**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 2023

## FINANCIAL HIGHLIGHTS

- The overall revenue for 2023 was RMB488.0 million, 35.0% increase from 2022;
- The overall gross profit for 2023 was RMB77.9 million, representing an increase of RMB62.1 million, or 394.4% from 2022;
- Gross profit margin reached 16.0% in 2023, increased by 11.6 percentage points as compared to 2022; in particular, the gross profit margin of the MLCC business was increased from 3.1% in 2022 to 7.1% in 2023;
- Loss attributable to owners of the Company for the year ended 31 December 2023 was RMB222.1 million, as compared to a loss of RMB63.9 million for the year ended 31 December 2022;
- Basic and diluted loss per share was RMB29.8 cents; and
- The Board recommends no payment of final dividends for the year ended 31 December 2023.

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 the "**Group**") for the year ended 31 December 2023 together with the comparative results for the preceding financial year.

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

*For the year ended 31 December 2023*

| | *Notes* | **2023**<br>***RMB'000*** | 2022<br>*RMB'000* |
|---|---|---|---|
| Revenue | *5* | **488,016** | 361,377 |
| Cost of sales | | **(410,147)** | (345,625) |
| **Gross profit** | | **77,869** | 15,752 |
| Other income | *6* | **17,975** | 13,918 |
| Other gains and losses | *7* | **(4,709)** | 66,781 |
| Impairment of property, plant and equipment | | **(80,688)** | – |
| Selling and distribution costs | | **(19,965)** | (17,573) |
| Administrative expenses | | **(86,183)** | (87,020) |
| Research and development costs | | **(65,331)** | (56,307) |
| **Loss from operations** | | **(161,032)** | (64,449) |
| Finance costs | *8(a)* | **(34,224)** | (24,420) |
| Share of profit of an associate | | **–** | 20,894 |
| **Loss before taxation** | *8* | **(195,256)** | (67,975) |
| Income tax (expenses)/credit | *9* | **(28,260)** | 3,256 |
| **Loss for the year** | | **(223,516)** | (64,719) |

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

*For the year ended 31 December 2023*

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **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) | | – | 22,606 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Reclassification of cumulative exchange fluctuation reserve upon disposal of subsidiaries to profit or loss | | – | 1,232 |
| Reclassification of cumulative exchange fluctuation reserve upon dissolution of associate to profit or loss | | – | (2,192) |
| Exchange differences on translation of foreign operations | | **3,545** | 1,394 |
| **Other comprehensive income for the year, net of income tax** | | **3,545** | 23,040 |
| **Total comprehensive loss for the year, net of income tax** | | **(219,971)** | (41,679) |

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

*For the year ended 31 December 2023*

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(222,148)** | (63,851) |
| Non-controlling interests | | **(1,368)** | (868) |
| | | **(223,516)** | (64,719) |
| **Total comprehensive loss for the year attributable to** | | | |
| Owners of the Company | | **(218,635)** | (52,628) |
| Non-controlling interests | | **(1,336)** | 10,949 |
| | | **(219,971)** | (41,679) |
| | | ***RMB cents*** | *RMB cents* |
| **Loss per share** | *11* | | |
| basic | | **(29.8)** | (8.6) |
| diluted | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

| | Notes | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **913,518** | 751,965 |
| Investment properties | | **24,122** | 24,936 |
| Deposits paid for acquisition of property, plant and equipment | | **29,215** | 25,278 |
| Financial assets at fair value through profit or loss ("**FVPL**") | | **41,032** | 256,179 |
| Other intangible assets | | **443** | 450 |
| Deferred tax assets | | **17** | 29,213 |
| **Total non-current assets** | | **1,008,347** | 1,088,021 |
| **Current assets** | | | |
| Inventories | | **195,314** | 195,060 |
| Financial assets at FVPL | | **371,102** | 155,882 |
| Accounts and bills receivables | *12* | **347,160** | 261,595 |
| Prepayments, deposits and other receivables | | **44,960** | 53,670 |
| Cash and bank balances | | **32,671** | 62,469 |
| Restricted bank deposit | | **14,236** | – |
| **Total current assets** | | **1,005,443** | 728,676 |
| **Current liabilities** | | | |
| Trade and bills payables | *13* | **116,045** | 60,769 |
| Deferred income, accruals and other payables | | **109,335** | 109,893 |
| Lease liabilities | | **9,221** | 13,023 |
| Tax payable | | **13,217** | 10,968 |
| Bank and other loans | | **715,807** | 420,120 |
| **Total current liabilities** | | **963,625** | 614,773 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*At 31 December 2023*

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Net current assets** | | **41,818** | 113,903 |
| **Total assets less current liabilities** | | **1,050,165** | 1,201,924 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **1,577** | 5,884 |
| Deferred income | | **4,144** | 5,111 |
| Bank and other loans | | **359,029** | 276,614 |
| Deferred tax liabilities | | **17,452** | 24,072 |
| **Total non-current liabilities** | | **382,202** | 311,681 |
| **Net assets** | | **667,963** | 890,243 |
| **Capital and reserves** | | | |
| Share capital | *14* | **6,637** | 6,637 |
| Reserves | | **661,326** | 879,961 |
| **Total equity attributable to owners of the Company** | | **667,963** | 886,598 |
| Non-controlling interests | | **–** | 3,645 |
| **Total equity** | | **667,963** | 890,243 |

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

### a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as 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.

The IASB has issued certain new and revised IFRS Accounting Standards 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 2023 comprise the Company and its subsidiaries (together referred to as the "**Group**").

