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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 2023

## FINANCIAL HIGHLIGHTS

- The overall revenue for the six months ended 30 June 2023 was approximately RMB212.6 million, representing an increase of approximately RMB18.3 million, or 9.4%, as compared to the corresponding period in 2022;

- Gross profit margin was 8.2% for the six months ended 30 June 2023, representing an increase by 1.9 percentage points as compared to the corresponding period in 2022; the gross loss margin of the MLCC segment was 0.5% for the six months ended 30 June 2023 as compared to gross profit margin of 0.2% for the same period in 2022;

- Loss attributable to owners of the Company for the six months ended 30 June 2023 was RMB69.7 million as compared to a loss of RMB47.5 million for the same period in 2022;

- Basic loss per share for the six months ended 30 June 2023 was RMB9.36 cents, whereas basic loss per share for the corresponding period in 2022 was RMB6.38 cents; and

- The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2023.

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 2023, together with the comparative figures for the corresponding period ended 30 June 2022.

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

*For the six months ended 30 June 2023*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **Revenue** | *3 & 4* | **212,614** | 194,310 |
| Cost of sales | | **(195,160)** | (182,086) |
| **Gross profit** | | **17,454** | 12,224 |
| Other income | *4* | **8,785** | 16,149 |
| Selling and distribution costs | | **(9,296)** | (10,288) |
| Administrative expenses | | **(45,724)** | (45,552) |
| Research and development costs | | **(31,438)** | (29,793) |
| **Loss from operations** | | **(60,219)** | (57,260) |
| Finance costs | *5* | **(8,124)** | (10,074) |
| Share of profit of an associate | | **–** | 20,146 |
| **Loss before taxation** | | **(68,343)** | (47,188) |
| Income tax expenses | *6* | **(1,401)** | (1,204) |
| **Loss for the period** | | **(69,744)** | (48,392) |

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Other comprehensive income for the period, net of income tax** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Financial assets at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) | **–** | 22,606 |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Reclassification of cumulative exchange fluctuation reserve upon disposal of subsidiaries to profit or loss | **–** | 1,232 |
| Exchange differences arising on translation of foreign operations | **5,515** | (4,303) |
| **Other comprehensive income for the period, net of income tax** | **5,515** | 19,535 |
| **Total comprehensive loss for the period, net of income tax** | **(64,229)** | (28,857) |
| **Loss for the period attributable to:** | | |
| Owners of the Company | **(69,743)** | (47,523) |
| Non-controlling interests | **(1)** | (869) |
| | **(69,744)** | (48,392) |

| | Note | Six months ended 30 June **2023** **(Unaudited)** ***RMB'000*** | 2022 (Unaudited) *RMB'000* |
|---|---|---|---|
| **Total comprehensive (loss)/income for the period attributable to:** | | | |
| Owners of the Company | | **(64,337)** | (39,294) |
| Non-controlling interests | | **108** | 10,437 |
| | | **(64,229)** | (28,857) |
| | | ***RMB cents*** | *RMB cents* |
| **Loss per share attributable to owners of the Company during the period (basic and diluted)** | *8* | **(9.36)** | (6.38) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

| | Notes | **30 June 2023 (Unaudited) *RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment ("**PPE**") | | **855,612** | 751,965 |
| Investment properties | | **24,529** | 24,936 |
| Deposits paid for acquisition of PPE and other non-current rental deposits | | **58,357** | 25,278 |
| Financial assets at fair value through profit or loss ("**FVPL**") | | **235,480** | 256,179 |
| Other intangible assets | | **426** | 450 |
| Deferred tax assets | | **29,219** | 29,213 |
| **Total non-current assets** | | **1,203,623** | 1,088,021 |
| **Current assets** | | | |
| Inventories | | **173,142** | 195,060 |
| Financial assets at FVPL | | **185,087** | 155,882 |
| Accounts and bills receivables | *9* | **305,075** | 261,595 |
| Prepayments, deposits and other receivables | | **66,739** | 53,670 |
| Cash and bank balances | | **108,007** | 62,469 |
| **Total current assets** | | **838,050** | 728,676 |

