TIANLI
HOLDINGS GROUP LIMITED

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2019 was approximately RMB260.9 million, representing a drop of approximately RMB384.7 million, or 59.6%, as compared to the corresponding period in 2018;
- Gross profit for the six months ended 30 June 2019 was RMB42.7 million, representing a significant drop from RMB345.4 million in the same period in 2018. Gross profit margin for the six months ended 30 June 2019 was 16.4%, also noting a significant drop from the same period in 2018 which was 53.5%;
- Loss attributable to owners of the Company for the six months ended 30 June 2019 was RMB48.6 million as compared to a profit of RMB189.8 million for the same period in 2018;
- Basic loss per share for the six months ended 30 June 2019 was RMB6.66 cents, whereas basic earnings per share for the corresponding period in 2018 was RMB25.49 cents; and
- The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2019.

The board (the "**Board**") of directors (the "**Directors**") of Tianli Holdings Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period ended 30 June 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	**Six months ended 30 June** **2019** **(Unaudited)** ***RMB'000***	2018 *(Note)* (Unaudited) *RMB'000*
Revenue	*3 & 4*	**260,933**	645,618
Cost of sales		**(218,228)**	(300,244)
Gross profit		**42,705**	345,374
Other income	*4*	**12,020**	31,773
Selling and distribution costs		**(9,209)**	(13,975)
Administrative expenses		**(40,189)**	(51,343)
Research and development costs		**(42,341)**	(27,310)
(Loss)/profit from operations		**(37,014)**	284,519
Finance costs	*5*	**(15,358)**	(14,466)
Share of loss of an associate		**(638)**	–
(Loss)/profit before taxation		**(53,010)**	270,053
Income tax credit/(expenses)	*6*	**4,522**	(80,486)
(Loss)/profit for the period		**(48,488)**	189,567
Other comprehensive income for the period, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**605**	3,723
Total comprehensive (loss)/income for the period, net of income tax		**(47,883)**	193,290
(Loss)/profit for the period attributable to:			
Owners of the Company		**(48,591)**	189,833
Non-controlling interests		**103**	(266)
		(48,488)	189,567
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(48,032)**	193,353
Non-controlling interests		**149**	(63)
		(47,883)	193,290
		RMB cents	*RMB cents*
(Loss)/earnings per share			
Basic and diluted	*8*	**(6.66)**	25.49

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	**30 June 2019** **(Unaudited)** ***RMB'000***	31 December 2018 *(Note)* (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**287,413**	152,860
Investment properties		**22,574**	22,915
Prepaid land lease payments		**–**	34,525
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		**93,841**	32,866
Interest in an associate		**16,528**	17,064
Financial assets at fair value through other comprehensive income ("FVOCI")		**9,588**	9,524
Financial assets at fair value through profit or loss ("FVPL")		**386,862**	368,076
Finance lease receivable	*10*	**16,278**	–
Other intangible assets		**571**	335
Deferred tax assets		**23,908**	24,052
Total non-current assets		**857,563**	662,217
Current assets			
Inventories		**148,320**	196,081
Accounts and bills receivables	*9*	**145,676**	277,353
Finance lease receivable	*10*	**7,152**	–
Prepayments, deposits and other receivables		**31,073**	48,176
Financial assets at FVPL		**200,000**	110,530
Pledged bank deposits		**5,475**	13,187
Cash and bank balances		**197,256**	488,424
Total current assets		**734,952**	1,133,751

	Note	30 June 2019 (Unaudited) RMB'000	31 December 2018 *(Note)* (Audited) RMB'000
Current liabilities			
Trade and bills payables	*11*	**60,468**	144,915
Deferred income, accruals and other payables		**71,452**	141,883
Tax payable		**9,924**	63,576
Bond payable		**404,549**	387,874
Lease liabilities		**11,481**	–
Obligations under finance lease		**–**	118
Dividends payable		**88**	88
Total current liabilities		**557,962**	738,454
Net current assets		**176,990**	395,297
Total assets less current liabilities		**1,034,553**	1,057,514
Non-current liabilities			
Lease liabilities		**29,748**	–
Obligations under finance lease		**–**	173
Deferred income		**18,560**	20,008
Deferred tax liabilities		**39,850**	43,907
Total non-current liabilities		**88,158**	64,088
Net assets		**946,395**	993,426
Capital and reserves			
Total equity attributable to owners of the Company			
Share capital		**6,637**	6,637
Reserves		**933,120**	980,383
		939,757	987,020
Non-controlling interests		**6,638**	6,406
Total equity		**946,395**	993,426