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 financial assets at FVPL are stated at their fair value as explained in the accounting policies.

The preparation of financial statements in conformity with IFRS Accounting Standards 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.

***Going concern basis***

During the year ended 31 December 2023, the Group incurred a net loss of RMB223,516,000. The current liabilities included bank and other loans of RMB715,807,000 of which (i) bank loans of RMB141,077,000 are repayable within 12 months from the end of the reporting period; (ii) bank loans of RMB441,500,000 that contain a repayable on demand clause but expected to be repayable after 12 months from the end of the reporting period; which the Group did not meet certain financial covenants of the relevant bank loans as at 31 December 2023: and (iii) bank loans of RMB133,230,000 which were originally repayable after 12 months from the end of the reporting period, but being reclassified as current liabilities, as the relevant bank has the right to require immediate repayment on 31 December 2023 due to the provisions of the loan agreement. The Group's cash and cash equivalents amounted to RMB32,671,000 as at 31 December 2023.

On discovery of the non-fulfilment of financial covenants by the subsidiaries of the Group, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loan with the relevant bankers. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company are undertaking a number of plans and measures to improve the Group's liquidity and financial position, including, inter alia:

(i) actively negotiating with the existing banks on the terms and financial covenants of loan agreements and communicating with banks on the renewal of existing bank loans and refinancing arrangements;

(ii) undertaking certain corporate restructuring within the Group including but not limited to further capital injection by way of cash and/or capitalisation of intra-group debt balances to improve the financial ratio;

(iii) implementing measures to speed up the collection of outstanding accounts and bills receivables; and

(iv) exploring other debt or equity financing arrangements.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than 12 months from 31 December 2023. The directors of the Company are confident that, taking into account of the above-mentioned plans and measures, particularly with the proven good track records on repayment of bank loans and good relationship with the banks, the negotiations with the lenders will ultimately reach a successful conclusion and the Group is able to restructure its existing borrowing facilities and the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next 12 months from 31 December 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. Up to the date of approval of the consolidated financial statements, the banks have not demanded for any accelerated repayment of the outstanding balances.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## 3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

The Group has applied the following new and amendments to IFRS Accounting Standards issued by the IASB to the financial statements for the current accounting period for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023:

| | |
|---|---|
| IFRS 17 and the Related Amendments | Insurance Contracts |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax Related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform – Pillar Two Model Rules |

The Group has not applied any amendments to IFRS Accounting Standards that are not yet mandatorily effective for the current accounting period.

## 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 two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(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.

### 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 amortization 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 (loss)/income, central administrative expenses, central finance costs and income tax.

In addition to receiving segment information concerning segment (loss)/profit, 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, impairment losses of other receivables, impairment loss of property, plant and equipment, 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 policy information of the operating segments are the same as the Group's accounting policy information.

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 2023 and 2022 is set out below:

| | **Year ended 31 December 2023** | | |
|---|---|---|---|
| | **MLCC**<br>***RMB'000*** | **Investment and financial services**<br>***RMB'000*** | **Total**<br>***RMB'000*** |
| **Segment revenue:** | | | |
| Disaggregated by timing of revenue recognition: | | | |
| Point in time | **441,495** | **–** | **441,495** |
| Over time | **–** | **49,708** | **49,708** |
| | **441,495** | **49,708** | **491,203** |
| Revenue from other source | **–** | **(3,187)** | **(3,187)** |
| Revenue from external customers | **441,495** | **46,521** | **488,016** |
| **Segment (loss)/profit** | **(188,893)** | **30,333** | **(158,560)** |
| Other corporate loss | | | **(875)** |
| Central administrative expenses | | | **(8,869)** |
| Central finance costs | | | **(26,952)** |
| Consolidated loss before taxation | | | **(195,256)** |
| **Segment assets** | **1,360,081** | **652,784** | **2,012,865** |
| Cash and bank balances | | | **815** |
| Unallocated corporate assets | | | **110** |
| Consolidated total assets | | | **2,013,790** |
| **Segment liabilities** | **975,962** | **6,003** | **981,965** |
| Other loan | | | **359,029** |
| Other unallocated corporate liabilities | | | **4,833** |
| Consolidated total liabilities | | | **1,345,827** |