| | Notes | 30 June 2023 (Unaudited) *RMB'000* | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and bills payables | *10* | **85,092** | 60,769 |
| Deferred income, accruals and other payables | | **150,658** | 109,893 |
| Lease liabilities | | **11,232** | 13,023 |
| Tax payable | | **11,836** | 10,968 |
| Bank and other loans | | **572,281** | 420,120 |
| **Total current liabilities** | | **831,099** | 614,773 |
| **Net current assets** | | **6,951** | 113,903 |
| **Total assets less current liabilities** | | **1,210,574** | 1,201,924 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **1,594** | 5,884 |
| Deferred income | | **6,653** | 5,111 |
| Bank and other loans | | **352,471** | 276,614 |
| Deferred tax liabilities | | **24,072** | 24,072 |
| **Total non-current liabilities** | | **384,790** | 311,681 |
| **Net assets** | | **825,784** | 890,243 |
| **Capital and reserves** | | | |
| Share capital | | **6,637** | 6,637 |
| Reserves | | **815,624** | 879,961 |
| **Total equity attributable to owners of the Company** | | **822,261** | 886,598 |
| Non-controlling interests | | **3,523** | 3,645 |
| Total equity | | **825,784** | 890,243 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 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 2023 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 2022.

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 2022, except for the adoption of the new and revised standards and amendments 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 standards 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 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| IFRS 17 and Related Amendments | Insurance Contracts |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

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 standards or amendments 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 two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- 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.

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 2023 and 2022 is set out below:

| | **Six months ended 30 June 2023 (Unaudited)** | | |
|---|---|---|---|
| | **MLCC** | **Investment and financial services** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Segment revenue | | | |
| Disaggregated by timing of revenue recognition: | | | |
| Point in time | **194,252** | **(1,919)** | **192,333** |
| Over time | **–** | **20,281** | **20,281** |
| Reportable segment revenue from external customers | **194,252** | **18,362** | **212,614** |
| Reportable segment (loss)/profit | **(69,124)** | **10,169** | **(58,955)** |

| | Six months ended 30 June 2022 (Unaudited) | | |
|---|---|---|---|
| | MLCC | Investment and financial services | Total |
| | *RMB'000* | *RMB'000* | *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) |

There are no inter-segment revenue for the six months ended 30 June 2023 and 2022.

The measure used for reporting segment loss is earnings or loss 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 2023 and 31 December 2022:

| | **At 30 June 2023 (Unaudited)** | | |
|---|---|---|---|
| | **MLCC** | **Investment and financial services** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Reportable segment assets | **1,391,239** | **648,486** | **2,039,725** |
| Reportable segment liabilities | **(888,004)** | **(1,778)** | **(889,782)** |

| | At 31 December 2022 (Audited) | | |
|---|---|---|---|
| | MLCC | Investment and financial services | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Reportable segment assets | 1,186,425 | 627,962 | 1,814,387 |
| Reportable segment liabilities | (644,048) | (2,059) | (646,107) |

Reconciliation of reportable segment profit or loss:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Total reportable segment loss derived from the Group's external customers | **(58,955)** | (44,204) |
| Central other income | **2,134** | 11,473 |
| Central administrative expenses | **(4,484)** | (6,379) |
| Central finance costs | **(7,038)** | (8,078) |
| Consolidated loss before taxation | **(68,343)** | (47,188) |

## 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers within the scope of IFRS 15** | | |
| Sale of MLCC | **194,252** | 182,370 |
| Asset management fee income | **20,281** | 18,169 |
| | **214,533** | 200,539 |
| **Revenue from other sources** | | |
| Net loss from financial assets at FVPL | **(1,919)** | (6,229) |
| | **212,614** | 194,310 |
| **Other income** | | |
| Interest income on financial assets measured at amortised cost | | |
| – Bank interest income | **42** | 39 |
| Gross rental income from investment properties | **1,800** | 1,594 |
| Government grants *(note)* | **3,098** | 2,202 |
| Net foreign exchange gain | **3,340** | 8,799 |
| Gain on disposal of subsidiaries | **–** | 2,729 |
| Sundry income | **505** | 786 |
| | **8,785** | 16,149 |
| | **221,399** | 210,459 |

