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TIANLI HOLDINGS GROUP LIMITED

天利控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- The overall revenue for the six months ended 30 June 2022 was approximately RMB194.3 million, representing a decrease of approximately RMB120.8 million, or 38.3%, as compared to the corresponding period in 2021;
- Gross profit margin was 6.3% for the six months ended 30 June 2022, representing a drop by 34.7 percentage points as compared to the corresponding period in 2021; the gross profit margin of the MLCC segment was 0.2% for the six months ended 30 June 2022 as compared to gross profit margin of 29.8% for the same period in 2021;
- Loss attributable to owners of the Company for the six months ended 30 June 2022 was RMB47.5 million as compared to a profit of RMB28.5 million for the same period in 2021;
- Basic loss per share for the six months ended 30 June 2022 was RMB6.38 cents, whereas basic earnings per share for the corresponding period in 2021 was RMB3.83 cents; and
- The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2022.

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 2022, together with the comparative figures for the corresponding period ended 30 June 2021.

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

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Continuing operations			
Revenue	<i>3 & 4</i>	194,310	315,062
Cost of sales		<u>(182,086)</u>	<u>(185,838)</u>
Gross profit		12,224	129,224
Other income	<i>4</i>	16,149	4,099
Selling and distribution costs		(10,288)	(11,739)
Administrative expenses		(45,552)	(59,629)
Research and development costs		<u>(29,793)</u>	<u>(21,866)</u>
(Loss)/profit from continuing operations		(57,260)	40,089
Finance costs	<i>5</i>	(10,074)	(10,923)
Share of profit of an associate		<u>20,146</u>	<u>–</u>
(Loss)/profit before taxation from continuing operations		(47,188)	29,166
Income tax expense	<i>6</i>	<u>(1,204)</u>	<u>(1,054)</u>
(Loss)/profit for the period from continuing operations		<u>(48,392)</u>	<u>28,112</u>
Discontinued operation			
Loss for the period from discontinued operation	<i>9</i>	<u>–</u>	<u>(1)</u>
(Loss)/profit for the period		<u>(48,392)</u>	<u>28,111</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other comprehensive income for the period, net of income tax		
<i>Items that will not be reclassified to profit or loss:</i>		
Financial assets at fair value through other comprehensive income (“FVOCI”) – net movement in fair value reserve (non-recycling)	22,606	6,903
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Reclassification of cumulative exchange fluctuation reserve upon disposal of subsidiaries to profit or loss	1,232	–
Exchange differences arising on translation of foreign operations	(4,303)	(3,695)
	<u> </u>	<u> </u>
Other comprehensive income for the period, net of income tax	19,535	3,208
	<u> </u>	<u> </u>
Total comprehensive (loss)/income for the period, net of income tax	(28,857)	31,319
	<u> </u>	<u> </u>
(Loss)/profit for the period attributable to owners of the Company:		
– from continuing operations	(47,523)	28,488
– from discontinued operation	–	(1)
	<u> </u>	<u> </u>
(Loss)/profit for the period attributable to owners of the Company	(47,523)	28,487
	<u> </u>	<u> </u>

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period attributable to:			
	Owners of the Company	(47,523)	28,487
	Non-controlling interests	(869)	(376)
		<u>(48,392)</u>	<u>28,111</u>
Total comprehensive (loss)/income attributable to owners of the Company:			
	– from continuing operations	(39,294)	28,806
	– from discontinued operation	–	(116)
		<u>(39,294)</u>	<u>28,690</u>
Total comprehensive (loss)/income for the period attributable to:			
	Owners of the Company	(39,294)	28,690
	Non-controlling interests	10,437	2,629
		<u>(28,857)</u>	<u>31,319</u>
		<i>RMB cents</i>	<i>RMB cents</i>
(Loss)/earnings per share attributable to owners of the Company during the period (basic and diluted)			
	– from continuing operations	(6.38)	3.83
	– from discontinued operation	0.00	0.00
		<u>(6.38)</u>	<u>3.83</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
<i>Notes</i>		
Non-current assets		
Property, plant and equipment	526,826	481,013
Investment property	20,531	20,872
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit	57,404	51,687
Interest in an associate	–	35,791
Financial assets at fair value through other comprehensive income (“FVOCI”)	–	12,435
Financial assets at fair value through profit or loss (“FVPL”)	419,015	409,092
Other intangible assets	418	819
Deferred tax assets	28,303	28,296
Total non-current assets	1,052,497	1,040,005
Current assets		
Inventories	206,740	248,203
Accounts and bills receivables	10 196,591	190,975
Prepayments, deposits and other receivables	46,291	47,495
Cash and bank balances	90,984	62,864
Total current assets	540,606	549,537