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL INFORMATION

Tianli Holdings Group Limited 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 Group are (i) manufacturing and sale of multi-layer ceramic chips ("MLCC"), (ii) investment and financial services and (iii) other general trading.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provision of the Listing Rules and in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised standards and interpretations that are effective for the Group's current accounting period noted below.

Application of new and revised standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

- IFRS 16, Leases
- Amendments to IFRS 9, Prepayment features with negative compensation
- Amendments to IAS 19, Plan amendment, curtailment or settlement
- Amendments to IAS 28, Long-term interests in associates and joint ventures
- Annual improvement to IFRSs 2015-2017 Cycle
- IFRIC 23, Uncertainty over income tax treatments

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16 Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC-15, *Operating leases – incentives*, and SIC-27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements remain substantially unchanged from IAS 17.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the costs of the right-of-use assets also include an estimate of costs to dismantle and remove the underlying assets or to restore the underlying assets or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of machinery as a lessor of finance leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The incremental borrowing rates used for determination of the present value of the remaining lease payments ranged from 3.4% to 8.9%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018 (Audited)	**55,403**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(964)**
– leases of low-value assets	**(252)**
Less: total future interest expenses	**(9,066)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 (Unaudited)	**45,121**
Add: finance lease liabilities recognised as at 31 December 2018	**291**
Total lease liabilities recognised at 1 January 2019 (Unaudited)	**45,412**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 (Audited) *RMB'000*	**Capitalisation of operating lease contracts (Unaudited)** *RMB'000*	**Carrying amount at 1 January 2019 (Unaudited)** *RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	152,860	80,542	233,402
Prepaid land lease payments	34,525	(34,525)	–
Total non-current assets	**662,217**	**46,017**	**708,234**
Prepayments, deposits and other receivables			
– Prepaid land lease payments	896	(896)	–
Total current assets	**1,133,751**	**(896)**	**1,132,855**
Obligations under finance lease	118	(118)	–
Lease liabilities	–	11,451	11,451
Total current liabilities	**738,454**	**11,333**	**749,787**
Net current assets	**395,297**	**(12,229)**	**383,068**
Total assets less current liabilities	**1,057,514**	**33,788**	**1,091,302**
Obligations under finance lease	173	(173)	–
Lease liabilities	–	33,961	33,961
Total non-current liabilities	**64,088**	**33,788**	**97,876**
Net assets	**993,426**	**–**	**993,426**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 (Unaudited) ***RMB'000***	1 January 2019 (Unaudited) *RMB'000*
Included in "Property, plant and equipment":		
Properties leased for own use	**40,113**	45,121
Land use right	**35,200**	35,421
	75,313	80,542

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments (Unaudited) ***RMB'000***	**Total minimum lease payments (Unaudited)** ***RMB'000***	Present value of the minimum lease payments (Unaudited) *RMB'000*	Total minimum lease payments (Unaudited) *RMB'000*
Within 1 year	**11,481**	**12,138**	11,451	11,868
After 1 year but within 2 years	**10,978**	**12,128**	10,958	12,108
After 2 years but within 5 years	**18,540**	**24,125**	20,682	26,874
After 5 years	**230**	**356**	2,321	3,638
	29,748	**36,609**	33,961	42,620
	41,229	**48,747**	45,412	54,488
Less: Total future interest expenses		**(7,518)**		(9,076)
Present value of lease obligations		**41,229**		45,412

