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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 2020**

FINANCIAL HIGHLIGHTS

- The revenue for 2020 was RMB441.6 million, 1.0% down from 2019;
- The gross profit for 2020 was RMB150.8 million, representing an increase of RMB86.5 million, or 134.4%, from 2019;
- Gross profit margin reached 34.1% in 2020, representing an increase of 19.7% as compared to 2019; in particular, the gross profit margin of the MLCC business was 17.5% in 2020 as compared to gross loss margin of 4.0% in 2019;
- Loss attributable to owners of the Company for 2020 was RMB5.8 million, as compared to a loss of RMB126.0 million for 2019;
- Basic and diluted losses per share was RMB0.8 cents; and
- The Board recommends no payment of final dividends for 2020.

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 2020 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 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	441,570	446,236
Cost of sales		(290,784)	(381,920)
Gross profit		150,786	64,316
Other income	6	25,920	24,262
Selling and distribution costs		(15,916)	(12,536)
Administrative expenses		(110,990)	(98,351)
Other expenses		–	(933)
Research and development costs		(40,482)	(67,622)
Profit/(loss) from operations		9,318	(90,864)
Finance costs	7(a)	(21,354)	(32,083)
Share of profit/(loss) of an associate		5,034	(4,620)
Loss before taxation	7	(7,002)	(127,567)
Income tax credit	8	1,482	1,727
Loss for the year		(5,520)	(125,840)
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)		15,836	10,237
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		(1,612)	377
Other comprehensive income for the year, net of income tax		15,254	10,614
Total comprehensive income/(loss) for the year, net of income tax		9,734	(115,226)

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

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss for the year attributable to:			
Owners of the Company		(5,767)	(125,976)
Non-controlling interests		<u>247</u>	<u>136</u>
		<u>(5,520)</u>	<u>(125,840)</u>
 Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		2,417	(120,600)
Non-controlling interests		<u>7,317</u>	<u>5,374</u>
		<u>9,734</u>	<u>(115,226)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
 Loss per share			
Basic and diluted	<i>10</i>	<u>(0.8)</u>	<u>(16.9)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020	2019
		RMB'000	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		398,279	250,520
Investment property		21,553	22,234
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		28,661	145,720
Interest in an associate		17,910	12,738
Financial assets at FVOCI		25,893	11,353
Financial assets at fair value through profit or loss (“FVPL”)		369,519	383,269
Finance lease receivable		–	12,437
Other intangible assets		1,304	1,568
Deferred tax assets		23,946	25,807
		<hr/>	<hr/>
Total non-current assets		887,065	865,646
Current assets			
Inventories		178,337	115,556
Accounts and bills receivables	<i>11</i>	185,236	127,457
Finance lease receivable		–	7,508
Prepayments, deposits and other receivables		53,933	27,224
Cash and bank balances		60,298	175,257
		<hr/>	<hr/>
Total current assets		477,804	453,002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2020

	<i>Notes</i>	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and bills payables	<i>12</i>	71,570	44,550
Deferred income, accruals and other payables		82,437	77,360
Lease liabilities		14,084	10,013
Tax payable		10,395	13,320
Bank and other loans		220,136	200,742
		<hr/>	<hr/>
Total current liabilities		398,622	345,985
		<hr/>	<hr/>
Net current assets		79,182	107,017
		<hr/>	<hr/>
Total assets less current liabilities		966,247	972,663
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		23,794	29,137
Deferred income		15,352	17,597
Deferred tax liabilities		40,569	46,136
		<hr/>	<hr/>
Total non-current liabilities		79,715	92,870
		<hr/>	<hr/>
Net assets		886,532	879,793
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>13</i>	6,637	6,637
Reserves		864,046	861,251
		<hr/>	<hr/>
Total equity attributable to owners of the Company		870,683	867,888
Non-controlling interests		15,849	11,905
		<hr/>	<hr/>
Total equity		886,532	879,793
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Tianli Holdings Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company’s registered office address is the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and the principal place of business of the Company in Hong Kong is located at Unit 907-909, 9/F., Three Pacific Place, 1 Queen’s Road East, Hong Kong.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

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

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 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 and the Group’s presentation currency, and all value are rounded to the nearest thousand RMB except where otherwise indicated.

