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 CURRENCY RISK

In 2018, the Group's revenue were 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 currencies 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 currency risk.

CHARGES ON ASSETS

As at 31 December 2018, prepaid land lease payments and investment properties of the Group's MLCC segment with carrying amounts of approximately RMB1.0 million and RMB22.9 million respectively (2017: certain buildings, plant and machinery, prepaid land lease payments, investment properties and trade and bills receivables with carrying amounts of approximately RMB42.6 million, RMB10.3 million, RMB23.0 million and RMB330.1 million respectively) have been pledged as securities for banking facilities. As at 31 December 2018, all equity interest in a wholly-owned subsidiary of the Company, Eyang Management Co., Ltd., have been pledged as security for the bond payable.

HUMAN RESOURCES

As at 31 December 2018, the Group had a total of 1,260 (2017: 1,277) employees. The remuneration policy and package of the Group's employees are structured in accordance to market conditions, the performance, educational background and experience of individual employees as well as statutory requirements where appropriate.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting to be held on Wednesday, 5 June 2019, the register of members of the Company will be closed from Friday, 31 May 2019 to Wednesday, 5 June 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. To qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 May 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code 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**") throughout the year ended 31 December 2018.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (chairman of the Audit Committee), Mr. To Yan Ming, Edmond, Mr. David Tsoi and Mr. Xu Xuechuan. The main duties of the Audit Committee are to assist the Board in providing an independent view of the financial statements and financial and accounting policies of the Company and overseeing the Company's financial reporting system, internal control procedures and risk management system of the Company. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct of the Group regarding securities transactions by Directors. Having made specific enquiry of all the Directors, the Company had obtained confirmation from all the Directors that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.tlhg.com.hk). The relevant annual report of the Company will be despatched to the shareholders of the Company and will be made available on the same websites in due course in accordance with the Listing Rules.

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

Hong Kong, 19 March 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhou Chunhua (chairman), Mr. Jin Zhifeng (chief executive officer), Mr. Jing Wenping and Mr. Pan Tong; and four independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. To Yan Ming, Edmond, Mr. David Tsoi and Mr. Xu Xuechuan.