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 2024

FINANCIAL HIGHLIGHTS

- The overall revenue for the six months ended 30 June 2024 was approximately RMB219.4 million, representing an increase of approximately RMB6.79 million, or 3.2%, as compared to the corresponding period in 2023;

- Gross profit margin was 12.4% for the six months ended 30 June 2024, representing an increase by 4.2 percentage points as compared to the corresponding period in 2023; the gross profit margin of the MLCC segment was 6.47% for the six months ended 30 June 2024, as compared to the gross loss margin of 0.5% for the corresponding period in 2023;

- Loss attributable to owners of the Company for the six months ended 30 June 2024 was RMB59.2 million as compared to a loss of RMB69.7 million for the same period in 2023;

- Basic loss per share for the six months ended 30 June 2024 was RMB7.94 cents, whereas basic loss per share for the corresponding period in 2023 was RMB9.36 cents; and

- The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2024.

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 2024, together with the comparative figures for the corresponding period ended 30 June 2023.

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

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3 & 4*	**219,404**	212,614
Cost of sales		**(192,305)**	(195,160)
Gross profit		**27,099**	17,454
Other income	*4*	**12,152**	5,445
Other gains and losses		**1,293**	3,340
Selling and distribution costs		**(10,197)**	(9,296)
Administrative expenses		**(43,691)**	(45,724)
Research and development costs		**(27,758)**	(31,438)
Loss from operations		**(41,102)**	(60,219)
Finance costs	*5*	**(15,832)**	(8,124)
Loss before taxation		**(56,934)**	(68,343)
Income tax expenses	*6*	**(2,235)**	(1,401)
Loss for the period		**(59,169)**	(69,744)

	Notes	Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
Other comprehensive income for the period, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**352**	5,515
Other comprehensive income for the period, net of income tax		**352**	5,515
Total comprehensive loss for the period, net of income tax		**(58,817)**	(64,229)
Loss for the period attributable to:			
Owners of the Company		**(59,169)**	(69,743)
Non-controlling interests		**–**	(1)
		(59,169)	(69,744)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(58,817)**	(64,337)
Non-controlling interests		**–**	108
		(58,817)	(64,229)
		RMB cents	*RMB cents*
Loss per share attributable to owners of the Company during the period (basic and diluted)	*8*	**(7.94)**	(9.36)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**30 June 2024 (Unaudited)** *RMB'000*	31 December 2023 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment ("**PPE**")		**959,726**	913,518
Investment properties		**23,715**	24,122
Deposits paid for acquisition of PPE and other non-current refundable rental deposits		**37,825**	29,215
Financial assets at fair value through profit or loss ("**FVPL**")		**222,074**	41,032
Other intangible assets		**296**	443
Deferred tax assets		**17**	17
Total non-current assets		**1,243,653**	1,008,347
Current assets			
Inventories		**217,722**	195,314
Financial assets at FVPL		**185,813**	371,102
Accounts and bills receivables	*9*	**308,482**	347,160
Prepayments, deposits and other receivables		**48,900**	44,960
Assets classified as held for sale		**17,686**	–
Cash and bank balances		**63,308**	32,671
Restricted bank deposit		**2,933**	14,236
Total current assets		**844,844**	1,005,443

	Notes	30 June 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
Current liabilities			
Trade and bills payables	*10*	**130,399**	116,045
Deferred income, accruals and other payables		**82,330**	109,335
Lease liabilities		**7,130**	9,221
Tax payable		**14,386**	13,217
Bank and other loans		**815,948**	715,807
Total current liabilities		**1,050,193**	963,625
Net current (liabilities)/assets		**(205,349)**	41,818
Total assets less current liabilities		**1,038,304**	1,050,165
Non-current liabilities			
Lease liabilities		**487**	1,557
Deferred income		**2,705**	4,144
Bank and other loans		**408,514**	359,029
Deferred tax liabilities		**17,452**	17,452
Total non-current liabilities		**429,158**	382,202
Net assets		**609,146**	667,963
Capital and reserves			
Share capital		**6,637**	6,637
Reserves		**602,509**	661,326
Total equity attributable to owners of the Company		**609,146**	667,963
Non-controlling interests		**–**	–
Total equity		**609,146**	667,963

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 MATERIAL ACCOUNTING POLICIES INFORMATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of the new and revised standards and amendments that are effective for the Group's current accounting period noted below.