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
Current liabilities			
Trade and bills payables	<i>11</i>	51,880	68,983
Deferred income, accruals and other payables		73,795	101,309
Tax payable		11,772	10,576
Lease liabilities		13,097	12,931
Bank and other loans		271,937	384,824
Total current liabilities		422,481	578,623
Net current assets/(liabilities)		118,125	(29,086)
Total assets less current liabilities		1,170,622	1,010,919
Non-current liabilities			
Lease liabilities		11,080	16,636
Deferred income		8,819	10,006
Deferred tax liabilities		29,613	29,613
Bank and other loans		216,899	6,222
Total non-current liabilities		266,411	62,477
Net assets		904,211	948,442
Capital and reserves			
Share capital		6,637	6,637
Reserves		893,295	932,589
Total equity attributable to owners of the Company		899,932	939,226
Non-controlling interests		4,279	9,216
Total equity		904,211	948,442

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2021.

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 2021, 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 2022 for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to IFRS 3, Reference to the Conceptual Framework
- Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37, Onerous Contracts – cost of fulfilling a contract
- Amendments to IFRSs, Annual Improvements to IFRSs 2018-2020 Cycle

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.

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.

During the six months ended 30 June 2021, the Group ceased its business in other general trading which is classified as discontinued operation for the six months ended 30 June 2021. Further details of the business in other general trading are set out in note 9.

Continuing operations:

- MLCC: manufacturing and sale of MLCC; and
- Investment and financial services: including but not limited to (i) direct investments in debt, equity and/or any other asset; (ii) asset management; (iii) provision of financial advisory services; and (iv) financial technologies.

Discontinued operation:

- 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 2022 and 2021 is set out below:

	Six months ended 30 June 2022 (Unaudited)			
	Continuing operations		Discontinued operation	
	MLCC	Investment and financial services	Other general trading	
	RMB'000	RMB'000	RMB'000	
				Total
				RMB'000
Segment revenue				
Disaggregated by timing of revenue recognition:				
Point in time	182,370	(6,229)	–	176,141
Over time	–	18,169	–	18,169
Reportable segment revenue from external customers	182,370	11,940	–	194,310
Reportable segment (loss)/profit	(62,626)	18,422	–	(44,204)
	Six months ended 30 June 2021 (Unaudited)			
	Continuing operations		Discontinued operations	
	MLCC	Investment and financial services	Other general trading	
	RMB'000	RMB'000	RMB'000	
				Total
				RMB'000
Disaggregated by timing of revenue recognition:				
Point in time	264,896	25,565	–	290,461
Over time	–	24,601	–	24,601
Reportable segment revenue from external customers	264,896	50,166	–	315,062
Reportable segment profit/(loss)	13,064	38,848	(1)	51,911

There are no inter-segment revenue for the six months ended 30 June 2022 and 2021.

The measure used for reporting segment profit/(loss) is earnings or loss of each segment without allocation of central other 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 2022 and 31 December 2021:

	At 30 June 2022 (Unaudited)			
	Continuing operations		Discontinued operation	
	MLCC	Investment and financial services	Other general trading	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>970,267</u>	<u>617,635</u>	<u>–</u>	<u>1,587,902</u>
Reportable segment liabilities	<u><u>(462,190)</u></u>	<u><u>(4,633)</u></u>	<u><u>–</u></u>	<u><u>(466,823)</u></u>
	At 31 December 2021 (Audited)			
	Continuing operations		Discontinued operation	
	MLCC	Investment and financial services	Other general trading	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	Reportable segment assets	<u>957,320</u>	<u>630,111</u>	<u>1,553</u>
Reportable segment liabilities	<u><u>(394,577)</u></u>	<u><u>(4,256)</u></u>	<u><u>(852)</u></u>	<u><u>(399,685)</u></u>

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segment (loss)/profit derived from the Group's external customers	(44,204)	51,912
Central other income	11,473	–
Central administrative expenses	(6,379)	(13,235)
Central finance costs	(8,078)	(9,512)
	<hr/>	<hr/>
Consolidated (loss)/profit before taxation	<u>(47,188)</u>	<u>29,165</u>

4. REVENUE AND OTHER INCOME

The principal activities of the Group are the manufacturing and sale of MLCC and investment and financial services.