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 will result in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16	**Add: depreciation and interest expense under IFRS 16**	**Deduct: Estimated amounts related to operating leases as if under IAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under IAS 17**	Amounts reported for 2018 under IAS 17
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	(Unaudited)
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
(Loss)/profit from operations	**(37,014)**	**5,047**	**(5,727)**	**(37,694)**	**284,519**
Finance costs	(15,358)	1,555	–	(13,803)	(14,466)
(Loss)/profit before taxation	**(53,010)**	**6,602**	**(5,727)**	**(52,135)**	**270,053**
(Loss)/profit for the period	**(48,488)**	**6,602**	**(5,727)**	**(47,613)**	**189,567**
Reportable segment (loss)/ profit for the six months ended 30 June 2019 (note 3) impacted by the adoption of IFRS 16:					
– MLCC	(64,515)	4,398	(3,801)	(63,918)	277,075
– Investment and financial services	35,492	2,204	(1,926)	35,770	4,540
– Other general trading	(65)	–	–	(65)	324
Total	(29,088)	6,602	(5,727)	(28,213)	281,939

	2019			2018
	Amounts reported under IFRS 16	**Deduct: Estimated amounts related to operating leases as if under IAS 17** *(notes 1 & 2)*	**Hypothetical amounts for 2019 as if under IAS 17**	Amounts reported for 2018 under IAS 17
	(Unaudited) ***RMB'000***	**(Unaudited)** ***RMB'000***	**(Unaudited)** ***RMB'000***	(Unaudited) *RMB'000*
Line items in the condensed consolidated statement of cash flows for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash (use in)/generated from operations	(1,794)	(5,727)	(7,521)	109,160
Net cash (use in)/generated from operating activities	(50,240)	(5,727)	(55,967)	102,524
Capital element of lease rentals paid	(4,265)	4,172	(93)	(60)
Interest element of lease rentals paid	(1,558)	1,555	(3)	(5)
Net cash generated from/(used in) financing activities	1,311	5,727	7,038	(509,464)

Notes:

1 The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still been applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still been applied in 2019. Any potential net tax effect is ignored.

2 In this impact table, these cash outflows are reclassified from financing activities to operating activities in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 had still been applied.

3. **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.

(a) MLCC: manufacturing and sale of MLCC;

(b) Investment and financial services: including but not limited to (i) direct investments in debt, equity and/or any other asset; (ii) asset management; and (iii) provision of financial advisory services; and

(c) 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.

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 six months ended 30 June 2019 and 2018 is set out below:

	Six months ended 30 June 2019 (Unaudited)			
	MLCC *RMB'000*	**Investment and financial services** *RMB'000*	**Other general trading** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition:				
Point in time	**208,058**	**24,044**	**–**	**232,102**
Over time	**–**	**28,831**	**–**	**28,831**
Reportable segment revenue from external customers	**208,058**	**52,875**	**–**	**260,933**
Reportable segment (loss)/profit	**(64,515)**	**35,492**	**(65)**	**(29,088)**

	Six months ended 30 June 2018 (Unaudited)			
	MLCC *RMB'000*	Investment and financial services *RMB'000*	Other general trading *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition:				
Point in time	565,303	(6,043)	59,368	618,628
Over time	–	26,990	–	26,990
Reportable segment revenue from external customers	565,303	20,947	59,368	645,618
Reportable segment profit	277,075	4,540	324	281,939

There are no inter-segment revenue for the six months ended 30 June 2019 and 2018.

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

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2019 and 31 December 2018:

	At 30 June 2019 (Unaudited)			
	MLCC	**Investment and financial services**	**Other general trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**990,479**	**548,075**	**1,678**	**1,540,232**
Reportable segment liabilities	**217,966**	**11,194**	**918**	**230,078**

	At 31 December 2018 (Audited)			
	MLCC	Investment and financial services	Other general trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Note*)
Reportable segment assets	1,226,629	502,010	31,660	1,760,299
Reportable segment liabilities	403,100	2,551	926	406,577