Going concern basis

During the six months ended 30 June 2024, the Group incurred a net loss of RMB59,169,000 and as of that date, the Group's current liabilities exceeded its current assets by RMB205,349,000. The current liabilities included bank and other loans of RMB815,948,000, of which (i) bank loans of RMB170,101,000 are repayable within 12 months from the end of the reporting period; (ii) bank loans of RMB425,500,000 that contain a repayable on demand clause but expected to be repayable after 12 months from the end of the reporting period; which the Group did not meet certain financial covenants of the relevant bank loans as at 30 June 2024; and (iii) bank loans of RMB220,347,000 which were originally repayable after 12 months from the end of the reporting period, but being reclassified as current liabilities, as the relevant bank has the right to require immediate repayment on 30 June 2024 due to the provision of the loan agreement. The Group's cash and cash equivalents amounted to RMB63,308,000 as at 30 June 2024.

On discovery of the non-fulfilment of financial covenants by the subsidiaries of the Group, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loan with the relevant bankers. Up to the date of approval for issuance of the interim condensed consolidated financial statements, the negotiations are still in progress.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company are undertaking a number of plans and measures to improve the Group's liquidity and financial position, including, inter alia:

(i) actively negotiating with the existing banks on the terms and financial covenants of loan agreements and communicating with banks on the renewal of existing bank loans and refinancing arrangements;

(ii) undertaking certain corporate restructuring within the Group including but not limited to further capital injection by way of cash and/or capitalization of intra-group debt balances to improve the financial ratio;

(iii) implementing measures to speed up the collection of outstanding accounts and bills receivables; and

(iv) exploring other debt or equity financing arrangements.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than 12 months from 30 June 2024. The directors of the Company are confident that, taking into account of the above-mentioned plans and measures, particularly with the proven good track records on repayment of bank loans and good relationship with the banks, the negotiations with the lenders will ultimately reach a successful conclusion and the Group is able to restructure its existing borrowing facilities; and the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next 12 months from 30 June 2024. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these interim condensed consolidated financial statements on a going concern basis. Up to the date of approval of the interim condensed consolidated financial statements, the banks have not demanded for any accelerated repayment of the outstanding balances.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial statements.

Application of new and revised standards

In the current 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 2024 for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

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 2024 and 2023 is set out below:

	Six months ended 30 June 2024 (Unaudited)		
	MLCC	**Investment and financial services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue			
Disaggregated by timing of revenue recognition:			
Point in time	**205,602**	**–**	**205,602**
Over time	**–**	**20,953**	**20,953**
	205,602	**20,953**	**226,555**
Revenue from other source	**–**	**(7,151)**	**(7,151)**
Reportable segment revenue from external customers	**205,602**	**13,802**	**219,404**
Reportable segment (loss)/profit	**(54,076)**	**9,427**	**(44,649)**

	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	–	194,252
Over time	–	20,281	20,281
	194,252	20,281	214,533
Revenue from other source	–	(1,919)	(1,919)
Reportable segment revenue from external customers	194,252	18,362	212,614
Reportable segment (loss)/profit	(69,124)	10,169	(58,955)

There are no inter-segment revenue for the six months ended 30 June 2024 and 2023.

The measure used for reporting segment profit/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 2024 and 31 December 2023:

	At 30 June 2024 (Unaudited)		
	MLCC	**Investment and financial services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment assets	**1,430,026**	**657,982**	**2,088,008**
Reportable segment liabilities	**1,062,519**	**6,708**	**1,069,227**

	At 31 December 2023 (Audited)		
	MLCC	Investment and financial services	Total
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	1,360,081	652,784	2,012,865
Reportable segment liabilities	975,962	6,003	981,965

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total reportable segment loss derived from the Group's external customers	**(44,649)**	(58,955)
Central other income	**–**	2,134
Central administrative expenses	**(3,501)**	(4,484)
Central finance costs	**(8,784)**	(7,038)
Consolidated loss before taxation	**(56,934)**	(68,343)

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	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sale of MLCC	**205,602**	194,252
Asset management fee income	**20,953**	20,281
	226,555	214,533
Revenue from other sources		
Net loss from financial assets at FVPL	**(7,151)**	(1,919)
	219,404	212,614
Other income		
Interest income on financial assets measured at amortised cost		
– Bank interest income	**55**	42
Gross rental income from investment properties	**1,642**	1,800
Release of government grants as income *(note)*	**8,366**	3,098
Gain on disposal of property, plant and equipment	**1,309**	2
Sundry income	**780**	503
	12,152	5,445
	231,556	218,059

