TIANLI
HOLDINGS GROUP LIMITED

TIANLI HOLDINGS GROUP LIMITED
天 利 控 股 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(formerly known as EYANG HOLDINGS (GROUP) CO., LIMITED 宇陽控股(集團)有限公司)

(Stock Code: 117)

2016
Interim Report

Contents

Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

"Audit Committee"	the Audit Committee of the Company
"Board"	the Board of Directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code in Appendix 14 to the Listing Rules
"Company"	Tianli Holdings Group Limited
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MLCC"	multi-layer ceramic chips
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"A$"	Australian dollar
"HK$"	Hong Kong dollar
"RMB"	Renminbi
"US$"	United States dollar
"%"	per cent.

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Mingxiang (*Chairman and Chief Executive Officer)*
Mr. Jing Wenping
Mr. Kwok Oi Lung, Roy
Mr. Sue Ka Lok
Mr. Xue Hongjian
Mr. Zhou Chunhua
Mr. Zhu Xiaodong

Independent Non-executive Directors

Mr. Chan Chi On, Derek
Mr. Chu Kin Wang, Peleus
Mr. To Yan Ming, Edmond
Mr. Xu Xuechuan

AUDIT COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Chan Chi On, Derek
Mr. To Yan Ming, Edmond
Mr. Xu Xuechuan

REMUNERATION COMMITTEE

Mr. Xu Xuechuan *(Chairman)*
Mr. Chan Chi On, Derek
Mr. Chu Kin Wang, Peleus
Mr. Huang Mingxiang
Mr. To Yan Ming, Edmond

NOMINATION COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Chan Chi On, Derek
Mr. Huang Mingxiang
Mr. To Yan Ming, Edmond
Mr. Xu Xuechuan

AUTHORIZED REPRESENTATIVES

Mr. Zhou Chunhua
Mr. Leung Wai Chung

COMPANY SECRETARY

Mr. Leung Wai Chung *CPA*

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 907–909, 9/F
Three Pacific Place
1 Queen's Road East, Admiralty
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

EYANG Building
No. 3 Qimin Street
No. 2 Langshan Road, North Area
Hi-tech Industrial Park
Nanshan District
Shenzhen, the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
31/F., 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
China Merchants Bank
Citibank Hong Kong
Chong Hing Bank

PRC LEGAL ADVISER

Win & Sun Law Firm

HONG KONG LEGAL ADVISER

Troutman Sanders

CAYMAN ISLANDS LEGAL ADVISER

Conyers Dill & Pearman

AUDITOR

Crowe Horwath (HK) CPA Limited
Certified Public Accountants

STOCK CODE

117

COMPANY WEBSITE

http://www.tlhg.com.hk

Management's Discussion and Analysis

BUSINESS REVIEW

In 2016, the outlook for the global economy continued to face uncertainties and the real economy remained weak. Due to various factors, such as the depreciation of Renminbi and slowing growth in smartphone market, the Group's MLCC business was still struggling to step out from losses and facing gloomy prospect for growth. In recent years, the highly competitive market of downstream products, including smartphones, tablet and electrical appliance, has resulted in falling product prices, while downstream customers continued to depress the purchasing prices of MLCC in order to control production costs. On the other hand, product prices started to fall again after being stagnant for a period of time, as a result of the ever-changing strategies adopted by MLCC manufacturers, some of which even offered below-cost pricing to take up market shares. Reduction in product sale prices has become a common approach to survival amid such ferocious competition. As a result, the Group's MLCC business recorded a segment loss of approximately RMB3.2 million in the first half of 2016, despite the Group's remarkable progress in product transformation. The substantial increase in finance cost arising from the bond interest of approximately RMB13.4 million drove the consolidated loss of the Group to RMB20.4 million for the period.

Compared to international advanced enterprises in the industry, the Group started late and had a lower input for research and development, resulting in a relative lag in technologies and thus, a weak competitiveness. The industry is trailing behind in the market as there is still a gap on overall technological level compared to well-known foreign corporations. Hence, the Group still needs to enhance the competitiveness of its products, turn its production lines, technologies and focus of its efforts to distinctive specifications e.g. smaller size products, with a view to strengthening the Group and overcoming the weak profitability in operation level in the changeable market, which will be a tough mid-long term task.

As the MLCC business continued to incur losses in the previous years, the Board has also been actively exploring other business opportunities in order to diversify the business of the Group with the view to enhancing the business prospects of the Group and to create value to shareholders. In the first half of 2016, the Company established certain wholly-owned subsidiaries ("New Subsidiaries") in Hong Kong and overseas with a view to commencing business of investment in provision of financial services, which include provision of credit for entities, participation in overseas mezzanine facility, investments in various properties, mezzanine loan and private equity by setting up joint ventures. In addition, the Company has also established a wholly-owned subsidiary in Hong Kong to commence and develop the business of commodities trading, including but not limited to trading of metals, minerals and petroleum products.

