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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 2021

FINANCIAL HIGHLIGHTS

- The overall revenue for 2021 was RMB548.5 million, 24.2% increase from 2020;
- The overall gross profit for 2021 was RMB218.2 million, representing an increase of RMB67.4 million, or 44.7% from 2020;
- Gross profit margin reached 39.8% in 2021, increased by 5.6% as compared to 2020; in particular, the gross profit margin of the MLCC business was raised from 17.5% in 2020 to 25.7% in 2021;
- Profit attributable to owners of the Company for the year ended 31 December 2021 was RMB68.8 million, as compared to a loss of RMB5.8 million for the year ended 31 December 2020;
- Basic and diluted earnings per share was RMB9.24 cents; and
- The Board recommends no payment of final dividends for the year ended 31 December 2021.

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 2021 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 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Continuing operations			
Revenue	5	548,507	441,570
Cost of sales		<u>(330,316)</u>	<u>(290,784)</u>
Gross profit		218,191	150,786
Other income	6	19,057	25,920
Selling and distribution costs		(21,862)	(15,916)
Administrative expenses		(107,384)	(110,966)
Other expenses		(1,104)	–
Research and development costs		<u>(45,096)</u>	<u>(40,482)</u>
Profit from operations		61,802	9,342
Finance costs	7(a)	(22,341)	(21,354)
Share of profit of an associate		<u>18,895</u>	<u>5,034</u>
Profit/(loss) before taxation	7	58,356	(6,978)
Income tax credit	8	<u>11,137</u>	<u>1,482</u>
Profit/(loss) for the year from continuing operations		<u>69,493</u>	<u>(5,496)</u>
Discontinued operations			
Loss for the year from discontinued operations	11	<u>(21)</u>	<u>(24)</u>
Profit/(loss) for the year		<u>69,472</u>	<u>(5,520)</u>

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

For the year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000 (Restated)
Other comprehensive 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)		6,832	15,836
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associate, net of related income tax		–	1,030
Exchange differences on translation of foreign operations		<u>(4,255)</u>	<u>(1,612)</u>
Other comprehensive income for the year, net of income tax		<u>2,577</u>	<u>15,254</u>
Total comprehensive income for the year, net of income tax		<u><u>72,049</u></u>	<u><u>9,734</u></u>
Profit/(loss) for the year attributable to owners of the Company:			
– from continuing operations		68,840	(5,743)
– from discontinued operations		<u>(21)</u>	<u>(24)</u>
Profit/(loss) for the year attributable to owners of the Company		<u><u>68,819</u></u>	<u><u>(5,767)</u></u>

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

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Profit/(loss) for the year attributable to:			
Owners of the Company		68,819	(5,767)
Non-controlling interests		653	247
		69,472	(5,520)
Total comprehensive income attributable to owners of the Company:			
– from continuing operations		68,584	2,465
– from discontinued operations		(41)	(48)
		68,543	2,417
Total comprehensive income for the year attributable to:			
Owners of the Company		68,543	2,417
Non-controlling interests		3,506	7,317
		72,049	9,734
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings/(loss) per share attributable to owners of the Company during the year (basic and diluted)			
– from continuing operations	<i>10</i>	9.24	(0.8)
– from discontinued operations	<i>10</i>	0.00	0.00
		9.24	(0.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		481,013	398,279
Investment property		20,872	21,553
Deposits paid for acquisition of property, plant and equipment and other non- current rental deposit		51,687	28,661
Interest in an associate		35,791	17,910
Financial assets at FVOCI		12,435	25,893
Financial assets at fair value through profit or loss (“FVPL”)		409,092	369,519
Other intangible assets		819	1,304
Deferred tax assets		28,296	23,946
		<hr/>	<hr/>
Total non-current assets		1,040,005	887,065
Current assets			
Inventories		248,203	178,337
Accounts and bills receivables	<i>12</i>	190,975	185,236
Prepayments, deposits and other receivables		47,495	53,933
Cash and bank balances		62,864	60,298
		<hr/>	<hr/>
Total current assets		549,537	477,804
Current liabilities			
Trade and bills payables	<i>13</i>	68,983	71,570
Deferred income, accruals and other payables		101,309	82,437
Lease liabilities		12,931	14,084
Tax payable		10,576	10,395
Bank and other loans		384,824	220,136
		<hr/>	<hr/>
Total current liabilities		578,623	398,622

