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 2020

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2020 was approximately RMB146.2 million, representing a drop of approximately RMB114.7 million, or 44.0%, as compared to the corresponding period in 2019;
- Gross profit margin reached 45.1% for the six months ended 30 June 2020, representing an increase by 28.7% as compared to the corresponding period in 2019; the gross profit margin of the MLCC business was 22.8% for the six months ended 30 June 2020 as compared to gross loss margin of 4.9% for the same period in 2019;
- Loss attributable to owners of the Company for the six months ended 30 June 2020 was RMB10.2 million as compared to a loss of RMB48.6 million for the same period in 2019;
- Basic loss per share for the six months ended 30 June 2020 was RMB1.37 cents, whereas basic loss per share for the corresponding period in 2019 was RMB6.66 cents; and
- The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2020.

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 2020, together with the comparative figures for the corresponding period ended 30 June 2019.

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

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3 & 4*	**146,171**	260,933
Cost of sales		**(80,218)**	(218,228)
Gross profit		**65,953**	42,705
Other income	*4*	**17,706**	12,020
Selling and distribution costs		**(7,279)**	(9,209)
Administrative expenses		**(53,930)**	(40,189)
Research and development costs		**(20,347)**	(42,341)
Profit/(Loss) from operations		**2,103**	(37,014)
Finance costs	*5*	**(10,714)**	(15,358)
Share of loss of an associate		**(461)**	(638)
Loss before taxation		**(9,072)**	(53,010)
Income tax (expense)/credit	*6*	**(1,195)**	4,522
Loss for the period		**(10,267)**	(48,488)
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		**743**	605
Total comprehensive loss for the period, net of income tax		**(9,524)**	(47,883)

	Notes	Six months ended 30 June **2020** **(Unaudited)** ***RMB'000***	 2019 (Unaudited) *RMB'000*
Loss for the period attributable to:			
Owners of the Company		**(10,232)**	(48,591)
Non-controlling interests		**(35)**	103
		(10,267)	(48,488)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(9,768)**	(48,032)
Non-controlling interests		**244**	149
		(9,524)	(47,883)
		RMB cents	*RMB cents*
Loss per share			
Basic and diluted	*8*	**(1.37)**	(6.66)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**334,718**	250,520
Investment properties		**21,893**	22,234
Prepaid land lease payments		**–**	–
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		**104,373**	145,720
Interest in an associate		**12,655**	12,738
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**11,692**	11,353
Financial assets at fair value through profit or loss ("**FVPL**")		**388,110**	383,269
Finance lease receivable	*10*	**–**	12,437
Other intangible assets		**1,223**	1,568
Deferred tax assets		**25,808**	25,807
Total non-current assets		**900,472**	865,646
Current assets			
Inventories		**192,360**	115,556
Accounts and bills receivables	*9*	**125,984**	127,457
Finance lease receivable	*10*	**–**	7,508
Prepayments, deposits and other receivables		**39,500**	27,224
Cash and bank balances		**143,359**	175,257
Total current assets		**501,203**	453,002

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current liabilities			
Trade and bills payables	*11*	**50,348**	44,550
Deferred income, accruals and other payables		**129,525**	77,272
Tax payable		**14,882**	13,320
Bank and other loans		**234,482**	200,742
Lease liabilities		**16,834**	10,013
Dividends payable		**88**	88
Total current liabilities		**446,159**	345,985
Net current assets		**55,044**	107,017
Total assets less current liabilities		**955,516**	972,663
Non-current liabilities			
Lease liabilities		**25,668**	29,137
Deferred income		**16,462**	17,597
Deferred tax liabilities		**46,136**	46,136
Total non-current liabilities		**88,266**	92,870
Net assets		**867,250**	879,793
Capital and reserves			
Share capital		**6,637**	6,637
Reserves		**851,864**	861,251
Total equity attributable to owners of the Company		**858,501**	867,888
Non-controlling interests		**8,749**	11,905
Total equity		**867,250**	879,793

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020 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 2019.