FINANCIAL REVIEW

Revenue

The revenue from the Group's MLCC business amounted to RMB266.5 million for the first six months of 2016, representing an increase of 26.05% from the same period of 2015. The increase was mainly due to the seizure of remarkable shares in brand customer market during the second half of 2015, which led to a continued growth in the scale of production and sale of super-miniature 0201 capacitors. However, average selling prices of MLCC products continued to decrease due to intense price competition in the market, resulting in a lower growth in revenue than that in product sales.

As the Group's business of investment and financial services are still in their infancy, the revenue during the first six months of 2016 amounted to approximately RMB4.7 million, mainly arising from the external loans provided by the Company.

Gross Profit Margin

The gross profit margin of the Group's business for the first six months of 2016 was 15.2%, representing an increase of 2.9% from 12.3% for the same period of 2015. The increase was partly due to the gradual adjustment to product structure, reduction in non-profitable products as well as upward adjustment of the production and sales of profitable products.

Other Revenue and Other Net Income

Other revenue and other net income from the Group's business amounted to RMB3.8 million for the first six months of 2016, representing a decrease of RMB2.6 million from the same period of 2015. The decrease was mainly due to lower rental income and government subsidies compared to the corresponding period of last year.

Selling and Distribution Costs

The selling and distribution costs of the Group's MLCC business amounted to RMB10.2 million for the first six months of 2016, representing an increase of RMB0.9 million from the same period of 2015. The increase was mainly due to the increased expenses such as wages and transportation cost as a result of the growth in sales.

Administrative Expenses

The Group's administrative expenses were RMB24.4 million for the first six months of 2016, representing an increase of RMB8.5 million from the same period of 2015. The increase was mainly due to higher employee wages of the newly formed companies.

Research and Development Costs

The research and development costs of the Group's MLCC business were RMB9.5 million for the first six months of 2016, representing a decrease of RMB5.1 million from the same period of 2015. The decrease was mainly due to the current R&D focus on improvement, upgrading and development of existing products, with no considerable R&D input for major projects.

Other Expenses

Other expenses of the Group's MLCC business amounted to RMB6.6 million for the first six months of 2016, representing an increase of RMB5.1 million from the same period of 2015. The increase was mainly due to higher amount of provision for inventories compared to the corresponding period of last year.

Finance Costs

The Group's finance costs were RMB15.8 million for the first six months of 2016, representing an increase of RMB13.7 million from the same period of 2015. The increase was mainly due to the additional interest expenses incurred relating to the issue of two-year corporate bond in August last year.

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 loans, bond payable, trade and bills payables and other payables (excluding deferred income, deposits from customers and provision of warranty) less cash and bank balances. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 30 June 2016 and 31 December 2015, the gearing ratio of the Group was approximately 38.1% and 18.8% respectively.

Management's Discussion and Analysis

Property, Plant and Equipment

The net carrying amount of the Group's property, plant and equipment as at 30 June 2016 was RMB205.4 million, representing an increase of RMB16.0 million from that of 31 December 2015. This was mainly due to: (i) depreciation of approximately RMB16.2 million in respect of the Group's property, plant and equipment in the current period; (ii) the Group's newly acquired equipment valued at approximately RMB20.4 million; and (iii) the transfer of approximately RMB12.4 million from investment properties.

Investment Properties

The Group's investment properties amounted to RMB12.3 million as at 30 June 2016, representing a decrease of RMB12.6 million from that of 31 December 2015. The decrease was mainly due to the decline in property floor area for lease in 2016.

Other Intangible Assets

The Group's other intangible assets amounted to RMB1.2 million as at 30 June 2016, representing a decrease of approximately RMB0.3 million from that of 31 December 2015. The decrease was mainly due to the Group's amortisation of intangible assets.

Trade and Bills Receivables

As at 30 June 2016, the net carrying amount of the Group's trade and bills receivables amounted to approximately RMB231.3 million, representing an increase of RMB3.2 million from that of 31 December 2015 and remaining at a similar level.

Prepayments, Deposits and Other Receivables

As at 30 June 2016, the Group's prepayments, deposits and other receivables amounted to approximately RMB7.7 million, representing a decrease of RMB0.8 million from that of 31 December 2015. The decrease was mainly due to the decline in prepayments of equipment.

Cash and Bank Balances and Pledged Bank Deposits

As at 30 June 2016, the Group's cash and bank balances and pledged bank deposits amounted to RMB318.0 million, representing a decrease of approximately RMB154.2 million from that of 31 December 2015. The decrease was mainly due to its funding of RMB122.6 million and RMB10.7 million for external investment loans and deposit for investment in a joint venture respectively, and a small part of funding used for the purchase of fixed assets and repayment of bank loans.

Trade and Bills Payables

As at 30 June 2016, the Group's trade and bills payables amounted to RMB111.6 million, representing a decrease of approximately RMB9.7 million from that of 31 December 2015. The decrease was mainly due to its control over the purchases during the current period.