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

At 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Net current (liabilities)/assets		<u>(29,086)</u>	<u>79,182</u>
Total assets less current liabilities		<u>1,010,919</u>	<u>966,247</u>
Non-current liabilities			
Lease liabilities		16,636	23,794
Deferred income		10,006	15,352
Bank and other loans		6,222	–
Deferred tax liabilities		<u>29,613</u>	<u>40,569</u>
Total non-current liabilities		<u>62,477</u>	<u>79,715</u>
Net assets		<u>948,442</u>	<u>886,532</u>
Capital and reserves			
Share capital	<i>14</i>	6,637	6,637
Reserves		<u>932,589</u>	<u>864,046</u>
Total equity attributable to owners of the Company		939,226	870,683
Non-controlling interests		<u>9,216</u>	<u>15,849</u>
Total equity		<u>948,442</u>	<u>886,532</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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. On 1 November 2021, the Company has changed the head office and the principal place of business of the Company in Hong Kong to 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. 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 2021 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.

At 31 December 2021, the Group's current liabilities exceeded its current assets by RMB29.1 million.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

- The Group will continue to pay close attention to its operations and make good use of its resources with an aim to attain positive and sustainable cash flow from operations;
- The Group is in discussions with its lenders to timely renew or extend its existing bank loan facilities; and
- The Group will actively and regularly review its capital structure and source additional capital by raising new debt financing or issuing new shares, where appropriate.

The directors of the Company have reviewed the Group's cash flow projection covering a period of not less than twelve months from the end of the reporting period prepared by the management. In the opinion of the directors of the Company, assuming the success of the above measures, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform — phase 2
Amendment to IFRS 16	Covid-19-related rent concessions beyond 30 June 2021

In addition, the Group has early applied the Amendment to IFRS 16 Covid-19-related rent concessions beyond 30 June 2021.

Except as described below, 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 consolidated financial statements.

Amendment to IFRS 16 Covid-19-related rent concessions and early application of Amendment to IFRS 16 Covid-19-related rent concessions beyond 30 June 2021

The Group has applied the Amendment to IFRS 16 Covid-19-related rent concessions for the first time and early applied the Amendment to IFRS 16 Covid-19-related rent concessions beyond 30 June 2021 in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases (“IFRS 16”) if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group’s financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of IFRS 16 to account for rent concessions provided by certain lessors.

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 11.

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 operations:

- 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 loss of accounts receivables, reversal of impairment loss of accounts receivables, finance costs, share of profit 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 2021 and 2020 is set out below:

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

	Year ended 31 December 2021			Total RMB'000
	Continuing operations	Investment and financial services	Discontinued operations Other general trading	
	MLCC RMB'000	RMB'000	RMB'000	
Other segment information				
Additions to non-current assets Unallocated	207,973	–	–	207,973
				<u>–</u>
				<u>207,973</u>
Interest in an associate	–	35,791	–	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>

Year ended 31 December 2020 (Restated)

	Continuing operations		Discontinued	Total
	MLCC	Investment and financial services	Other general trading	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue				
Disaggregated by timing of revenue recognition				
Point in time	352,236	35,554	–	387,790
Over time	–	53,780	–	53,780
	<u>352,236</u>	<u>89,334</u>	<u>–</u>	<u>441,570</u>
Revenue from external customers	<u>352,236</u>	<u>89,334</u>	<u>–</u>	<u>441,570</u>
Segment profit/(loss)	(25,791)	68,964	(24)	43,147
Corporate interest income				784
Central administrative expenses				(32,030)
Central finance costs				<u>(18,903)</u>
Consolidated loss before taxation				<u>(7,002)</u>
Segment assets	784,878	565,213	1,618	1,351,709
Cash and bank balances				13,089
Unallocated corporate assets				<u>71</u>
Consolidated total assets				<u>1,364,869</u>
Segment liabilities	256,126	5,333	887	262,346
Other loans				212,136
Other unallocated corporate liabilities				<u>3,855</u>
Consolidated total liabilities				<u>478,337</u>

Year ended 31 December 2020 (Restated)