| | Year ended 31 December 2023 | | |
|---|---|---|---|
| | **MLCC** *RMB'000* | **Investment and financial services** *RMB'000* | **Total** *RMB'000* |
| **Other segment information** | | | |
| Additions to non-current assets | **332,037** | **3,369** | **335,406** |
| Unallocated | | | **–** |
| | | | **335,406** |
| Depreciation and amortisation | **(69,638)** | **(3,111)** | **(72,749)** |
| Unallocated | | | **–** |
| | | | **(72,749)** |
| Interest income | **73** | **169** | **242** |
| Unallocated corporate interest income | | | **–** |
| | | | **242** |
| Finance costs | **(7,209)** | **(63)** | **(7,272)** |
| Unallocated | | | **(26,952)** |
| | | | **(34,224)** |
| Income tax expense | **(23,461)** | **(4,799)** | **(28,260)** |
| Unallocated | | | **–** |
| | | | **(28,260)** |
| Impairment loss of accounts receivables | **(1)** | **–** | **(1)** |
| Write-down of inventories | **(37,953)** | **–** | **(37,953)** |
| Reversal of write-down of inventories | **4,643** | **–** | **4,643** |
| Impairment loss of property, plant and equipment | **(80,688)** | **–** | **(80,688)** |
| Impairment loss of other receivables | **(3,904)** | **–** | **(3,904)** |

| | Year ended 31 December 2022 | | |
|---|---|---|---|
| | MLCC<br>*RMB'000* | Investment and financial services<br>*RMB'000* | Total<br>*RMB'000* |
| **Segment revenue:** | | | |
| Disaggregated by timing of revenue recognition: | | | |
| Point in time | 356,609 | – | 356,609 |
| Over time | – | 38,467 | 38,467 |
| | 356,609 | 38,467 | 395,076 |
| Revenue from other source | – | (33,699) | (33,699) |
| Revenue from external customers | 356,609 | 4,768 | 361,377 |
| **Segment (loss)/profit** | (106,280) | 9,855 | (96,425) |
| Corporate interest income | | | 1 |
| Other corporate income | | | 57,757 |
| Central administrative expenses | | | (8,700) |
| Central finance costs | | | (20,608) |
| Consolidated loss before taxation | | | (67,975) |
| **Segment assets** | 1,188,425 | 627,962 | 1,816,387 |
| Cash and bank balances | | | 255 |
| Unallocated corporate assets | | | 55 |
| Consolidated total assets | | | 1,816,697 |
| **Segment liabilities** | 644,048 | 2,059 | 646,107 |
| Other loan | | | 276,614 |
| Other unallocated corporate liabilities | | | 3,733 |
| Consolidated total liabilities | | | 926,454 |

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

There are no inter-segment revenue for the years ended 31 December 2023 and 2022.

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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mainland China (place of domicile) | **416,026** | 322,777 |
| Hong Kong | **10,537** | 12,462 |
| Other countries | **61,453** | 26,138 |
| | **488,016** | 361,377 |

(ii) ***Non-current assets***

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

c) **Information about major customers**

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| MLCC segment | | |
| Customer A | **72,250** | 63,495 |
| Customer B | **66,965** | N/A* |

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

### d) Revenue from major products and services

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sale of MLCC | **441,495** | 356,609 |
| Assets management fee income | **49,708** | 38,467 |
| Net loss from fund investments | **(3,187)** | (33,699) |
| Revenue from investment and financial services | **46,521** | 4,768 |
| | **488,016** | 361,377 |

## 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| Sale of MLCC | **441,495** | 356,609 |
| Assets management fee income | **49,708** | 38,467 |
| Revenue from other sources | **491,203** | 395,076 |
| Net loss from financial assets at FVPL | **(3,187)** | (33,699) |
| Total revenue | **488,016** | 361,377 |

*Notes:*

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

b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date:

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

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

## 6. OTHER INCOME

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income on financial assets measured at amortised cost | | |
| – bank interest income | **242** | 178 |
| Gross rental income from investment properties | **3,740** | 3,182 |
| Government grants *(note)* | **9,072** | 7,262 |
| Release of government grants as income | **1,769** | 2,503 |
| Other management fee income | **578** | 515 |
| Sundry income | **2,574** | 278 |
| | **17,975** | 13,918 |

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

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

## 7. OTHER GAINS AND LOSSES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Impairment loss of accounts receivables, net | **(1)** | (1) |
| Impairment loss of other receivables | **(3,904)** | – |
| Gain on disposal of subsidiaries | **–** | 2,729 |
| Gain arising from extinguishment of other loan upon modification | **–** | 41,859 |
| Net foreign exchange (loss)/gain | **(804)** | 20,002 |
| Cumulative gain on exchange differences from transaction of foreign operations reclassified to profit or loss on dissolution of an associate | **–** | 2,192 |
| | **(4,709)** | 66,781 |

