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TIANLI HOLDINGS GROUP LIMITED

天利控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

ANNOUNCEMENT

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- The overall revenue for the first six months of 2017 was approximately RMB562.9 million, representing an increase of approximately 107.6% as compared to the same period of 2016;

- The overall gross profit for the first six months of 2017 increased from approximately RMB41.1 million from the same period of 2016 to RMB126.2 million and gross profit margin for the first six months of 2017 increased to 22.4% from 15.2% as compared to the same period of 2016;

- The profit attributable to owners of the Company for the first six months of 2017 was RMB23.5 million, while the loss for the same period of 2016 was RMB20.4 million;

- The basic and diluted earnings per share for the first six months of 2017 was RMB3.33 cents; and

- The Board resolved not to declare any interim dividends for the six months ended 30 June 2017.

The Board (the "**Board**") of Directors (the "**Directors**") of Tianli Holdings Group Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period of 2016.

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

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3 & 4*	**562,851**	271,159
Cost of sales		**(436,637)**	(230,055)
Gross profit		**126,214**	41,104
Other income	*4*	**11,003**	3,820
Selling and distribution costs		**(8,711)**	(10,172)
Administrative expenses		**(58,802)**	(24,397)
Other expenses		**(2,067)**	(6,623)
Research and development costs		**(13,458)**	(9,452)
Profit/(loss) from operations		**54,179**	(5,720)
Finance costs	*5*	**(33,641)**	(15,831)
Share of profit of joint ventures		**3,048**	–
Profit/(loss) before taxation		**23,586**	(21,551)
Income tax (expense)/credit	*6*	**(755)**	1,143
Profit/(loss) for the period		**22,831**	(20,408)
Other comprehensive income for the period, net of nil tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**1,719**	361
Total comprehensive income/(loss) for the period		**24,550**	(20,047)
Profit/(loss) for the period attributable to:			
Owners of the Company		**23,488**	(20,408)
Non-controlling interests		**(657)**	–
		22,831	(20,408)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**25,615**	(20,047)
Non-controlling interests		**(1,065)**	–
		24,550	(20,047)
Earnings/(loss) per share		***RMB cents***	*RMB cents*
Basic and diluted	*8*	**3.33**	(4.11)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

	Notes	**30 June 2017 (Unaudited)** *RMB'000*	31 December 2016 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**143,823**	144,858
Investment properties		**16,807**	18,542
Prepaid land lease payments		**18,143**	18,387
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		**2,149**	2,949
Financial assets designated as at fair value through profit or loss ("FVTPL") — fund investments		**508,755**	–
Loan receivables		**–**	115,641
Accounts receivables	*9*	**–**	4,241
Investment in joint ventures		**2,987**	268,758
Available-for-sale investment		**27,351**	28,225
Other intangible assets		**688**	957
Deferred tax assets		**26,655**	25,753
Total non-current assets		**747,358**	628,311
Current assets			
Inventories		**155,335**	107,605
Accounts and bills receivables	*9*	**461,855**	336,871
Loan receivables		**5,788**	113,476
Prepayments, deposits and other receivables		**15,401**	9,755
Amounts due from joint ventures		**787**	588
Pledged bank deposits		**28,124**	18,186
Cash and bank balances		**553,198**	129,703
Total current assets		**1,220,488**	716,184
Current liabilities			
Trade and bills payables	*10*	**188,064**	113,035
Deferred income, accruals and other payables		**58,513**	52,074
Tax payable		**20,875**	20,194
Bank and other loans		**73,045**	62,526
Bond payable		**399,340**	397,762
Obligations under finance lease		**113**	115
Dividends payable		**88**	88
Total current liabilities		**740,038**	645,794
Net current assets		**480,450**	70,390
Total assets less current liabilities		**1,227,808**	698,701

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Non-current liabilities		
Obligations under finance lease	**347**	417
Deferred income	**31,706**	32,057
Deferred tax liabilities	**3,728**	3,462
Other loans	**453,901**	272,999
Total non-current liabilities	**489,682**	308,935
NET ASSETS	**738,126**	389,766
CAPITAL AND RESERVES		
Share capital	**6,726**	4,571
Reserves	**718,864**	371,594
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**725,590**	376,165
Non-controlling interests	**12,536**	13,601
TOTAL EQUITY	**738,126**	389,766

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

Tianli Holdings Group 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).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2016.