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	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans	**12,014**	13,727
Interest on other loans	**8,784**	7,159
Interest on lease liabilities	**269**	449
Total interest expense on financial liabilities not at FVPL:	**21,067**	21,335
Less: amounts capitalised in the cost of qualifying assets	**(5,235)**	(13,211)
	15,832	8,124

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
– Hong Kong Profits Tax for the period	**1,798**	1,384
– Under-provision of PRC Enterprise Income Tax ("**EIT**") in prior period	**437**	17
Income tax expenses for the period	**2,235**	1,401

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% (2023: 16.5%) for the six months ended 30 June 2024, 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 2023.

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 2024 and 2023, 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 2024 (six months ended 30 June 2023: 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	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share	**(59,169)**	(69,743)

	2024	2023
	(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

No diluted loss per share for the six months ended 30 June 2024 and 2023 presented as there is no potential ordinary shares outstanding during the periods.

9. ACCOUNTS AND BILLS RECEIVABLES

	30 June 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
Accounts receivables		
– Contracts with customers	**254,330**	262,530
Less: allowances for credit losses	**(8,437)**	(8,474)
	245,893	254,056
Bills receivables	**62,589**	93,104
	308,482	347,160

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 five 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 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
Within 90 days	**56,683**	74,163
91 to 180 days	**10,881**	11,208
181 to 360 days	**28,942**	20,825
1 to 2 years	**41,743**	41,553
2 to 3 years	**44,669**	46,349
Over 3 years	**71,412**	68,432
	254,330	262,530

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

	30 June 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
Within 90 days	**32,553**	63,344
91 to 180 days	**30,036**	28,260
181 to 360 days	**–**	1,500
	62,589	93,104

10. TRADE AND BILLS PAYABLES

	30 June 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
Trade payables	**125,733**	110,138
Bills payables	**4,666**	5,907
	130,399	116,045

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 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
Within 90 days	**101,998**	94,299
91 to 180 days	**15,623**	14,680
181 to 360 days	**7,381**	323
1 to 2 years	**33**	15
Over 2 years	**698**	821
	125,733	110,138

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 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
Within 90 days	**4,666**	5,907

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2024, the recovery of the global economy continued to be hampered by geopolitical conflicts and high inflation, while risks increased significantly. Despite some industries showing signs of recovery, sluggish economic growth continued to pose challenges of varying degrees for the Group's MLCC segment and investment and financial services segment.

MLCC

In the first half of 2024, despite continued volatility in the global macro environment, the overall economy has resumed growth. With inflation persistently declining, there was a slow resurgence in demand for consumer electronic products, including mobile phones and laptops, since the second quarter. Against this backdrop, after undergoing destocking and capacity adjustments since last year, the inventory levels in the MLCC industry have returned to normal. Downstream orders have also started to gradually increase month by month, and the bottom of the industry has passed, indicating a clear recovery in the end-market in the second half of the year. Benefiting from the adjustment of our product structure and the increase of the proportion of sales of high-frequency, high-capacitance industrial-grade products, the average price of Company's products rose by approximately 10% as compared with the same period last year, but the sales volume declined slightly. As a result, the Group achieved sales revenue of RMB205.6 million in the first half of the year, representing an increase of 5.84% compared to the first half of 2023, which was smaller than the increase in the average price of products.

Despite the sluggish market conditions during the first half of 2024, the Group remained committed to increasing investment in research and development and technical cooperation, accelerating product deployment in the areas of ultra-micro, 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 and 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 product portfolio covers the consumer-grade, automotive-grade, and industrial-grade sectors, and we have made significant efforts to expand our product range from primarily focusing on small-sizes components 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 the construction of new bases has been completed, renovating and upgrading the production environment and infrastructure, in order 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 new base in Chuzhou has been put into operation, while the new base in Dongguan has completed its relocation and expansion, and commenced operation with a gradual increase in production capacity. With the operation of the two new bases, the Group's product structure will be further optimized.