## 8. LOSS BEFORE TAXATION

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

### a) Finance costs

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans | **24,560** | 20,955 |
| Interest on other loans | **27,072** | 21,717 |
| Interest on lease liabilities | **787** | 1,347 |
| Total interest expense on financial liabilities not at fair value through profit or loss: | **52,419** | 44,019 |
| Less: Amounts capitalised in the cost of qualifying assets | **(18,195)** | (19,599) |
| | **34,224** | 24,420 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, wages and other benefits *(notes i and ii)* | **141,595** | 142,671 |
| Contributions to defined contribution retirement plans *(notes i and ii)* | **11,283** | 12,005 |
| | **152,878** | 154,676 |

c) **Other items**

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Carrying amount of inventories sold | **373,529** | 348,933 |
| Write-down of inventories | **37,953** | 54,680 |
| Reversal of write-down of inventories *(note iii)* | **(4,643)** | (61,294) |
| Cost of inventories *(note i)* | **406,839** | 342,319 |
| Depreciation charge | | |
| – owned property, plant and equipment | **56,717** | 58,349 |
| – investment property | **814** | 681 |
| – right-of-use assets | **14,858** | 13,981 |
| Depreciation *(notes i and ii)* | **72,389** | 73,011 |
| Amortisation of other intangible assets | **360** | 560 |
| Research and development costs: | | |
| Current year expenditure *(note ii)* | **65,331** | 56,307 |
| Short term lease | **694** | 665 |
| Auditor's remuneration | | |
| – audit services | **1,499** | 1,434 |
| – non-audit services | **309** | 306 |
| Impairment loss of property, plant and equipment | **80,688** | – |
| Impairment loss of accounts receivables, net* | **1** | 1 |
| Impairment loss of other receivables* | **3,904** | – |
| Donation | **18** | 43 |
| Loss on disposal of property, plant and equipment | **2,879** | 101 |
| Rental income on investment properties less direct outgoings of RMB447,000 (2022: RMB300,000) | **(3,293)** | (2,882) |

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

*Notes:*

(i) Cost of inventories includes depreciation of RMB57,036,000 (2022: RMB56,386,000) and staff costs of RMB81,833,000 (2022: RMB73,813,000), which are also included in the respective total amounts disclosed separately above.

(ii) Included in research and development costs are depreciation of RMB3,099,000 (2022: RMB3,521,000) and staff costs of RMB23,087,000 (2022: RMB21,333,000), which are also included in the respective total amounts disclosed separately above.

(iii) During the year ended 31 December 2023, there was a reversal of write-down of inventories of RMB4,643,000 (2022: RMB61,294,000) due to an increase in the estimated net realisable value and subsequent usage and sale of obsolete inventories.

## 9. INCOME TAX EXPENSES/(CREDIT)

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| – Hong Kong Profits Tax for the year | **4,799** | 2,592 |
| – PRC Enterprise Income Tax ("**EIT**") for the year *(note (iv))* | **470** | 600 |
| – Under provision of Hong Kong Profits Tax in prior year | **–** | 24 |
| – Under/(Over) provision of EIT in prior year | **415** | (29) |
| Deferred taxation | | |
| – Origination and reversal of temporary differences | **22,576** | (6,443) |
| Income tax expenses/(credit) for the year | **28,260** | (3,256) |

*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 2023 is calculated at 16.5% (2022: 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 2022.

(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 2023, all PRC subsidiaries were subject to EIT at the standard rate of 25% (2022: 25%) on their respective taxable profit during the year, except that 深圳市宇陽科技發展有限公司 (literally translated as Shenzhen Eyang Technology Development Co., Ltd.), an indirect wholly-owned subsidiary of the Company, was recognised as High and New Technology Enterprise on 23 December 2021 and is subject to income tax rate of 15% for three consecutive years commencing in 2021.

## 10. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

## 11. LOSS PER SHARE

### (a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company of RMB222,148,000 (2022: RMB63,851,000) and the weighted average number of 744,750,000 (2022: 744,750,000) ordinary shares outstanding during the year, calculated as follows:

***Loss***

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss for the purpose of basic loss per share | **222,148** | 63,851 |

Weighted average number of ordinary shares:

| | **2023** | 2022 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares outstanding during the year | **744,750** | 744,750 |

### (b) Diluted loss per share

No diluted loss per share for the years ended 31 December 2023 and 2022 is presented as there is no potential ordinary shares outstanding during for both years.