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

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

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

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

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

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

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year 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.

4. SEGMENT REPORTING

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

- i) MLCC: manufacturing and sale of MLCC;
 - ii) Investment and financial services: including but not limited to (i) direct investments in debt, equity and/or any other asset; (ii) asset management; (iii) provision of financial advisory services; and (iv) financial technologies; and
 - iii) Other general trading: trading of goods other than MLCC, including but not limited to electronic components and commodities such as metals, minerals and petroleum products.
- a) Segment results, assets and liabilities**

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

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

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Year ended 31 December 2020			
	MLCC	Investment and financial services	Other general trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue				
Disaggregated by timing of revenue recognition				
Point in time	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	(25)	43,148
Corporate interest income				784
Central administrative expenses				(32,031)
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><u>1,364,869</u></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><u>478,337</u></u>

	Year ended 31 December 2020			
	MLCC	Investment	Other	Total
	RMB'000	and financial	general	RMB'000
		services	trading	
		RMB'000	RMB'000	
Other segment information				
Additions to non-current assets	233,057	–	–	233,057
Unallocated				–
				<u>233,057</u>
Interest in an associate	–	17,910	–	17,910
Depreciation and amortisation	(54,320)	(5,627)	–	(59,947)
Unallocated				(28)
				<u>(59,975)</u>
Interest income	183	57	–	240
Unallocated corporate interest income				6
				<u>246</u>
Finance costs	(2,240)	(211)	–	(2,451)
Unallocated				(18,903)
				<u>(21,354)</u>
Income tax credit/(expenses)	4,088	(2,606)	–	1,482
Unallocated				–
				<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>

	Year ended 31 December 2019			Total <i>RMB'000</i>
	MLCC <i>RMB'000</i>	Investment and financial services <i>RMB'000</i>	Other general trading <i>RMB'000</i>	
Segment revenue				
Disaggregated by timing of revenue recognition				
Point in time	367,285	20,327	–	387,612
Over time	–	58,624	–	58,624
Revenue from external customers	<u>367,285</u>	<u>78,951</u>	<u>–</u>	<u>446,236</u>
Segment (loss)/profit	(120,523)	42,237	(91)	(78,377)
Corporate interest income				861
Central administrative expenses				(21,083)
Central finance costs				<u>(28,968)</u>
Consolidated loss before taxation				<u>(127,567)</u>
Segment assets	717,923	578,347	1,702	1,297,972
Cash and bank balances				18,449
Unallocated corporate assets				<u>2,227</u>
Consolidated total assets				<u>1,318,648</u>
Segment liabilities	213,799	9,044	932	223,775
Other loans				200,742
Other unallocated corporate liabilities				<u>14,338</u>
Consolidated total liabilities				<u>438,855</u>

	Year ended 31 December 2019			Total RMB'000
	MLCC RMB'000	Investment and financial services RMB'000	Other general trading RMB'000	
Other segment information				
Additions to non-current assets	181,388	700	–	182,088
Unallocated				–
				<u>182,088</u>
Interest in an associate	<u>–</u>	<u>12,738</u>	<u>–</u>	<u>12,738</u>
Depreciation and amortisation	(42,722)	(5,889)	–	(48,611)
Unallocated				(9)
				<u>(48,620)</u>
Interest income	4,108	370	1	4,479
Unallocated corporate interest income				861
				<u>5,340</u>
Finance costs	(2,758)	(357)	–	(3,115)
Unallocated				(28,968)
				<u>(32,083)</u>
Income tax credit/(expenses)	3,698	(1,971)	–	1,727
Unallocated				–
				<u>1,727</u>
Impairment loss of accounts receivables	<u>(1,532)</u>	<u>–</u>	<u>–</u>	<u>(1,532)</u>
Reversal of impairment loss of accounts receivables	<u>599</u>	<u>–</u>	<u>–</u>	<u>599</u>
Write-down of inventories	<u>(19,053)</u>	<u>–</u>	<u>–</u>	<u>(19,053)</u>
Reversal of write-down of inventories	<u>6,198</u>	<u>–</u>	<u>–</u>	<u>6,198</u>
Share of loss of an associate	<u>–</u>	<u>(4,620)</u>	<u>–</u>	<u>(4,620)</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 where the services were provided is as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China (place of domicile)	281,965	118,546
Hong Kong	50,825	212,524
Other countries	108,780	115,166
	<u>441,570</u>	<u>446,236</u>