*Note:* 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans | **13,727** | 5,503 |
| Interest on other loans | **7,159** | 8,493 |
| Interest on lease liabilities | **449** | 730 |
| Total interest expense on financial liabilities not at FVPL: | **21,335** | 14,726 |
| Less: amount capitalised in the cost of qualifying assets | **(13,211)** | (4,652) |
| | **8,124** | 10,074 |

## 6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| – Hong Kong Profits Tax for the period | **(1,384)** | (1,263) |
| – (Under)/over-provision of PRC Enterprise Income Tax ("**EIT**") in prior period | **(17)** | 59 |
| Income tax expense for the period | **(1,401)** | (1,204) |

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% (2022: 16.5%) for the six months ended 30 June 2023, 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 2022.

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 2023 and 2022, 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 2023 (six months ended 30 June 2022: Nil).

## 8. LOSS PER SHARE

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Loss | | |
| Loss for the purpose of basic loss per share | **(69,743)** | (47,523) |

| | **2023** | 2022 |
|---|---|---|
| | **(Unaudited)** | (Unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **744,750,000** | 744,750,000 |

Diluted loss per share for the six months ended 30 June 2023 and 2022 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 2023 (Unaudited)** | 31 December 2022 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Accounts receivables | **237,894** | 208,384 |
| Less: loss allowance | **(9,499)** | (9,449) |
| | **228,395** | 198,935 |
| Bills receivables | **76,680** | 62,660 |
| | **305,075** | 261,595 |

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 amounts 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 2023 (Unaudited)** | 31 December 2022 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **63,353** | 49,796 |
| 91 to 180 days | **11,672** | 13,017 |
| 181 to 360 days | **21,305** | 20,330 |
| 1 to 2 years | **48,347** | 51,593 |
| 2 to 3 years | **42,390** | 40,800 |
| Over 3 years | **50,827** | 32,848 |
| | **237,894** | 208,384 |

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

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Within 90 days | **43,221** | 38,586 |
| 91 to 180 days | **31,321** | 22,399 |
| 181 to 360 days | **2,138** | 1,675 |
| | **76,680** | 62,660 |

## 10. TRADE AND BILLS PAYABLES

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Trade payables | **83,132** | 59,439 |
| Bills payables | **1,960** | 1,330 |
| | **85,092** | 60,769 |

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 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Within 90 days | **66,747** | 49,193 |
| 91 to 180 days | **11,669** | 7,371 |
| 181 to 360 days | **3,005** | 2,019 |
| 1 to 2 years | **119** | 190 |
| Over 2 years | **1,592** | 666 |
| | **83,132** | 59,439 |

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 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Within 90 days | **1,960** | 1,330 |

## 11. EVENTS AFTER THE REPORTING PERIOD

1. On 11 July 2023, Dongguan Dong Eyang Technology Development Limited ("**Dong Eyang**"), an indirect wholly-owned subsidiary of the Company, and Dongguan Xinzhou Electromechanical and Air Conditioning Engineering Co., Ltd. ("**Dongguan Xinzhou**"), an independent third party, entered into a construction contract, pursuant to which Dongguan Xinzhou will provide certain construction services to Dong Eyang at a total contract sum of RMB61,000,000.

2. On 25 August 2023, Dong Eyang and Guangdong Wanhong Environmental System Co., Ltd. ("**Guangdong Wanhong**"), an independent third party, entered into a construction contract, pursuant to which Guangdong Wanhong will provide certain construction services to Dong Eyang at a total contract sum of RMB44,350,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2023, the global economic recovery has been hindered due to geopolitical conflicts, and high inflation, resulting in a significant increase in risks. These factors have had varying degrees of negative impact on the Group's MLCC segment and investment and financial services segment.