## 12. ACCOUNTS AND BILLS RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Accounts receivables | | |
| – Contracts with customers *(note a)* | **262,530** | 208,384 |
| *Less:* Allowances for credit losses | **(8,474)** | (9,449) |
| | **254,056** | 198,935 |
| Bills receivables *(note b)* | **93,104** | 62,660 |
| | **347,160** | 261,595 |

### 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 five months (2022: 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **74,163** | 49,796 |
| 91 to 180 days | **11,208** | 13,017 |
| 181 to 360 days | **20,825** | 20,330 |
| 1 to 2 years | **41,553** | 51,593 |
| 2 to 3 years | **46,349** | 40,800 |
| Over 3 years | **68,432** | 32,848 |
| | **262,530** | 208,384 |

**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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **63,344** | 38,586 |
| 91 to 180 days | **28,260** | 22,399 |
| 181 to 360 days | **1,500** | 1,675 |
| | **93,104** | 62,660 |

## 13. TRADE AND BILLS PAYABLES

| | **2023** | 2022 |
|---|---:|---:|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **110,138** | 59,439 |
| Bills payables | **5,907** | 1,330 |
| | **116,045** | 60,769 |

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:

| | **2023** | 2022 |
|---|---:|---:|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **94,299** | 49,193 |
| 91 to 180 days | **14,680** | 7,371 |
| 181 to 360 days | **323** | 2,019 |
| 1 to 2 years | **15** | 190 |
| Over 2 years | **821** | 666 |
| | **110,138** | 59,439 |

b) An ageing analysis of the bills payables as at the end of the reporting period based on bills issue date is as follows:

| | **2023** | 2022 |
|---|---:|---:|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **5,907** | 1,330 |

## 14. SHARE CAPITAL AND RESERVES

### Share capital

***Authorised and issued share capital***

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Authorised: | | |
| 1,000,000,000 ordinary shares of HK$0.01 each | **10,000** | 10,000 |
| Issued and fully paid: | | |
| At the beginning and end of the year | | |
| 744,750,000 (2022: 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.

## EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The section below set out an extract of the independent auditors' report regarding the consolidated financial statements of the Group for the year ended 31 December 2023.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB223,516,000 during the year ended 31 December 2023. This condition, along with other matters as set forth in note 2(b) to the consolidated financial statements, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year ended 31 December 2023, the global market experienced a downturn due to geopolitical conflicts and high inflation. Despite some industries showing signs of recovery, sluggish economic growth continued to pose challenges of varying degrees for the Group's MLCC segment and investment and financial services segment.

### MLCC

In 2023, despite continued volatility in the global macro environment, the overall economy has resumed growth. With inflation persistently declining, there was a slow resurgence in demand for consumer electronic products, including mobile phones and laptops, since the second quarter. The growth in demand was particularly significant in the second half of 2023 as compared with the second half of 2022 and the first half of 2023. Against this backdrop, after undergoing destocking and capacity adjustments since mid-last year, the inventory levels in the MLCC industry have returned to normal. Downstream orders have started to gradually increase month by month, the bottom of the industry has passed, indicating a clear recovery in the end-market in the second half of the year. By actively expanding our customer base and increasing market share, the Group's MLCC segment achieved a year-on-year increase in sales volume of over 35.1%. However, due to capacity expansions by several domestic competitors, the increased supply has resulted in intense price competition, leading to an approximately 8.3% decline in our average product price. As a result, the Group achieved sales revenue of RMB441.5 million in 2023, representing an increase of 23.8% compared to 2022. Although the increase in revenue was smaller than the increase in sales volume, due to the bottoming out of the market, sales revenue in the second half of 2023 increased by 27.3% period-on-period as compared with the first half of 2023, and increased by 41.9% period-on-period as compared with the second half of 2022.

Despite the sluggish market conditions during 2023, the Group remained committed to increasing investment in research and development and technical cooperation, accelerating product deployment in the areas of ultra-micro, high capacitance, high temperature, and high reliability to enhance our competitiveness in the high-end market. During the reporting period, the Group has continued to make breakthroughs in the research and development, and delivery of industrial and automotive-grade products. We have also developed multiple series of niche products for specialized circuit applications, including three-terminal, copper-terminal, and gold-terminal MLCCs, to meet the needs of high-end customers. Currently, the Group's product portfolio covers the consumer-grade, automotive-grade, and industrial-grade sectors, and we have made significant efforts to expand our product range from primarily focusing on small sizes components to larger sizes and specifications with high capacitance and high voltage.

Currently, the Group has production bases in Chuzhou and Dongguan. The Group has a positive outlook on the long-term development of the MLCC industry and the construction of new bases has been completed, renovating and upgrading the production environment and infrastructure, to expand the capacity for high-end products to meet the growing demand in the industrial and automotive markets. During the reporting period, the Group's production base in Chuzhou has been completed and put into operation, the relocation of major production equipment has been completed and mass production has commenced. The new production base in Dongguan has also been completed and will begin production in the second quarter of 2024. Upon the completion of the relocation and expansion of the production base in Dongguan, the Group's production capacity and technological capability will be significantly enhanced, and gross profit and cashflow will normalize accordingly.