ii) Non-current assets

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

c) Information about major customers

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
MLCC		
– Customer A	N/A*	71,212
– Customer B	N/A*	45,353
	<u>N/A*</u>	<u>45,353</u>

* The corresponding revenue did not contribute 10% or more of the Group's total revenue during the corresponding year.

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Sale of MLCC	352,236	367,285
Interest income from financial investment	–	97
Finance lease interest income	370	858
Asset management fee income	53,780	58,624
Net gain from fund investments	35,184	19,372
Revenue from investment and financial services	89,334	78,951
	441,570	446,236

5. **REVENUE**

The principal activities of the Group are the manufacturing and sale of MLCC, investment and financial services and other general trading.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Sale of MLCC	352,236	367,285
Asset management fee income	53,780	58,624
	406,016	425,909
Revenue from other sources		
Investment interest income	–	97
Finance lease interest income	370	858
Net gain from financial assets at FVPL	35,184	19,372
	35,554	20,327
	441,570	446,236

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 and other general trading 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 2020, the total amount of interest income on financial assets measured at amortised cost, including bank interest income (note 6), was RMB616,000 (2019: RMB3,367,000).

6. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income on financial assets measured at amortised cost – bank interest income	246	2,412
Interest income on financial assets measured at FVPL – wealth management products	–	2,928
Gross rental income from investment properties	4,429	6,648
Government grants (<i>note</i>)	8,551	4,522
Release of government grants as income	2,748	2,861
Sale of materials	–	188
Other management fee income	460	927
Net foreign exchange gain	–	2,774
Gain on lease modification	1,613	–
Reversal of impairment loss of accounts receivables	5,318	–
Sundry income	2,555	1,002
	<u>25,920</u>	<u>24,262</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. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

a) Finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	150	–
Interest on other loans	18,903	11,594
Interest on bond payable	–	17,374
Interest on lease liabilities	2,301	3,115
	<u>21,354</u>	<u>32,083</u>

b) Staff costs (including directors' emoluments)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits (<i>notes i and ii</i>)	164,649	137,475
Contributions to defined contribution retirement plans	4,642	10,377
Equity-settled share-based payment expenses	378	1,535
	<u>169,669</u>	<u>149,387</u>

c) **Other items**

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold		301,007	364,788
Write-down of inventories		18,743	19,053
Reversal of write-down of inventories (<i>note iii</i>)		(31,021)	(6,198)
Cost of inventories (<i>note i</i>)		288,729	377,643
Depreciation charge			
– owned property, plant and equipment		45,203	36,245
– investment property		681	681
– right-of-use assets		14,091	11,290
Depreciation (<i>notes i and ii</i>)		59,975	48,216
Amortisation of other intangible assets		701	404
Research and development costs:			
Current year expenditure (<i>note ii</i>)		40,482	67,622
Short term lease		2,406	1,749
Auditor's remuneration			
– audit services		1,607	1,778
– non-audit services		274	268
Net foreign exchange loss/(gain)		4,828	(2,774)
(Reversal of impairment loss)/impairment			
loss of accounts receivables, net*		(5,318)	933
Loss on disposal of property, plant and equipment		985	994
Rental income on investment property less direct outgoings of RMB230,000 (2019: RMB339,000)	<i>6</i>	(4,199)	(6,309)

* The reversal of impairment loss of accounts receivables are included in “other income” (2019: impairment loss of accounts receivables are included in “other expenses”) of the consolidated statement of profit or loss and other comprehensive income.