Deferred Income, Accruals and Other Payables

As at 30 June 2016, the Group's deferred income, accruals and other payables amounted to approximately RMB39.9 million, representing an increase of RMB2.4 million from that of 31 December 2015. This was mainly due to an increase in equipment related payables.

Bank Loans

As at 30 June 2016, the Group had outstanding bank loans of approximately RMB60.0 million, representing a decrease of RMB10.0 million as compared to that of 31 December 2015. All the bank loans were repayable within one year and bore floating interest rates, and all the banks loans were also secured.

Bond Payable

As at 30 June 2016, the Group had bond payable of approximately RMB366.8 million, representing an increase of RMB21.1 million as compared to that of 31 December 2015. The increase was mainly due to the provision for bond interest payable during the period.

In 2015, the Company issued corporate bond and raised proceeds of HK$400.0 million (equivalent to approximately RMB329.6 million). The proceeds raised have been applied to general working capital of the Group.

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Commitments

As at 30 June 2016, the Group had capital commitments of RMB261.6 million, representing an increase of RMB247.4 million from that of 31 December 2015, which was mainly due to the formation of a joint venture to which the Company's wholly owned subsidiary Celestial Hope Limited undertakes to provide a sum of not more than HK$300 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 30 June 2016, the Group had net current assets of approximately RMB548.3 million, including current assets of RMB779.0 million and current liabilities of RMB230.7 million.

Banking Facilities

As at 30 June 2016, the Group had aggregate banking facilities of approximately RMB280.0 million, of which approximately RMB185.5 million had not been utilised.

Proceeds of Share Placement

In September 2015, the Company conducted a share placement under which 81,100,000 new shares at the placing price of HK$1.15 per share were issued to independent investors. The Company raised net proceeds of approximately HK$90.8 million (equivalent to approximately RMB74.7 million) (the "Proceeds") which were intended and had been applied as working capital of the Group. At 31 December 2015, a large part of the Proceeds was held by the Group and deposited in banks to meet operating needs of the Group from time to time. On 31 March 2016, the Group had agreed to make available to a borrower a loan facility of up to HK$120,000,000 (as referred in the Company's announcement of the same date) and most of the Proceeds were then utilized to the grant of such loan facility.

FOREIGN CURRENCY RISK

In the first six months of 2016, the Group's sales were mainly denominated in Renminbi, US dollars and Hong Kong dollars, whilst its purchases were mainly denominated in Renminbi, US dollars, Hong Kong dollars and Japanese Yen. The trade receivables denominated in US dollars were less than the trade payables denominated in US dollars, and the trade receivables denominated in Hong Kong dollars were greater than the trade payables denominated in Hong Kong dollars. 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 currencies risk will exist to a certain extent.

EMPLOYEES

As at 30 June 2016, the Group had a total of 1,270 employees. Their remunerations and benefits are determined based on market conditions, state policies and individual performance.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	Six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue	3 & 4	**271,159**	211,416
Cost of sales		**(230,055)**	(185,439)
Gross profit		**41,104**	25,977
Other revenue and other net income	4	**3,820**	6,388
Selling and distribution costs		**(10,172)**	(9,301)
Administrative expenses		**(24,397)**	(15,932)
Other expenses		**(6,623)**	(1,502)
Research and development costs		**(9,452)**	(14,592)
Loss from operations		**(5,720)**	(8,962)
Finance costs	5	**(15,831)**	(2,083)
Loss before taxation	6	**(21,551)**	(11,045)
Income tax	7	**1,143**	344
Loss for the period		**(20,408)**	(10,701)
Other comprehensive income/(loss) for the period, net of nil tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**361**	(56)
Total comprehensive loss for the period		**(20,047)**	(10,757)
Loss for the period attributable to owners of the Company		**(20,408)**	(10,701)
Total comprehensive loss attributable to owners of the Company		**(20,047)**	(10,757)
Loss per share		**RMB cents**	RMB cents
Basic and diluted	9	**(4.11)**	(2.64)

The notes on pages 14 to 29 form part of this interim financial report.

Interim Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	**205,359**	189,385
Investment properties	11	**12,275**	24,881
Prepaid land lease payments	12	**18,633**	18,877
Deposits paid for acquisition of property, plant and equipment		**–**	6,097
Loan receivables	14	**19,796**	–
Deposits paid for the investment in joint venture		**10,073**	–
Other intangible assets		**1,225**	1,496
Deferred tax assets		**13,920**	12,264
Total non-current assets		**281,281**	253,000
Current assets			
Inventories		**118,674**	101,131
Trade and bills receivables and interests receivable	13(a) & (b)	**231,300**	228,119
Loan receivables	14	**102,840**	–
Prepayments, deposits and other receivables		**7,689**	8,497
Due from related parties		**580**	–
Pledged bank deposits		**48,877**	7,525
Cash and bank balances		**269,079**	464,643
Total current assets		**779,039**	809,915
Current liabilities			
Trade and bills payables	15	**111,549**	121,240
Deferred income, accruals and other payables		**39,862**	37,456
Tax payable		**19,248**	18,937
Bank loans		**60,000**	70,002
Dividends payable		**90**	88
Total current liabilities		**230,749**	247,723
Net current assets		**548,290**	562,192
Total assets less current liabilities		**829,571**	815,192

The notes on pages 14 to 29 form part of this interim financial report.

