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)

2017
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
"Company"	Tianli Holdings Group Limited
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"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
"Nomination Committee"	the Nomination Committee of the Company
"PRC" or "China"	the People's Republic of China
"Remuneration Committee"	the Remuneration Committee of the Company
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar
"RMB"	Renminbi
"US$"	United States dollar
"%"	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Mingxiang* *(Chairman)*
Mr. Jin Zhifeng* *(Chief Executive Officer)*
(appointed on 25 August 2017)
Mr. Jing Wenping
Mr. Kwok Oi Lung, Roy
Mr. Pan Tong *(appointed on 11 August 2017)*
Mr. Xue Hongjian
Mr. Zhou Chunhua
Mr. Zhu Xiaodong

Non-executive Director

Mr. Sue Ka Lok

Independent Non-executive Directors

Mr. Chan Chi On, Derek
Mr. Chu Kin Wang, Peleus
Mr. To Yan Ming, Edmond
Mr. David Tsoi *(appointed on 25 August 2017)*
Mr. Xu Xuechuan

AUDIT COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Chan Chi On, Derek
Mr. To Yan Ming, Edmond
Mr. David Tsoi *(appointed on 25 August 2017)*
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. Leung Wai Chung
Mr. Zhou Chunhua

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
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

COMPANY SECRETARY

Mr. Leung Wai Chung *CPA*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
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

Chong Hing Bank
China CITIC Bank International
Industrial and Commercial Bank of China (Asia)
China Construction Bank
Shenzhen Pin An Bank

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

* Mr. Huang Mingxiang resigned from the post of Chief Executive Officer on 25 August 2017 and the vacancy was filled by Mr. Jin Zhifeng on the same day.

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 SFC 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

	Fund Name	Initial Closing Date	Term (Year)	Brief Description of Investment Focus	Capital Commitment (US$ million) Total of the Fund[7]	Total from the Group[8]
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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	Six months ended 30 June 2017 (Unaudited) RMB'000	 2016 (Unaudited) 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	6	**23,586**	(21,551)
Income tax (expense)/credit	7	**(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	9	**3.33**	(4.11)

The notes on pages 16 to 35 form part of this interim financial report.

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	10	**143,823**	144,858
Investment properties	11	**16,807**	18,542
Prepaid land lease payments	12	**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	16	**508,755**	–
Loan receivables	14	**–**	115,641
Accounts receivables	13	**–**	4,241
Investment in joint ventures		**2,987**	268,758
Available-for-sale investment	17	**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	13	**461,855**	336,871
Loan receivables	14	**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	15	**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

The notes on pages 16 to 35 form part of this interim financial report.

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 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	21	**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

The notes on pages 16 to 35 form part of this interim financial report.

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2017	**4,571**	**189,827**	**217,943**	**(5,083)**	**40,768**	**(71,861)**	**376,165**	**13,601**	**389,766**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**2,127**	**–**	**23,488**	**25,615**	**(1,065)**	**24,550**
Share issued under Open Offer (note 21)	**2,155**	**314,675**	**–**	**–**	**–**	**–**	**316,830**	**–**	**316,830**
Deemed contribution from owner for the share award transaction	**–**	**–**	**6,980**	**–**	**–**	**–**	**6,980**	**–**	**6,980**
At 30 June 2017 (Unaudited)	**6,726**	**504,502**	**224,923**	**(2,956)**	**40,768**	**(48,373)**	**725,590**	**12,536**	**738,126**
At 1 January 2016	4,571	189,827	207,757	2,854	40,768	(2,987)	442,790	–	442,790
Total comprehensive loss for the period	–	–	–	361	–	(20,408)	(20,047)	–	(20,047)
Deemed contribution from owner for the share award transaction	–	–	3,535	–	–	–	3,535	–	3,535
At 30 June 2016 (Unaudited)	4,571	189,827	211,292	3,215	40,768	(23,395)	426,278	–	426,278

The notes on pages 16 to 35 form part of this interim financial report.

Interim Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows (used in)/generated from operating activities	**(137,548)**	2,926
Net cash flows generated from/(used in) investing activities	**76,389**	(145,986)
Net cash flows generated from/(used in) financing activities	**501,246**	(11,513)
Net increase/(decrease) in cash and cash equivalents	**440,087**	(154,573)
Effect of foreign exchange rate changes, net	**(6,486)**	361
Cash and cash equivalents at beginning of period	**135,125**	472,168
Cash and cash equivalents at end of period	**568,726**	317,956
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**553,198**	269,079
Pledged time deposits with original maturity of less than three months when acquired	**15,528**	48,877
	568,726	317,956

The notes on pages 16 to 35 form part of this interim financial report.