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 2016, except for the financial assets at FVTPL 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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which International Financial Reporting Standards ("IFRSs") 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Application of new and revised standards

Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 7	Presentation of financial statements: Disclosure initiative
Amendments to IAS 12	Recognition of Deferred tax assets for unrealised losses

The adoption of these new amendments and revised standards and interpretations has no significant financial effect on the financial statements and there have been no significant changes to the accounting policies applied in the 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) MLCC (multi-layer ceramic chips): manufacture and sale of MLCC;

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

(c) Other general trading: trading of goods other than MLCC, including but not limited to electronic components and commodities such as metals, minerals and petroleum products.

As an effort to diversify the business of the Group, the Group continued to develop the business of investment and financial services and other general trading during the six months ended 30 June 2017 and thus these two segments are resulted and included in the segment reporting and as no revenue was recorded from the other general trading segment during the first six months of 2016, no comparative information for this segment for the six months ended 30 June 2016 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 2017 and 2016 is set out below:

	Six months ended 30 June 2017 (unaudited)			
	MLCC	**Investment and financial services**	**Other general trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment revenue from external customers	**243,080**	**83,206**	**236,565**	**562,851**
Reportable segment profit	**2,825**	**57,088**	**1,526**	**61,439**

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

There are no inter-segment sales for the six months ended 30 June 2017 and 2016.

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 2017 and at 31 December 2016:

	At 30 June 2017 (unaudited)			
	MLCC	**Investment and financial services**	**Other general trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**676,499**	**892,644**	**296,101**	**1,865,244**
Reportable segment liabilities	**330,441**	**458,149**	**41,037**	**829,627**

	At 31 December 2016 (audited)			
	MLCC	Investment and financial services	Other general trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	605,944	643,733	91,979	1,341,656
Reportable segment liabilities	264,605	279,060	11,592	555,257

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Total reportable segment profit derived from the Group's external customers	**61,439**	19
Unallocated head office and corporate income	**–**	786
Unallocated head office and corporate expenses		
— Staff costs (including directors' emoluments)	**(19,243)**	(7,331)
— Finance costs	**(17,394)**	(13,427)
— Others	**(1,216)**	(1,598)
Consolidated profit/(loss) before taxation	**23,586**	(21,551)

4. REVENUE AND OTHER INCOME

The principal activities of the Group are the manufacture and sale of MLCC, investment and financial services and other general trading.

The amount of each significant category of revenue is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of MLCC	**243,080**	266,485
Other general trading	**236,565**	–
Investment interest income *(note 1)*	**16,244**	4,674
Advisory service fee	**25,095**	–
Management fee	**13,392**	–
Gain from financial assets designated as at fair value through profit or loss — fund investments	**28,475**	–
	562,851	271,159
Other income		
Bank interest income *(note 1)*	**1,363**	890
Rental income	**2,810**	2,590
Government grants *(note 2)*	**88**	106
Release of government grants as income	**443**	105
Gain on disposal of a subsidiary	**1,843**	–
Net foreign exchange gain	**3,949**	–
Sale of materials	**9**	21
Sundry income	**498**	108
	11,003	3,820
	573,854	274,979

Note 1: For the six months ended 30 June 2017, the total amount of interest income on financial assets not at fair value through profit or loss, including bank interest income, was RMB17,607,000 (2016: RMB5,564,000).