	Continuing operations		Discontinued operations	Total
	MLCC	Investment and financial services	Other general trading	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information				
Additions to non-current assets Unallocated	233,057	–	–	233,057
				<u>–</u>
				<u>233,057</u>
Interest in an associate	–	17,910	–	17,910
				<u>17,910</u>
Depreciation and amortisation Unallocated	(54,320)	(5,627)	–	(59,947)
				<u>(28)</u>
				<u>(59,975)</u>
Interest income Unallocated corporate interest income	183	57	–	240
				<u>6</u>
				<u>246</u>
Finance costs Unallocated	(2,240)	(211)	–	(2,451)
				<u>(18,903)</u>
				<u>(21,354)</u>
Income tax credit/(expense) Unallocated	4,088	(2,606)	–	1,482
				<u>–</u>
				<u>1,482</u>
Reversal of impairment loss of accounts receivables	<u>5,318</u>	<u>–</u>	<u>–</u>	<u>5,318</u>
Write-down of inventories	<u>(18,743)</u>	<u>–</u>	<u>–</u>	<u>(18,743)</u>
Reversal of write-down of inventories	<u>31,021</u>	<u>–</u>	<u>–</u>	<u>31,021</u>
Share of profit of an associate	<u>–</u>	<u>5,034</u>	<u>–</u>	<u>5,034</u>

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China (place of domicile)	384,000	281,965
Hong Kong	18,144	50,825
Other countries	146,363	108,780
	<u>548,507</u>	<u>441,570</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

None of the customers individually contributed over 10% of the Group's total annual revenue for the years ended 31 December 2021 and 2020.

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sale of MLCC	444,589	352,236
Finance lease interest income	–	370
Asset management fee income	48,767	53,780
Net gain from fund investments	55,151	35,184
Revenue from investment and financial services	103,918	89,334
	548,507	441,570

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Sale of MLCC	444,589	352,236
Asset management fee income	48,767	53,780
	493,356	406,016
Revenue from other sources		
Finance lease interest income	–	370
Net gain from financial assets at FVPL	55,151	35,184
	55,151	35,554
	548,507	441,570

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 contracts for the remaining unsatisfied performance obligations 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 contracts for the remaining unsatisfied performance obligations is not disclosed.

- c) For the year ended 31 December 2021, the total amount of interest income on financial assets measured at amortised cost, including bank interest income (note 6), was RMB112,000 (2020: RMB616,000).

6. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income on financial assets measured at amortised cost – bank interest income	112	246
Gross rental income from investment properties	2,221	4,429
Government grants (<i>note</i>)	9,913	8,551
Release of government grants as income	5,492	2,748
Other management fee income	477	460
Gain on lease modification	–	1,613
Reversal of impairment loss of accounts receivables	–	5,318
Sundry income	842	2,555
	<u>19,057</u>	<u>25,920</u>

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 2020, 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. PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS

Profit/(loss) before taxation from continuing operations is arrived at after charging the following:

a) Finance costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank loans	1,165	150
Interest on other loans	20,313	18,903
Interest on lease liabilities	<u>1,878</u>	<u>2,301</u>
Total interest expense on financial liabilities not at fair value through profit or loss	23,356	21,354
Less: Amounts capitalised in the cost of qualifying assets	<u>(1,015)</u>	<u>–</u>
	<u>22,341</u>	<u>21,354</u>

b) Staff costs (including directors' emoluments)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, wages and other benefits (<i>notes i and ii</i>)	170,613	164,649
Contributions to defined contribution retirement plans	15,569	4,642
Equity-settled share-based payment expenses	<u>–</u>	<u>378</u>
	<u>186,182</u>	<u>169,669</u>

c) **Other items**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount of inventories sold	313,621	301,007
Write-down of inventories	50,532	18,743
Reversal of write-down of inventories (<i>note iii</i>)	(37,089)	(31,021)
Cost of inventories (<i>note i</i>)	327,064	288,729
Depreciation charge		
– owned property, plant and equipment	60,427	45,203
– investment property	681	681
– right-of-use assets	15,678	14,091
Depreciation (<i>notes i and ii</i>)	76,786	59,975
Amortisation of other intangible assets	921	701
Research and development costs:		
Current year expenditure (<i>note ii</i>)	45,096	40,482
Short term lease	858	2,406
Auditor's remuneration		
– audit services	1,497	1,607
– non-audit services	256	274
Net foreign exchange loss	10,032	4,828
Impairment loss/(reversal of impairment loss) of accounts receivables, net*	1,104	(5,318)
Donation	10	–
Loss on disposal of property, plant and equipment	657	985
Rental income on investment properties less direct outgoings of RMB286,000 (2020: RMB230,000)	(1,935)	(4,199)

* The impairment loss of accounts receivables are included in “other expenses” (2020: reversal of impairment loss of accounts receivables are included in “other income”) of the consolidated statement of profit or loss and other comprehensive income.