## MLCC

In the first half of 2023, despite continued volatility in the global macro environment, the overall downward trend has slowed down. With inflation persistently declining, the order demand for consumer electronic products, including mobile phones and laptops, has gradually increased since the second quarter. Against this backdrop, after undergoing destocking and capacity adjustments since mid-last year, the inventory levels in the MLCC industry have returned to normal, and downstream orders have started to grow slowly month by month. The industry's bottom seems to have passed, but the recovery prospects for the terminal market in the second half of the year remain uncertain. Through active customer expansion and market share improvement, the Group's MLCC segment achieved a year-on-year increase in sales volume of over 28%. However, due to capacity expansions by several domestic competitors, the increased supply has resulted in intense price competition, leading to an approximately 17% decline in our average product price. Therefore, sales revenue of RMB194.2 million was realized in the first half of the year, representing an increase of 6.5% compared to the first half of 2022. The increase in revenue was smaller than the increase in sales volume.

Despite the continued sluggishness in market conditions during the first half of 2023, the Group continued to increase its investment in research and development and technical cooperation, accelerating product deployment in the areas of small size, high capacitance, high temperature, and high reliability to enhance our competitiveness in the high-end market. During the reporting period, the Group has continued to make breakthroughs in the research, development, and delivery of industrial and automotive-grade products. We have also developed multiple series of niche products for specialized circuit applications, including three-terminal, copper-terminal, and gold-terminal MLCCs, to meet the needs of high-end customers. Currently, the Group's products cover the consumer-grade, automotive-grade, and industrial-grade sectors, and we have made significant efforts to expand from a focus on small sizes to larger sizes and specifications with high capacitance and high voltage.

Currently, the Group has production bases in Chuzhou and Dongguan. The Group has a positive outlook on the long-term development of the MLCC industry and is accelerating the construction of new bases, renovating and upgrading the production environment and infrastructure, to expand the capacity for high-end products to meet the growing demand in the industrial and automotive markets. During the reporting period, the Group's production base in Chuzhou has been completed and put into operation, the relocation of major production equipment has been completed and mass production has commenced. The new production base in Dongguan, where the plant and power plant building have been topped out and internal renovation has commenced, is expected to complete the electrical and mechanical renovation by October, and will be ready for mass production by December. Upon the completion of the relocation and expansion of the production base in Dongguan, the Group's production capacity and technological capability will be significantly enhanced.

## Asset Management

As at 30 June 2023, the Group is managing 11 funds, each with a distinct focus. The Group derives asset management fee income by providing asset management services to the funds. The capital commitments from their limited partners are listed in the table below. The Group, being one of the limited partners, also directly invests into six of the funds.

***Unit: US$ million***

| | | | | | Capital Commitment | |
|---|---|---|---|---|---|---|
| | **Fund Name** | **Initial Closing Date** | **Term (Year)** | **Investment Focus** | **Total of the Fund(3)** | **Total from the Group(4)** |
| 1 | Tianli China Opportunities Fund I L.P. | January 2017 | 6.5 | 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 | 7 | 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(1) | 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 | 8 | Invest predominantly in the secondary market of publicly traded securities globally | 20.0 | 5.6 |
| 8 | Tianli M&A Investment L.P. | March 2017 | 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. Including cross holdings among the funds
4. Including direct capital

As at 30 June 2023, the total capital commitment of the above funds (after eliminating the cross-holding effect) was approximately US$647.8 million, among which the Group had committed approximately US$89.9 million with US$75.5 million capital invested. During the 6 months ended 30 June 2023, the six funds that the Group has invested resulted in a net loss of RMB1.9 million to the Group's financial results, in addition to the asset management fee income of RMB20.2 million.

***Unit: US$ million***

| | | Product | | | |
|---|---|---|---|---|---|
| **Fund name** | **Country/ region** | **Debt** | **Common equity** | **Preferred equity** | **Invested amount** |
| Tianli China Opportunities Fund I L.P. | PRC | – | 107.7 | – | 107.7 |
| Tianli Private Debt Fund L.P. | Australia | – | – | 17.5 | 17.5 |
| | Korea | 5.5 | – | – | 5.5 |
| | UK | 18.2 | – | – | 18.2 |
| Tianli M&A Investment L.P. | Hong Kong | 56.4 | – | – | 56.4 |
| Tianli Private Debt Capital L.P. | Cayman Islands | 32.1 | – | – | 32.1 |
| Tianli China Opportunities Fund II L.P. | PRC | – | 66.9 | – | 66.9 |
| Tianli UK Opportunities Fund L.P. | UK | – | 132.3 | 25.9 | 158.2 |
| Tianli US Opportunities Fund L.P. | US | – | 16.1 | – | 16.1 |
| Total | | 112.2 | 323.0 | 43.4 | 478.6 |