Notes:

- i) Cost of inventories includes depreciation of RMB39,603,000 (2019: RMB32,672,000) and staff costs of RMB78,568,000 (2019: RMB72,441,000), which are also included in the respective total amounts disclosed separately above.
- ii) Included in research and development costs are depreciation of RMB3,705,000 (2019: RMB6,367,000) and staff costs of RMB18,036,000 (2019: RMB14,237,000), which are also included in the respective total amounts disclosed separately above.
- iii) During the year ended 31 December 2020, there was a reversal of write-down of inventories of RMB31,021,000 (2019: RMB6,198,000) 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
– Hong Kong Profits Tax for the year	2,409	2,419
– PRC Enterprise Income Tax (“EIT”) for the year (<i>note (iv)</i>)	197	133
– Over provision of Hong Kong Profits Tax in prior year	(383)	(104)
– Under/(over) provision of EIT in prior year	7	(4,651)
Deferred taxation		
– Origination and reversal of temporary differences	<u>(3,712)</u>	<u>476</u>
Income tax credit for the year	<u><u>(1,482)</u></u>	<u><u>(1,727)</u></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 2020 is calculated at 16.5% (2019: 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 2019.

- 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 2020, all PRC subsidiaries were subject to EIT at the standard rate of 25% (2019: 25%) on their respective taxable profit during the year, except that 深圳市宇陽科技發展有限公司 (literally translated as Shenzhen Eyang Technology Development Co., Ltd.), an indirect wholly-owned subsidiary of the Company, was recognised as High and New Technology Enterprise on 16 October 2018 and is subject to income tax rate of 15% for three consecutive years commencing in 2018.

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

10. 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 RMB5,767,000 (2019: RMB125,976,000) and the weighted average number of 744,750,000 (2019: 744,750,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2020 '000	2019 '000
Weighted average number of ordinary shares at 31 December	<u>744,750</u>	<u>744,750</u>

(b) Diluted loss per share

Diluted loss per share is the same as the basic loss per share as there were no potential ordinary shares outstanding during the years ended 31 December 2020 and 2019 respectively.

11. ACCOUNTS AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Accounts receivables (<i>note a</i>)	169,623	137,733
<i>Less: loss allowance</i>	<u>(8,268)</u>	<u>(13,707)</u>
	161,355	124,026
Bills receivables (<i>note b</i>)	<u>23,881</u>	<u>3,431</u>
	<u>185,236</u>	<u>127,457</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 are generally one to four months. 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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	79,901	47,087
91 to 180 days	17,584	24,608
181 to 360 days	19,892	20,204
1 to 2 years	23,498	20,465
2 to 3 years	18,513	18,796
Over 3 years	10,235	6,573
	<u>169,623</u>	<u>137,733</u>

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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	22,721	1,551
91 to 180 days	–	1,880
181 to 360 days	1,160	–
	<u>23,881</u>	<u>3,431</u>

12. TRADE AND BILLS PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	63,771	40,819
Bills payables	<u>7,799</u>	<u>3,731</u>
	<u>71,570</u>	<u>44,550</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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	58,453	39,220
91 to 180 days	5,011	1,164
181 to 360 days	–	1
1 to 2 years	163	62
Over 2 years	<u>144</u>	<u>372</u>
	<u>63,771</u>	<u>40,819</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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	7,799	3,375
91 to 180 days	<u>–</u>	<u>356</u>
	<u>7,799</u>	<u>3,731</u>

13. CAPITAL AND RESERVES

	2020 <i>HKD'000</i>	2019 <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 (2019: 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 2020, the outbreak of the coronavirus (COVID-19) has brought enormous challenges and difficulties to the global macro economy and the Group. 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 2020, the investment and financial services segment has remained stable, while the other general trading segment has been temporarily halted.