Interim Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2016

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Non-current liabilities		
Bond payable	**366,796**	345,693
Deferred income	**33,360**	23,529
Deferred tax liabilities	**3,137**	3,180
Total non-current liabilities	**403,293**	372,402
NET ASSETS	**426,278**	442,790
CAPITAL AND RESERVES		
Share capital	**4,571**	4,571
Reserves	**421,707**	438,219
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**426,278**	442,790

The notes on pages 14 to 29 form part of this interim financial report.

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total equity RMB'000
At 1 January 2016	**4,571**	**189,827**	**207,757**	**–**	**2,854**	**40,768**	**(2,987)**	**442,790**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**361**	**–**	**(20,408)**	**(20,047)**
Deemed contribution from owner	**–**	**–**	**3,535**	**–**	**–**	**–**	**–**	**3,535**
At 30 June 2016 (Unaudited)	**4,571**	**189,827**	**211,292**	**–**	**3,215**	**40,768**	**(23,395)**	**426,278**
At 1 January 2015	3,824	104,657	207,757	3,923	3,804	40,768	28,901	393,634
Total comprehensive loss for the period	–	–	–	–	(56)	–	(10,701)	(10,757)
Exercise of share options	16	2,239	–	(512)	–	–	–	1,743
Transfer to retained profits upon forfeiture of share options	–	–	–	(926)	–	–	926	–
At 30 June 2015 (Unaudited)	3,840	106,896	207,757	2,485	3,748	40,768	19,126	384,620

The notes on pages 14 to 29 form part of this interim financial report.

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows generated from/(used in) operating activities	**2,926**	(22,894)
Net cash flows used in investing activities	**(145,986)**	(4,635)
Net cash flows (used in)/generated from financing activities	**(11,513)**	13,608
Net decrease in cash and cash equivalents	**(154,573)**	(13,921)
Effect of foreign exchange rate changes, net	**361**	(56)
Cash and cash equivalents at beginning of period	**472,168**	52,437
Cash and cash equivalents at end of period	**317,956**	38,460
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**269,079**	31,128
Pledged time deposits with original maturity of less than three months when acquired	**48,877**	7,332
	317,956	38,460

The notes on pages 14 to 29 form part of this interim financial report.

Notes to the Interim Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

Tianli Holdings Group Limited (formerly known as "EYANG Holdings (Group) Co., Limited") was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The registered office and the principal place of business of the Company are disclosed in the Corporate Information section of this interim report.

Pursuant to a special resolution passed at an extraordinary general meeting on 14 June 2016, the name of the Company was changed from "EYANG Holdings (Group) Co., Limited" to "Tianli Holdings Group Limited" with effect from 15 June 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure provision of the Listing Rules including 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 2015.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

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 financial statements for the year ended 31 December 2015, except for the joint ventures listed below and the adoption of the new and revised standards and interpretations that are effective for the Group's current accounting period noted below.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Application of new and revised standards

Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle
Amendments to IAS 1	Presentation of financial statements: Disclosure initiative

The adoption of these new amendments and revised standards and interpretations has no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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.

(a) MLCC: Manufacture and sale of MLCC and trading of MLCC; and

(b) Financial investment and provision of financial services: Include but not limited to (i) direct investments in debt, equity and/or any other assets; (ii) asset management; and (iii) provision of financial advisory services.

In order to diversify the existing business of the Group and to explore new markets with significant growth potential, the Group commenced and developed the business of financial investment and provision of financial services during the six months ended 30 June 2016 and thus a new segment is resulted and included in the segment reporting and no comparative information for this new segment for the six months ended 30 June 2015 is presented.

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 2016 and 2015 is set out below:

	Six months ended 30 June 2016 (unaudited)		
	MLCC RMB'000	**Financial investment and provision of financial services RMB'000**	**Total RMB'000**
Reportable segment revenue from external customers	**266,485**	**4,674**	**271,159**
Reportable segment (loss)/profit	**(3,200)**	**3,219**	**19**

	Six months ended 30 June 2015 (unaudited)	
	MLCC RMB'000	Total RMB'000
Reportable segment revenue from external customers	211,416	211,416
Reportable segment loss	(9,867)	(9,867)

There are no inter-segment sales for the six months ended 30 June 2016 and 2015.