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 consolidated financial statements for the year ended 31 December 2019, 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 2020 for the preparation of the Group's condensed consolidated financial statements:

- Amendments to IFRS 3, Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8, Definition of Material
- Conceptual Framework for Financial Reporting

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 announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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; (iii) provision of financial advisory services; and (iv) financial technologies; 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 2020 and 2019 is set out below:

	Six months ended 30 June 2020 (Unaudited)			
	MLCC	**Investment and financial services**	**Other general trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Disaggregated by timing of revenue recognition:				
Point in time	**103,974**	**14,539**	**–**	**118,513**
Over time	**–**	**27,658**	**–**	**27,658**
Reportable segment revenue from external customers	**103,974**	**42,197**	**–**	**146,171**
Reportable segment (loss)/profit	**(18,383)**	**27,785**	**(2)**	**9,400**

	Six months ended 30 June 2019 (Unaudited)			
	MLCC	Investment and financial services	Other general trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*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)

There are no inter-segment revenue for the six months ended 30 June 2020 and 2019.

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 2020 and 31 December 2019:

	At 30 June 2020 (Unaudited)			
	MLCC	**Investment and financial services**	**Other general trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**788,077**	**596,723**	**1,751**	**1,386,551**
Reportable segment liabilities	**298,207**	**10,253**	**960**	**309,420**

	At 31 December 2019 (Audited)			
	MLCC	Investment and financial services	Other general trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	717,923	578,347	1,702	1,297,972
Reportable segment liabilities	213,799	9,044	932	223,775

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2020	2019
		(Notes)
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total reportable segment profit/(loss) derived from the Group's external customers	**9,400**	(29,088)
Corporate interest income	**426**	741
Central administrative expenses	**(9,385)**	(10,863)
Central finance costs	**(9,513)**	(13,800)
Consolidated loss before taxation	**(9,072)**	(53,010)

4. REVENUE AND OTHER INCOME

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:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sale of MLCC	**103,974**	208,058
Assets management fee income	**27,294**	28,831
	131,268	236,889
Revenue from other sources		
Investment interest income *(note i)*	**364**	–
Net gain on financial assets at FVPL	**14,539**	24,044
	14,903	24,044
	146,171	260,933
Other income		
Interest income on financial assets measured at amortised costs		
– Bank interest income *(note i)*	**166**	3,220
Gross rental income from investment properties	**2,787**	3,237
Government grants *(note ii)*	**3,252**	3,128
Release of government grants as income	**–**	1,448
Net foreign exchange gain	**7,768**	139
Sale of materials	**–**	11
Gain on lease modification	**1,162**	–
Reversal of impairment loss of account receivables	**2,570**	–
Sundry income	**1**	837
	17,706	12,020
	163,877	272,953

Note i: For the six months ended 30 June 2020, the total amount of interest income on financial assets measured at amortised cost, including bank interest income, was RMB166,000 (six months ended 30 June 2019: RMB3,220,000).

Note ii: Government grants represented the subsidy to the Group by the government of 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at FVPL:		
Interest on bank loan	**7**	–
Interest on other loans	**9,513**	–
Interest on bond payable	**–**	13,800
Interest on lease liabilities	**1,194**	1,558
	10,714	15,358

6. INCOME TAX (EXPENSES)/CREDIT

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
– Hong Kong Profits Tax for the period	**(1,017)**	–
– PRC Enterprise Income Tax ("**EIT**") for the period	**(178)**	4,522
Income tax (expenses)/credit for the period	**(1,195)**	4,522

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.

The provision for Hong Kong profits tax for the six month ended 30 June 2020 is calculated at 16.5% of the estimated assessable profits. No Hong Kong Profits Tax has been provided for the six month ended 30 June 2019 as the Group had no assessable profits derived in Hong Kong for the periods.

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

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

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 2020 and 2019, 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 2019.

7. DIVIDENDS

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company of RMB10,232,000 (six months ended 30 June 2019: loss of RMB48,591,000), and the weighted average number of 744,750,000 (six months ended 30 June 2019: 744,750,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2020 and 2019 is the same as the basic loss per share as there were no potential ordinary shares outstanding during the periods.

