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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 2021

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2021 was approximately RMB315.1 million, representing an increase of approximately RMB168.9 million, or 115.5%, as compared to the corresponding period in 2020;
- Gross profit margin reached 41.0% for the six months ended 30 June 2021, representing a drop by 4.1% as compared to the corresponding period in 2020; the gross profit margin of the MLCC business was 29.8% for the six months ended 30 June 2021 as compared to gross profit margin of 22.8% for the same period in 2020;
- Profit attributable to owners of the Company for the six months ended 30 June 2021 was RMB28.5 million as compared to a loss of RMB10.2 million for the same period in 2020;
- Basic earnings per share for the six months ended 30 June 2021 was RMB3.83 cents, whereas basic loss per share for the corresponding period in 2020 was RMB1.37 cents; and
- The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2021.

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 2021, together with the comparative figures for the corresponding period ended 30 June 2020.

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

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations			
Revenue	<i>3 & 4</i>	315,062	146,171
Cost of sales		<u>(185,838)</u>	<u>(80,218)</u>
Gross profit		129,224	65,953
Other income	<i>4</i>	4,099	17,706
Selling and distribution costs		(11,739)	(7,279)
Administrative expenses		(59,629)	(53,928)
Research and development costs		<u>(21,866)</u>	<u>(20,347)</u>
Profit from continuing operations		40,089	2,105
Finance costs	<i>5</i>	(10,923)	(10,714)
Share of loss of an associate		<u>–</u>	<u>(461)</u>
Profit/(loss) before taxation		29,166	(9,070)
Income tax expense	<i>6</i>	<u>(1,054)</u>	<u>(1,195)</u>
Profit/(loss) for the period from continuing operations		<u>28,112</u>	<u>(10,265)</u>
Discontinued operations			
Loss for the period from discontinued operations	<i>9</i>	<u>(1)</u>	<u>(2)</u>
Profit/(loss) for the period		<u>28,111</u>	<u>(10,267)</u>

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
	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)	6,903	–
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(3,695)</u>	<u>743</u>
Other comprehensive income for the period, net of income tax	<u>3,208</u>	<u>743</u>
Total comprehensive profit/(loss) for the period, net of income tax	<u>31,319</u>	<u>(9,524)</u>
Profit/(loss) attributable to owners of the Company:		
– from continuing operations	28,488	(10,230)
– from discontinued operations	<u>(1)</u>	<u>(2)</u>
Profit/(loss) for the period attributable to owners of the Company	<u>28,487</u>	<u>(10,232)</u>

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period attributable to:		
Owners of the Company	28,487	(10,232)
Non-controlling interests	(376)	(35)
	<u>28,111</u>	<u>(10,267)</u>
Total comprehensive profit/(loss) for the period attributable to:		
Owners of the Company	28,690	(9,768)
Non-controlling interests	2,629	244
	<u>31,319</u>	<u>(9,524)</u>
Total comprehensive income/(loss) attributable to owners of the Company:		
– from continuing operations	28,806	(9,794)
– from discontinued operations	(116)	26
	<u>28,690</u>	<u>(9,768)</u>
	<i>RMB cents</i>	<i>RMB cents</i>
Earnings/(loss) per share attributable to owners of the Company during the year (basic and diluted)		
– from continuing operations	<i>8</i> 3.83	(1.37)
– from discontinued operations	<i>8</i> 0.00	0.00
	<u>3.83</u>	<u>(1.37)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
<i>Notes</i>	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	425,827	398,279
Investment properties	21,212	21,553
Deposits paid for acquisition of property, plant and equipment and other non -current rental deposit	29,503	28,661
Interest in an associate	17,280	17,910
Financial assets at fair value through other comprehensive income (“FVOCI”)	12,470	25,893
Financial assets at fair value through profit or loss (“FVPL”)	380,851	369,519
Other intangible assets	1,398	1,304
Deferred tax assets	23,943	23,946
	<hr/>	<hr/>
Total non-current assets	912,484	887,065
Current assets		
Inventories	203,075	178,337
Accounts and bills receivables	213,575	185,236
Prepayments, deposits and other receivables	41,874	53,933
Cash and bank balances	59,213	60,298
	<hr/>	<hr/>
Total current assets	517,737	477,804