3. SEGMENT REPORTING *(Continued)*

The measure used for reporting segment profit/(loss) is earnings and loss of each segment without allocation of central administration costs, 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 2016 and 31 December 2015:

	At 30 June 2016 (unaudited)		
	MLCC RMB'000	Financial investment and provision of financial services RMB'000	Total RMB'000
Reportable segment assets	**637,759**	**228,323**	**866,082**
Reportable segment liabilities	**(266,544)**	**–**	**(266,544)**

	At 31 December 2015 (audited)	
	MLCC RMB'000	Total RMB'000
Reportable segment assets	1,062,915	1,062,915
Reportable segment liabilities	(620,125)	(620,125)

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Total reportable segment (loss)/profit derived from the Group's external customers	**19**	(9,867)
Unallocated head office and corporate income	**786**	–
Unallocated head office and corporate expenses		
– Staff costs (including directors' emoluments)	**(7,331)**	(164)
– Finance costs	**(13,427)**	(1)
– Others	**(1,598)**	(1,013)
Consolidated loss before taxation	**(21,551)**	(11,045)

4. REVENUE, OTHER REVENUE AND OTHER NET INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and interest income from financial investment.

An analysis of revenue, other revenue and other net income is as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of MLCC	**266,485**	211,416
Interest income from financial investment	**4,674**	–
	271,159	211,416
Other revenue and other net income		
Bank interest income	**890**	221
Rental income	**2,590**	3,630
Government grants (note)	**106**	1,408
Amortization of deferred income	**105**	397
Sale of materials	**21**	202
Management fee income	**–**	374
Others	**108**	156
	3,820	6,388
	274,979	217,804

For the six months ended 30 June 2016, the total amount of interest income on financial assets not at fair value through profit or loss, including bank interest income, was RMB5,564,000 (2015: RMB221,000).

Note: Government grants represented the subsidy to the Group by the PRC government 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 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	**2,404**	2,083
Interest on bond payable	**13,427**	–
	15,831	2,083

6. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of inventories (note i)	**236,344**	186,941
Depreciation (notes i and ii)	**16,519**	18,996
Amortization of prepaid land lease payments	**244**	244
Amortization of other intangible assets	**270**	269
Research and development costs:		
Current period expenditure (note ii)	**9,452**	14,592
Minimum lease payments under operating leases in respect of buildings	**419**	43
Staff costs (including directors' emoluments) (notes i and ii)	**44,742**	34,807
Foreign exchange differences, net	**517**	–
Impairment loss for trade receivables*	**334**	–
Rental income on investment properties less direct outgoings of RMB152,000 (2015: RMB219,000)	**(2,438)**	(3,411)

* The write-down of inventories to net realisable value and impairment loss for trade receivables are included in "Other expenses" on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

Notes:

i) Cost of inventories includes depreciation of RMB15,573,000 (2015: RMB18,381,000), staff costs of RMB28,340,000 (2015: RMB26,363,000) and write-down of inventories to net realisable value of RMB6,289,000 (2015: RMB1,502,000), which are also included in the respective total amounts disclosed separately above.

ii) Included in research and development costs are depreciation of RMB115,000 (2015: RMB75,000) and staff costs of RMB3,346,000 (2015: RMB3,163,000), which are also included in the respective total amounts disclosed separately above.

7. INCOME TAX

	Six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current tax — PRC Enterprise Income Tax		
Charge for the period	**555**	–
Deferred taxation — Origination and reversal of temporary differences	**(1,698)**	(344)
Total tax credit for the period	**(1,143)**	(344)

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.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI respectively.

The subsidiaries of the Company in Mainland China were subject to pay enterprise income tax at the standard rate of 25% (six months ended 30 June 2015: 25%) on their respective taxable profit during the period.

8. DIVIDENDS

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the six months ended 30 June 2016 attributable to owners of the Company, and the weighted average number of 496,500,000 ordinary shares (six months ended 30 June 2015: 405,685,555) in issue during the period.

Diluted loss per share is the same as the basic loss per share as there were no potential ordinary shares outstanding during the six months ended 30 June 2016.

Diluted loss per share for the six months ended 30 June 2015 was the same as the basic loss per share because the share options outstanding during the period had an anti-dilutive effect.

10. PROPERTY, PLANT AND EQUIPMENT

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Carrying amount at 1 January		**189,385**	226,512
Additions		**20,379**	18,557
Transfer from investment properties	11	**12,408**	247
Transfer to investment properties	11	**(105)**	(1,469)
Disposals		**(492)**	(1,813)
Depreciation		**(16,216)**	(38,062)
Impairment		**–**	(14,587)
Carrying amount at 30 June/31 December		**205,359**	189,385

The Group's buildings are held under medium term leases in Mainland China.

Certificates of ownership in respect of certain buildings of the Group located in Dongguan with a net carrying amount of approximately RMB7,964,000 as at 30 June 2016 (RMB8,528,000 as at 31 December 2015) have not yet been issued by the relevant PRC authorities.