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Sale of MLCC	182,370	264,896
Asset management fee income	18,169	24,601
	<hr/>	<hr/>
	<u>200,539</u>	<u>289,497</u>
Revenue from other sources		
Net (loss)/gain from financial assets at FVPL	(6,229)	25,565
	<hr/>	<hr/>
	<u>194,310</u>	<u>315,062</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income		
Interest income on financial assets measured at amortised cost		
– Bank interest income (<i>note i</i>)	39	62
Gross rental income from investment property	1,594	1,012
Government grants (<i>note ii</i>)	2,202	1,911
Other management fee income	–	67
Net foreign exchange gain	8,799	–
Gain on disposal of subsidiaries	2,729	–
Sundry income	786	1,047
	<u>16,149</u>	<u>4,099</u>
	<u>210,459</u>	<u>319,161</u>

Note i: For the six months ended 30 June 2022, the total amount of interest income on financial assets measured at amortised cost, including bank interest income, was RMB39,000 (six months ended 30 June 2021: RMB62,000).

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loan	5,503	150
Interest on other loans	8,493	9,775
Interest on lease liabilities	730	998
	<u>14,726</u>	<u>10,923</u>
Total interest expense on financial liabilities not at FVPL:	14,726	10,923
Less: amounts capitalised in the cost of qualifying assets	(4,652)	–
	<u>10,074</u>	<u>10,923</u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– Hong Kong Profits Tax for the period	(1,263)	(1,054)
– Over-provision of PRC Enterprise Income Tax (“EIT”) in prior period	59	–
Income tax expenses for the period	<u>(1,204)</u>	<u>(1,054)</u>

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 is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) for the six months ended 30 June 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

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 2022 and 2021, except that 深圳市宇陽科技發展有限公司 (literally translated as Shenzhen Eyang Technology Development Co., Ltd.), an indirect wholly-owned subsidiary of the Company, was recognised as High and New Technology Enterprise on 23 December 2021 and is subject to income tax rate of 15% for three consecutive years commencing in 2021.

7. DIVIDENDS

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss)/earnings		
(Loss)/profit for the purpose of basic (loss)/earnings per share		
– from continuing operations	(47,523)	28,488
– from discontinued operation	<u>–</u>	<u>(1)</u>
	<u>(47,523)</u>	<u>28,487</u>
	2022	2021
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>744,750,000</u>	<u>744,750,000</u>

Diluted (loss)/earnings per share for the six months ended 30 June 2022 and 2021 is the same as the basic (loss)/earnings per share as there were no potential ordinary shares outstanding during the periods.

9. DISCONTINUED OPERATION

In June 2021, the Group ceased its business in other general trading as a result of unfavourable market conditions and price competition in the relevant industry, and the business were stagnant since the first quarter in 2021.

The analysis of the results of discontinued operation is as follows.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–
Administrative and other operating expenses	–	(1)
Loss before income tax expense	–	(1)
Income tax expense	–	–
Loss for the period from discontinued operation	<u>–</u>	<u>(1)</u>
Net cash used in operating activities	–	(1)
Total net cash outflows	<u>–</u>	<u>(1)</u>

10. ACCOUNTS AND BILLS RECEIVABLES

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivables	188,864	184,677
Less: loss allowance	<u>(9,373)</u>	<u>(9,316)</u>
	179,491	175,361
Bills receivables	<u>17,100</u>	<u>15,614</u>
	<u>196,591</u>	<u>190,975</u>

Accounts receivables consist of trade receivables and asset management fee receivables. The Group's trading terms with its customers are mainly on credit. The credit periods for accounts receivables of MLCC segment are generally one to four months. The credit periods for accounts receivables of investments and financial services segments are due from the date of billing. The asset management fee is received or receivable at the end of each quarter. Each customer is assigned a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are reviewed regularly by management. The accounts receivables are non-interest-bearing.