		30 June	31 December
		2021	2020
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
Current liabilities			
Trade and bills payables	<i>11</i>	79,587	71,570
Deferred income, accruals and other payables		86,768	82,437
Tax payable		10,976	10,395
Lease Liabilities		12,781	14,084
Bank and other loans		242,942	220,136
		<hr/>	<hr/>
Total current liabilities		433,054	398,622
		<hr/>	<hr/>
Net current assets		84,683	79,182
		<hr/>	<hr/>
Total assets less current liabilities		997,167	966,247
		<hr/> <hr/>	<hr/> <hr/>
Non-current liabilities			
Lease liabilities		20,055	23,794
Deferred income		15,000	15,352
Deferred tax liabilities		40,569	40,569
Bank and other loans		13,937	–
		<hr/>	<hr/>
Total non-current liabilities		89,561	79,715
		<hr/>	<hr/>
Net assets		907,606	886,532
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital		6,637	6,637
Reserves		892,736	864,046
		<hr/>	<hr/>
Total equity attributable to owners of the Company		899,373	870,683
Non-controlling interests		8,233	15,849
		<hr/>	<hr/>
Total equity		907,606	886,532
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2021 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 2020.

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 2020, 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to IFRS 16, Covid-19 Related Rent Concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

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

During the six months ended 30 June 2021, the Group ceased its businesses in other general trading which are classified as discontinued operations for the six months ended 30 June 2021. Further details of the businesses 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 operations:

- 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 2021 and 2020 is set out below:

	Six months ended 30 June 2021 (Unaudited)			
	Continuing operations		Discontinued operations	Total
	Investment and financial		Other	
	MLCC services		trading	
RMB'000	RMB'000	RMB'000	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)	<u>13,064</u>	<u>38,848</u>	<u>(1)</u>	<u>51,911</u>
	Six months ended 30 June 2020 (Unaudited) (Restated)			
	Continuing operations		Discontinued operations	
	Investment and financial		Other	
	MLCC services		trading	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition:				
Point in time	103,974	14,539	–	118,513
Over time	–	27,658	–	27,658
Reportable segment revenue from external customers	103,974	42,197	–	146,171
Reportable segment profit/(loss)	<u>(18,383)</u>	<u>27,785</u>	<u>(2)</u>	<u>9,400</u>

There are no inter-segment revenue for the six months ended 30 June 2021 and 2020.

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

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2021 and 31 December 2020:

	At 30 June 2021 (Unaudited)			
	Continuing operations			Discontinued
	MLCC	Investment and financial		Other
		services	trading	general
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Total
				<i>RMB'000</i>
Reportable segment assets	<u>848,385</u>	<u>572,717</u>	<u>1,557</u>	<u>1,422,659</u>
Reportable segment liabilities	<u><u>286,486</u></u>	<u><u>3,281</u></u>	<u><u>854</u></u>	<u><u>290,621</u></u>
	At 31 December 2020 (Audited)			
	Continuing operations			Discontinued
	MLCC	Investment and financial		Other
		services	trading	general
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>RMB'000</i>
Reportable segment assets	<u>784,878</u>	<u>565,213</u>	<u>1,618</u>	<u>1,351,709</u>
Reportable segment liabilities	<u><u>256,126</u></u>	<u><u>5,333</u></u>	<u><u>887</u></u>	<u><u>262,346</u></u>

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segment profit/(loss) derived		
from the Group's external customers	51,912	9,400
Corporate interest income	–	426
Central administrative expenses	(13,235)	(9,385)
Central finance costs	(9,512)	(9,513)
	<hr/>	<hr/>
Consolidated profit/(loss) before taxation	<u>29,165</u>	<u>(9,072)</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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
within the scope of IFRS 15		
Sale of MLCC	264,896	103,974
Assets management fee income	24,601	27,294
	289,497	131,268
Revenue from other sources		
Investment interest income (<i>note i</i>)	–	364
Net gain on financial assets at FVPL	25,565	14,539
	25,565	14,903
	315,062	146,171
Other income		
Interest income on financial assets measured at amortised costs		
– Bank interest income (<i>note i</i>)	62	166
Gross rental income from investment properties	1,012	2,787
Government grants (<i>note ii</i>)	1,911	3,252
Management fee income	67	–
Net foreign exchange gain	–	7,768
Gain on lease modification	–	1,162
Reversal of impairment loss for accounts receivable	–	2,570
Sundry income	1,047	1
	4,099	17,706
	319,161	163,877