MLCC

The outbreak of coronavirus (COVID-19) in 2020 has imposed challenges to the global environment. In the first half of 2020, as affected by the pandemic, the circulation of industrial chain and supply chain were arrested, while the growth of international trading has shrunk and end-user demand was suppressed. In particular, the impact on mobile phones and security were relatively higher. The MLCC segment of the Group was also affected in terms of sales, resulting in a decline in sales volume. In the second half of 2020, since the pandemic had been under control in China, the domestic electronics industry was on track to recovery. The 5G technology has been popularized and the domestic substitution has made great progress. Together with the continuous development of industries of electric vehicles and intellectual manufacturing, the demand for electronic products has increased significantly, which led to a recovery for the needs of MLCC. Meanwhile, the Group is devoted to improving the sales team management and enhancing sales agency network and market share expansion. The sales volume and amount of the MLCC segment boosted significantly with an increase of 121% and 139% respectively, as compared to the first half of 2020.

In addition to the expansion of sales volume, the Group also focused on improvement of product quality, optimization of product structure and enhancement of industry reputation. The production of the two plants in Dongguan and Anhui is now stable and orderly. The measures such as acquiring new equipments, advancing technologies and enhancing automation and informatisation levels on the early stage have all been proved effective, which took the monthly production capacity and yield of the MLCC segment to a new level and helped to control the cost. Hence, despite the outbreak, the gross profit of the MLCC segment of the Group boosted significantly during the reporting period with an increase in gross profit margin from gross loss of 4.0% in 2019 to gross profit of 17.5% in 2020.

In order to seize the opportunity of MLCC localization and to satisfy the needs of clients, the Group proposed to expand its input in new production capacity in the next few years. For the project of relocating and expanding the current production base in Chuzhou, Anhui Province, which locates in Chuzhou Economic Development Zone, land acquisition, energy conservation review, safety assessment and environmental impact assessment was completed in the reporting period. The construction has begun since 16 December 2020. During the reporting period, the Group has set up a new wholly-owned subsidiary, Dongguan Dong Eyang Technology Development Co., Ltd,* (東莞市東宇陽電子科技發展有限公司). On 28 July 2020, the Group agreed on an intention with the People's Government of Fenggang Town, Dongguan City (東莞市鳳崗鎮人民政府) for the proposed establishment of a production base in Fenggang Town, Dongguan City, so as to relocate and expand the current production base in Dongguan City. In addition, the Group endeavours to look for appropriate location in Shenzhen for the establishment of production, R&D and pilot scale production base for high-class and high reliance MLCC of industrial grade. The production capacity and technology standards of the Group will be notably improved after the completion of the aforesaid construction.

* For identification purposes only.

Asset Management

As at 31 December 2020, 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 ⁽⁷⁾	Total from the Group ⁽⁸⁾
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	3 ⁽⁶⁾	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments	87.4	–
3 Tianli Private Debt Fund L.P.	January 2017	5+1 ⁽³⁾ +1 ⁽⁴⁾	Invest in a wide range of private debt instruments with regional focus primarily in developed countries and China	300.0	35.0
4 Tianli Private Debt Capital L.P.	March 2017	5+3 ⁽¹⁾ +1 ⁽¹⁾	Invest predominantly across a wide range of private debt instruments globally	175.0	9.8
5 Tianli Global Opportunities Capital L.P. ⁽²⁾	March 2017	7+2 ⁽¹⁾	Invest globally across various sectors and distressed assets	175.0	12.2

Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment	
				Total of the Fund ⁽⁷⁾	Total from the Group ⁽⁸⁾
6 Tianli Special Situations Capital L.P.	March 2017	7+2 ⁽¹⁾ +1 ⁽¹⁾	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	175.0	9.8
7 Tianli Public Markets Capital L.P.	March 2017	4+2 ⁽¹⁾ +2 ⁽¹⁾	Invest predominantly in the secondary market of publicly traded securities globally	100.0	5.6
8 Tianli M&A Investment L.P.	March 2017	5+2 ⁽⁴⁾	Invest predominantly in global mergers and acquisitions or other corporate finance related investments	310.0	–
9 Tianli China Opportunities Fund II L.P.	March 2017	5+1 ⁽³⁾ +1 ⁽⁴⁾	Project fund established for an investment in Shanghai	80.4	–
10 Tianli UK Opportunities Fund L.P.	March 2017	5+1 ⁽³⁾ +1 ⁽⁴⁾	Invest predominantly in projects located in United Kingdom	150.4	–
11 Tianli US Opportunities Fund L.P.	April 2017	5+1 ⁽³⁾ +1 ⁽⁴⁾	Invest predominantly in projects located in the United States	12.6	–

Notes:

1. Extension upon recommendation of the general partner with approval of the investment committee
2. Formerly known as Tianli Real Estate Capital L.P.
3. Extension upon sole discretion of the general partner
4. Extension upon recommendation of the general partner with approval of the advisory committee
5. Extension upon approval of the limited partners
6. Refers to investor lockup period
7. Including cross holdings among the funds
8. Including direct capital

As at 31 December 2020, the total capital commitment of the above funds (after eliminating the cross-holding effect) was approximately US\$1,057.8 million, among which the Group had committed approximately US\$89.9 million with US\$78.0 million capital invested. During the year 2020, the six funds that the Group has invested contributed a net gain of RMB35.2 million to the Group's financial results, in addition to the asset management fee income of RMB54.0 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	–	–	18.0	18.0
	Korea	5.5	–	–	5.5
	UK	24.9	–	–	24.9
Tianli M&A Investment L.P.	Hong Kong	366.0	–	–	366.0
Tianli Private Debt Capital L.P.	Hong Kong	28.3	–	–	28.3
Tianli China Opportunities Fund II L.P.	PRC	–	69.2	–	69.2
Tianli UK Opportunities Fund L.P.	UK	–	136.6	25.2	161.8
Tianli US Opportunities Fund L.P.	US	–	13.8	–	13.8
Total		424.7	327.3	43.2	795.2

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 2020 by the management using cash flow projections based on a financial budget, and had been increased to RMB25.9 million due to better-than-expected present value of the expected business return.

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.

OTHER GENERAL TRADING

The Group's general trading segment was severely affected by the uncertain global economic environment. The Group has temporarily suspended trading activities for the year ended 31 December 2020 to avoid potential risks in the adverse trading environment. As at 15 January 2021, the Board has also resolved to cease other general trading business.

BUSINESS PROSPECTS

After the destocking stage in 2019, the MLCC market has gradually recovered during 2020. Although the outbreak of coronavirus (COVID-19) imposed a great threat to the global economy and suppressed the end-user demand in the first half of 2020, since the pandemic was under control in China by the middle of the year, the downstream markets like new infrastructure construction and new energy sources were back on track. As the demand of MLCC was increased, performance of the MLCC segment of the Group has been notably improved. In 2021, due to the continuing impact of COVID-19 pandemic, Sino-US trade war and other relevant factors, the output of industries such as automobile, mobile phone and security have been affected by the shortage of upstream semiconductor components. However, after the popularization of COVID-19 vaccine, the global economy could gradually embrace an overall recovery. In China, new infrastructure construction led by 5G technology has been implemented rapidly, which will benefit the MLCC business of the Group. As the leading company of small and micro MLCC industry in China, the Group has sharpened the competitive advantage of mobile terminal, security, network communication, PC and other traditional consumer markets. In this case, the Group will develop more reliable series of products with higher accuracy and proactively expand high-end markets and industrial application such as chip embedding technology and 5G base stations. Now there is a breakthrough in these fields and aforesaid products will be expected to hold much more market share. The Group will continue to enhance automation and informatisation levels, tap the potential of technology and increase production capacity, especially to raise the production capacity of high-class products. Meanwhile, the Group will accelerate the construction of production bases. Therefore, the management will continue to consolidate dominant resources, expand production capacity, upgrade technology standards and seize the opportunity of domestic production substitution so as to strengthen the MLCC segment and meet the needs of the market.