11. INVESTMENT PROPERTIES

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Carrying amount at 1 January		**24,881**	24,324
Transfer from property, plant and equipment	10	**105**	1,469
Transfer to owner-occupied property	10	**(12,408)**	(247)
Depreciation provided during the period/year		**(303)**	(665)
Carrying amount at 30 June/31 December		**12,275**	24,881

The Group's investment properties are held under medium term leases and are situated in Mainland China.

12. PREPAID LAND LEASE PAYMENTS

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Carrying amount at 1 January	**19,365**	19,853
Amortization provided during the period/year	**(244)**	(488)
Carrying amount at 30 June/31 December	**19,121**	19,365
Current portion included in prepayments, deposits and other receivables	**(488)**	(488)
Non-current portion	**18,633**	18,877

The Group's leasehold lands are held under medium-term leases and are situated in Mainland China.

13. TRADE AND BILLS RECEIVABLES AND INTERESTS RECEIVABLE

(a) Trade and bills receivables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Trade receivables	**187,399**	188,522
Bills receivables	**45,468**	45,603
	232,867	234,125
Less: Impairment	**(6,340)**	(6,006)
	226,527	228,119

The Group's trading terms with its customers are mainly on credit. The credit periods are generally two to four months. Overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing.

The bills receivable were all due within 0 to 180 days (2015: 0 to 360 days) from the end of the reporting period.

13. TRADE AND BILLS RECEIVABLES AND INTERESTS RECEIVABLE *(Continued)*

(a) Trade and bills receivables *(Continued)*

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date are as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 90 days	**163,128**	157,850
91 to 180 days	**16,018**	24,168
181 to 360 days	**2,167**	462
1 to 2 years	**128**	108
Over 3 years	**5,958**	5,934
	187,399	188,522

An aged analysis of the bills receivables as at the end of the reporting period based on bills issue date are as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 90 days	**34,042**	13,851
91 to 180 days	**11,426**	31,674
181 to 360 days	**–**	78
	45,468	45,603

13. TRADE AND BILLS RECEIVABLES AND INTERESTS RECEIVABLE *(Continued)*

(b) Interests receivable

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Interests receivable	**4,773**	–

Approximately RMB4,773,000 (2015: RMBnil) of the Group's interests receivable are denominated in HK$. All of the interests receivable are expected to be recovered within one year.

As at 30 June 2016, the interests receivable were arising from the loan receivables, details of which are set out in note 14.

As at the end of the reporting period, the ageing analysis of interests receivable, based on the revenue recognition date, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 90 days	**1,591**	–
91 to 180 days	**3,182**	–
	4,773	–

Interests receivable are due on maturity of corresponding loan receivable according to the relevant loan agreements.

14. LOAN RECEIVABLES

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Loan receivables recoverable within one year	**102,840**	–
Loan receivables recoverable after 1 year	**19,796**	–
Less: Impairment	**–**	–
	122,636	–

The loan receivables comprise of:

(a) loan receivable of HK$120,000,000 (approximate to RMB102,840,000) due from an independent third party borrower, which is secured by (i) a second charge over the equity interests in each of the borrower and its subsidiary; (ii) second floating charge of all undertaking, property, assets and rights of a subsidiary of the borrower; and (iii) second deed of assignment and subordination of the indebtedness due by the borrower's subsidiary to the borrower. The loan receivable is interest-bearing at 22% per annum and repayable after 9 months after the date of drawdown of the loan.

(b) loan receivable of HK$23,099,000 (approximate to RMB19,796,000) due from an independent third party financier (the "Financier 1") under a sub-participation agreement pursuant to which the Group has agreed to assume a sub-participation of up to A$10,000,000 (equivalent to approximately HK$58,038,000) for a term of up to 30 September 2018 (the "Loan Facility 1") in the rights, benefits, interests and obligations of the Financier 1 under a mezzanine facility agreement (the "Mezzanine Facility Agreement 1").

The Financier 1 entered into Mezzanine Facility Agreement 1 with another independent third parties borrower and guarantors to provide a facility of up to A$33,500,000 to the borrower (the "Mezzanine Facility 1"). The Mezzanine Facility 1 is secured by (i) the first-ranking freehold mortgage over the land of a residential property development project located in Melbourne, Australia (the "Development Project 1"); (ii) a general security deed given by the borrower and guarantors of the Mezzanine Facility Agreement 1; and (iii) the guarantees provided by a number of individuals and corporate entities associated with the sponsors of the Development Project 1. The Mezzanine Facility 1 is interest-bearing at a range of 18% to 19% per annum and repayable by 30 September 2018.

The Loan Facility 1 is unsecured, interest-bearing at a range of 17.2% to 18.2% per annum and recoverable within 2 business days of receipt by the Financier 1 from the borrower.