## Asset Management

As at 31 December 2023, 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[3] | Capital Commitment Total from the Group[4] |
|---|---|---|---|---|---|---|
| 1 | Tianli China Opportunities Fund I L.P. | January 2017 | 7.6 | 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 | 8 | Invest in a wide range of private debt instruments with regional focus primarily in developed countries and China | 300.0 | 35.0 |
| 4 | Tianli Private Debt Capital L.P. | March 2017 | 9 | Invest predominantly across a wide range of private debt instruments globally | 175.0 | 9.8 |
| 5 | Tianli Global Opportunities Capital L.P.[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 | 10 | Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions | 35.0 | 9.8 |

| Fund Name | | Initial Closing Date | Term (Year) | Investment Focus | Capital Commitment Total of the Fund[(3)] | Total from the Group[(4)] |
|---|---|---|---|---|---|---|
| 7 | Tianli Public Markets Capital L.P. | March 2017 | 8 | Invest predominantly in the secondary market of publicly traded securities globally | 20.0 | 5.6 |
| 8 | Tianli M&A Investment L.P. | March 2017 | 10 | 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 | 9.3 | Project fund established for an investment in Shanghai | 80.4 | – |
| 10 | Tianli UK Opportunities Fund L.P. | March 2017 | 9.3 | Invest predominantly in projects located in the United Kingdom | 150.4 | – |
| 11 | Tianli US Opportunities Fund L.P. | May 2017 | 8 | Invest predominantly in projects located in the United States | 12.6 | – |

*Notes:*

1. Extension upon recommendation of the general partner with the unanimous approval of the investment committee

2. Formerly known as Tianli Real Estate Capital L.P.

3. Including cross holdings among the funds

4. Including direct capital

As at 31 December 2023, 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$77.5 million capital invested. During the year ended 31 December 2023, the six funds that the Group has invested resulted in a net loss of RMB3.1 million to the Group's financial results, in addition to the asset management fee income of RMB49.7 million.

*Unit: US$ million*

| Fund name | Country/region | Product | | | |
|---|---|---|---|---|---|
| | | Debt | Common equity | Preferred equity | Invested amount |
| Tianli China Opportunities Fund I L.P. | PRC | – | 107.7 | – | 107.7 |
| Tianli Private Debt Fund L.P. | Australia | – | – | 17.5 | 17.5 |
| | Korea | 5.5 | – | – | 5.5 |
| | UK | 22.2 | – | – | 22.2 |
| Tianli M&A Investment L.P. | Hong Kong | 56.4 | – | – | 56.4 |
| Tianli Private Debt Capital L.P. | Cayman Islands | 32.1 | – | – | 32.1 |
| Tianli China Opportunities Fund II L.P. | PRC | – | 66.9 | – | 66.9 |
| Tianli UK Opportunities Fund L.P. | UK | – | 134.0 | 24.1 | 158.1 |
| Tianli US Opportunities Fund L.P. | US | – | 16.6 | – | 16.6 |
| **Total** | | **116.2** | **325.2** | **41.60** | **483.0** |

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**

The Group has no new investment during the year ended 31 December 2023.

## BUSINESS PROSPECTS

MLCC, with its small size, high capacitance, and ease of surface mounting, is one of the most widely used and rapidly developing chip electronic components. It is widely applied in consumer electronics, communications, automotive electronics, and other fields, earning the title of “rice of the electronic industry.” At the same time, high-end capacitor and resistance are also considered a “bottleneck” technology projects in China. Against the backdrop of China’s accelerated development as a technology powerhouse and achieve technological self-reliance, the trend of domestic substitution for MLCC is evident.

Although the development of the MLCC industry in 2023 remains challenging due to the macroeconomic environment and the consumer electronics market, the long-term outlook for the MLCC market remains positive. The demand for the Internet of Things and 5G communications, new energy vehicles and AI servers are expected to grow consistently. The MLCC segment continues to adhere to its consistent strategy by consolidating its position in the general consumer market and actively exploring opportunities in automotive electronics, communication base stations, data centers, and other markets to expand the scope of cooperation with leading customers in the target market. Apart from increasing investment in research and development, equipment, environmental protection, automation and informatization to meet customer needs, the Group will make full use of favorable conditions such as the significantly improved cleanliness level and equipment precision of the new factory this year to increase efforts to reduce costs and increase efficiency, and continuously enhance core competitiveness through developing new materials and new processes. While the Group has excelled in small-and-micro sized MLCCs, through continuous investments in research and development in recent years, the Group recently has not only achieved technological breakthroughs in miniature and high-capacitance products to consolidate its leading position in the PRC, but also successively broadened the medium-and large-sized product portfolio with high-capacitance, high-Q, high-temperature and high-voltage characteristics, especially those that meet reliability requirements of industrial and automotive grades. The Group will continue to explore new markets, actively promote internationalization strategy and expand its market share, and provide customers with better products and services through ongoing innovation, technological advancement and excellent quality.