Asset Management

As at 30 June 2024, 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	9.6	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	8	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	10	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	10	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	9.3	Project fund established for an investment in Shanghai	80.4	–
10	Tianli UK Opportunities Fund L.P.	March 2017	9.3	Invest predominantly in projects located in the United Kingdom	150.4	–
11	Tianli US Opportunities Fund L.P.	May 2017	8	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 2024, 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$77.5 million capital invested. During the 6 months ended 30 June 2024, the six funds that the Group has invested resulted in a net loss of RMB7.2 million to the Group's financial results, in addition to the asset management fee income of RMB21 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
	UK	22.2	–	–	22.2
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	–	16.6	–	16.6
Total		110.7	323.5	43.4	477.6

Consistent with prior periods, the investments made by these funds were in five countries or regions, including Australia, Hong Kong, 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 2024.

FINANCIAL REVIEW

For the six months ended 30 June 2024, the Group's revenue was derived from (i) MLCC segment; and (ii) investment and financial services segment. Total revenue of the Group was RMB219.4 million, which represented an increase of RMB6.79 million, or 3.2%, as compared to that for the six months ended 30 June 2023. Revenue from the MLCC segment for the six months ended 30 June 2024 was RMB205.6 million, representing an increase of RMB11.3 million, or 5.8% from the six months ended 30 June 2023, which was due to the increase in average price of the products in the first half of 2024. Revenue from the investment and financial services segment for the six months ended 30 June 2024 was RMB13.8 million. Among this, the asset management fee income was RMB21 million which remained stable in terms of original currency of US dollar for the six months ended 30 June 2024 and 2023. And the Group's net loss from financial assets at fair value through profit or loss ("**FVPL**"), which recorded RMB7.2 million for the six months ended 30 June 2024 as compared to a net loss of RMB1.9 million for the six months ended 30 June 2023.

Gross Profit Margin

Aggregate gross profit margin for the six months ended 30 June 2024 was 12.4%, representing an increase of 4.2 percentage points as compared to the six months ended 30 June 2023.

The gross profit margin of the MLCC segment was 6.47% for the six months ended 30 June 2024 while the gross loss margin was 0.5% for the six months ended 30 June 2023. This was due to the increase in average price of the products. At the same time, the Group had exercised a certain level of cost control since the second half of 2023, leading to a decrease in average cost.

Other Income

The Group's other income amounted to RMB12.2 million for the six months ended 30 June 2024, representing an increase of 123.2% from the six months ended 30 June 2023. The increase was mainly due to the increase in release of government grants as income, which 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 environment.

Selling and Distribution Costs

The Group's selling and distribution costs totalled RMB10.2 million for the six months ended 30 June 2024, and this was a increase of 9.7% from the six months ended 30 June 2023. This was mainly due to an increase in sales efforts of MLCC segment leading to a corresponding increase in relevant sales expenses.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2024 were RMB43.7 million, representing a decrease of RMB2.0 million from the six months ended 30 June 2023. The decrease was mainly attributable to the decrease in staff cost for the six months ended 30 June 2024.

Research and Development Costs

The Group incurred research and development costs of RMB27.8 million for the six months ended 30 June 2024, representing a decrease of RMB3.7 million from the six months ended 30 June 2023. The decrease was mainly due to the Group's better cost control in research and development of new products and technologies during the period.

Finance Costs

The Group's finance costs amounted to RMB15.8 million for the six months ended 30 June 2024 representing an increase of RMB7.7 million from the six months ended 30 June 2023. The increase was mainly due to the interests incurred for additional bank loan in the first half of 2024.

Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB959.7 million as at 30 June 2024, increased by RMB46.2 million from the balance as at 31 December 2023. 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 RMB23.7 million as at 30 June 2024, comparable to the carrying value of RMB24.1 million as at 31 December 2023.

Financial Assets at Fair Value Through Profit or Loss

As at 30 June 2024, the Group's financial assets at FVPL had a carrying value of RMB407.9 million, which was a decrease of 1% from the balance as at 31 December 2023 which was classified as financial assets designated at FVPL. This was mainly due to a fair value loss of RMB7.2 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 2024, the Group's accounts and bills receivables amounted to RMB308.5 million, a decrease of RMB38.7 million from the balance as at 31 December 2023. The decrease was mainly due to the measures to speed up the collection of outstanding accounts and bills receivables during the first half of 2024.

Prepayments, Deposits and Other Receivables

As at 30 June 2024, prepayments, deposits and other receivables in current assets amounted to RMB48.9 million, representing an increase of RMB3.9 million as compared to the balance as at 31 December 2023. 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 2024, the Group's cash and bank balances totalled RMB66.2 million, increased by RMB19.3 million from 31 December 2023. The increase was mainly due to the additional drawdown of the bank and other loans.