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 90 days	59,474	71,409
91 to 180 days	10,146	13,163
181 to 360 days	25,070	23,925
1 to 2 years	46,966	37,396
2 to 3 years	22,644	25,081
Over 3 years	<u>24,564</u>	<u>13,703</u>
	<u>188,864</u>	<u>184,677</u>

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 90 days	14,479	13,431
91 to 180 days	2,621	1,987
181 to 360 days	<u>–</u>	<u>196</u>
	<u>17,100</u>	<u>15,614</u>

11. TRADE AND BILLS PAYABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables	48,679	60,552
Bills payables	3,201	8,431
	<u>51,880</u>	<u>68,983</u>

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 90 days	45,741	50,485
91 to 180 days	2,263	9,342
181 to 360 days	54	41
1 to 2 years	33	9
Over 2 years	588	675
	<u>48,679</u>	<u>60,552</u>

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 90 days	1,450	8,431
91 to 180 days	1,751	–
	<u>3,201</u>	<u>8,431</u>

12. EVENT AFTER THE REPORTING PERIOD

On 20 July 2022, Shenzhen Tiannong Technology Company Limited (“**Shenzhen Tiannong**”), an indirect wholly-owned subsidiary of the Company, agreed to transfer its 40% equity interest in Qingdao Huitian Investment Management Company Limited (青島滙天投資管理有限公司)(the "**JV Company**") (the “**Share Transfer**”) to Qingdao Donghong Asset Management Co., Ltd.* (青島東弘資產管理有限公司) (“**Qingdao Donghong**”), an independent third party, at a consideration of RMB1 (the “**Share Transfer Consideration**”), by entering into a share transfer agreement (the “**Share Transfer Agreement**”). The Share Transfer Consideration shall be paid by Qingdao Donghong to Shenzhen Tiannong and was arrived at after arm’s length negotiations between the parties to the Share Transfer Agreement taking into account that Shenzhen Tiannong did not make any capital contribution in respect of its 40% equity interest in the JV Company. The Share Transfer completed on 20 July 2022 and Shenzhen Tiannong ceased to be a shareholder of the JV Company.

On 20 July 2022, Tianming Investment Consulting (Shenzhen) Company Limited (“**Tianming Investment Consulting**”), an indirect wholly-owned subsidiary of the Company, together with two independent third parties acting as limited partners, Qingdao Donghong and the JV Company entered into a limited partnership interest transfer agreement, pursuant to which, inter alia, that Tianming Investment Consulting shall transfer all its interests, together with all related rights and obligations, in Qingdao Huitian Investment Partnership (Limited Partnership) (青島滙天投資合夥企業(有限合夥))(the “**Limited Partnership**”) to Qingdao Donghong at a consideration of RMB1 (the “**Interest Transfer**”). The Interest Transfer completed on 20 July 2022 and Tianming Investment Consulting ceased to be a limited partner of the Limited Partnership. Prior to the completion of the Interest Transfer, Tianming Investment Consulting did not make any paid-in capital contribution in the Limited Partnership.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2022, global economic growth is running out of steam and risks have increased significantly due to geopolitical conflicts, the COVID-19 pandemic and global supply chain adjustments, as well as the aggressive withdrawal of economic stimulus policies in major economies such as the United States. This adversely affected the MLCC segment and the investment and financial services segment of the Group to some extent.

MLCC

In the first half of 2022, due to the resurgence of the pandemic and the disrupted logistics, demand from downstream manufacturers was restrained, especially in the consumer electronics sector where end-users' demand saw a sharp decline. In addition, several MLCC manufacturers expanded their production capacity and increased their supply, which intensified competition within the industry. Against this backdrop, the Group's MLCC segment was under great pressure in the first half of 2022. Nevertheless, the Group's MLCC segment overcame the difficulties by optimizing its product mix, continually developing towards high-capacity, high-frequency and high-reliability, and increasing the proportion of industrial and automotive-grade products while satisfying the needs of consumer-grade customers. In the first half of the year, the sales revenue amounted to RMB182.4 million, representing a decrease of 31.2% as compared to the first half of 2021. The gross profit margin of the MLCC segment was 0.2% for the first half of 2022 as compared to that of 29.8% for the same period in 2021.