Note 2: Government grants represented the subsidy to the Group by the government of the People's Republic of China (the "PRC" or "China") 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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	**3,334**	2,404
Interest on other loans	**16,125**	–
Interest on bond payable	**14,176**	13,427
Finance charges on obligations under finance lease	**6**	–
	33,641	15,831

6. INCOME TAX

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
— PRC Enterprise Income Tax Charge for the period	**240**	555
— Hong Kong Profit Tax	**1,152**	–
Deferred taxation — Origination and reversal of temporary differences	**(637)**	(1,698)
Total tax expenses/(credit) for the period	**755**	(1,143)

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 for 2017 is calculated at 16.5% of estimated assessable profits for the period.

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 BVI respectively.

The subsidiaries of the Company in China were subject to pay enterprise income tax at the standard rate of 25% (six months ended 30 June 2016: 25%) on their respective taxable profit during the period.

7. DIVIDENDS

The Board resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2017 attributable to owners of the Company, and the weighted average number of 705,890,000 ordinary shares (six months ended 30 June 2016: 496,500,000) in issue during the period.

Diluted earnings per share is the same as the basic earnings per share as there were no potential ordinary shares outstanding during the six months ended 30 June 2017.

Diluted loss per share for the six months ended 30 June 2016 was the same as the basic loss per share because the share options outstanding during the period had an anti-dilutive effect.

9. ACCOUNTS AND BILLS RECEIVABLES

	30 June 2017 (Unaudited) ***RMB'000***	31 December 2016 (Audited) *RMB'000*
Accounts receivables	**380,950**	270,479
Bills receivables	**88,532**	78,623
	469,482	349,102
Less: Impairment	**(7,627)**	(7,990)
	461,855	341,112
Current portion	**(461,855)**	(336,871)
Non-current portion	**–**	4,241

Accounts receivables consists of trade receivables, management fee receivables, advisory service fee receivables and interest receivables. The Group's trading terms with its customers are mainly on credit. The credit periods are generally two to four months. 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. Trade receivables, management fee receivables and advisory service fee receivables are non-interest-bearing.

The bills receivables were all due within 60 to 180 days (2016: 60 to 180 days) from the end of the reporting period.

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

	30 June 2017 (Unaudited) ***RMB'000***	31 December 2016 (Audited) *RMB'000*
Within 90 days	**360,471**	225,391
91 to 180 days	**12,322**	32,307
181 to 360 days	**994**	5,415
1 to 2 years	**959**	1,084
2 to 3 years	**181**	155
Over 3 years	**6,023**	6,127
	380,950	270,479

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 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Within 90 days	**41,685**	56,668
91 to 180 days	**34,867**	21,955
181 to 360 days	**11,980**	–
	88,532	78,623

10. TRADE AND BILLS PAYABLES

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Trade payables	**77,533**	96,800
Bills payables	**110,531**	16,235
	188,064	113,035

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 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Within 90 days	**68,370**	84,326
91 to 180 days	**7,758**	10,822
181 to 360 days	**136**	664
1 to 2 years	**400**	487
Over 2 years	**869**	501
	77,533	96,800

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 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Within 90 days	**87,454**	16,095
91 to 180 days	**12,042**	140
181 to 360 days	**11,035**	–
	110,531	16,235

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since the Group embarked on its journey to diversify its business in 2016, it has made significant progress by organically expanding into the business of investment and financial services, as well as other general trading. In the first six months of 2017, these operations continued to grow both in scale and contribution to the Group, with the asset management business quickly emerging as one of the major components of the Group's business portfolio. For the continuing development of the business of investment and financial services and other general trading in the first six months of 2017, the Group has strategically utilized an approximate aggregate amount of HK$160.0 million among the proceeds from the open offer completed in February 2017.