Note i: For the six months ended 30 June 2021, the total amount of interest income on financial assets measured at amortised cost, including bank interest income, was RMB62,000 (six months ended 30 June 2020: RMB166,000).

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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total interest expense on financial liabilities not at FVPL:		
Interest on bank loan	150	7
Interest on other loans	9,775	9,513
Interest on lease liabilities	998	1,194
	<u>10,923</u>	<u>10,714</u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– Hong Kong Profits Tax for the period	(1,054)	(1,017)
– PRC Enterprise Income Tax (“EIT”) for the period	–	(178)
	<hr/>	<hr/>
Income tax expenses for the period	(1,054)	(1,195)
	<hr/> <hr/>	<hr/> <hr/>

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% (2020: 16.5%) to the six months ended 30 June 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and 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 2020.

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 2021 and 2020, except that 深圳市宇陽科技發展有限公司 (literally translated as Shenzhen Eyang Technology Development Co., Ltd.), an indirect wholly-owned subsidiary of the Company, was recognised as High and New Technology Enterprise on 16 October 2018 and is subject to income tax rate of 15% for three consecutive years commencing in 2019.

7. DIVIDENDS

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

8. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2021 (Unaudited) <i>RMB'000</i>	2020 (Unaudited) (Restated) <i>RMB'000</i>
Earnings/(Loss)		
Profit/(loss) for the purpose of basic earnings/(loss) per share		
– from continuing operations	28,488	(10,230)
– from discontinued operations	(1)	(2)
	<u>28,487</u>	<u>(10,232)</u>
	2021 (Unaudited)	2020 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>744,750,000</u>	<u>744,750,000</u>

Diluted earnings/(loss) per share for the six months ended 30 June 2021 and 2020 is the same as the basic earnings/(loss) per share as there were no potential ordinary shares outstanding during the periods.

9. DISCONTINUED OPERATIONS

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 was stagnant since the first quarter in 2021.

The analysis of the results of discontinued operation is as follows. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation from continuing operation separately.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–
Administrative and other operating expenses	<u>(1)</u>	<u>(2)</u>
Loss before income tax expense	(1)	(2)
Income tax expense	<u>–</u>	<u>–</u>
Loss for the year from discontinued operation	<u>(1)</u>	<u>(2)</u>
Net cash used in operating activities	<u>(1)</u>	<u>(3)</u>
Total net cash outflows	<u>(1)</u>	<u>(3)</u>

10. ACCOUNTS AND BILLS RECEIVABLES

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivables	204,906	169,623
Less: loss allowance	<u>(11,273)</u>	<u>(8,268)</u>
	193,633	161,355
Bills receivables	<u>19,942</u>	<u>23,881</u>
	<u>213,575</u>	<u>185,236</u>

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

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

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

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 90 days	93,874	79,901
91 to 180 days	14,481	17,584
181 to 360 days	27,428	19,892
1 to 2 years	28,764	23,498
2 to 3 years	22,460	18,513
Over 3 years	17,899	10,235
	<u>204,906</u>	<u>169,623</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	31 December
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 90 days	16,725	22,721
91 to 180 days	3,217	–
181 to 360 days	–	1,160
	<u>19,942</u>	<u>23,881</u>

11. TRADE AND BILLS PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade payables	67,164	63,771
Bills payables	12,423	7,799
	<u>79,587</u>	<u>71,570</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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 90 days	63,231	58,453
91 to 180 days	3,547	5,011
181 to 360 days	255	–
1 to 2 years	95	163
Over 2 years	36	144
	<u>67,164</u>	<u>63,771</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	31 December
	2021	2020
	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	6,036	7,799
91 to 180 days	6,387	–
	12,423	7,799

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2021, the recovery of demands in the electronics industry brought opportunities to the Group, but the shortage of components, such as chips and screens, constrained some demands for terminals. As the MLCC business is the Group's main business and a major source of growth, the management endeavoured to overcome the challenges and resolve the difficulties, so as to grow and strengthen the MLCC segment in accordance with the established plans. For the six months ended 30 June 2021, the investment and financial services segment maintained stable development.