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). The registered office and the principal place of business of the Company are disclosed in the Corporate Information section of this interim report.

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 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.

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

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.

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

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: 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.

3. SEGMENT REPORTING *(Continued)*

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 RMB'000	Investment and financial services RMB'000	Other general trading RMB'000	Total 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 RMB'000	Investment and 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

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 RMB'000	Investment and financial services RMB'000	Other general trading RMB'000	Total 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**

3. SEGMENT REPORTING *(Continued)*

	At 31 December 2016 (audited)			
	MLCC RMB'000	Investment and financial services RMB'000	Other general trading RMB'000	Total 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 RMB'000 (Unaudited)	2016 RMB'000 (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 PRC as incentive primarily to encourage the development of the Group and the contribution to the local economic development.

5. FINANCE COSTS

	Six months ended 30 June	
	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. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories (note i)	**440,441**	236,344
Depreciation (notes i and ii)	**7,772**	16,519
Amortization of prepaid land lease payments	**244**	244
Amortization of other intangible assets	**269**	270
Research and development costs:		
Current period expenditure (note ii)	**13,458**	9,452
Minimum lease payments under operating leases in respect of buildings	**2,774**	419
Staff costs (including directors' emoluments) (notes i and ii)	**58,126**	44,742
Equity-settled share-based payment expenses	**6,980**	3,535
Foreign exchange differences, net	**(3,949)**	517
(Reversal of impairment loss)/impairment loss for trade receivables*	**(363)**	334
Loss on disposal of property, plant and equipment	**104**	–
Rental income on investment properties less direct outgoings of RMB184,000 (2016: RMB152,000)	**(2,626)**	(2,438)

* The write-down of inventories to net realisable value, reversal of impairment loss 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 RMB5,979,000 (2016: RMB15,573,000), staff costs of RMB28,185,000 (2016: RMB28,340,000) and write-down of inventories to net realisable value of RMB2,430,000 (2016: RMB6,289,000), which are also included in the respective total amounts disclosed separately above.

(ii) Included in research and development costs are depreciation of RMB597,000 (2016: RMB115,000) and staff costs of RMB2,581,000 (2016: RMB3,346,000), which are also included in the respective total amounts disclosed separately above.

7. 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 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.

8. 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).

9. 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Notes	**30 June 2017 (Unaudited) RMB'000**	31 December 2016 (Audited) RMB'000
Carrying amount at 1 January		**144,858**	189,385
Additions		**5,201**	34,720
Transfer from investment properties	11	**3,765**	16,461
Transfer to investment properties	11	**(2,264)**	(10,676)
Disposals		**(111)**	(371)
Depreciation		**(7,538)**	(34,088)
Impairment		**–**	(50,696)
Effect of foreign currency exchange differences		**(88)**	123
Carrying amount at 30 June/31 December		**143,823**	144,858

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

Certificates of ownership in respect of certain buildings of the Group located in Dongguan with a net carrying amount of approximately RMB6,247,000 as at 30 June 2017 (RMB8,112,000 as at 31 December 2016) have not yet been issued by the relevant PRC authorities.

11. INVESTMENT PROPERTIES

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying amount at 1 January		**18,542**	24,881
Transfer from property, plant and equipment	10	**2,264**	10,676
Transfer to owner-occupied property	10	**(3,765)**	(16,461)
Depreciation provided during the period/year		**(234)**	(554)
Carrying amount at 30 June/31 December		**16,807**	18,542

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

12. PREPAID LAND LEASE PAYMENTS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying amount at 1 January	**18,877**	19,365
Amortization provided during the period/year	**(244)**	(488)
Carrying amount at 30 June/31 December	**18,633**	18,877
Current portion included in prepayments, deposits and other receivables	**(490)**	(490)
Non-current portion	**18,143**	18,387

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

13. 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

13. ACCOUNTS AND BILLS RECEIVABLES *(Continued)*

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

14. LOAN RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Loan receivables recoverable within one year	**5,788**	113,476
Loan receivables recoverable after 1 year	**–**	115,641
	5,788	229,117

Loan receivable of HK$6,667,000 (approximate to RMB5,788,000) due from an independent third party (the "Borrower"), which is secured by (i) charge over the equity interest in the Borrower and 11.7% equity interests in a subsidiary of Borrower; and (ii) personal guarantees provided by the members of Borrower. The loan receivable is interest-bearing at 10.5% per annum and repayable by two installments every six months with final due date on 19 April 2018.