Although the market was not as strong as expected in the first half of 2022, the Group continued to increase its investment in research and development to prepare for sustainable growth. On the one hand, the Group stays committed to the traditional field of consumption grade, and on the other hand, accelerates research and development of technology and strategic deployment in the industrial and automotive grade. In the first half of 2022, the Group has achieved several substantial breakthroughs in mini-sized high-capacity specifications, and achieved bulk delivery. In the industrial-grade microwave high-Q products sector, the Group further expanded the range of specifications based on the development in 2021 and has fully covered the specifications of leading international manufacturers. As for automotive-grade products, the Group completed the validation for products with various specifications and achieved bulk delivery.

The existing production bases of the Group in Anhui and Dongguan maintained stable operations. At the same time, the Group has seized the opportunities of domestic substitution and accelerated the upgrading of technology and equipment as well as the moderate expansion of production capacity to meet customer demands. During the reporting period, the main structure of the new base in Chuzhou, Anhui has been completed, and the preparation work for the new base in Dongguan was in process. As at 5 August 2022, a groundbreaking ceremony was held at the new base in Dongguan for the “Industrial Automotive Grading Ceramic Capacitor Project of Dong Eyang”, which received much attention.

Asset Management

As at 30 June 2022, the Group is managing 11 funds, each with a distinct focus. The Group derives asset management fee income by providing asset management services to the funds. The capital commitments from their limited partners are listed in the table below. The Group, being one of the limited partners, also directly invests into six of the funds.

Unit: US\$ million

	Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment	
					Total of the Fund ⁽⁴⁾	Total from the Group ⁽⁵⁾
1	Tianli China Opportunities Fund I L.P.	January 2017	5.5	Project fund established for an investment in Beijing	116.4	17.5
2	Tianli SPC	January 2017	Not Applicable	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments	98.4	–
3	Tianli Private Debt Fund L.P.	January 2017	6+1 ⁽³⁾	Invest in a wide range of private debt instruments with regional focus primarily in developed countries and China	300.0	35.0
4	Tianli Private Debt Capital L.P.	March 2017	9	Invest predominantly across a wide range of private debt instruments globally	175.0	9.8
5	Tianli Global Opportunities Capital L.P. ⁽²⁾	March 2017	7+2 ⁽¹⁾	Invest globally across various sectors and distressed assets	175.0	12.2
6	Tianli Special Situations Capital L.P.	March 2017	7+2 ⁽¹⁾ +1 ⁽⁴⁾	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	35.0	9.8
7	Tianli Public Markets Capital L.P.	March 2017	6+2 ⁽¹⁾	Invest predominantly in the secondary market of publicly traded securities globally	20.0	5.6
8	Tianli M&A Investment L.P.	March 2017	7	Invest predominantly in global mergers and acquisitions or other corporate finance related investments	120.0	–
9	Tianli China Opportunities Fund II L.P.	April 2017	7	Project fund established for an investment in Shanghai	80.4	–
10	Tianli UK Opportunities Fund L.P.	March 2017	7	Invest predominantly in projects located in the United Kingdom	150.4	–
11	Tianli US Opportunities Fund L.P.	May 2017	7	Invest predominantly in projects located in the United States	12.6	–

Notes:

1. Extension upon recommendation of the general partner with approval of the investment committee
2. Formerly known as Tianli Real Estate Capital L.P.
3. Extension upon recommendation of the general partner with approval of the advisory committee
4. Including cross holdings among the funds
5. Including direct capital

As at 30 June 2022, the total capital commitment of the above funds (after eliminating the cross-holding effect) was approximately US\$647.8 million, among which the Group had committed approximately US\$89.9 million with US\$75.5 million capital invested. In the first half of 2022, the six funds that the Group has invested contributed a net loss of RMB6.2 million to the Group's financial results, in addition to the asset management fee income of RMB18.1 million.