Notes:

- i) Cost of inventories includes depreciation of RMB57,152,000 (2020: RMB39,603,000) and staff costs of RMB98,407,000 (2020: RMB78,568,000), which are also included in the respective total amounts disclosed separately above.
- ii) Included in research and development costs are depreciation of RMB5,355,000 (2020: RMB3,705,000) and staff costs of RMB20,593,000 (2020: RMB18,036,000), which are also included in the respective total amounts disclosed separately above.
- iii) During the year ended 31 December 2021, there was a reversal of write-down of inventories of RMB37,089,000 (2020: RMB31,021,000) due to subsequent usage and sale of obsolete inventories).

8. INCOME TAX CREDIT

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– Hong Kong Profits Tax for the year	2,624	2,409
– PRC Enterprise Income Tax (“EIT”) for the year (note (iv))	1,550	197
– Over provision of Hong Kong Profits Tax in prior year	–	(383)
– Under provision of EIT in prior year	–	7
Deferred taxation		
– Origination and reversal of temporary differences	<u>(15,311)</u>	<u>(3,712)</u>
Income tax credit for the year	<u>(11,137)</u>	<u>(1,482)</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 2021 is calculated at 16.5% (2020: 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 2020.

- 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 2021, all PRC subsidiaries were subject to EIT at the standard rate of 25% (2020: 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.

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) attributable to the owners of the Company of RMB68,819,000 (2020: RMB5,767,000) and the weighted average number of 744,750,000 (2020: 744,750,000) ordinary shares in issue during the year, calculated as follows:

	2021 RMB'000	2020 <i>RMB'000</i> (Restated)
Profit/(loss) for the purpose of basic earnings/(loss) per share		
– from continuing operations	68,840	(5,743)
– from discontinued operations	<u>(21)</u>	<u>(24)</u>
	68,819	(5,767)

Weighted average number of ordinary shares:

	2021 '000	2020 <i>'000</i>
Weighted average number of ordinary shares at 31 December	<u>744,750</u>	<u>744,750</u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no potential ordinary shares outstanding during the years ended 31 December 2021 and 2020 respectively.

11. DISCONTINUED OPERATIONS

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. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation from continuing operation separately.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	–	–
Administrative and other operating expenses	<u>(21)</u>	<u>(24)</u>
Losses before income tax expense	(21)	(24)
Income tax expense	<u>–</u>	<u>–</u>
Losses for the year from discontinued operation	<u><u>(21)</u></u>	<u><u>(24)</u></u>
Net cash used in operating activities	<u>(1)</u>	<u>(3)</u>
Total net cash outflows	<u><u>(1)</u></u>	<u><u>(3)</u></u>

12. ACCOUNTS AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Accounts receivables (<i>note a</i>)	184,677	169,623
Less: loss allowance	<u>(9,316)</u>	<u>(8,268)</u>
	175,361	161,355
Bills receivables (<i>note b</i>)	<u>15,614</u>	<u>23,881</u>
	<u><u>190,975</u></u>	<u><u>185,236</u></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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	71,409	79,901
91 to 180 days	13,163	17,584
181 to 360 days	23,925	19,892
1 to 2 years	37,396	23,498
2 to 3 years	25,081	18,513
Over 3 years	13,703	10,235
	184,677	169,623

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	13,431	22,721
91 to 180 days	1,987	–
181 to 360 days	196	1,160
	15,614	23,881

13. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	60,552	63,771
Bills payables	<u>8,431</u>	<u>7,799</u>
	<u>68,983</u>	<u>71,570</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	50,485	58,453
91 to 180 days	9,342	5,011
181 to 360 days	41	–
1 to 2 years	9	163
Over 2 years	<u>675</u>	<u>144</u>
	<u>60,552</u>	<u>63,771</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	<u>8,431</u>	<u>7,799</u>

14. CAPITAL AND RESERVES

	2021 <i>HKD'000</i>	2020 <i>HKD'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 (2020: 744,750,000) ordinary shares of HK\$0.01 each	<u>7,448</u>	<u>7,448</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 2021, the global economic recovery is still difficult amid COVID-19 outbreaks. As the MLCC business is the Group's main business and a major source of growth, the management is committed to overcoming the challenges and resolving the difficulties so as to grow and strengthen the MLCC segment in accordance with the established plans. For the year ended 31 December 2021, the investment and financial services segment has remained stable.