15. TRADE AND BILLS PAYABLES

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Trade payables	**82,317**	102,656
Bills payables	**29,232**	18,584
	111,549	121,240

An aged analysis of the trade payables as at the end of the reporting period, based on the suppliers' statements date, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 90 days	**70,637**	93,731
91 to 180 days	**10,181**	7,912
181 to 360 days	**545**	497
1 to 2 years	**479**	382
Over 2 years	**475**	134
	82,317	102,656

The trade payables are non-interest-bearing and are normally settled within 30 to 120 days.

An aged analysis of the bills payables as at the end of the reporting period based on bills issue date is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 90 days	**28,983**	14,660
181 to 360 days	**249**	3,924
	29,232	18,584

16. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	**4,731**	14,271
Investment in a joint venture	**256,890**	–

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period.

18. RELATED PARTY TRANSACTIONS AND BALANCES

The Group had the following material transactions with related parties during the period and balances with related parties at the end of the reporting period:

(a) Recurring transactions

Name of parties	Nature of transactions	Six months ended 30 June 2016 (Unaudited) RMB'000	Six months ended 30 June 2015 (Unaudited) RMB'000
Dongguan Guangtong Enterprise Co., Ltd. ("DG Guangtong") (Note (i))	Rental income received from DG Guangtong (Note (iv))	**–**	28
	Material purchase from DG Guangtong (Note (v))	**–**	740
Shenzhen Eycom Technology Co., Ltd. ("SZ Eycom") (Note (ii))	Sale of MLCC to SZ Eycom (Note (v))	**–**	1,772
	Rental income received from SZ Eycom (Note (iv) & (vii))	**174**	1,042
Anhui Century Eycom Digital Technology Co., Ltd. ("Anhui Eycom") (Note (iii))	Rental income received from Anhui Eycom (Note (iv))	**152**	125
	Management fee income received from Anhui Eycom (Note (vi))	**–**	55

18. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) Recurring transactions *(Continued)*

Notes:

(i) The shareholders of DG Guangtong are the brother and sisters of Mr. Chen Weirong ("Mr. Chen"), a key management personnel of the Group.

(ii) One of the ultimate shareholders of SZ Eycom is Mr. Chen.

(iii) One of the ultimate shareholders of Anhui Eycom is Mr. Chen.

(iv) The tenancy agreements entered into between the Group and the related parties and the management fee are based on mutually agreed terms.

(v) The transactions were conducted in accordance with normal commercial terms.

(vi) The transactions were conducted in accordance with mutually agreed terms.

(vii) At 30 June 2016, RMB Nil (at 31 December 2015: RMB1,099,000) was included in operating lease commitment as lessor.

(b) Balances with related parties

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Due from		
SZ Eycom	**415**	–
Anhui Eycom	**129**	–
Shenzhen Eyang Energy Company Ltd. ("Eyang Energy") (Note (i))	**36**	–
	580	–

Notes:

(i) The director of Eyang Energy is Mr. Chen.

(ii) All the balances due from related parties as at 30 June 2016 and 31 December 2015 are unsecured, interest-free and repayable on demand.

(iii) The carrying amounts of these balances approximate their fair values.

18. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(c) Key management personnel remuneration

The key management personnel include directors of the Company and Mr. Chen, being a director of a principal subsidiary, as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term employee benefits	**484**	617
Post-employment benefits	**22**	22
	506	639

19. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period on 13 July 2016, the Group entered into an investment agreement with an independent third party financier (the "Financier") pursuant to which the Group has agreed to make available to the Financier a loan facility of up to A$12,500,000 (equivalent to approximately HK$73,721,000) for a term of up to 22 months (the "Loan Facility").

The Financier entered into a mezzanine facility agreement (the "Mezzanine Facility Agreement") with another independent third parties borrower and guarantors on 20 June 2016 to provide a facility of up to A$34,200,000 to the borrower (the "Mezzanine Facility"). The Mezzanine Facility is secured by (i) a second-ranking freehold mortgage over the land of a residential property development project located in Queensland, Australia (the "Development Project"); (ii) a second-ranking general security deed given by the borrower and guarantors of the Mezzanine Facility Agreement; and (iii) the guarantees provided by a number of individuals and corporate entities associated with the sponsors of the Development Project. The Mezzanine Facility is interest bearing at 18% per annum and repayable by the borrower after 22 months after the first advance is made by the Financier to the borrower.

The Loan Facility is unsecured, interest bearing at 15.5% per annum and recoverable within 7 business days of receipt by the Financier from the borrower.

(b) Subsequent to the end of the reporting period, the Group commenced the business of commodities trading. On 13 July 2016, the Group entered into a trading contract with an independent third party supplier to purchase certain heavy sulphur fuel oil for a cash consideration of approximately US$9,303,000 (equivalent to approximately HK$72,176,000). Further on 15 July 2016, the Group entered into a trading contract with an independent third party customer to sell the purchased heavy sulphur fuel oil for a cash consideration of approximately US$9,317,000 (equivalent to approximately HK$72,284,000).