Unit: US\$ million

Fund name	Country/ region	Product			Invested amount
		Debt	Common equity	Preferred equity	
Tianli China Opportunities Fund I L.P.	PRC	–	107.7	–	107.7
Tianli Private Debt Fund L.P.	Australia	–	–	17.6	17.6
	Korea	5.5	–	–	5.5
	UK	17.5	–	–	17.5
Tianli M&A Investment L.P.	Hong Kong	56.4	–	–	56.4
Tianli Private Debt Capital L.P.	Cayman Islands	32.1	–	–	32.1
Tianli China Opportunities Fund II L.P.	PRC	–	66.9	–	66.9
Tianli UK Opportunities Fund L.P.	UK	–	132.9	25.2	158.1
Tianli US Opportunities Fund L.P.	US	–	14.9	–	14.9
Total		<u>111.5</u>	<u>322.4</u>	<u>42.8</u>	<u>476.7</u>

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

For the six months ended 30 June 2022, the Group's two passive financial investments were redeemed or disposed, including one equity investment (classified as financial assets at fair value through other comprehensive income on the face of consolidated statement of financial position), and one investment in an associate (classified as interest in an associate on the face of consolidated statement of financial position).

The fair value of the equity investment had been reviewed at the end of 2021 by the management using cash flow projections based on a financial budget. On 13 May 2022, the equity investment bought the share back with the cash consideration of approximately US\$2.0 million (equivalent to approximately RMB12.7 million). The equity investment was fully redeemed through the share repurchase by a non wholly owned subsidiary on 28 June 2022 which resulted in a net cash flow of approximately US\$1.9 million (equivalent to approximately RMB12.0 million) in aggregate from investment activities since the investment.

The investment in an associate refers to a private equity fund established in Korea, which was 29.98% held by a non-wholly owned subsidiary of the Group, a licensed comprehensive asset management company in Korea. The interest in an associate was accounted for by the Group in the consolidated financial statements using equity method. Such asset management company in Korea was disposed on 19 April 2022.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group's revenue was derived from (i) MLCC segment; and (ii) investment and financial services segment. Total revenue of the Group was RMB194.3 million, which represented an decrease of RMB120.8 million, or 38.3%, as compared to that for the six months ended 30 June 2021. Revenue from the MLCC segment for the six months ended 30 June 2022 was RMB182.4 million, representing an decrease of RMB82.5 million, or 31.2% from the six months ended 30 June 2021, which was due to weakening market circumstances in the industry. Revenue from the investment and financial services segment for the six months ended 30 June 2022 reached RMB11.9 million. Among this, the asset management fee income was RMB18.2 million for the six months ended 30 June 2022 which represented a decrease of RMB6.4 million, or 26.1%, as compared to that for the six months ended 30 June 2021. And the Group's net loss from financial assets at fair value through profit or loss ("FVPL"), which recorded RMB6.2 million for the six months ended 30 June 2022 as compared to that net gain of RMB25.6 million for the six months ended 30 June 2021.

Gross Profit Margin

Aggregate gross profit margin for the six months ended 30 June 2022 was 6.3%, representing a decrease of 34.7% as compared to the six months ended 30 June 2021.

Specifically, the gross profit margin of the MLCC segment decreased from gross profit margin of 29.9% for the six months ended 30 June 2021 to gross profit margin of 0.2% for the six months ended 30 June 2022. This was due to the decrease in sales leading the decrease of production and the increase in average cost during the period.

Other Income

The Group's other income amounted to RMB16.5 million for the six months ended 30 June 2022, representing an increase of 293.7% from the six months ended 30 June 2021. The increase was mainly due to a foreign exchange gain of RMB8.8 million attributable to exchange fluctuation.

Selling and Distribution Costs

The Group's selling and distribution costs totalled RMB10.3 million for the six months ended 30 June 2022, and this was a decrease of 12.4% from the six months ended 30 June 2021. This was mainly due to a decrease in staff salary of sales department in the MLCC segment where the sales level decreased.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2022 were RMB45.6 million, representing a decrease of RMB14.1 million from the six months ended 30 June 2021. The decrease was mainly attributable to the foreign exchange loss recorded in 2021 which is recognised as exchange gain in other income for the six months ended 30 June 2022 and the decrease in staff cost in the MLCC segment.