MLCC

There was a serious setback in the global economy due to the spread of novel coronavirus (COVID-19) in 2020. As the COVID-19 vaccines were available in 2021, the economy picked up steam, and market demands recovered gradually. In addition, the Chinese government actively promoted the domestic substitution of electronic components, and it resulted in higher market demands for the Group's MLCC products. In the second quarter, the "shortage of chips and screens" predicament in the electronics manufacturing industry aggravated, which posed a great challenge to terminal manufacturers. The sales volume of the Group's MLCC declined as the market demand slowed down and became increasingly competitive. Nevertheless, during the reporting period, the MLCC segment of the Group overcame difficulties, continuously improved the quality of products and adjusted the product mix. In addition to the stable supply of consumer-grade products, the MLCC segment developed new products and achieved steady growth in the number of industrial-grade products, and the technology of some products has reached the international standard. During the reporting period, the MLCC segment of the Group recorded 154.8% of year-on-year growth in sales revenue.

During the reporting period, the Group improved the overall capacity and production efficiency and reinforced cost control by further strengthening the production management, acquiring new equipment, advancing technology, enhancing automation and informatisation level and liberating the capacity of bottlenecking processes. The MLCC segment of the Group recorded gross profit margin of 29.8% during the reporting period, and recorded gross profit a year-on-year improvement of 232.8%.

During the reporting period, the existing production bases of the Group in Dongguan and Anhui maintained stable operations, and the new base in Chuzhou Economic Development Zone, Anhui Province was under construction. Further, on 26 May 2021, Dongguan Dong Eyang Electronic Technology Development Co., Ltd., a wholly-owned subsidiary of the Group, entered into the agreement with Dongguan Fenggang Fengdeling Stock Economic Association on the acquisition of land use rights, whereby the Group is well poised to build the new base in Dongguan. The completion of the new bases in Anhui and Dongguan will achieve the relocation, upgrade and expansion of the Group's existing MLCC production bases.

INVESTMENT AND FINANCIAL SERVICES

Asset management

As at 30 June 2021, the Group was managing 11 funds, each with a distinct focus. The Group derived asset management fee income by providing asset management services to the funds. The capital commitments from their limited partners were listed in the table below. The Group, being one of the limited partners, also invested directly into six of the funds.

Unit: US\$ million

	Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment	
					Total of the Fund ⁽⁷⁾	Total from the Group ⁽⁸⁾
1	Tianli China Opportunities Fund I L.P.	January 2017	5.5	Project fund established for an investment in Beijing	116.4	17.5
2	Tianli SPC	January 2017	3 ⁽⁶⁾	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments	87.4	–
3	Tianli Private Debt Fund L.P.	January 2017	5+1 ⁽³⁾ +1 ⁽⁴⁾	Invest in a wide range of private debt instruments with regional focus primarily in developed countries and China	300.0	35.0
4	Tianli Private Debt Capital L.P.	March 2017	5+3 ⁽¹⁾ +1 ⁽¹⁾	Invest predominantly across a wide range of private debt instruments globally	175.0	9.8
5	Tianli Global Opportunities Capital L.P. ⁽²⁾	March 2017	7+2 ⁽¹⁾	Invest globally across various sectors and distressed assets	175.0	12.2
6	Tianli Special Situations Capital L.P.	March 2017	7+2 ⁽¹⁾ +1 ⁽¹⁾	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	175.0	9.8

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

Notes:

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

As at 30 June 2021, the total capital commitment of the above funds (after eliminating the cross-holding effect) was approximately US\$1,057.8 million, among which the Group had committed approximately US\$89.9 million with US\$78.0 million capital invested. During the first six months of 2021, the six funds that the Group has invested contributed a net gain of RMB25.6 million to the Group's financial results, in addition to asset management fee income of RMB24.6 million.