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total reportable segment (loss)/profit derived from the Group's external customers	**(29,088)**	281,939
Corporate interest income	**741**	6
Other corporate income	**–**	15,698
Central administrative expenses	**(10,863)**	(17,823)
Central finance costs	**(13,800)**	(9,767)
Consolidated (loss)/profit before taxation	**(53,010)**	270,053

4. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sale of MLCC	**208,058**	565,303
Other general trading	**–**	59,368
Assets management fee income	**28,831**	26,904
	236,889	651,575
Revenue from other sources		
Investment interest income *(note i)*	**–**	86
Net gain/(loss) on financial assets at FVPL	**24,044**	(6,043)
	24,044	(5,957)
	260,933	645,618
Other income		
Interest income on financial assets measured at amortised costs		
– Bank interest income *(note i)*	**3,220**	1,195
Gross rental income from investment properties	**3,237**	3,460
Government grants *(note ii)*	**3,128**	1,836
Release of government grants as income	**1,448**	1,732
Gain on disposal of subsidiaries	**–**	13,562
Net foreign exchange gain	**139**	6,420
Sale of materials	**11**	26
Other management fee income	**–**	250
Sundry income	**837**	3,292
	12,020	31,773
	272,953	677,391

Note i: For the six months ended 30 June 2019, the total amount of interest income on financial assets measured at amortised cost, including bank interest income, was RMB3,220,000 (six months ended 30 June 2018: RMB1,281,000).

Note ii: Government grants represented the subsidy to the Group by the government of the the People's Republic of China (the "PRC") as incentive primarily to encourage the development of the Group and the contribution to the local economic development.

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
		(Note)
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at FVPL:		
Interest on bank loans	**–**	2,086
Interest on other loans	**–**	2,608
Interest on bond payable	**13,800**	9,767
Interest on lease liabilities	**1,558**	–
Finance charges on obligations under finance lease	**–**	5
	15,358	14,466

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6. INCOME TAX CREDIT/(EXPENSES)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
– PRC Enterprise Income Tax ("EIT") for the period	**4,522**	(70,087)
Deferred taxation		
– Origination and reversal of temporary differences	**–**	(10,399)
Income tax credit/(expenses) for the period	**4,522**	(80,486)

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.

No Hong Kong Profits Tax has been provided for the six months ended 30 June 2019 and 2018 as the Group had no assessable profits derived in Hong Kong for the periods.

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.

All PRC subsidiaries were subject to EIT at the standard rate of 25% on their respective taxable profit during the six months ended 30 June 2019 and 2018, 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.

7. DIVIDENDS

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of RMB48,591,000 (six months ended 30 June 2018: profit of RMB189,833,000), and the weighted average number of 744,750,000 (six months ended 30 June 2018: 744,750,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30 June 2019 and 2018 is the same as the basic (loss)/earnings per share as there were no potential ordinary shares outstanding during the periods.

9. ACCOUNTS AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Accounts receivables	**150,850**	244,459
Less: loss allowance	**(10,910)**	(12,769)
	139,940	231,690
Bills receivables	**5,736**	45,663
	145,676	277,353

Accounts receivables consist of trade receivables and assets 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 assets management fee is received or receivable at the end of each quarter. Each customer is assigned a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are reviewed regularly by management. The accounts receivables are non-interest-bearing.

The bills receivables were all due within one year from the end of the reporting period.

An ageing analysis of the accounts receivables as at the end of the reporting period based on the revenue recognition date is as follows:

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Within 90 days	**97,567**	178,617
91 to 180 days	**6,660**	29,573
181 to 360 days	**10,142**	11,201
1 to 2 years	**22,082**	17,661
2 to 3 years	**6,955**	268
Over 3 years	**7,444**	7,139
	150,850	244,459

As at the end of the reporting period, the ageing analysis of bills receivables based on bills issue date is as follows:

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Within 90 days	**2,346**	19,652
91 to 180 days	**2,278**	16,152
181 to 360 days	**1,112**	9,859
	5,736	45,663