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.

For other general trading segment, the Group will cease relative business in the year of 2021 and continue to focus on its current business.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group's revenue was solely derived from (i) MLCC segment; and (ii) investment and financial services segment. As aforementioned, the other general trading has been halted for the year ended 31 December 2020. Total revenue of the Group was RMB441.6 million, which represented a drop of RMB4.6 million, or 1.0%, as compared to that for the year ended 31 December 2019.

Revenue from the MLCC segment for the year ended 31 December 2020 was RMB352.2 million, representing a drop of RMB15.1 million, or 4.1% from the year ended 31 December 2019, which was due to weakened market circumstances in the industry in the first half of 2020.

Revenue from investment and financial services segment for the year ended 31 December 2020 reached RMB89.3 million. Among this, asset management fee income remained stable for the years ended 31 December 2020 and 2019, but with the Group's investment in funds noting fair values gains, together with higher dividend income from a fund, total revenue recorded RMB35.6 million for the year ended 31 December 2020 as compared to that of RMB20.3 million for the year ended 31 December 2019.

Gross Profit Margin

Aggregate gross profit margin for the year ended 31 December 2020 was 34.1%, representing a growth of 19.7% as compared to the year ended 31 December 2019.

Specifically, the gross profit margin of MLCC segment increased from gross loss margin of 4.0% for the year ended 31 December 2019 to gross profit margin of 17.5% for the year ended 31 December 2020. This was due to effective cost control implementation during the year.

Other Income

The Group's other income amounted to RMB25.9 million for the year ended 31 December 2020, representing a increase of 6.8% from the year ended 31 December 2019. The increase was mainly due to a one-off gain on reversal of impairment loss of account receivables of RMB5.3 million and net off the effect of decrease in rental income of RMB2.2 million for the year ended 31 December 2020.

Selling and Distribution Costs

The Group's selling and distribution costs totalled RMB15.9 million for the year ended 31 December 2020, and this was an increase of 27.0% from the year ended 31 December 2019. This was mainly due to an increase in staff salary for sales department in the MLCC segment.

Administrative Expenses

The Group's administrative expenses for the year ended 31 December 2020 were RMB111.0 million, representing an increase of RMB12.6 million from the year ended 31 December 2019. The increase was mainly because of an increase in employees' remuneration in MLCC segment.

Research and Development Costs

The Group incurred research and development costs of RMB40.5 million for the year ended 31 December 2020, representing a decrease of RMB27.1 million, or 40.1% from the year ended 31 December 2019. The decrease was mainly because the COVID-19 pandemic postponed the delivery of new machinery, causing the delay in testing of new products in MLCC segment.

Finance Costs

The Group's finance costs amounted to RMB21.4 million for the year ended 31 December 2020 representing an decrease of RMB10.7 million from the year ended 31 December 2019. The decrease was mainly due to further repayment of other loan after fully settling the bond payables in the second half of 2019.

Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB398.3 million as at 31 December 2020, increased by RMB147.8 million from the balance as at 31 December 2019. The increase was mainly due to the additions in plant and machinery used in the production of MLCC, as well as the adoption of IFRS 16 where leases had been capitalised.

Investment Property

The Group's investment property was carried at RMB21.6 million as at 31 December 2020, comparable to the carrying value of RMB22.2 million as at 31 December 2019.

Financial Assets at Fair Value Through Profit or Loss

As at 31 December 2020, the Group's financial assets at fair value through profit or loss ("FVPL") had a carrying value of RMB370.0 million, which was 3.6% decrease from the balance as at 31 December 2019 which was classified as financial assets designated at FVPL. This was mainly due to a fair value gain of RMB18.8 million and net off the return of capital of RMB16.4 million.

Accounts and Bills Receivables

As at 31 December 2020, the Group's accounts and bills receivables amounted to RMB185.2 million, an increase of RMB57.8 million or 45.3% from the balance as at 31 December 2019. The increase was mainly a result of an increase in sales in the second half of 2020 compared to the second half of 2019 in the MLCC segment.