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved and authorized for issue by the Board on 29 August 2016.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2016, the directors' interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long position in the shares of the Company

Name of director	Capacity and nature of interest	Total number of ordinary shares	Approximate percentage of the Company's issued share capital
Mr. Huang Mingxiang	Beneficial owner	49,600,350 (Note)	9.99%
("Mr. Huang")	Interest under section 317 of the SFO	93,443,650 (Note)	18.82%

Note: Pursuant to a share purchase agreement entered into between Mr. Huang and Cosmic Riches Investments Limited ("Cosmic Riches") dated 29 April 2016 (the "SP Agreement"), Mr. Huang acquired 49,600,350 shares of the Company from Cosmic Riches subject to a lock-up undertaking. Pursuant to section 317 of the SFO, Mr. Huang is also deemed to be interested in the 93,443,650 shares of the Company held by Cosmic Riches.

(b) Short position in the shares of the Company

Name of director	Capacity and nature of interest	Total number of ordinary shares	Approximate percentage of the Company's issued share capital
Mr. Huang	Beneficial owner	49,600,350 (Note)	9.99%

Note: Pursuant to the SP Agreement, the 49,600,350 shares of the Company (the "Interested Shares") that Mr. Huang acquired from Cosmic Riches are subject to a put option granted to Cosmic Riches. Therefore Mr. Huang has a short position in the Interested Shares.

Save as disclosed above, as at 30 June 2016, none of the directors and the chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, so far as is known to the Directors of the Company, the following person or corporation (other than a Director or chief executives of the Company) had, or were deemed to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Cosmic Riches	Beneficial owner	93,443,650	18.82%
	Interest under section 317 of the SFO	49,600,350 (Note)	9.99%
Ms. Du Weilin	Interest of controlled corporation	93,443,650	18.82%
	Interest under section 317 of the SFO	49,600,350 (Note)	9.99%

Note: Pursuant to the SP Agreement, Mr. Huang acquired 49,600,350 shares of the Company from Cosmic Riches subject to a lock-up undertaking. Cosmic Riches is solely owned by Ms. Du Weilin ("Ms. Du"). Under section 317 of the SFO, Ms. Du and Cosmic Riches are also deemed to be interested in the 49,600,350 shares held by Mr. Huang.

Save as disclosed above, the Company had not been notified of any other person or corporation who had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange and as recorded in the register required to be kept under Section 336 of the SFO.

DIVIDENDS

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any shares of the Company during the six months ended 30 June 2016.

CORPORATE GOVERNANCE

During the six months period ended 30 June 2016, the Company had complied with the code provisions set out in the CG Code except the following:

(i) Pursuant to Rule 3.10(1) and Rule 3.10A of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors. Following the retirement of Mr. Liang Rong ("Mr. Liang") from the Board on 14 June 2016, the number of Independent Non-executive Directors of the Board reduced to two which is below the minimum number prescribed under Rule 3.10(1) of the Listing Rules and the number of Independent Non-executive Directors falls below one-third of the Board as required under Rule 3.10A of the Listing Rules.

(ii) According to the Rule 3.25 of the Listing Rules, the remuneration committee of a listed issuer must be chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Mr. Liang's departure left the post of the chairman of the Remuneration Committee vacant and the members of the Remuneration Committee did not comprise of a majority of Independent Non-executive Directors as required under Rule 3.25 of the Listing Rules.

(iii) The Company does not have a separate chairman and chief executive officer according to code provision A.2.1 of the CG Code and Mr. Huang Mingxiang, the Executive Director, currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same person could provide the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances the efficiency of decision-making process in response to changes. The independent non-executive directors of the Board, who had diverse skills, experience and expertise, could provide a check and balance function inside the Board.

On 17 July 2016, the Board appointed two additional Independent Non-executive Directors and made changes to the composition of the Remuneration Committee. As such, the number of Independent Non-executive Directors on the Board is more than three and represents not less than one-third of the members of the Board as required under Rule 3.10(1) and 3.10A of the Listing Rules. The Remuneration Committee is chaired by an Independent Non-executive Director and comprising a majority of Independent Non-executive Directors as required under Rule 3.25 of the Listing Rules.

MODEL CODE FOR DEALING SECURITIES BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors of the Company (the "Company Code") on terms no less exacting than the required standard set out in the Model Code. Following specific enquiries of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company Code regarding the directors' securities transactions throughout the six months ended 30 June 2016.

AUDIT COMMITTEE AND INTERIM REVIEW

The Audit Committee, comprising four Independent Non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (Chairman of the Audit Committee), Mr. Chan Chi On, Derek, Mr. To Yan Ming, Edmond and Mr. Xu Xuechuan, has been established to review the financial information of the Company and oversee the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed the Group's unaudited condensed consolidated results for the six months ended 30 June 2016.

On behalf of the Board
Tianli Holdings Group Limited
Huang Mingxiang
Chairman and Chief Executive Officer

Hong Kong, 29 August 2016