10. FINANCE LEASE RECEIVABLE

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Finance lease receivable comprises:				
Within 1 year	**8,819**	–	**7,152**	–
After 1 year but within 3 years	**17,777**	–	**16,278**	–
	26,596	–	**23,430**	–
Less: Unearned finance lease income	**(3,166)**	–	**–**	–
Present value of minimum lease payments receivable	**23,430**	–	**23,430**	–

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Representing:		
Current	**7,152**	–
Non-current	**16,278**	–
	23,430	–
Effective interest rate		
Finance lease receivable	**8%**	–

The ageing analysis of finance lease receivable, determined based on the age of the receivable since the effective date of the relevant lease contracts, as at the reporting date, is as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 1 year	**23,430**	-

11. TRADE AND BILLS PAYABLES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Trade payables	**59,835**	138,907
Bills payables	**633**	6,008
	60,468	144,915

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

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 90 days	**46,371**	124,281
91 to 180 days	**10,864**	13,402
181 to 360 days	**1,414**	127
1 to 2 years	**90**	90
Over 2 years	**1,096**	1,007
	59,835	138,907

The trade payables are non-interest-bearing and are normally settled within 30 to 120 days.

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

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 90 days	**633**	5,793
91 to 180 days	**–**	215
	633	6,008

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

After a remarkable year of 2018, the Group has been facing tremendous challenges and difficulties as the general economic environment does in the year of 2019. While the MLCC business is expected to grow and continue to be the Group's major source of growth, this segment has encountered an unprecedented level of threats along with plenty of opportunities. The management commits to strive to work out and to shape a maximised path for MLCC segment's future. During the six months ended 30 June 2019, the investment and financial services segment has remained stable, while the other general trading segment has been temporarily halted.

MLCC

The MLCC market went through an abrupt change in the fourth quarter of 2018. After rising for over a year, prices of MLCC products continuously dropped as a result of a market-wide sell-off among MLCC agents, alleviating the supply shortage in conventional MLCC products. The global macroeconomy faced daunting headwinds created by the US-China trade war. Consequently, customers cut orders and took time to reduce their excess inventories amid a weakening domestic consumer market with subdued activities in the traditional peak seasons for consumer electronics. As a result, the MLCC segment reported a decrease in revenue for the first half of 2019 and the downturn is expected to sustain for a period of time.

Since the beginning of July and until mid-August 2019, the management of the Group's production plant in Dongguan, PRC under the MLCC segment had received a substantial number of staff resignation requests, which had disrupted production at the Dongguan plant, though the other facility of the Group in Anhui, PRC had not been affected. As of the date of this announcement, the management of the Group are still taking actions to stabilize the situation and investigate the matter.

INVESTMENT AND FINANCIAL SERVICES

Asset management

As at 30 June 2019, the Group is managing 11 funds, each with a distinct focus. The Group derives assets 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

					Capital Commitment	
	Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Total of the Fund[7]	Total from the Group[8]
1	Tianli China Opportunities Fund I L.P.	January 2017	3+1[5]+1[5]	Project fund established for an investment in Beijing	116.4	17.5
2	Tianli SPC	January 2017	3[6]	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments	87.4	–
3	Tianli Private Debt Fund L.P.	January 2017	5+1[3]+1[4]	Invest in a wide range of private debt instruments with regional focus primarily in developed countries and China	300.0	35.0
4	Tianli Private Debt Capital L.P.	March 2017	5+3[1]+1[1]	Invest predominantly across a wide range of private debt instruments globally	175.0	9.8
5	Tianli Global Opportunities Capital L.P.[2]	March 2017	7+2[1]	Invest globally across various sectors and distressed assets	175.0	12.2
6	Tianli Special Situations Capital L.P.	March 2017	7+2[1]+1[1]	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	175.0	9.8
7	Tianli Public Markets Capital L.P.	March 2017	4+2[1]+2[1]	Invest predominantly in the secondary market of publicly traded securities globally	100.0	5.6
8	Tianli M&A Investment L.P.	March 2017	3+2[1]+2[4]	Invest predominantly in global mergers and acquisitions or other corporate finance related investments	310.0	–
9	Tianli China Opportunities Fund II L.P.	March 2017	5+1[3]+1[4]	Project fund established for an investment in Shanghai	80.4	–
10	Tianli UK Opportunities Fund L.P.	March 2017	5+1[3]+1[4]	Invest predominantly in projects located in United Kingdom	150.4	–
11	Tianli US Opportunities Fund L.P.	April 2017	5+1[3]+1[4]	Invest predominantly in projects located in the United States	12.6	–