Consistent with prior periods, the investments made by these funds were in six countries or regions, including Australia, Hong Kong, Korea, PRC, UK and the US, and these investments were in the form of debt, common equity or preferred equity.

## Investment

The Group has no new investment during the six months ended 30 June 2023.

## FINANCIAL REVIEW

For the six months ended 30 June 2023, the Group's revenue was derived from (i) MLCC segment; and (ii) investment and financial services segment. Total revenue of the Group was RMB212.6 million, which represented an increase of RMB18.3 million, or 9.4%, as compared to that for the six months ended 30 June 2022. Revenue from the MLCC segment for the six months ended 30 June 2023 was RMB194.3 million, representing an increase of RMB11.9 million, or 6.5% from the six months ended 30 June 2022, which was due to the increase in sales volume in the first half of 2023. Revenue from the investment and financial services segment for the six months ended 30 June 2023 was RMB18.2 million. Among this, the asset management fee income was RMB20.3 million which remained stable in terms of original currency of US dollar for the six months ended 30 June 2023 and 2022. And the Group's net loss from financial assets at fair value through profit or loss ("**FVPL**"), which recorded RMB1.9 million for the six months ended 30 June 2023 as compared to a net loss of RMB6.2 million for the six months ended 30 June 2022.

### Gross Profit Margin

Aggregate gross profit margin for the six months ended 30 June 2023 was 8.2%, representing an increase of 1.9 percentage points as compared to the six months ended 30 June 2022.

The gross loss margin of the MLCC segment was 0.5% for the six months ended 30 June 2023 while the gross profit margin was 0.2% for the six months ended 30 June 2022. This was due to the intense competition and price reduction for conventional products. Meanwhile, in response to the changes in the market environment and the relocation of plants, the Group had exercised a certain level of production control since the second half of 2022, leading to an increase in average cost.

### Other Income

The Group's other income amounted to RMB8.8 million for the six months ended 30 June 2023, representing a decrease of 45.6% from the six months ended 30 June 2022. The decrease was mainly due to the decrease in exchange gain from exchange fluctuation.

**Selling and Distribution Costs**

The Group's selling and distribution costs totalled RMB9.3 million for the six months ended 30 June 2023, and this was a decrease of 9.6% from the six months ended 30 June 2022. This was mainly due to a decrease in staff costs in the MLCC segment for the six months ended 30 June 2023.

**Administrative Expenses**

The Group's administrative expenses for the six months ended 30 June 2023 were RMB45.7 million, representing an increase of RMB0.2 million from the six months ended 30 June 2022. The increase was mainly attributable to the increase in staff cost in the MLCC segment for the six months ended 30 June 2023.

**Research and Development Costs**

The Group incurred research and development costs of RMB31.4 million for the six months ended 30 June 2023, representing an increase of RMB1.7 million from the six months ended 30 June 2022. The increase was mainly due to the Group's continuous efforts in research and development of new products and technologies during the period.

**Finance Costs**

The Group's finance costs amounted to RMB8.1 million for the six months ended 30 June 2023 representing a decrease of RMB2.0 million from the six months ended 30 June 2022. The decrease was mainly due to the decrease in interest rate for an other loan in the first half of 2022 net off the interests incurred for additional bank loan in the first half of 2023.

**Property, Plant and Equipment**

The net book values of the Group's property, plant and equipment were RMB855.6 million as at 30 June 2023, increased by RMB103.7 million from the balance as at 31 December 2022. The increase was mainly due to the additions to construction expenditure for the six months ended 30 June 2023.

**Investment Properties**

The Group's investment property was carried at RMB24.5 million as at 30 June 2023, comparable to the carrying value of RMB24.9 million as at 31 December 2022.