In respect of investment and financial services segment, 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. During 2023, the Group implemented various strategies to enhance the performance of the investments. 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 2023, the Group's revenue was derived from (i) MLCC segment; and (ii) investment and financial services segment. Total revenue of the Group was RMB488.0 million, which represented an increase of RMB126.6 million, or 35.0%, as compared to that for the year ended 31 December 2022. Revenue from the MLCC segment for the year ended 31 December 2023 was RMB441.5 million, representing an increase of RMB84.9 million, or 23.8% from the year ended 31 December 2022, which was due to weakening market circumstances in the industry. Revenue from the investment and financial services segment for the year ended 31 December 2023 was RMB46.5 million. Among this, the asset management fee income was RMB49.7 million for the year ended 31 December 2023 which represented an increase of RMB11.2 million, or 29.2%, as compared to that for the year ended 31 December 2022. And the Group's net loss from financial assets at fair value through profit or loss ("**FVPL**"), which recorded RMB3.2 million for the year ended 31 December 2023 as compared to a loss of RMB33.7 million for the year ended 31 December 2022.

### Gross Profit Margin

Aggregate gross profit margin for the year ended 31 December 2023 was 16.0%, representing an increase of 11.6 percentage points as compared to the year ended 31 December 2022.

The gross profit margin of the MLCC segment increased from 3.1% for the year ended 31 December 2022 to 7.1% for the year ended 31 December 2023. This was mainly due to the enhancement of the production mix. At the same time, the Group had exercised a certain level of cost control since the second half of 2022, leading to a decrease in average cost.

**Other Income**

The Group's other income amounted to RMB17.9 million for the year ended 31 December 2023, representing an increase of 29.1% from the year ended 31 December 2022. The increase was mainly due to the increase of government grant amounted to RMB1.8 million and increase in gross rental income from investment amounted to RMB0.6 million.

**Selling and Distribution Costs**

The Group's selling and distribution costs totalled RMB20.0 million for the year ended 31 December 2023, and this was an increase of 13.6% from the year ended 31 December 2022. This was mainly due to an increase in sales level of MLCC segment leading to a corresponding increase in relevant sales expenses.

**Administrative Expenses**

The Group's administrative expenses for the year ended 31 December 2023 were RMB87.0 million. There was no material change from the year ended 31 December 2022.

**Research and Development Costs**

The Group incurred research and development costs of RMB65.3 million for the year ended 31 December 2023, representing an increase of RMB9.0 million from the year ended 31 December 2022. The increase was mainly due to the Group's continuous efforts in research and development of new products and technologies during the year.

### Finance Costs

The Group's finance costs amounted to RMB34.2 million for the year ended 31 December 2023 representing an increase of RMB9.8 million from the year ended 31 December 2022. The increase was mainly due to the additional drawdown of bank and other loans in 2023.

### Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB913.5 million as at 31 December 2023, increased by RMB161.6 million from the balance as at 31 December 2022. The increase was mainly due to the additions to plant and machinery used in production of MLCC.

### Investment Properties

The Group's investment property was carried at RMB24.1 million as at 31 December 2023, comparable to the carrying value of RMB24.9 million as at 31 December 2022. The decrease is mainly due to the depreciation in 2023.

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

As at 31 December 2023, the Group's financial assets at FVPL had a carrying value of RMB412.1 million. There was no material change from the balance as at 31 December 2022. This was mainly due to a fair value loss of RMB3.8 million and net off the effect of appreciation in exchange rate in Renminbi for the US dollar based financial assets.

### Accounts and Bills Receivables

As at 31 December 2023, the Group's accounts and bills receivables amounted to RMB347.2 million, an increase of RMB85.6 million from the balance as at 31 December 2022. The increase was mainly due to an increase in revenue during the year of 2023.

**Prepayments, Deposits and Other Receivables**

As at 31 December 2023, prepayments, deposits and other receivables in current assets amounted to RMB45.0 million, representing an decrease of RMB8.7 million as compared to the balance as at 31 December 2022. The decrease was mainly due to the decrease in prepayment to suppliers.

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

As at 31 December 2023, the Group's cash and bank balances totalled RMB46.9 million, decreased by RMB15.6 million from 31 December 2022. The decrease was mainly due to increase in purchase of machinery during the year of 2023.

**Trade and Bills Payables**

As at 31 December 2023, the Group's trade and bills payables amounted to RMB116.0 million, an increase of RMB55.3 million from 31 December 2022. The increase was mainly due to the increase in MLCC production during the year ended 31 December 2023.

**Deferred Income, Accruals and Other Payables**

As at 31 December 2023, total deferred income, accruals and other payables amounted to RMB109.3 million. There was no material change from the balance as at 31 December 2023.

**Bank and Other Loans**

As at 31 December 2023, the Group's bank and other loans was carrying RMB715.8 million, which represented an increase of RMB295.7 million from RMB420.1 million as at 31 December 2022. The increase was mainly due to the additional drawdown of the bank and other loans.