MLCC

The MLCC industry experienced a “development process from up to down” in 2021. In the first half of 2021, with a rising market demand for PC laptops, data centers and recreational machines driven by 5G base stations, smartphones, work-from-home and remote education as well as recovering demand for automobiles, there was an increasing need for the supply of MLCC. In addition, a number of major manufacturers in the industry released news of raising prices frequently, which drove the purchasing intention of the distributors in the industry. The Group's MLCC business achieved remarkable growth in the first half of the year. In the second half of 2021, however, the serious shortage of chip prevented downstream manufacturers from normal production, which restrained the demand for passive components. Also, in the second half of the year, the distributors sped up sales to lower inventory level, and the competition also heated up in the industry, which forced market price down. Besides, the pandemic have disrupted global supply chains and caused rising cost for certain materials and transportation. All of these have had the negative impact on the Group's MLCC business in the second half of the year. Nevertheless, the MLCC segment of the Group actively responded to those effects and achieved a sales revenue of RMB444.6 million throughout the year, representing an increase of 26.2% as compared to the corresponding period last year, with gross profit margin increased to 25.7% from 17.5% in 2020.

In view of the changing market environment, the Group continues to increase investment in research and development in order to build and enhance its core competency. On the one hand, the Group stays committed to the traditional field of consumption grade, and on the other hand, accelerates research and development of technology and strategic deployment in the industrial and automotive grade. In 2021, the Group has launched 008004 (0.25mm*0.125mm*0.125mm) ultra-miniature MLCC product which is the smallest size in the industry, becoming the first domestic company passing the testing and appraisal of the authoritative organization--CEPREI (China Electronic Product Reliability and Environmental Testing Research Institute), and such product has also been recognized as a scientific and technological achievement by Guangdong Electronics Industry Association. The successful research and development of 008004 product has filled the blank in China's micro-miniature MLCC industry. In addition, the Group has also developed large-size high-capacitance and microwave high-Q MLCC products, and realized the preparation and delivery of industrial-grade and automotive-grade products. The Group has been promoting technological innovation, and thus effectively improved the overall technical level, realized the diversification of product series, enhanced the Company's core competency, and further enhanced its reputation in the industry while meeting customers' needs. In 2021, Shenzhen EYANG Technology Development Co., Ltd., a wholly-owned subsidiary of the Group, was recognized as the Engineering Technology Research Center of Guangdong Province.

While enhancing the technical level, the Group has also reinforced its investment in personnel, equipment, environmental protection, informatization and automation. During the reporting period, the two factories of the Group in Dongguan and Anhui were in normal production and operation with stable personnel. The two factories have strengthened staff training and refined management to meet customers' needs and proactively promoted measures to reduce costs and raise efficiency. Despite the complicated market conditions, the Group stays committed to prioritizing customers' needs and insists on innovation. With the constantly enhancing technical capacity, the Group has enlarged the application fields and scope of the products and expanded cooperation with strategic customers.

To seize the opportunity of domestic substitution of MLCC, the Group is gearing up for building new production bases in Chuzhou and Dongguan so as to realize the migration and expansion of existing production capacity. During the reporting period, the main structure of the new base in Chuzhou has been completed, and the preparation work for the new base in Dongguan was in process.

Asset Management

As at 31 December 2021, 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 ⁽⁴⁾	Total from the Group ⁽⁵⁾
1	Tianli China Opportunities Fund I L.P.	January 2017	5.5	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	98.4	–
3	Tianli Private Debt Fund L.P.	January 2017	6+1 ⁽³⁾	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	35.0	9.8
7	Tianli Public Markets Capital L.P.	March 2017	6+2 ⁽¹⁾	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	–

Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment	
				Total of the Fund ⁽⁴⁾	Total from the Group ⁽⁵⁾
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 2021, 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\$75.5 million capital invested. During the year 2021, the six funds that the Group has invested contributed a net gain of RMB55.2 million to the Group's financial results, in addition to the asset management fee income of RMB48.9 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	19.5	–	–	19.5
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	–	68.2	–	68.2
Tianli UK Opportunities Fund L.P.	UK	–	143.4	25.2	168.6
Tianli US Opportunities Fund L.P.	US	–	13.8	–	13.8
Total		113.5	333.1	42.8	489.4

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). The fair value of the equity investment had been reviewed at the end of 2021 by the management using cash flow projections based on a financial budget, and had been decreased to RMB12.4 million. The decrease is mainly due to the share buy back from the equity investment. During the year, the equity investment has excess cash flow, it bought the share back with the amount of approximately RMB19.5 million.

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.