Notes:

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

As at 30 June 2019, 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$79.5 million capital invested. During the first six months of 2019, the six funds that the Group has invested contributed a net gain of RMB24.0 million to the Group's financial results, in addition to assets management fee income of RMB28.8 million.

Unit: US$ million

		Product			
Fund name	**Country/region**	**Debt**	**Common equity**	**Preferred equity**	**Invested amount**
Tianli China Opportunities Fund I L.P.	PRC	–	116.4	–	116.4
Tianli Private Debt Fund L.P.	Australia	–	–	35.1	35.1
	Korea	5.5	–	–	5.5
	UK	49.6	–	–	49.6
Tianli M&A Investment L.P.	Hong Kong	310.0	–	–	310.0
Tianli China Opportunities Fund II L.P.	PRC	–	81.0	–	81.0
Tianli UK Opportunities Fund L.P.	UK	–	117.3	25.2	142.5
Tianli US Opportunities Fund L.P.	US	–	11.1	–	11.1
Total		**365.1**	**325.8**	**60.3**	**751.2**

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 2018 by the management using cash flow projections based on a financial budget, and had been adjusted downwards to RMB9.6 million due to a less optimistic business outlook. A similar review will be performed again close to the end of 2019.

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. Such private equity fund has an investment objective of seeking capital appreciation through equity investments primarily in Korea, by substantially investing in Asset One Investments Korea Limited, 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 greatly affected by the uncertainties in global economic environment. To avoid potential risks in the adverse trading environment, the Group has temporarily suspended trading activities in the period ended 30 June 2019.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2019, the Group's revenue was solely derived from (i) MLCC segment; and (ii) investment and financial services segment. As aforementioned, the general trading business has been halted during the six months ended 30 June 2019. Total revenue of the Group was RMB260.9 million, which represented a drop of RMB384.7 million, or 59.6%, as compared to the same period in 2018.

Revenue from MLCC segment in the first half of 2019 was RMB208.1 million, representing a drop of RMB357.2 million, or 63.2%, from the same period in 2018, owing to weakening market circumstances in the industry.

Revenue from investment and financial services segment in the first half of 2019 reached RMB52.9 million. Among this, assets management fee income remained stable in both periods, but with the Group's investments in funds noting fair values gains in the period, together with higher dividend income from these funds, total revenue from this segment improved by RMB31.9 million, or 152.4%, from the same period in 2018.

Gross Profit Margin

Aggregate gross profit margin for the six months ended 30 June 2019 was 16.4%, representing a drop of 37.1 percentage points from the same period in 2018.

Specifically, the gross profit margin of MLCC segment decreased from 57.2% in the first half of 2018 to gross loss margin of 4.9% for the same period in 2019. This was because of the high level of fixed costs while sales level was under great pressure.

Other Income

During the six months ended 30 June 2019, other income amounted to RMB12.0 million, representing a drop of RMB19.8 million, or 62.2%, from the same period in 2018 as there was a large and one-off gain on disposals of subsidiaries in 2018.

Selling and Distribution Costs

Selling and distribution costs amounted to RMB9.2 million for the six months ended 30 June 2019, which represented a drop of RMB4.8 million, or 34.1%, from the same period in 2018. This was mainly due to the reduced sales level in the MLCC segment.

Administrative Expenses

During the six months ended 30 June 2019, total administrative expenses were RMB40.2 million, representing a drop of RMB11.2 million, or 21.7%, from the same period in 2018. The decrease was mainly because of a drop in employees' remunerations.

Research and Development Costs

The Group incurred research and development costs of RMB42.3 million in the first half of 2019, which represented an increase of RMB15.0 million, or 55.0%, from the same period in 2018. Such increase has been initiated in 2018, as the Group devoted more efforts to high capacity and high precision products of super-miniature 0201 capacitors conducted.