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

As at 30 June 2023, the Group's financial assets at FVPL had a carrying value of RMB420.6 million, which was an increase of 2.1% from the balance as at 31 December 2022. This was mainly due to a fair value loss of RMB1.9 million and net off the effect of depreciation in exchange rate in Renminbi for the US dollar based financial assets.

**Accounts and Bills Receivables**

As at 30 June 2023, the Group's accounts and bills receivables amounted to RMB305.1 million, an increase of RMB43.5 million from the balance as at 31 December 2022. The increase was mainly due to an increase in sales compared to the second half of 2022.

**Prepayments, Deposits and Other Receivables**

As at 30 June 2023, prepayments, deposits and other receivables amounted to RMB125.1 million, representing an increase of RMB46.2 million as compared to the balance as at 31 December 2022. The increase was mainly due to the increase in deposit paid for the acquisition of property, plant and equipment.

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

As at 30 June 2023, the Group's cash and bank balances totalled RMB108.0 million, increased by RMB45.5 million from 31 December 2022. The increase was mainly due to the unused loan drawdown from the additional bank loan.

**Trade and Bills Payables**

As at 30 June 2023, the Group's trade and bills payables amounted to RMB85.1 million, an increase of RMB24.3 million from 31 December 2022. The increase was mainly due to the increase in MLCC production during the six months ended 30 June 2023.

**Deferred Income, Accruals and Other Payables**

As at 30 June 2023, total deferred income, accruals and other payables amounted to RMB157.3 million, which was an increase of RMB42.3 million from 31 December 2022. The increase was mainly due to the increase in other payables from acquisition of production equipment in 2023.

### Bank and Other Loans

As at 30 June 2023, the Group's bank and other loans was carrying RMB924.8 million, which represented an increase of RMB228.1 million from RMB696.7 million as at 31 December 2022. The increase was mainly due to the additional drawdown of the bank and other loans.

### Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

### Capital Commitments

As at 30 June 2023, the Group had capital commitments of RMB391.1 million (31 December 2022: RMB366.6 million), including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US$13.6 million, or RMB97.0 million (31 December 2022: US$13.2 million or RMB91.3 million), and Tianli China Opportunities Fund I L.P of approximately US$1.2 million, or RMB8.9 million (31 December 2022: US$1.2 million or RMB8.7 million) from the investment and financial services segment. Also, the capital commitment for construction of plant of approximately RMB253.2 million (31 December 2022: RMB220.8 million) and additions to production equipment of approximately RMB32.0 million (31 December 2022: RMB45.8 million) from the MLCC segment. The increase was mainly due to the construction of new factories from the MLCC segment, and the increase of the capital commitment of the investment and financial services segment was attributable to the decrease of the exchange rate of Renminbi. There was no material change in terms of US dollars for the capital commitment of the investment and financial services segment.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Liquidity and Capital Resources

As at 30 June 2023, the Group had net current assets of approximately RMB7.0 million (31 December 2022: net current assets RMB113.9 million), comprising of current assets of RMB838.1 million (31 December 2022: RMB728.7 million), net off current liabilities of RMB831.1 million (31 December 2022: RMB614.8 million).

As at 30 June 2023, the Group's current ratio was 1.0 (31 December 2022: 1.2). The decrease in current ratio was mainly due to the increase in bank loans during the period.

**Banking Facilities**

As at 31 December 2022, the Group had been granted banking facilities of RMB550.0 million in aggregate, which utilised banking facilities amounted to RMB364.0 million. A leasehold land, land use right, machinery and bills receivables of the Group with carrying values of approximately RMB122.4 million in aggregate was pledged to a bank to secure the banking facilities and a guarantee was provided by a wholly owned subsidiary to the bank in respect of the bank facilities.

As at 30 June 2023, the Group had been granted banking facilities of RMB753.0 million in aggregate, which utilised banking facilities amounted to RMB538.24 million. A leasehold land and buildings, land use right, machineries and bills receivables of the Group with carrying values of approximately RMB183.9 million in aggregate and all equity interests in a wholly-owned subsidiary of the Company were pledged to a bank to secure the banking facilities and a guarantee was provided by a wholly owned subsidiary to the bank in respect of the bank facilities.