15. 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

16. FINANCIAL ASSETS DESIGNATED AS AT FVTPL

For private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the Group being a general partner and, or fund manager is a principal.

In the opinion of the directors of the Company, the variable returns of the Group exposed to over the structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities. The Group classified the investments in these unconsolidated structured entities as financial assets at fair value through profit or loss.

17. AVAILABLE-FOR-SALE INVESTMENT

The unlisted equity investment represents an investment in the unlisted equity securities issued by a private entity incorporated in Hong Kong. The Group does not intend to dispose of it in the near future.

18. CAPITAL COMMITMENTS

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	**8,982**	3,241
Investment in an associate	**100**	100
Financial assets designated as at FVTPL	**106,521**	–
	115,603	3,341

19. CONTINGENT LIABILITIES

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

20. 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 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Shenzhen Eycom Technology Co., Ltd. ("SZ Eycom") (Note (i))	Rental income received from SZ Eycom (Note (iii))	–	174
Anhui Century Eycom Digital Technology Co., Ltd. ("Anhui Eycom") (Note (ii))	Rental income received from Anhui Eycom (Note (iii))	–	152

Notes:

(i) One of the ultimate shareholders of SZ Eycom is Mr. Chen Weirong ("Mr. Chen"), a director of a principal subsidiary and a key management personnel of the Group.

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

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

(b) Balances with related parties

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Due from		
Due from subsidiaries of joint ventures (i)	**787**	588
Universal Blossom Limited ("UBL")	–	272,999
	787	273,587

Notes:

(i) The amounts due from joint ventures are unsecured, interest-free and repayable on demand.

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

(c) Key management personnel remuneration

The key management personnel include directors of the Company as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term employee benefits	**7,759**	484
Post-employment benefits	**30**	22
Equity compensation benefits	**6,980**	2,444
	14,769	2,950

21. SHARE CAPITAL

Authorised and issued share capital

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
At the beginning of the period/year 496,500,000 (2016: 4,965,000) ordinary shares of HK$0.01 each	**4,965**	4,965
Issuance of shares upon Open Offer (note 1)	**2,483**	–
At the end of the period/year 744,750,000 (2016: 496,500,000) ordinary shares of HK$0.01 each	**7,448**	4,965
Equivalent to RMB'000	**6,726**	4,571

Note 1: On 18 January 2017, the Company completed an open offer to issue 248,250,000 offer shares of HK$0.01 each at a subscription price of HK$1.5 per offer share on the basis of one offer share for every two existing shares of the Company ("Open Offer"). Of the net proceeds of approximately HK$372,375,000 (equivalent to approximately RMB316,830,000) from the issue of open offer, approximately HK$2,483,000 (equivalent to approximately RMB2,155,000) was credited to share capital and the remaining balance of approximately HK$369,892,000 (equivalent to approximately RMB314,675,000) was credited to share premium account.

22. DISPOSAL OF A SUBSIDIARY

On 17 February 2017, Tianli Financial Group Limited, a direct wholly owned subsidiary of the Company, disposed of the entire issued shares of and shareholder's loan to Noble Sky Investments Limited, an indirect wholly owned subsidiary of the Company at a total consideration of approximately US$18,481,000 (equivalent to approximately HK$143,412,000 or approximately RMB127,148,000) to Tianli Private Debt Fund L.P.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include the followings:

Categories of financial instruments

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Financial assets		
Accounts and bills receivables	**461,855**	341,112
Loan receivables from independent third parties	**5,788**	229,117
Loan receivables from joint ventures	**–**	268,758
Other receivables	**6,570**	1,820
Due from joint ventures	**787**	588
Pledged bank deposits	**28,124**	18,186
Cash and bank balances	**553,198**	129,703
Loans and receivables	**1,056,322**	989,284
Available-for-sale investment	**27,351**	28,225
Financial assets designated as at fair value through profit or loss	**508,755**	–
Derivative financial instruments	**52**	1,398
Financial assets at fair value through profit or loss	**508,807**	1,398
Financial liabilities		
Trade and bills payables	**188,064**	113,035
Accruals and other payables	**54,561**	43,221
Bank and other loans	**526,946**	335,525
Bond payable	**399,340**	397,762
Obligations under finance lease	**460**	532
Dividends payable	**88**	88
Financial liabilities measured at amortised cost	**1,169,459**	890,163
Derivative financial instruments	**971**	355
Financial liabilities at fair value through profit or loss	**971**	355