BUSINESS PROSPECTS

Being an indispensable basic component to the electronics industry, MLCC is widely used in consumer electronics, communications, automotive electronics and other fields, which has great strategic significance for national development. According to the *Basic Electronic Components Industry Development Action Plan 2021-2023* released by the Ministry of Industry and Information Technology of the People's Republic of China in early 2021, it is clearly proposed to drive the development of basic electronic components industry to achieve breakthroughs for key sectors including smart terminals, 5G, industrial Internet, data center and new-energy vehicles, and enhance the supply chain security of key materials, equipment and instruments. The *14th Five-Year Plan for National Economic and Social Development and the Outline of Long-term Goals for 2035 of the People's Republic of China*, officially released in March 2021, proposes to fully implement the strategy of developing China into a manufacturing powerhouse, for which the country needs to implement the industrial foundation reconstruction project, accelerate to cover the bottleneck shortage of basic parts and components, basic software, basic materials, basic craftsmanship and industrial technologies. In the short term, the MLCC market may still fluctuate, and the presence of the COVID-19 pandemic and the chaotic international situation will also bring uncertainty to the global economic development. However, in the long run, as the foundation of the electronic information industry, MLCC is still in high demand, and the space for its domestic substitution remains vast.

With the increasing concerns to the MLCC industry, the competition in the industry is tending to be fierce. However, as one of the earliest MLCC manufacturers in China, the MLCC segment of the Group has accumulated years of experience and technology, and also keeps agile to market change and strives for innovation. In 2021, the MLCC segment of the Group has made many breakthroughs in new products and new technologies. While maintaining its relative competitive advantage in the field of small and micro products, it has successfully developed large-size, high-capacitance and high-reliability products with active deployment in the fields of consumer-grade high-end products, industrial-grade products and automotive-grade products, further expanding the space for development in the industry. As such, the Group will seize the opportunities of domestic substitution, continue to increase its investment in the research and development, equipment, environmental protection, automation and informatization, and strive to accelerate the preparation and construction of the new production bases in Chuzhou and Dongguan to further enhance product quality and optimize product portfolio to meet market demand.

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 2021, the Group's revenue was derived from (i) MLCC segment; and (ii) investment and financial services segment. Total revenue of the Group was RMB548.5 million, which represented an increase of RMB106.9 million, or 24.2%, as compared to that for the year ended 31 December 2020. Revenue from the MLCC segment for the year ended 31 December 2021 was RMB444.6 million, representing an increase of RMB92.4 million, or 26.2% from the year ended 31 December 2020, which was due to continued recovery of the market in the industry and the increase in sales volume in the first half of 2021. Revenue from the investment and financial services segment for the year ended 31 December 2021 reached RMB103.9 million. Among this, the asset management fee income remained stable for the year ended 31 December 2021 and 2020, but with the Group's net gain from financial assets at fair value through profit or loss ("FVPL"), which recorded RMB55.2 million for the year ended 31 December 2021 as compared to that of RMB35.2 million for the year ended 31 December 2020.

Gross Profit Margin

Aggregate gross profit margin for the year ended 31 December 2021 was 39.8%, representing an increase of 5.6% as compared to the year ended 31 December 2020.

Nevertheless, the gross profit margin of the MLCC segment increased from gross profit margin of 17.5% for the year ended 31 December 2020 to gross profit margin of 25.7% for the year ended 31 December 2021. This was due to the enhancement of the product portfolio and effective cost control implementation by the management during the period.

Other Income

The Group's other income amounted to RMB19.1 million for the year ended 31 December 2021, representing a decrease of 26.5% from the year ended 31 December 2020. The decrease was mainly due to an one-off gain on reversal of impairment loss of accounts receivables of RMB5.3 million for the year ended 31 December 2020 and a decrease of RMB2.0 million in the rental income for the year ended 31 December 2021.

Selling and Distribution Costs

The Group's selling and distribution costs totalled RMB21.9 million for the year ended 31 December 2021, and this was an increase of 37.4% from the year ended 31 December 2020. This was mainly due to an increase in staff salary of sales department in the MLCC segment where the sales level increased.

Administrative Expenses

The Group's administrative expenses for the year ended 31 December 2021 were RMB107.4 million, representing a decrease of RMB3.6 million from the year ended 31 December 2020. The decrease was mainly attributable to the decrease in staff cost in the investment and financial services segment.

Research and Development Costs

The Group incurred research and development costs of RMB45.1 million for the year ended 31 December 2021, representing an increase of RMB4.6 million from the year ended 31 December 2020. The increase was mainly due to the Group's continuous efforts in research and development of new products and technologies during the reporting period.

Other Expenses

The Group's other expenses were RMB1.1 million in 2021, nature of which was an impairment loss of accounts receivables.

Finance Costs

The Group's finance costs amounted to RMB22.3 million for the year ended 31 December 2021 representing an increase of RMB1.0 million from the year ended 31 December 2020. The slightly increase was mainly due to the additional drawdown of bank and other loans in 2021.

Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB481.0 million as at 31 December 2021, increased by RMB82.7 million from the balance as at 31 December 2020. 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 RMB20.9 million as at 31 December 2021, comparable to the carrying value of RMB21.6 million as at 31 December 2020.

Financial Assets at Fair Value Through Profit or Loss

As at 31 December 2021, the Group's financial assets at FVPL had a carrying value of RMB409.1 million, which was an increase of 10.7% from the balance as at 31 December 2020 which was classified as financial assets designated at FVPL. This was mainly due to a fair value gain of RMB55.2 million and net off the effect of appreciation in exchange rate in Renminbi.

Accounts and Bills Receivables

As at 31 December 2021, the Group's accounts and bills receivables amounted to RMB191.0 million, an increase of RMB5.7 million or 3.1% from the balance as at 31 December 2020. The increase primarily resulted from an increase in sales for the year ended 31 December 2021 compared to the same period to 2020 in the MLCC segment.

Prepayments, Deposits and Other Receivables

As at 31 December 2021, prepayments, deposits and other receivables amounted to RMB47.5 million, representing a decrease of RMB6.4 million as compared to the balance as at 31 December 2020. The decrease was mainly due to the cash received from the distribution from Tianli China Opportunities Fund I L.P. invested by the Group which was declared in 2020.

Cash and Bank Balances and Pledged Bank Deposits

As at 31 December 2021, the Group's cash and bank balances totalled RMB62.9 million, increased by RMB2.6 million from 31 December 2020. There was no material change since 31 December 2020.

Trade and Bills Payables

As at 31 December 2021, the Group's trade and bills payables amounted to RMB69.0 million, a decrease of RMB2.6 million from 31 December 2020. The decrease was mainly due to a the improvement in cost control to the MLCC production during the year ended 31 December 2021.

Deferred Income, Accruals and Other Payables

As at 31 December 2021, total deferred income, accruals and other payables amounted to RMB101.3 million, which was an increase of RMB18.9 million from 31 December 2020. The slightly increase was mainly due to the increase in other payables from acquisition of production equipment.

Bank and Other Loans

As at 31 December 2021, the Group's bank and other loans was carrying RMB391.0 million, which represented an increase of RMB170.9 million from RMB220.1 million as at 31 December 2020. The increase was mainly due to the additional drawdown of the bank loans.

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

Capital Commitments

As at 31 December 2021, the Group had capital commitments of RMB256.8 million (31 December 2020: RMB256.0 million), including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US\$13.2 million, or RMB83.5 million (31 December 2020: US\$13.2 million or RMB87.0 million), Tianli China Opportunities Fund I L.P. of approximately US\$1.2 million, or RMB7.9 million (31 December 2020: US\$1.4 million or RMB9.0 million) from the investment and financial services segment. Also, the capital commitment for construction of plant of approximately RMB87.0 million (31 December 2020: RMB123.7 million), acquisition of land use right of approximately RMB43.8 million (31 December 2020: Nil) and additions to production equipment of approximately RMB34.6 million (31 December 2020: RMB36.3 million) from the MLCC segment. The increase was mainly contributed by the MLCC segment, while the decrease of the capital commitment of the investment and financial services segment was attributable to the increase 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 2021, the net current liabilities of the Group amounted to approximately RMB29.1 million (31 December 2020: net current assets of approximately RMB79.2 million). The current ratio, expressed as current assets over current liabilities, was approximately 0.95 (31 December 2020: approximately 1.20).

The Group recorded a net current liabilities position of RMB29.1 million as compared with the net current assets position of RMB79.2 million as at 31 December 2020. The net current liabilities was attributable to the Group's granted one of its bank loans during the year, thus increasing the loan repayable within one year and current liabilities. After taking into account the available banking facilities as at 31 December 2021, and the estimated cash flows generated from the Group's operations, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirements for the foreseeable future. As such, the management believes that the Group is well positioned with sufficient operating funds to manage its existing operations and investment plans. The management will continue to implement all necessary measures to ensure that the Group maintains adequate cash and appropriate credit facilities to meet its future operating expenditure and loan repayment obligations.

As at 31 December 2021, the total equity of the Group was approximately RMB948.4 million (31 December 2020: approximately RMB886.5 million), representing an increase of approximately RMB61.9 million from the previous year-end.