Unit: US\$ million

Name of Funds	Country/ Region	Products			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	25.1	–	–	25.1
Tianli M&A Investment L.P.	Hong Kong	366.0	–	–	366.0
Tianli Private Debt					
Capital L.P.	Hong Kong	32.1	–	–	32.1
Tianli China Opportunities					
Fund II L.P.	PRC	–	69.2	–	69.2
Tianli UK Opportunities					
Fund L.P.	UK	–	136.6	25.2	161.8
Tianli US Opportunities					
Fund L.P.	US	–	13.9	–	13.9
Total		<u>428.7</u>	<u>327.4</u>	<u>42.8</u>	<u>798.9</u>

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

Investment

Following the investment strategy from previous periods, the Group continues to hold two passive financial investments, including one equity investment (classified as financial assets at fair value through other comprehensive income on the face of consolidated statement of financial position), and one investment in an associate (classified as interest in an associate on the face of consolidated statement of financial position).

The equity investment refers to a minority equity interest investment in a medical publishing organisation, namely Nancy International Limited. The fair value of the equity investment had been reviewed at the end of 2020 by the management using cash flow projections based on a financial budget, and had been increased to RMB25.9 million due to better-than-expected present value of the expected business return. A similar review will be performed again close to the end of 2021. As announced by the Company on 2 February 2021, Nancy International Limited repurchased partial of the shares indirectly held by the Group with the amount of approximately RMB19.7 million.

The investment in an associate refers to a private equity fund established in Korea which is 29.98% held by a non-wholly owned subsidiary of the Group which is a licensed comprehensive asset management company in Korea. The interests in an associate is accounted for by the Group in the consolidated financial statements using equity method.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group's revenue was derived from (i) MLCC segment; and (ii) investment and financial services segment. Total revenue of the Group was RMB315.1 million, which represented an increase of RMB168.9 million, or 115.5%, as compared to that for the six months ended 30 June 2020. Revenue from the MLCC segment for the six months ended 30 June 2021 was RMB265.0 million, representing an increase of RMB160.9 million, or 154.8% from the six months ended 30 June 2020, which was due to continued recovery of the market in the industry and the increase in sales volume in the first half of 2021. Revenue from investment and financial services segment for the six months ended 30 June 2021 reached RMB50.1 million. Among this, the asset management fee income remained stable for the six months ended 30 June 2021 and 2020, but with the Group's net gain from financial assets at fair value through profit or loss ("FVPL"), which recorded RMB25.6 million for the six months ended 30 June 2021 as compared to that of RMB14.5 million for the six months ended 30 June 2020.

Gross Profit Margin

Aggregate gross profit margin for the six months ended 30 June 2021 was 41.0%, representing a drop of 4.1% as compared to the six months ended 30 June 2020.

Nevertheless, the gross profit margin of MLCC segment increased from gross profit margin of 22.8% for the six months ended 30 June 2020 to gross profit margin of 29.8% for the six months ended 30 June 2021. This was due to the enhancement of the production mix and effective cost control implementation by the management during the period.

Other Income

The Group's other income amounted to RMB4.1 million for the six months ended 30 June 2021, representing a decrease of 76.8% from the six months ended 30 June 2020. The decrease was mainly due to an one-off gain on reversal of impairment loss of account receivables of RMB2.6 million and an exchange gain of RMB7.8 million recorded for the six months ended 30 June 2020 and a rental income of RMB1.9 million decreased for the six months ended 30 June 2021.

Selling and Distribution Costs

The Group's selling and distribution costs totalled RMB11.7 million for the six months ended 30 June 2021, and this was an increase of 61.3% from the six months ended 30 June 2020. This was mainly due to an increase in staff salary of sales department in the MLCC segment where the sales level increased.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2021 were RMB59.6 million, representing an increase of RMB5.7 million from the six months ended 30 June 2020. The increase was mainly attributable to the increase in loss allowance of account receivables in the MLCC segment.