9. ACCOUNTS AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Accounts receivables	**118,668**	137,733
Less: loss allowance	**(11,137)**	(13,707)
	107,531	124,026
Bills receivables	**18,453**	3,431
	125,984	127,457

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 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Within 90 days	**38,802**	47,087
91 to 180 days	**9,156**	24,608
181 to 360 days	**17,753**	20,204
1 to 2 years	**21,077**	20,465
2 to 3 years	**24,610**	18,796
Over 3 years	**7,270**	6,573
	118,668	137,733

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

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within 90 days	**13,074**	1,551
91 to 180 days	**4,220**	1,880
181 to 360 days	**1,159**	–
	18,453	3,431

10. FINANCE LEASE RECEIVABLE

	Minimum lease payments receivable		**Present value of minimum lease payments receivable**	
	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*	**30 June 2020 (Unaudited)** ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Finance lease receivable comprises:				
Within one year	**–**	8,882	**–**	7,508
After one year but within three years	**–**	13,322	**–**	12,437
	–	22,204	**–**	19,945
Less: Unearned finance lease income	**–**	(2,259)	**–**	–
Present value of minimum lease payments receivable	**–**	(19,945)	**–**	19,945

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Representing:		
Current	–	7,508
Non-current	–	12,437
	–	19,945
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 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Within 1 year	–	19,945

Finance lease receivable is secured by lease assets. Additional collaterals may be obtained from customer to secure the repayment obligations under finance lease and such collaterals include property, plant and equipment, guarantee of the customer and/or its related parties.

11. TRADE AND BILLS PAYABLES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Trade payables	**47,991**	40,819
Bills payables	**2,357**	3,731
	50,348	44,550

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 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within 90 days	**37,657**	39,220
91 to 180 days	**5,941**	1,164
181 to 360 days	**2,370**	1
1 to 2 years	**1,696**	62
Over 2 years	**327**	372
	47,991	40,819

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 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within 90 days	**2,357**	3,375
91 to 180 days	**–**	356
	2,357	3,731

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2020, the outbreak of novel coronavirus (COVID-19) imposed significant challenges and difficulties to the global macro-environment and the Group. However, the MLCC business is the principal business of the Group and the major growth driver. The management has strived to overcome the challenges and to resolve the difficulties, enabling the Group to firmly develop the MLCC segment as planned. During the six months ended 30 June 2020, the investment and financial services segment has remained stable, while the other general trading segment has been temporarily halted.

MLCC

In the first half of 2020, as affected by the novel coronavirus (COVID-19) pandemic, end-user demand was suppressed, but the extent of the impact varied among different sectors. In general, the impact on mobile phones and security were relatively higher, while those on personal computers and Netcom were lesser. During the reporting period, the MLCC segment of the Group was also affected in terms of sales, resulting in a decline in sales volume. Against present unfavourable market environment, the Group continued to improve its product quality, optimise product structure and enhance industry reputation that achieved an increase of the average selling prices as compared to the results in the second half of 2019. Meanwhile, given the continuing global pandemic, it has also led to a drop in the supply by major MLCC manufacturers, causing the market prices of MLCC to be pushed up to a certain extent. As a result, the MLCC segment of the Group advanced as to the average selling prices with higher gross profit level in the first half of 2020.

During the reporting period, the Group was also committed to improving cost control. The production of the two plants in Dongguan and Anhui was stable and orderly. Work and production resumed promptly, though being swept by the pandemic. The Group has also acquired new equipment and advanced technologies in its existing factories, especially in Dongguan plant, in order to increase production capacity, raise yield, and enhance automation and informatisation levels. 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 4.9% from January to June 2019 to gross profit of 22.4% from January to June 2020.

During the reporting period, the Group was in the process of establishing its third production base in Chuzhou Economic Development Zone（滁州經濟開發區）of Anhui province. Land acquisition was completed in the first half of the year, while energy conservation review, safety assessment and environmental impact assessment were finished prior to the date hereof. Other pre-construction design preparatory work was also carried out in an orderly fashion. The production capacity and technology level of the Group will be considerably enhanced upon completion of the construction. In addition, on 28 July 2020, the Group also 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 proposed establishment of the fourth production base in Fenggang Town, Dongguan City（東莞市鳳崗鎮）with a view to further expand its production capacity, improve technology level and enrich product specifications.

INVESTMENT AND FINANCIAL SERVICES

Asset management

As at 30 June 2020, 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 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 million capital invested. During the first six months of 2020, the six funds that the Group has invested contributed a net gain of RMB14.5 million to the Group's financial results, in addition to asset management fee income of RMB27.3 million.