Finance Costs

During the six months ended 30 June 2019, the Group incurred finance costs of RMB15.4 million, and this represented an increase of RMB0.9 million, or 6.2%, from the same period in 2018. Finance costs arose solely from corporate bonds in the first half of 2019, while finance costs arose from corporate bonds, and bank and other loans in 2018. The Group's bank and other loans had been fully repaid in 2018.

Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB287.4 million as at 30 June 2019, which represented an increase of RMB134.6 million from the balance of RMB152.9 million as at 31 December 2018. The increase was mainly due to the additions in plant and machineries used in the production of MLCC, as well as the adoption of IFRS 16 where leases had been capitalised.

Investment Properties

The Group's investment properties were RMB22.6 million at 30 June 2019, which was not materially different from the balance as at 31 December 2018 of RMB22.9 million.

Financial Assets at Fair Value Through Profit or Loss

The Group's financial assets at FVPL composed of non-current portion (i.e., fund investments) and current portion (i.e., wealth management products). At 30 June 2019, the non-current portion of such were carrying at RMB386.9 million, which was 5.1% up from the balance of RMB368.1 million as at 31 December 2018. Such increase was due to additional investments, as well as unrealised gains in the fund investments. At 30 June 2019, the current portion was amounted to RMB200.0 million, which was 80.9% up from the balance of RMB110.5 million as at 31 December 2018, as more idle cash was being placed in buying wealth management products.

Accounts and Bills Receivables

At 30 June 2019, the Group's accounts and bills receivables amounted to RMB145.7 million, which represented a drop of RMB131.7 million, or 47.5%, from the balance of RMB277.4 million as at 31 December 2018. The drop was mainly a result of smaller trade receivables due to less transactions in the MLCC segment in the first half of 2019.

Prepayments, Deposits and Other Receivables

At 30 June 2019, total prepayments, deposits and other receivables amounted to RMB124.9 million, noting an increase from the balance at 31 December 2018 of RMB81.0 million, as there were more deposits paid for acquisition of fixed assets.

Cash and Bank Balances and Pledged Bank Deposits

At 30 June 2019, the Group's cash and bank balances and pledged bank deposits totalled RMB197.3 million, down by RMB291.2 million, from RMB488.4 million as at 31 December 2018. The drop in cash level was mainly used in acquisition of new machinery and equipment, as well as buying of wealth management products.

Trade and Bills Payables

At 30 June 2019, the Group's trade and bills payables amounted to RMB60.5 million, which represented a drop of RMB84.4 million, from RMB144.9 million as at 31 December 2018. The decrease was mainly due to the shrinkage in MLCC production volumes in the first half of 2019.

Deferred Income, Accruals and Other Payables

At 30 June 2019, total deferred income, accruals and other payables amounted to RMB90.0 million, which was RMB71.9 million down from RMB161.9 million as at 31 December 2018. The decrease was mainly due to the settlement of salary payables, which were accrued at end of 2018, in early 2019.

Bond Payable

The bond payable by the Group at 30 June 2019 was carrying at RMB404.5 million, up by RMB16.7 million from RMB387.9 million as at 31 December 2018. The increase was mainly due to the accrual of interests during the period. Such bond has been fully repaid upon maturity in August 2019.

Contingent Liabilities

At 30 June 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

Capital Commitments

At 30 June 2019, the Group had capital commitments of RMB120.2 million (31 December 2018: RMB168.8 million), the nature of which was undrawn commitment to Tianli Private Debt Fund L.P. and purchase of plant and machinery.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 30 June 2019, the Group had net current assets of approximately RMB177.0 million (31 December 2018: approximately RMB395.3 million), comprising of current assets of RMB735.0 million (31 December 2018: approximately RMB1,133.8 million), net of current liabilities of RMB558.0 million (31 December 2018: approximately RMB738.5 million).

The Group's current ratio was 1.3 as at 30 June 2019, not materially different from the ratio at 31 December 2018 which was 1.5.