Research and Development Costs

The Group incurred research and development costs of RMB21.9 million for the six months ended 30 June 2021, representing an increase of RMB1.5 million from the six months ended 30 June 2020. The increase was mainly because the COVID-19 pandemic postponed the delivery of new machinery, causing the delay in testing of new products in the MLCC segment for the same period last year.

Finance Costs

The Group's finance costs amounted to RMB10.9 million for the six months ended 30 June 2021 representing an increase of RMB0.2 million from the six months ended 30 June 2020. The slightly increase was mainly due to the additional drawdown of bank and other loans in the first half of 2021.

Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB425.8 million as at 30 June 2021, increased by RMB27.5 million from the balance as at 31 December 2020. 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 RMB21.2 million as at 30 June 2021, comparable to the carrying value of RMB21.6 million as at 31 December 2020.

Financial Assets at FVPL

As at 30 June 2021, the Group's financial assets at FVPL had a carrying value of RMB380.9 million, which was a 3.1% increase from the balance as at 31 December 2020 which was classified as financial assets designated at FVPL. This was mainly due to a fair value gain of RMB25.6 million and net off the effect of appreciation in exchange rate in Renminbi.

Accounts and Bills Receivables

As at 30 June 2021, the Group's accounts and bills receivables amounted to RMB213.6 million, an increase of RMB28.3 million or 15.3% from the balance as at 31 December 2020. The increase primarily resulted from an increase in sales for the six months ended 30 June 2021 compared to the same period to 2020 in the MLCC segment.

Prepayments, Deposits and Other Receivables

As at 30 June 2021, prepayments, deposits and other receivables amounted to RMB41.9 million, representing a decrease of RMB12.1 million as compared to the balance as at 31 December 2020. The decrease was mainly due to the cash received from the distribution from Tianli China Opportunities Fund I L.P. invested by the Group which was declared in 2020.

Cash and Bank Balances

As at 30 June 2021, the Group's cash and bank balances totalled RMB59.2 million, decreased by RMB1.1 million from 31 December 2020. There was no material change since 31 December 2020.

Trade and Bills Payables

As at 30 June 2021, the Group's trade and bills payables amounted to RMB79.6 million, an increase of RMB8.0 million from 31 December 2020. This was mainly due to an increase in MLCC production volumes during the six months ended 30 June 2021.

Deferred Income, Accruals and Other Payables

As at 30 June 2021, total deferred income, accruals and other payables amounted to RMB86.8 million, which was an increase of RMB4.3 million from 31 December 2020. The slightly increase was mainly due to the increase of deposits received but not delivered from customers.

Bank and Other Loans

As at 30 June 2021, the Group's bank and other loans was carrying RMB256.9 million, which represented an increase of RMB36.8 million from RMB220.1 million as at 31 December 2020. The increase was mainly due to the accrual of interests and additional drawdown in other loans from independent third parties.

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

Capital Commitments

As at 30 June 2021, the Group had capital commitments of RMB330.5 million (31 December 2020: RMB256.0 million), including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US\$13.2 million, or RMB83.7 million (31 December 2020: US\$13.2 million or RMB87.0 million), Tianli China Opportunities Fund I L.P. of approximately US\$1.4 million, or RMB8.7 million (31 December 2020: US\$1.4 million or RMB9.0 million) from the investment and financial services segment. Also, the capital commitment for construction of plant of approximately RMB139.1 million (31 December 2020: RMB123.7 million), acquisition of land use right of approximately RMB43.8 million (31 December 2020: Nil) and additions to production equipment of approximately RMB55.2 million (31 December 2020: RMB36.3 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 2021, the Group had net current assets of approximately RMB84.7 million (31 December 2020: RMB79.2 million), comprising of current assets of RMB517.7 million (31 December 2020: RMB477.8 million), net off current liabilities of RMB433.1 million (31 December 2020: RMB398.6 million).

As at 30 June 2021, the Group's current ratio was 1.2 (31 December 2020: 1.2). There was no material change since 31 December 2020.