Prepayments, Deposits and Other Receivables

As at 31 December 2020, prepayments, deposits and other receivables amounted to RMB53.9 million, an increase of RMB26.7 million as compared to the balance as at 31 December 2019. This was mainly due to the increase of deductible value-added tax from the acquisition of fixed assets in MLCC segment.

Cash and Bank Balances and Pledged Bank Deposits

As at 31 December 2020, the Group's cash and bank balances and pledged bank deposits totalled RMB60.3 million, down by RMB115.0 million from 31 December 2019. The decrease was mainly due to the acquisition of new machinery and equipment during the year ended 31 December 2020.

Trade and Bills Payables

As at 31 December 2020, the Group's trade and bills payables amounted to RMB71.6 million, an increase of RMB27.0 million from 31 December 2019. This was mainly due to an increase in production in the second half of 2020 compared to the second half of 2019 in the MLCC segment.

Deferred Income, Accruals and Other Payables

As at 31 December 2020, total deferred income, accruals and other payables amounted to RMB82.4 million, which was an increase of RMB5.0 million from 31 December 2019. The increase was mainly due to the increase of unpaid equipment costs.

Bank and Other Loans

As at 31 December 2020, the Group's bank and other loans was carrying RMB220.1 million, which represented an increase of RMB19.4 million from RMB200.7 million as at 31 December 2019. The increase was mainly due to the accrual of interests and the new bank and other loans from independent third parties.

Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities.

Capital Commitments

As at 31 December 2020, the Group had capital commitments of RMB256.0 million, including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US\$13.2 million, or RMB87.0 million, Tianli China Opportunities Fund I L.P. of approximately US\$1.4 million, or RMB9.0 million and capital commitment for construction of plant of approximately RMB123.7 million and addition of production equipment of approximately RMB36.3 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 31 December 2020, the Group had net current assets of approximately RMB79.2 million (2019: RMB107.0 million), comprising of current assets of RMB477.8 million (2019: RMB453.0 million), net off current liabilities of RMB398.6 million (2019: RMB346.0 million).

The Group's current ratio was 1.2 as at 31 December 2020, while this ratio was 1.3 as at 31 December 2019. The decrease in current ratio was mainly due to the acquisition of new machinery and equipment during the year ended 31 December 2020.

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 (2019: Nil). The leasehold land of the Group with a carrying value of RMB18,175,000 (2019: Nil) was pledged to an independent third party which provided a guarantee to a bank in respect of the bank facilities granted to the Group.

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, obligations under finance lease, 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 2020 and 2019, the gearing ratios of the Group were approximately 28.8% and 17.6%, respectively. The increase in gearing ratio was a result of the decrease in cash which was paid for the acquisition of new machinery and equipment in MLCC segment during the year ended 31 December 2020.

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

In 2020, the Group's revenue were mainly denominated in Renminbi, US dollars and HK\$, whilst its purchases were mainly denominated in Renminbi, US dollars, HK\$ and Japanese Yen. The trade receivables denominated in US dollars were greater than the trade payables denominated in US dollars, and the trade receivables denominated in HK\$ were smaller than the trade payables denominated in HK\$. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of exchange rates, foreign 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 2020, leasehold land of the Group with carrying amounts of approximately RMB18.2 million (2019: Nil) have been pledged as securities for banking facilities.

HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 1,255 (2019: 994) employees. The remuneration policy and package of the Group's employees are structured in accordance with market conditions, the performance, educational background and experience of individual employees as well as statutory requirements where appropriate.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

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 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, 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 24 June 2020 (the “**2020 AGM**”) due to immigration restrictions under the COVID-19 pandemic. The 2020 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 enhances the Group’s corporate governance practices 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 2020.

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 2020.

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 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhou Chunhua (Chairman), Mr. Pan Tong (Chief Executive Officer), Mr. Chou, Benjamin Bang Yi and Ms. Du Weilin; and three independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. David Tsoi and Mr. Xu Xuechuan.