INVESTMENT AND FINANCIAL SERVICES

Asset Management

In November 2016, the Group was granted licenses in respect of Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the Securities and Futures Commission in Hong Kong. Since then, the Group has formally launched its asset management business. As at 30 June 2017, the Group has established and/or managed or advised a total number of 12 funds each with a distinct investment focus. Meanwhile, the Group also directly invested into certain funds as limited partner. Particulars of the funds as at 30 June 2017 are as follows:

					Capital Commitment	
	Fund Name	Initial Closing Date	Term (Year)	Brief Description of Investment Focus	Total of the Fund[7]	Total from the Group[8]
					(US$ million)	
1	Tianli China Opportunities Fund I L.P.	January 2017	3+1 [5]+1 [5]	Project fund established for an investment in Beijing	116.4	17.5
2	Wasen-Tianli SPC	January 2017	3[6]	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments.	16.5	–
3	Tianli SPC	January 2017	3[6]	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments.	98.4	–
4	Tianli Private Debt Fund L.P.	January 2017	5+1 [3]+1 [4]	Invest in a wide range of private debt instruments with regional focus primarily in developed countries and China	200.0	35.0
5	Tianli Private Debt Capital L.P.	March 2017	5+3 [1]+1 [1]	Invest predominantly across a wide range of private debt instruments globally	175.0	9.8
6	Tianli Global Opportunities Capital L.P.[2]	March 2017	7+2 [1]	Invest globally across various sectors and distressed assets	175.0	9.8
7	Tianli Special Situations Capital L.P.	March 2017	7+2 [1]+1 [1]	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	175.0	9.8
8	Tianli Public Markets Capital L.P.	March 2017	4+2 [1]+2 [1]	Invest predominantly in the secondary market of publicly traded securities globally	100.0	5.6
9	Tianli M&A Investment L.P.	March 2017	3+2 [1]+2 [4]	Invest predominantly in global mergers and acquisitions or other corporate finance related investments	310.0	–
10	Tianli China Opportunities Fund II L.P.	March 2017	5+1 [3]+1 [4]	Project fund established for an investment in Shanghai	80.4	–
11	Tianli UK Opportunities Fund L.P.	March 2017	5+1 [3]+1 [4]	Invest predominantly in projects located in United Kingdom	150.4	–
12	Tianli US Opportunities Fund L.P.	April 2017	5+1 [3]+1 [4]	Invest predominantly in projects located in United States	12.6	–

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

As at 30 June 2017, the total capital commitment of the above funds (after eliminating the cross-holding effect) is approximately US$1,067.2 million, among which the Group has committed an aggregate of approximately US$87.5 million. During the first six months of 2017, these 12 funds generated a total investment gains of approximately RMB28.5 million on the Group's capital invested and contributed a total management fee revenue of approximately RMB13.4 million to the Group.

Subsequent to 30 June 2017, the Group also sponsored Asia Enhanced Income Bond Fund in July 2017, which seeks to make investments predominantly in publicly traded debt securities in the Asia-Pacific region. Currently, an indirect wholly owned subsidiary of the Company is interested in approximately 25% of the issued share capital of this fund, which is US$40 million, following its subscription of 1,000 participating shares in this fund in the total subscription price of US$10 million.

Investment

Following the establishment of Tianli Private Debt Fund L.P. in January 2017 and in view of its investment focus, the Group disposed of the entire issued shares of and shareholder's loan to its then indirect wholly owned subsidiary, namely Noble Sky Investments Limited, to Tianli Private Debt Fund L.P. in February 2017 at a total consideration of approximately US$18.5 million (equivalent to approximately HK$143.6 million or approximately RMB127.3 million). Noble Sky Investments Limited was a party to certain agreements pursuant to which it has provided partial funding to the relevant mezzanine financiers for two respective residential property projects in Australia.

As at 30 June 2017, other than the capital invested into funds as limited partner, the Group's balance of direct financial investment are approximately RMB36.2 million, including equity investment of approximately RMB27.4 million and debt investment of approximately RMB5.8 million and interest in joint ventures of approximately RMB3.0 million.

Financial Advisory

In the first six months of 2017, the Group has provided financial advisory services both on cross-border acquisitions as well as loan financing. The aggregated fee income generated during the period was approximately RMB25.1 million.

Financial Technology

The Group's financial techonlogy business consisted of two product lines, one serving financial institutions, and the other providing supply chain finance solutions for enterprises in the first six months of 2017. In respect of the product line for financial institutions, the Group's major products, namely Xiwei (希為) Smart Marketing Engine and Xiwei (希為) Quantitative Credit Engine, are currently in advanced development stages. In respect of the supply chain finance solutions for enterprises, the Xiangna (香納) Supply Chain Finance Platform has completed its development phase and is expected to go live in near future.