**Gearing Ratio**

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated at the sum of bank and other loans, lease liabilities, trade and bills payables and accruals and other payables (excluding deferred income and receipt in advance) less cash and cash equivalents. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 30 June 2023 and 31 December 2022, the gearing ratios of the Group were approximately 56.5% and 47.8% respectively. The increase in gearing ratio was a result of the in
crease in bank and other loans for the six months ended 30 June 2023.

**Financial Resources**

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

## FOREIGN EXCHANGE RISK

For the six months ended 30 June 2023, the Group's revenue was mainly denominated in Renminbi, US dollars and HK$, whilst its purchases were mainly denominated in Renminbi, US dollars, HK$ and Japanese Yen. The trade receivables denominated in US dollars were greater than the trade payables denominated in US dollars, and the trade receivables denominated in HK$ were smaller than the trade payables denominated in HK$. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of exchange rates, foreign exchange risk will exist to a certain extent. The Group will adopt corresponding hedging measures in relation to its foreign currency exposure, with a view to providing protection against future foreign exchange risk.

## CHARGES ON ASSETS

As at 30 June 2023, leasehold land and buildings, land use right, machineries and bills receivables of the Group with carrying amounts of approximately RMB55.4 million (31 December 2022: RMB31.3 million), RMB65.2 million (31 December 2022: RMB21.1 million), Nil (31 December 2022: RMB15.9 million) and RMB63.3 million (31 December 2022: RMB49.9 million) respectively have been pledged as securities for bank and other loans facilities. Besides, a bank loan is secured by all equity interests in a wholly-owned subsidiary of the Company.

## BUSINESS PROSPECTS

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

Although the development of the MLCC industry in 2023 remains challenging due to the macroeconomic environment and the consumer electronics market, the long-term prospects for the MLCC market remain positive. Market demands for 5G communications, automotive electronics, the Internet of Things, and photovoltaic energy storage are expected to continue to grow. The MLCC segment continues to adhere to its consistent strategy, consolidating the general consumer market and actively exploring opportunities in automotive electronics, communication base stations, data centers, and other markets to expand the scope of cooperation with leading customers in the target market. The Group has always been the biggest driving force for corporate development to satisfy customers' demands, and the Group is committed to continuous investment in research and development, equipment, environmental protection, automation and informatization and enhance its core competitiveness. While the Group has excelled in small-and-micro sized MLCCs, through continuous investments in research and development in recent years, the Group recently has not only achieved technological breakthroughs in miniature and high-capacitance products, but also successively broadened the medium-and large-sized product portfolio with high-capacitance, high-Q, high-temperature and high-voltage characteristics, especially those that meet reliability requirements of industrial and automotive grades. The Group will continue to explore new markets, actively promote internationalization strategy and expand its market share, and provide customers with better products and services through ongoing innovation and excellent quality.

In respect of investment and financial services, the Group will reinforce the post-investment monitoring and management of existing projects in its fund operation, take various measures to prevent and mitigate potential risks, through enhancing risk-control measures and reducing risk exposure based on the terms of the existing agreements in order to safeguard the interests of fund investors. With most of its efforts directed towards the subsequent management of existing projects, the Group will also start developing new business when appropriate, exploring value-added opportunities for investors in stable and reliable investment projects.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 1,273 (31 December 2022: 1,084) employees. The remuneration policy regarding the employees of the Group is based on their merit, qualifications and competence. Remuneration and bonuses are awarded to employees based on individual performances and are in line with market practices. Other benefits including share award scheme, insurance policies, retirement benefit plans are offered to eligible employees.

## INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: 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 2023.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and other stakeholders. The Directors recognize the importance of incorporating elements of good corporate governance in the management structure, internal control and risk management systems of the Group so as to achieve effective accountability.

The Company has adopted and 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 2023.

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 2023.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (chairman of the Audit Committee), Mr. David Tsoi and Mr. Xu Xuechuan. The 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 2023.

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

Hong Kong, 29 August 2023

*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.*