Unit: US$ million

		Products			
Name of Funds	**Country/ Region**	**Debt**	**Common Equity**	**Preferred Equity**	**Invested Amount**
Tianli China Opportunities Fund I L.P.	PRC	–	117.2	–	117.2
Tianli Private Debt Fund L.P.	Australia	–	–	18	18
	Korea	5.5	–	–	5.5
	UK	22.5	–	–	22.5
Tianli M&A Investment L.P.	Hong Kong	312.6	–	–	312.6
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	–	13.9	–	13.9
Total		368.9	336.9	43.2	749.0

Consistent with prior periods, the investments made by these funds were in six countries or regions, including Australia, Hong Kong, Korea, the PRC, the 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 2019 by the management using cash flow projections based on a financial budget, and had been increased to RMB11.7 million due to better-than-expected present value of the expected business return. A similar review will be performed again close to the end of 2020.

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 other 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 2020.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020, the Group's revenue was solely derived from (i) the MLCC segment; and (ii) investment and financial services segment. As aforementioned, the other general trading business has been halted during the six months ended 30 June 2020. Total revenue of the Group was RMB146.2 million, which represented a drop of RMB114.7 million, or 44.0%, as compared to the same period in 2019.

Revenue from the MLCC segment in the first half of 2020 was RMB104.0 million, representing a drop of RMB104.0 million, or 50%, from the same period in 2019, owing to weakening market circumstances in the industry.

Revenue from investment and financial services segment in the first half of 2020 reached RMB42.2 million. Among this, asset 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 lower dividend income from these funds, total revenue from this segment decreased by RMB10.7 million, or 20.2%, from the same period in 2019.

Gross Profit Margin

Aggregate gross profit margin for the six months ended 30 June 2020 was 45.1%, representing an increase of 28.7% from the same period in 2019.

Specifically, the gross profit margin of MLCC segment increased from gross loss margin of 4.9% in the first half of 2019 to gross profit margin of 22.8% for the same period in 2020. This was due to effective cost control implementation during the period.

Other Income

During the six months ended 30 June 2020, other income amounted to RMB17.7 million, representing an increase of RMB5.7 million, or 47.3%, from the same period in 2019 as there was increase in exchange gain during the period.

Selling and Distribution Costs

Selling and distribution costs amounted to RMB7.3 million for the six months ended 30 June 2020, which represented a drop of RMB1.9 million, or 21.0%, from the same period in 2019. This was mainly due to the reduced sales level in the MLCC segment.

Administrative Expenses

During the six months ended 30 June 2020, total administrative expenses were RMB53.9 million, representing an increase of RMB13.7 million, or 34.2%, from the same period in 2019. The increase was mainly because of an increase in employees' remuneration.

Research and Development Costs

The Group incurred research and development costs of RMB20.3 million for the six months ended 30 June 2020, which represented a decrease of RMB22.0 million, or 51.9%, from the same period in 2019. The decrease was mainly due to the delay in installation of new machinery causing the reduced number of testing of new products.

Finance Costs

During the six months ended 30 June 2020, the Group incurred finance costs of RMB10.7 million, and this represented a decrease of RMB4.7 million, or 30.5%, from the same period in 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 RMB334.7 million as at 30 June 2020, which represented an increase of RMB84.2 million from the balance of RMB250.5 million 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 Properties

The Group's investment properties were RMB21.9 million at 30 June 2020, which was not materially different from the balance as at 31 December 2019 of RMB22.2 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 2020, the non-current portion of such were carrying at RMB388.1 million, which was 1.3% up from the balance of RMB383.3 million as at 31 December 2019. Such increase was due to the increase in unrealised gains in the fund investments.

Accounts and Bills Receivables

At 30 June 2020, the Group's accounts and bills receivables amounted to RMB126.0 million, which represented a drop of RMB1.5 million, or 1.2%, from the balance of RMB127.5 million as at 31 December 2019. The drop was mainly due to reduced transactions in the MLCC segment during the six months ended 30 June 2020.

Prepayments, Deposits and Other Receivables

At 30 June 2020, total prepayments, deposits and other receivables amounted to RMB39.5 million, which represented an increase of RMB12.3 million or 45.1% from the balance of RMB27.2 million at 31 December 2019. The increase was mainly due to the increase in value-added tax receivable.