OTHER GENERAL TRADING

The Group strived to increase the financial return of the other general trading segment in the first six months of 2017 by expanding sales channel, optimizing product structure and changing settlement method.

Other than the trading of existing commodities product, the Group expanded into the trading of electronic components for hand-held devices, including but not limited to various specification and configuration of multi chips package flash memory. During the first six months of 2017, the Group recorded an aggregate revenue of approximately RMB223.7 million generated from flash memory sold to downstream manufacturers for the manufacture of hand-held devices such as mobile phones.

During the first six months of 2017, other general trading contributed a segment profit of approximately RMB1.5 million to the Group.

MLCC

The Group's MLCC business recorded a decline in sales as smartphone manufacturers, who were our key customers, scaled back production in the first quarter of 2017 in consideration of the excess inventory and the short supply of key components in the second half of 2016. In the second quarter of 2017, the Group adjusted its sales strategy and turned the focus to the best-selling mid- and low-end products. As a result of such efforts, the overall sales volume in the first half of 2017 remained largely flat as compared with the same period of last year. However, such adjustment did not offset the negative impact of the decline in sales of high-end products, resulting in a decrease of 8.8% in overall sales as compared with the same period of last year.

The Group has been witnessing a shortage in products in the MLCC industry since the second quarter of 2017 due to a shift in supply and demand dynamics. On the supply side, some Japanese players in the industry withdrew from certain product segments, while some Korean counterparts strengthened their management and control. On the demand side, the amount of MLCC used in smartphone products continued to rise. This trend, coupled with rising costs resulting from surging raw material prices and fluctuation in exchange rates in the first quarter of 2017, drove the price of mid- and low-end products up across the MLCC market. The Group also seized the opportunity to raise prices for some products to offset the cost pressures imposed by the rise in prices of some of the raw materials.

However, limited by the size, technical level and brand awareness, the market share of the MLCC products (especially high-end products) of the Group remains small. On the other hand, in view of the domestic banks tightened credit policy and rising lending interest rate, it is expected that the cost of capital of the Group's MLCC business will increase substantially in the second half of the year. The management of the Group will continue to critically assess the performance and prospect of the MLCC business as well as the likely costs required for sustaining this business so as to devise an appropriate approach for the overall benefits of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue included revenue from three distinct business segments: manufacturing and sale of MLCC, investment and financial services, and other general trading. The total revenue of the Group for the first six months of 2017 was approximately RMB562.9 million, representing a 107.6% increase as compared to the same period of 2016. The revenue from the MLCC segment amounted to approximately RMB243.1 million, representing a decrease of 8.8% from that for the same period of 2016, due to intense price competition in the market, resulting in a lower growth in revenue than that in product sales. The investment and financial services segment continued to contribute to the Group since the launch of the asset management business in the year 2016. The revenue from investment and financial services segment amounted to approximately RMB83.2 million mainly through the provision of advisory services and investment gain from financial assets designated as at fair value through profit and loss for the first six months of 2017, representing an increase of 1,680.2% from that of 2016. The other general trading segment generated a revenue of approximately RMB236.6 million.

Gross Profit Margin

The Group's gross profit margin for the first six months of 2017 was approximately 22.4%, representing an increase of approximately 7.2% from approximately 15.2% for the same period of 2016. The increase was mainly due to the high gross profit of the asset management business continuing in 2017.

The gross profit margin of the Group's MLCC business for the first six months of 2017 was 17.0%, representing an improvement from approximately 13.7% for the first six months of 2016. The increase was mainly due to the decrease in the depreciation included in the cost of sales.

The gross profit margin of other general trading business for the first six months of 2017 was approximately 0.74% (2016: nil).