Banking Facilities

As at 30 June 2019, the Group had been granted banking facilities of RMB268.3 million (31 December 2018: RMB267.8 million) in aggregate, in which none had been utilised (31 December 2018: RMB265.7 million had not been utilised).

Gearing Ratio

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is defined as the excess of total liabilities (minus deferred income, tax payable and deferred tax liabilities), over cash and cash equivalents. Capital represents equity attributable to the owners of the Company (excluding share capital).

As at 30 June 2019 and 31 December 2018, the gearing ratios of the Group were approximately 28.8% and 15.8%, respectively. The increase in gearing ratio was mainly driven by the reduced cash balance, as well as the application of IFRS 16 where lease liabilities had newly arose in 2019.

Financial Resources

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

Foreign Currency Risk

In the first half of 2019, both of the Group's revenue and cost of sales were denominated in Renminbi, US dollars and Hong Kong dollars.

In the event of vigorous fluctuation of exchange rates, foreign currencies risk will exist to a certain extent. During the period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

BUSINESS PROSPECTS

In 2017, certain Japanese manufacturers shifted their production capacity to the market of high-end applications including vehicle applications and industrial control, causing the production capacity of conventional products to shrink considerably which, together with certain manufacturers and channels taking a chance to stockpile, all led to an unprecedented surge in price over the years in the MLCC market in the first three quarters of 2018. Since the fourth quarter of 2018, both the price and gross profit margin of MLCC have been plummeting amid the commissioning of new production capacity and a drop in demand, and the entire industry has entered into a de-stocking stage which remains as of now. Against the backdrop of severe challenges, considering the growth of new applications in terms of 5G technology, the internet of things (IoT) and electric vehicles, the management expected a continuous growth in the overall demand of MLCC market in a long run. In particular, the weighting of small and miniature products which the Group focuses on will continue to expand. In this regard, the Group further expanded its contributions in research and development as well as equipment in the first half of the year. Nevertheless, given the increasingly stringent environmental protection requirements and fierce peer competition in the PRC, the Group also encountered challenges recently, to a certain extent, with respect to employee turnover and limitation of production capacity. The management is currently adopting proactive measures to stabilize the core team and to push forward the production expansion plan in order to safeguard the relatively leading position of the Group in the MLCC market domestically.

In respect of investment and financial services, the Group will reinforce the post-investment monitoring and management of existing projects in its fund operation, taking 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, the Group holds a conservative view, and tends to avoid potential losses in trading activities.

EVENTS AFTER THE REPORTING PERIOD

(i) On 13 August 2019, a wholly-owned subsidiary of the Group entered into a loan agreement with an independent third party, with a loan principal of HK$463,500,000 (equivalent to approximately RMB407,880,000). The loan is interest bearing at 10% per annum, and is repayable on 12 August 2022.

(ii) On 14 August 2019, the Group settled the outstanding principal and interests of the bond payable, amounted to HK$463,500,000 (equivalent to approximately RMB407,880,000). On the same date, the Group entered into a deed of release with the bondholder to discharge the bond security which was the equity interest in Eyang Management Co., Limited.

HUMAN RESOURCES

As at 30 June 2019, the Group had a total of 1,120 (31 December 2018: 1,260) employees. The remuneration policy and package of the Group's employees are structured in accordance to market conditions, the performance, educational background and experience of individual employees as well as statutory requirements where appropriate.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 six months ended 30 June 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2019, the Company had complied with all code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry of all the Directors, all Directors had confirmed that they have complied with the required standards as set out in Model Code regarding their securities transactions throughout the six months ended 30 June 2019.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises four independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (chairman of the Audit Committee), Mr. To Yan Ming, Edmond, Mr. David Tsoi and Mr. Xu Xuechuan. The main duties of the Audit Committee are to assist the Board in providing an independent view of the financial statements and financial and accounting policies of the Company and overseeing the Company's financial reporting system, internal control procedures and risk management system of the Company. The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019.

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

Hong Kong, 29 August 2019

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