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The Group's principal financial instruments comprise bank and other loans, bond payable, and cash and bank balances and pledged bank deposits. The main purpose of these financial instruments is to raise/provide finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets at FVTPL, accounts and bills receivables, loan receivables, trade and bills and other payables, which arise directly from its operations. The Group also invests in available-for-sale investment.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager with the assistance of independent valuers to perform valuations for the financial instruments, including financial assets at FVTPL and available-for-sale investment which is categorised into Level 3 of the fair value hierarchy. The team reports directly to the Executive Directors and the Audit Committee. Valuation reports with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the Executive Directors. Discussion of the valuation process and results with the Executive Directors and the Audit Committee is held at least twice a year, to coincide with the reporting dates.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair values *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy *(Continued)*

	Fair value at 30 June 2017 (Unaudited) RMB'000	Fair value measurements as at 30 June 2017 categorised into Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000
Recurring fair value measurements				
Assets:				
Available-for-sale investment				
— Unlisted	**27,351**	–	–	**27,351**
Financial assets designated as at FVTPL				
— Unlisted	**508,755**	–	–	**508,755**
Derivative financial instruments:				
— Forward foreign exchange contracts	**52**	–	**52**	–
	536,158	–	**52**	**536,106**
Liabilities:				
Derivative financial instruments:				
— Forward foreign exchange contracts	**971**	–	**971**	–

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair values *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy *(Continued)*

	Fair value at 31 December 2016 (Audited) RMB'000	Fair value measurements as at 31 December 2016 categorised into Level 1 (Audited) RMB'000	Level 2 (Audited) RMB'000	Level 3 (Audited) RMB'000
Recurring fair value measurements				
Assets:				
Available-for-sale investment				
— Unlisted	28,225	–	–	28,225
Derivative financial instruments:				
— Forward foreign exchange contracts	1,398	–	1,398	–
	29,623	–	1,398	28,225
Liabilities:				
Derivative financial instruments:				
— Forward foreign exchange contracts	355	–	355	–

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate.

For Level 3 financial instruments, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets have been classified by the Group as Level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2017 and 31 December 2016.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2017, 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	69,600,350[(1)]	9.35%
("Mr. Huang")	Interest under section 317 of the SFO	93,443,650[(2)]	12.55%

Note:

(1) Of the 69,600,350 shares held by Mr. Huang, 49,600,350 shares were acquired by Mr. Huang under a share purchase agreement entered into between Mr. Huang and Cosmic Riches Investments Limited ("Cosmic Riches") on 29 April 2016 (the "SP Agreement").

(2) Under the SP Agreement, the 49,600,350 shares acquired by Mr. Huang from Cosmic Riches are subject to a lock-up undertaking. Pursuant to section 317 of the SFO, Mr. Huang is also deemed to have interest in the 93,443,650 shares of the Company beneficially 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)	6.66%

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 2017, 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 2017, 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 Investments Limited ("Cosmic Riches")	Beneficial owner	140,165,475(1)	18.82%
	Interest under section 317 of the SFO	49,600,350(2)	6.66%
Ms. Du Weilin ("Ms. Du")	Interest of controlled corporation	140,165,475(1)	18.82%
	Interest under section 317 of the SFO	49,600,350(2)	6.66%

Note:

(1) Cosmic Riches is 100% owned by Ms. Du.

(2) Pursuant to the SP Agreement, the 49,600,350 shares acquired by Mr. Huang from Cosmic Riches (the "Acquired Shares") are subject to a lock-up undertaking, which in turn deems Cosmic Riches and Ms. Du to be interested in the Acquired Shares under section 317 of the SFO.

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 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 any 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 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.

* Reference is made to the announcement of the Company dated 25 August 2017 in which it was announced that the roles of the chairman and chief executive officer of the Company has then become separate in compliance with code provision A.2.1 of the CG Code.

UPDATES ON DIRECTORS' INFORMATION

The following is the updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Sue Ka Lok ("Mr. Sue") has been appointed as an executive director of PYI Corporation Limited (stock code: 498) with effect from 25 April 2017; and was redesignated from an executive director to a non-executive director of Birmingham Sports Holdings Limited (formerly known as Birmingham International Holdings Limited) (stock code: 2309) with effect from 1 May 2017.

2. Mr. Sue resigned as the company secretary of China Strategic Holdings Limited (stock code: 235) with effect from 2 May 2017.

3. Mr. Chu Kin Wang, Peleus has been appointed as an independent non-executive director of China Huishan Dairy Holdings Company Limited with effect from 22 June 2017.

All of the above companies are listed on the Stock Exchange.

MODEL CODE FOR DEALING SECURITIES BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Company Code") on terms no less exacting than the required standard set out in the Model Code. Following specific enquiries by 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.

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

Hong Kong, 18 August 2017