Research and Development Costs

The Group incurred research and development costs of RMB29.8 million for the six months ended 30 June 2022, representing an increase of RMB7.9 million from the six months ended 30 June 2021. The increase was mainly due to the Group's continuous efforts in research and development of new products and technologies during the reporting period.

Finance Costs

The Group's finance costs amounted to RMB10.1 million for the six months ended 30 June 2022 representing an decrease of RMB1.0 million from the six months ended 30 June 2021. The slightly decrease was mainly due to the decrease in interest rate for another loan net off the interests incurred for additional bank loan in the first half of 2022.

Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB488.9 million as at 30 June 2022 increased by RMB45.8 million from the balance as at 31 December 2021. The increase was mainly due to the additions to plant and machinery used in production of MLCC.

Investment Properties

The Group's investment property was carried at RMB20.5 million as at 30 June 2022, comparable to the carrying value of RMB20.9 million as at 31 December 2021.

Financial Assets at Fair Value Through Profit or Loss

As at 30 June 2022, the Group's financial assets at FVPL had a carrying value of RMB419.0 million, which was an increase of 2.4% from the balance as at 31 December 2021 which was classified as financial assets designated at FVPL. This was mainly due to the fluctuation of exchange rate.

Accounts and Bills Receivables

As at 30 June 2022, the Group's accounts and bills receivables amounted to RMB196.6 million, an increase of RMB5.6 million or 2.9% from the balance as at 31 December 2021.

Prepayments, Deposits and Other Receivables

As at 30 June 2022, prepayments, deposits and other receivables amounted to RMB46.3 million, representing a decrease of RMB1.2 million as compared to the balance as at 31 December 2021. The decrease was mainly due to the decrease in deposit paid for the purchase from suppliers during the period.

Cash and Bank Balances and Pledged Bank Deposits

As at 30 June 2022, the Group's cash and bank balances totalled RMB91.0 million, increased by RMB28.1 million from 31 December 2021. The increase was due to the cash received from the gain on deregistration/dissolution of associate during the period.

Trade and Bills Payables

As at 30 June 2022, the Group's trade and bills payables amounted to RMB51.8 million, a decrease of RMB17.1 million from 31 December 2021. The decrease was mainly due to the decrease of the MLCC production during the six months ended 30 June 2022.

Deferred Income, Accruals and Other Payables

As at 30 June 2022, total deferred income, accruals and other payables amounted to RMB73.8 million, which was a decrease of RMB27.5 million from 31 December 2021. The decrease was mainly due to the settlement of the other payables from acquisition of production equipment during the period.

Bank and Other Loans

As at 30 June 2022, the Group's bank and other loans was carrying RMB488.8 million, which represented an increase of RMB9.8 million from RMB391.0 million as at 31 December 2021. The increase was mainly due to the additional drawdown of the bank loans.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

Capital Commitments

As at 30 June 2022, the Group had capital commitments of RMB361.8 million (31 December 2021: RMB256.8 million), including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US\$13.2 million, or RMB87.0 million (31 December 2021: US\$13.2 million or RMB83.5 million), Tianli China Opportunities Fund I L.P. of approximately US\$1.2 million, or RMB7.9 million (31 December 2021: US\$1.2 million or RMB7.9 million) from the investment and financial services segment. Also, the capital commitment for construction of plant of approximately RMB126.7 million (31 December 2021: RMB87.0 million), acquisition of land use right of approximately RMB43.8 million (31 December 2021: RMB43.8 million) and additions to production equipment of approximately RMB96.3 million (31 December 2021: RMB34.6 million) from the MLCC segment. The increase was mainly contributed by the MLCC segment, while the decrease of the capital commitment of the investment and financial services segment was attributable to the increase of the exchange rate of Renminbi. There was no material change in terms of US dollars for the capital commitment of the investment and financial services segment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 30 June 2022, the Group had net current assets of approximately RMB118.1 million (31 December 2021: net current liabilities RMB29.1 million), comprising of current assets of RMB540.6 million (31 December 2021: RMB550.0 million), net off current liabilities of RMB422.5 million (31 December 2021: RMB578.2 million).