As at 31 December 2021, the carrying amount of the Group's bank loans was approximately RMB132.4 million (31 December 2020: approximately RMB8.0 million). As at 31 December 2021, all of the bank loans were secured by over certain leasehold land and land use right of the Group with carrying amounts of approximately RMB56.2 million (31 December 2020: RMB18.2 million). As at 31 December 2021, the bank loans bear interest rates ranging from 4.0% to 4.7% per annum (31 December 2020: 3.7% per annum). As at 31 December 2021, the Group had unutilised bank loan facilities of RMB60.0 million for daily operation purpose and unutilised bank loan facilities of RMB375.6 million for plant construction and acquisition of plant and equipment purpose (31 December 2020: bank loan of RMB12.0 million).

As at 31 December 2021, the carrying amount of the Group's other loans was approximately RMB258.6 million (31 December 2020: approximately RMB212.1 million). As at 31 December 2021, two of the other loans were secured by over certain property, plant and equipment of the Group with carrying amounts of approximately RMB18.4 million (31 December 2020: Nil). As at 31 December 2021, the other loans bear interest rates ranging from 9.1% to 10.0% per annum (31 December 2020: 10% per annum). As at 31 December 2021, the Group had unutilised other loan facilities of RMB198.1 million (31 December 2020: other loan of RMB195.9 million).

Of the total bank and other loans as at 31 December 2021, approximately RMB270.4 million (or approximately 69.1%) was repayable within one year or on demand. Approximately RMB7.2 million (or approximately 1.9%) was repayable after one year but within two years or on demand. Approximately RMB113.4 million (or approximately 29.0%) was repayable after two years but within five years or on demand.

Of the total bank and other loans as at 31 December 2020, approximately RMB220.1 million (or approximately 100.0%) was repayable within one year or on demand. None was repayable after one year.

The Group's total debt to equity ratio, calculated as total borrowings of approximately RMB391.0 million (31 December 2020: approximately RMB220.1 million) divided by shareholder's equity of the Group of approximately RMB948.4 million (31 December 2020: approximately RMB886.5 million) was approximately 0.41 as at 31 December 2021 (31 December 2020: approximately 0.25). The increase was mainly due to the new grant of bank loans in 2021.

Capital Expenditure

Capital expenditure incurred by the Group (representing acquisition and deposit of property, plant and equipment) for the year ended 31 December 2021 was approximately RMB167.8 million (2020: RMB138.9 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 2020, the Group had been granted banking facilities of RMB20.0 million and utilised banking facilities of RMB8.0 million. The leasehold land of the Group with a carrying value of RMB18.2 million was pledged to an independent third party which provided a guarantee to a bank in respect of the bank facilities granted to the Group. The bank facilities have been paid during the year ended 31 December 2021.

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.

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 2021 and 31 December 2020, the gearing ratios of the Group were approximately 36.0% and 28.8% respectively. The increase in gearing ratio was a result of the increase in bank and other loans during the year ended 31 December 2021.

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 2021, 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 2021, leasehold land, land use right and machinery of the Group with carrying amounts of approximately RMB34.8 million (31 December 2020: RMB18.2 million), RMB21.5 million (31 December 2020: Nil) and RMB18.4 million (31 December 2020: Nil) respectively have been pledged as securities for bank and other loans facilities.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 1,199 (2020: 1,255) employees. The remuneration policy and package of the Group's employees are structured in accordance with the market conditions, 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 2021 (2020: Nil).

EVENT AFTER THE REPORTING PERIOD

On 31 March 2022, First Promise Limited, an indirect non-wholly owned subsidiary of the Group entered into the share repurchase agreement with Nancy International Limited, pursuant to which First Promise Limited agreed to sell and Nancy International Limited agreed to repurchase the repurchased shares at an aggregate consideration of US\$1,976,073 (equivalent to approximately HK\$15,439,651). The Group will recognise a gain of approximately US\$0.8 million (or approximately RMB5.8 million) and the net proceeds from will be applied for the working capital of the MLCC business.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 December 2021, the Company had 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**”), save and except for the code provision E.1.2 which stipulates that the chairman of the board should attend the annual general meeting.

Mr. Zhou Chunhua, being the chairman of the Board, was unable to attend the annual general meeting held on 22 June 2021 (the “**2021 AGM**”) due to travel restrictions in place as a result of the COVID-19 pandemic. The 2021 AGM was chaired by Mr. Pan Tong, the Executive Director and Chief Executive Officer of the Company, with the consent of members present.

The Board reviews and improves the Group’s corporate governance practices for the purpose of complying with the Corporate Governance Code and business ethics on an ongoing basis.

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 2021.

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 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 2021.

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

This annual results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<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, 31 March 2022

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.