Other Income

The Group's other income totaled approximately RMB11.0 million for the first six months of 2017, representing an increase of approximately RMB7.2 million from that of 2016. The increase was mainly due to the gain on disposal of a subsidiary of approximately RMB1.8 million, net foreign exchange gain of approximately RMB3.9 million.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to approximately RMB8.7 million for the first six months of 2017, representing a decrease of approximately RMB1.5 million from the same period of 2016. The decrease was mainly due to the decreased expenses as a result of the decline in sales of MLCC.

Administrative Expenses

The Group's administrative expenses were approximately RMB58.8 million for the first six months of 2017, representing an increase of approximately RMB34.4 million from the same period of 2016. The increase was mainly due to the increase of approximately RMB13.4 million of staff costs (including Directors' emoluments), an increase of approximately RMB3.4 million of share award payment and an increase of approximately RMB9.6 million of consultancy fee from the same period of 2016.

Research and Development Costs

The Group's research and development costs were approximately RMB13.5 million for the first six months of 2017, representing an increase of approximately RMB4.0 million from the same period of 2016. The increase was mainly due to the research and development works on high capacity and high precision products conducted in the first six months of 2017.

Other Expenses

The Group's other expenses were approximately RMB2.1 million for the first six months of 2017, representing a decrease of RMB4.6 million from the same period of 2016. The decrease was mainly due to the lower amount of provision for inventories compared to the same period of 2016.

Finance Costs

The Group's finance costs were approximately RMB33.6 million for the first six months of 2017, representing an increase of approximately RMB17.8 million from the same period of 2016. The increase was mainly due to the increase in interest expenses on other loan of HK$500.0 million (equivalent to approximately RMB434.0 million) obtained in September 2016.

Property, Plant and Equipment

The net carrying amount of the Group's property, plant and equipment as at 30 June 2017 was approximately RMB143.8 million, representing a decrease of approximately RMB1.0 million from that of 31 December 2016. The decrease was mainly due to the depreciation of approximately RMB7.6 million after being partly offset by the Group's new MLCC production equipments and construction in progress of RMB5.1 million.

Investment Properties

The Group's investment properties amounted to approximately RMB16.8 million as at 30 June 2017, representing a decrease of approximately RMB1.7 million from that of 31 December 2016 and this was mainly due to the decline in property floor area for lease in the first six months of 2017.

Financial Assets Designated as at Fair Value Through Profit or Loss — Fund Investments

The Group's financial assets designated as at fair value through profit or loss as at 30 June 2017 was approximately RMB508.8 million, representing an increase of RMB508.8 million from that of 31 December 2016. The increase was mainly due to the investment in funds sponsored by the Group during the first six months of 2017.

Other Intangible Assets

The Group's other intangible assets amounted to approximately RMB0.7 million as at 30 June 2017, representing a decrease of approximately RMB0.3 million from that of 31 December 2016. The decrease represented the amortization of intangible assets.

Accounts and Bills Receivables

As at 30 June 2017, the Group's accounts and bills receivables amounted to approximately RMB461.9 million, representing an increase of approximately RMB120.7 million from that of 31 December 2016. The increase was mainly associated with the trading activities within the other general trading segment and the advisory service fee and the management fee generated from the investment and financial services segment.

Prepayments, Deposits and Other Receivables

As at 30 June 2017, prepayments, deposits and other receivables classified as current assets of the Group amounted to approximately RMB15.4 million, representing an increase of RMB5.6 million from that of 31 December 2016, which was primarily due to the increase in prepayments to suppliers.

Cash and Bank Balances and Pledged Bank Deposits

As at 30 June 2017, the Group's cash and bank balances and pledged bank deposits totaled approximately RMB581.3 million, representing an increase of approximately RMB433.4 million from that of 31 December 2016. The increase was mainly due to repayment from loan receivables from a joint venture of HK$300 million (equivalent to approximately of RMB260.4 million) and additional loan of HK$200 million (equivalent to approximately of RMB173.6 million) during the first six months of 2017.

Trade and Bills Payables

As at 30 June 2017, the Group's trade and bills payables amounted to approximately RMB188.1 million, representing an increase of approximately RMB75.0 million from that of 31 December 2016. The increase was mainly due to the increase in inventories during the first six month of 2017.