**Contingent Liabilities**

As at 31 December 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

## Capital Commitments

As at 31 December 2023, the Group had capital commitments of RMB261.90 million (31 December 2022: RMB366.6 million), including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US$102.3 million, or RMB92.8 million (31 December 2022: US$13.2 million or RMB91.3 million), Tianli China Opportunities Fund I L.P of approximately US$1.2 million, or RMB8.4 million (31 December 2022: US$1.2 million or RMB8.7 million) from the investment and financial services segment. Also, the capital commitment for construction of plant of approximately RMB111.3 million (31 December 2022: RMB220.8 million) and additions to production equipment of approximately RMB40.7 million (31 December 2022: RMB45.8 million) from the MLCC segment. The decrease was mainly due to the completion of major parts of new factories from the MLCC segment, and the increase of the capital commitment of the investment and financial services segment was attributable to the decrease of the exchange rate of Renminbi. There was no material change in terms of US dollars for the capital commitment of the investment and financial services segment.

## Significant Investments

As at 31 December 2023, details of significant investments (with individual investment value of 5 per cent or more of the Group's total assets) held by the Group were set out as follows:

### *(i) Investment in Tianli China Opportunities Fund I L.P. ("REI")*

The Group recorded investment in REI as "financial assets at fair value through profit or loss". REI is a project fund established for a property investment in Beijing. During the year ended 31 December 2023, unrealised loss of RMB9.7 million on revaluation of the investment in REI has been recorded by the Group. No realised gain or loss and dividend have been received from this investment.

### *(ii) Investment in Tianli Special Situations Capital L.P. ("SSC")*

The Group recorded investment in SSC as "financial assets at fair value through profit or loss". SSC invests predominantly in global mergers and acquisitions, private equity or other corporate finance transactions. During the year ended 31 December 2023, unrealised loss of RMB6.7 million on revaluation of the investment in SSC has been recorded by the Group. No realised gain or loss and dividend have been received from this investment.

| Nature of investments | | Interests held | Investment cost | Carrying value | Total assets of the Group<br>*RMB* | Carrying value to total assets of the Group |
|---|---|---|---|---|---|---|
| (i) | Tianli China Opportunities Fund I L.P. | 15.04% | USD16,264,000 (approximately RMB103,081,000) | USD21,099,000 (approximately RMB148,372,000) | 1,816,697,000 | 7.0% |
| (ii) | Tianli Special Situations Capital L.P. | 5.60% | USD9,800,000 (approximately RMB62,117,000) | USD25,729,000 (approximately RMB180,931,000) | 1,816,697,000 | 8.5% |

The above significant investments are in line with the assets management segment's strategy. The Group will continue to consolidate resources, strengthen compliance and risk management control, and proactively focus on key markets and projects, thereby improving the value of investment assets through sophisticated, proactive management.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Liquidity and Capital Resources

As at 31 December 2023, the Group had net current assets of approximately RMB41.8 million (31 December 2022: net current assets RMB113.9 million), comprising of current assets of RMB1,005.4 million (31 December 2022: RMB728.7 million), net off current liabilities of RMB963.6 million (31 December 2022: RMB614.8 million).

As at 31 December 2023, the Group's current ratio was 1.0 (31 December 2022: 1.2). The decrease in current ratio was mainly due to the increase in bank loan during the year of 2023.

### Capital Expenditure

Capital expenditure incurred by the Group (representing acquisition and deposit of property, plant and equipment) for the year ended 31 December 2023 was approximately RMB326.4 million (2022: RMB360.1 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 2022, the Group had been granted four new banking facilities of RMB550.0 million in aggregate, which utilised banking facilities amounted to RMB364.0 million. A leasehold land and land use right of the Group with carrying values of approximately RMB122.4 million in aggregate was pledged to a bank to secure the banking facilities and a guarantee was provided by a wholly owned subsidiary to the bank in respect of the bank facilities.

As at 31 December 2023, the Group had been granted banking facilities of RMB788.0 million in aggregate, which utilised banking facilities amounted to RMB643.6 million. A leasehold land, land use right, machinery and bills receivables of the Group with carrying values of approximately RMB198.9 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 2023 and 31 December 2022, the gearing ratios of the Group were approximately 65.5% and 47.8% respectively. The increase in gearing ratio was a result of the increase in bank and other loans during the year ended 31 December 2023.

### 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 2023, 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 2023, property, plant and equipment, investment property, bills receivables and restricted bank deposits, of the Group with carrying amounts of approximately RMB597.3 million (31 December 2022: RMB51.8 million), RMB4.6 million (31 December 2022: RMB4.7 million), RMB74.6 million (31 December 2022: RMB49.9 million), and RMB14.2 million (31 December 2022: nil) respectively have been pledged as securities for bank and other loans facilities.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 1,285 (2022: 1,084) employees. The Group recognises the importance of human resources to its success. Compensation for the Group is made in reference to the prevailing market conditions, individual performance, contributions as well as duties and responsibilities.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

## CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 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 2023.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (chairman of the Audit Committee), Mr. David Tsoi and Mr. Xu Xuechuan. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and risk management (including but not limited to business, operation as well as environmental, social and governance related risks) and internal control systems. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2023.

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

Hong Kong, 27 March 2024

*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.*