Trade and Bills Payables

As at 30 June 2024, the Group's trade and bills payables amounted to RMB130.4 million, an increase of RMB14.4 million from 31 December 2023. The increase was mainly due to the increase in MLCC production during the six months ended 30 June 2024.

Deferred Income, Accruals and Other Payables

As at 30 June 2024, total deferred income, accruals and other payables amounted to RMB82.3 million, which was an decrease of RMB27.0 million from 31 December 2023. The decrease was mainly due to the settlement of other payables for acquisition of production equipment in 2023.

Bank and Other Loans

As at 30 June 2024, the Group's bank and other loans was carrying RMB815.9 million, which represented an increase of RMB100.1 million from RMB715.8 million as at 31 December 2023. The increase was mainly due to the additional drawdown of the bank and other loans.

Contingent Liabilities

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

Capital Commitments

As at 30 June 2024, the Group had capital commitments of RMB150.5 million (31 December 2023: RMB261.9 million), including undrawn commitment to Tianli Private Debt Fund L.P. of approximately US$13.2 million, or RMB93.3 million (31 December 2023: US$13.2 million or RMB92.8 million), Tianli China Opportunities Fund I L.P of approximately US$1.2 million, or RMB8.8 million (31 December 2023: US$1.2 million or RMB8.4 million) from the investment and financial services segment. Also, the capital commitment for construction of plant of approximately RMB36.4 million (31 December 2023: RMB111.3 million) and additions to production equipment of approximately RMB12.0 million (31 December 2023: RMB40.7 million) from the MLCC segment. The decrease was mainly due to the construction of new factories from the MLCC segment has been completed, 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 2024, the Group had net current liabilities of approximately RMB205.3 million (31 December 2023: net current assets RMB41.8 million), comprising of current assets of RMB844.9 million (31 December 2023: RMB1,005.4 million), net off current liabilities of RMB1,050.2 million (31 December 2023: RMB963.6 million).

As at 30 June 2024, the Group's current ratio was 0.8 (31 December 2023: 1.0). The decrease in current ratio was mainly due to the increase in bank loan during the six months ended 30 June 2024.

Banking Facilities

As at 31 December 2023, the Group had been granted banking facilities of RMB788.0 million in aggregate, which utilised banking facilities amounted to RMB643.6 million. A leasehold land, land use right, machinery and bills receivables of the Group with carrying values of approximately RMB198.9 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 2024, the Group had been granted banking facilities of RMB868.0 million in aggregate, which utilised banking facilities amounted to RMB760.4 million. A leasehold land, land use right, machinery and bills receivables of the Group with carrying values of approximately RMB192.2 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.

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 2024 and 31 December 2023, the gearing ratios of the Group were approximately 69.5% and 65.5% respectively. The increase in gearing ratio was a result of the increase in bank and other loans during the six months ended 30 June 2024.

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 2024, 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 2024, property, plant and equipment, investment property, bills receivables and restricted bank deposits, of the Group with carrying amounts of approximately RMB652.7 million (31 December 2023: RMB597.3 million), RMB3.8 million (31 December 2023: RMB4.6 million), RMB55.6 million (31 December 2023: RMB74.6 million), and RMB2.9 million (31 December 2023: RMB14.2 million) respectively have been pledged as securities for bank and other loans facilities.

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 considered as one of the "bottleneck" technology projects in China. Against the backdrop of China's accelerated development as a technology powerhouse to achieve technological self-reliance, the trend of domestic substitution for MLCC is evident.

Although the development of the MLCC industry in 2024 remains challenging due to the macroeconomic environment and the consumer electronics market, the long-term outlook for the MLCC market remains positive. The demand for the Internet of Things and 5G communications, new energy vehicles and AI servers are expected to grow consistently. The MLCC segment continues to adhere to its consistent strategy by consolidating its position in 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. Apart from increasing investment in research and development, equipment, environmental protection, automation and informatization to meet customer needs, the Group will make full use of favorable conditions such as the significantly improved cleanliness level and equipment precision of the new factory this year to increase efforts to reduce costs and increase efficiency, and continuously enhance core competitiveness through developing new materials and new processes. 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 to consolidate its leading position in the PRC, 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 2024, the Group had a total of 1,223 (31 December 2023: 1,273) 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 2024 (30 June 2023: 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 2024.

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 C1 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 2024.

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 C3 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 2024.

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 2024.

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

Hong Kong, 29 August 2024

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.