Banking Facilities

As at 30 June 2021, the Group had been granted banking facilities of RMB510.0 million (31 December 2020: RMB20.0 million) and utilised banking facilities of RMB10.0 million (31 December 2020: RMB8.0 million). The leasehold land of the Group with a carrying value of RMB19.5 million (31 December 2020: RMB18.2 million) was pledged to an independent third party which provided a guarantee to a bank in respect of the bank facilities granted to the Group.

Gearing Ratio

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated at the sum of bank and other loans, 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 2021 and 31 December 2020, the gearing ratios of the Group were approximately 30.6% and 28.8% respectively. The increase in gearing ratio was a result of the increase in bank and other loans during the six months ended 30 June 2021.

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 2021, 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 2021, leasehold land and machinery of the Group with carrying amounts of approximately RMB19.5 million (31 December 2020: RMB18.2 million) and RMB21.0 million respectively have been pledged as securities for bank and other loans facilities.

BUSINESS PROSPECTS

The MLCC is a national strategic basic component that not only serves as the foundation for building a new generation of electronic information terminal products, but also relates to the safety of domestic electronic information industry chain. To enhance the independence, control, security and stability of the industry chain and the supply chain, the Ministry of Industry and Information Technology of the Chinese government released the "Action Plan for the Development of the Basic Electronic Components Industry (2021-2023)" in early 2021, setting the overall goal of developing a larger and stronger electronic components industry. The action plan raises the high-quality development of the basic electronic components industry to the level of national strategic development, drives the basic electronic components industry to achieve breakthroughs in key sectors including smart terminals, 5G and industrial internet, and further boosts demands for the domestic substitution of electronic components. In this context, the electronic components industry, in which the Group's MLCC segment is located, becomes a sector that comes under the spotlight and has a huge development potential. As the COVID-19 pandemic rumbles on and resurges, the "otaku culture" will be ongoing, and demands for teleworking, distance learning, online services, online games and videos will continue to thrive, which will bring opportunities for the development of the industry. In addition, the rapid increase in the number of 5G base stations and the rapid expansion of the electric vehicle market have driven the demand for industrial-grade and automotive-grade MLCC products. Although the "shortage of chips" situation may continue in the second half of this year and market competition will remain fierce, the overall demand in the MLCC market will continue to expand in the long term, and the trend of domestic substitution will become more prominent. The dielectric thin medium-layer high-density capacity products that the Group focuses on will account for a greater share of the market demand.

In 2021, the Group has maintained stable production and operation with good momentum for growth, continued to invest in new products and technologies, and achieved remarkable breakthroughs in the ultra-miniature, industrial-grade, small-size and ultrahigh-capacity products. The Group has developed the miniaturization and high-frequency products continuously, and also successfully expanded high-reliability and high-power radio frequency products for base stations, upgraded and optimized the product structure, and gradually expanded the product applications from consumer-grade to industrial-grade and automotive-grade areas. With the steady improvement of product quality and technology standards, the Group further expanded the scope of product customer base, and thereby improved its reputation consistently. As such, the Group will seize the opportunities of domestic substitution, continue to increase investment in the aspects of research and development, equipment, environmental protection and automated informatisation, and accelerate the preparation/construction of the new production bases in Anhui and Dongguan, remaining committed to providing products with better quality and diverse specifications to meet market demands, contributing to the upgrading of the electronic information industry and maintaining its leading position in China's MLCC market.

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

HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 1,347 (31 December 2020: 1,255) 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 2021 (30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, the Company had complied with all code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), save and except for code provision E.1.2 which stipulates that the chairman of the board should attend the annual general meeting.

Mr. Zhou Chunhua, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 22 June 2021 (the “**2021 AGM**”) due to immigration restrictions under the COVID-19 pandemic. The 2021 AGM was chaired by Mr. Pan Tong, the Executive Director and Chief Executive Officer, with the consent of members present.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors’ dealings in securities of the Company. Having made specific enquiry of all the Directors, all Directors had confirmed that they have complied with the required standards as set out in Model Code regarding their securities transactions throughout the six months ended 30 June 2021.

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 2021.

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

Hong Kong, 26 August 2021

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