Deferred Income, Accruals and Other Payables

As at 30 June 2017, the Group's deferred income, accruals and other payables amounted to approximately RMB58.5 million, representing an increase of approximately RMB6.4 million from that of 31 December 2016. This was mainly due to the deposit received from a customer.

Bank Loans

As at 30 June 2017, the Group had outstanding bank loans of approximately RMB70.4 million, representing an increase of approximately RMB10.4 million from that of 31 December 2016. 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 2017, the Group had bond payable of approximately RMB399.3 million, representing an increase of approximately RMB1.6 million from that as at 31 December 2016. The increase was mainly due to the interest accrued whilst partly offset by the appreciation of Renminbi during the period. During the first six months of 2017, the proceeds raised from the bond were applied (i) as to approximately HK$259.9 million (equivalent to approximately RMB225.7 million) in the Company's investment and financial services business involving investments in funds sponsored and/or managed or advised by the Group; (ii) as to approximately HK$89.0 million (equivalent to approximately RMB77.3 million) being reserved for the Company's other general trading business; and (iii) the remaining for general working capital of the Group.

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

Capital Commitments

As at 30 June 2017, the Group had capital commitments of approximately RMB115.6 million, representing an increase of approximately RMB112.3 million from that of 31 December 2016, which was mainly due to the Group's approximately US$19.1 million (equivalent to approximately RMB106.5 million) undrawn commitment to Tianli Private Debt Fund L.P.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 30 June 2017, the Group had net current assets of approximately RMB480.4 million (31 December 2016: approximately RMB70.4 million), including current assets of approximately RMB1,220.5 million (31 December 2016: approximately RMB716.2 million) and current liabilities of approximately RMB740.0 million (31 December 2016: approximately RMB645.8 million). The Group's current ratio was 1.65 as at 30 June 2017, representing an increase of 0.55 from that of 31 December 2016. The increase was mainly due to the increase in cash and bank balances of approximately RMB423.5 million during the first six months of 2017.

Banking Facilities

As at 30 June 2017, the Group had aggregate banking facilities of approximately RMB110.0 million, of which approximately RMB51.2 million had not been utilized.

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, bond payable, obligations under finance lease, dividend payable, trade and bills payables and accruals and other payables (excluding deferred income) less cash and cash equivalent. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 30 June 2017 and 31 December 2016, the gearing ratio of the Group was approximately 45.9% and 66.8% respectively. The decrease in gearing ratio was mainly due to increase in cash and cash equivalent during the first six months of 2017.

FOREIGN CURRENCY RISK

In the first six months of 2017, 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 greater 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 2017, the Group had a total of 1,335 employees. The remunerations and benefits of employees are determined based on prevailing market conditions, state policies and individual performance.

DIVIDENDS

The Board resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed shares of the Company during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

During the six months ended 30 June 2017, the Company had complied with the code provisions set out in the Corporate Governance Code ("**CG Code**") stipulated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except the following:

- 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, has been during such period holding and 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.

With the diversification of the business of the Group taking place and the continued growth of the investment and financial services business of the Group, the Board will keep reviewing the corporate governance structure of the Company including whether the roles of the chairman and chief executive officer should be separated.

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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. 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 2017.

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, was 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 2017.

By order of the Board
Tianli Holdings Group Limited
Huang Mingxiang
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 18 August 2017

As at the date of this announcement, the Board comprises seven Executive Directors, namely Mr. Huang Mingxiang (Chairman and Chief Executive Officer), Mr. Jing Wenping, Mr. Kwok Oi Lung Roy, Mr. Pan Tong, Mr. Xue Hongjian, Mr. Zhou Chunhua and Mr. Zhu Xiaodong, one Non-executive Director, namely Mr. Sue Ka Lok; and four Independent Non-executive Directors, namely Mr. Chan Chi On, Derek, Mr. Chu Kin Wang, Peleus, Mr. To Yan Ming, Edmond and Mr. Xu Xuechuan.