As at 30 June 2022, the Group's current ratio was 1.3 (31 December 2021: 1.0). The increase in current ratio was mainly due to the other loan of RMB216.9 million is classified as non-current liabilities as at 30 June 2022, which is extended to be repayable on 12 August 2025.

Banking Facilities

As at 30 June 2022, the Group had been granted banking facilities of RMB568.0 million (31 December 2021: RMB568.0 million) and utilised banking facilities of RMB258.0 million (31 December 2021: RMB132.4 million). The leasehold land and buildings and land use right of the Group with a carrying value of RMB52.4 million (31 December 2021: RMB56.3 million) in aggregate was pledged to secure the bank facilities and a guarantee was provided by a wholly owned subsidiary to the bank in respect of the bank facilities.

Gearing Ratio

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated at the sum of bank and other loans, lease liabilities, trade and bills payables and accruals and other payables (excluding deferred income and receipt in advance) less cash and cash equivalents. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 30 June 2022 and 31 December 2021, the gearing ratios of the Group were approximately 37.9% and 36.0% respectively. The increase in gearing ratio was a result of the increase in bank and other loans during the six months ended 30 June 2022.

Financial Resources

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

FOREIGN EXCHANGE RISK

For the six months ended 30 June 2022, the Group's revenue were mainly denominated in Renminbi, US dollars and HK\$, whilst its purchases were mainly denominated in Renminbi, US dollars, HK\$ and Japanese Yen. The trade receivables denominated in US dollars were greater than the trade payables denominated in US dollars, and the trade receivables denominated in HK\$ were smaller than the trade payables denominated in HK\$. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of exchange rates, foreign exchange risk will exist to a certain extent. The Group will adopt corresponding hedging measures in relation to its foreign currency exposure, with a view to providing protection against future foreign exchange risk.

CHARGES ON ASSETS

As at 30 June 2022, leasehold land and buildings, land use right and machinery of the Group with carrying amounts of approximately RMB31.3 million (31 December 2021: RMB34.8 million), RMB21.1 million (31 December 2021: RMB21.5 million) and RMB18.1 million (31 December 2021: RMB18.4 million) respectively have been pledged as securities for bank and other loans facilities.

BUSINESS PROSPECTS

The electronic information industry is a strategic emerging industry focused and supported by the government of the PRC, and MLCC is one of the main passive SMT components in the whole electronic machine, and also the most common basic component, called as “electronic industry rice”. According to “Made in China 2025”, China’s action plan for implementing the strategy of great manufacturing countries, the self-guarantee rate of core basic components (components) and key basic materials is required to reach 70% by 2025.

Despite of short-term volatile MLCC market, in the long run, the market demand for 5G, automotive electronics, and the Internet of Things will drive the development of MLCC industry. Meanwhile, the ongoing trade friction between the US and China will also accelerate the process of domestic substitution of MLCC production, and therefore the development space of MLCC industry in China remains vast in the future.

As one of the most competitive MLCC manufacturers in China and a national-level "Little Giant" enterprise, the Group has accumulated years of professional experience and technology, and has an excellent talent team. Although facing the changing market environment and competition perspective, the Group has always adhered to the mission of “consolidating the foundation of the electronics industry, improving the quality of technological products, and building MLCC as a national brand”, and continues to invest in research and development, equipment, environmental protection, automation and informatization to enhance the core competency and the proportion of high-end products represented by high-capacitance, industrial-grade and automotive-grade products, constantly meeting market demand.

In respect of investment and financial services, the Group will reinforce the subsequent monitoring and management of existing projects in its fund operation, take various measures to prevent and mitigate potential risks, through enhancing risk-control measures and reducing risks 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.

HUMAN RESOURCES

As at 30 June 2022, the Group had a total of 1,169 (31 December 2021: 1,199) 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 2022 (30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high standards of corporate governance and recognises that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value and accountability.

The Company has complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the six months ended 30 June 2022.

The Board will continue to enhance the corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

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 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 2022.

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 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 2022.

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

Hong Kong, 26 August 2022

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