Cash and Bank Balances

At 30 June 2020, the Group's cash and bank balances totalled RMB143.4 million, down by RMB31.9 million, from RMB175.3 million as at 31 December 2019. The decrease was mainly due to acquisition of new machinery and equipment during the six months ended 30 June 2020.

Trade and Bills Payables

At 30 June 2020, the Group's trade and bills payables amounted to RMB50.3 million, which represented an increase of RMB5.7 million, from RMB44.6 million as at 31 December 2019. The increase was mainly due to the increase in MLCC production volumes during the six months ended 30 June 2020.

Deferred Income, Accruals and Other Payables

At 30 June 2020, total deferred income, accruals and other payables amounted to RMB129.5 million, which represented an increase of RMB52.2 million from RMB77.3 million as at 31 December 2019. The increase was mainly due to the increase of unpaid equipment costs.

Bank and Other Loans

At 30 June 2020, the Group's bank and other loans was carrying RMB234.5 million, which represented an increase of RMB33.8 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 during the six months ended 30 June 2020.

Contingent Liabilities

At 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

Capital Commitments

At 30 June 2020, the Group had capital commitments of RMB146.3 million (31 December 2019: RMB180.0 million), including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US$13.2 million, or RMB94.0 million and capital commitment for the purchase of additional plant and machinery which amounted to approximately RMB52.3 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 30 June 2020, the Group had net current assets of approximately RMB55.0 million (31 December 2019: approximately RMB107.0 million), comprising of current assets of RMB501.2 million (31 December 2019: approximately RMB453.0 million), net of current liabilities of RMB446.2 million (31 December 2019: approximately RMB346.0 million).

The Group's current ratio was 1.1 as at 30 June 2020 while this ratio was 1.3 as at 31 December 2019, The decrease in current ratio was mainly due to the increase in deferred income, accruals and other payables during the six months ended 30 June 2020.

Banking Facilities

As at 30 June 2020, the Group had no banking facilities.

Gearing Ratio

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is 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 2020 and 31 December 2019, the gearing ratios of the Group were approximately 26.7% and 17.6%, 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 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 Currency Risk

In the first half of 2020, 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

The MLCC business is a national strategic fundamental component that not only serves as the foundation for building a new generation of electronic information terminal products, but also relates to the safety of domestic electronic information industry chain. In the year of 2020, the outbreak of the novel coronavirus (COVID-19) and the enduring Sino-US trade war have brought enormous challenges to the global macro-economy and the MLCC market. The consumption demand has been suppressed to a certain extent, however, the demands for remote office, online education, online services, online games and videos have been rising, which have brought opportunities to the industry. Recently, the Chinese government has decided to accelerate the progress of the new infrastructure construction. New application fields, namely 5G technology, Internet of Things (IoT) and electric vehicles are anticipated to stimulate their growth. The management expected that the demand in the MLCC market as a whole will continue to expand in the long term, and the trend of domestic production substitution will also become more distinct. The proportion of the market demand for dielectric thin medium-layer high-density capacity products that the Group focuses on will also continue to increase.

Following the proactive measures taken by the management last year to stabilise the core team, the management has increased the investment in automatic informatisation in the existing mass production of consumer-grade products this year, which exceedingly improved the quality level and continuously gained a large number of orders and recognition from new and existing consumer-grade customers. Concurrently, the Group stepped up its efforts in new product development and made breakthroughs in high-frequency, high-reliability, high-stability products for automotive and industrial applications, thus enabling it to successfully expand the world's leading industrial customer base. In view of this, in addition to the proposed construction of the third and fourth production bases, the management is proactively liaising with the Shenzhen Municipal Government with an intention to establish a research and development and pilot base for automobile specifications and industrial-grade products in Longgang District, Shenzhen (深圳市龍崗區) to further expand its input in research and development, equipment and environmental protection, to develop the industrial-grade product field, and to satisfy the diversified product needs of clients so as to consolidate the leading position of the Group in the domestic MLCC market.

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

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 1,189 (31 December 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.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 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 six months ended 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, 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**"), save and except for 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, with the consent of members present.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining a high standard of corporate governance practices within the Company.

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 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 unaudited condensed consolidated results of the Group for the six months ended 30 June 2020.

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

Hong Kong, 27 August 2020

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.