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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- The overall revenue for the year 2016 was RMB904.2 million, representing an increase of approximately 74.6% as compared to year 2015;
- The overall gross profit for the year 2016 increased from approximately RMB67.0 million in 2015 to RMB109.5 million and gross profit margin for the year 2016 dropped to 12.1% from 12.9% last year;
- Loss attributable to owners of the Company for the year 2016 extended to approximately RMB68.9 million from approximately RMB33.0 million in 2015;
- Basic and diluted loss per share for the year was RMB12.8 cents; and
- The Board recommends no payment of final dividends for the year ended 31 December 2016.

The Board of Directors (the "**Board**") of Tianli Holdings Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016, together with the comparative results for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*5*	**904,168**	517,887
Cost of sales		**(794,668)**	(450,934)
Gross profit		**109,500**	66,953
Other income	*6*	**10,322**	12,481
Selling and distribution costs		**(22,847)**	(21,616)
Administrative expenses		**(65,285)**	(29,678)
Other expenses		**(4,358)**	(162)
Research and development costs	*7(c)*	**(20,762)**	(34,489)
Impairment of property, plant and equipment		**(50,696)**	(14,587)
Loss from operations		**(44,126)**	(21,098)
Finance costs	*7(a)*	**(36,993)**	(13,863)
Share of loss of joint ventures		**(33)**	–
Loss before taxation		**(81,152)**	(34,961)
Income tax credit	*8*	**11,989**	1,985
Loss for the year		**(69,163)**	(32,976)
Other comprehensive loss for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(7,951)**	(950)
Other comprehensive loss for the year, net of income tax		**(7,951)**	(950)
Total comprehensive loss for the year		**(77,114)**	(33,926)

	Note	2016 RMB'000	2015 RMB'000
Loss attributable to:			
Owners of the Company		**(68,874)**	(32,976)
Non-controlling interests		**(289)**	–
		(69,163)	(32,976)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(76,811)**	(33,926)
Non-controlling interests		**(303)**	–
		(77,114)	(33,926)
		RMB cents	*RMB cents* (restated)
Loss per share	*10*		
Basic and diluted		**(12.8)**	(7.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**144,858**	189,385
Investment properties		**18,542**	24,881
Prepaid land lease payments		**18,387**	18,877
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		**2,949**	6,097
Loan receivables		**115,641**	–
Interest receivable	*11*	**4,241**	–
Investments in joint ventures		**268,758**	–
Available-for-sale investment		**28,225**	–
Other intangible assets		**957**	1,496
Deferred tax assets		**25,753**	12,264
Total non-current assets		**628,311**	253,000
Current assets			
Inventories		**107,605**	101,131
Trade and bills receivables and interest receivables	*11*	**336,871**	228,119
Loan receivables		**113,476**	–
Prepayments, deposits and other receivables		**9,755**	8,497
Amounts due from joint ventures		**588**	–
Pledged bank deposits		**18,186**	7,525
Cash and bank balances		**129,703**	464,643
Total current assets		**716,184**	809,915
Current liabilities			
Trade and bills payables	*12*	**113,035**	121,240
Deferred income, accruals and other payables		**52,074**	37,456
Tax payable		**20,194**	18,937
Bank and other loans		**62,526**	70,002
Bond payable	*13*	**397,762**	–
Obligations under finance lease		**115**	–
Dividends payable		**88**	88
Total current liabilities		**645,794**	247,723
Net current assets		**70,390**	562,192
Total assets less current liabilities		**698,701**	815,192

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Non-current liabilities			
Bond payable	*13*	**–**	345,693
Obligations under finance lease		**417**	–
Deferred income		**32,057**	23,529
Deferred tax liabilities		**3,462**	3,180
Other loans		**272,999**	–
Total non-current liabilities		**308,935**	372,402
NET ASSETS		**389,766**	442,790
CAPITAL AND RESERVES			
Share capital	*14*	**4,571**	4,571
Reserves		**371,594**	438,219
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**376,165**	442,790
Non-controlling interests		**13,601**	–
TOTAL EQUITY		**389,766**	442,790

NOTES:

1. GENERAL INFORMATION

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

Pursuant to a special resolution passed at the extraordinary general meeting on 14 June 2016, the English name of the Company was changed from "EYANG Holdings (Group) Co., Limited" to "Tianli Holdings Group Limited" and the dual foreign name in Chinese of the Company was changed from "宇陽控股(集團)有限公司" to "天利控股集團有限公司" with effect from 15 June 2016.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are (i) manufacture and sale of multi-layer ceramic chips ("**MLCC**"), (ii) investment and financial services and (iii) other general trading.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries and the Group's investments in joint ventures.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**") which is the Company's functional currency and the Group's presentation currency, and all value are rounded to the nearest thousand RMB except when otherwise indicated.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies:

— financial instruments classified as available-for-sale investment; and

— derivative financial instruments.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. APPLICATION OF NEW AND REVISED IFRSs

In the current year, the Group has applied the following new and revised IFRSs issued by the IASB.

Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle

The Group has not applied any new IFRS that is not yet effective for the current accounting period. The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

4. 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 commodities such as metals, minerals and petroleum products.

In order to diversify the existing business of the Group and to explore new markets with significant growth potential, the Group commenced and developed the business of investment and financial services and other general trading during the year ended 31 December 2016 and thus two new segments are resulted and included in the segment reporting and no comparative information for these new segments for the year ended 31 December 2015 is presented.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, deferred tax assets and current assets with the exception of corporate assets. Segment liabilities include all payables, deferred income and deferred tax liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

In addition to receiving segment information concerning segment profit/(loss), the Board is provided with segment information concerning revenue, interest income, depreciation, amortisation, impairment losses, reversal of impairment losses, finance costs, share of loss of joint ventures and associates, income tax/credit and additions to non-current segment assets used by the segments in their operations.

The accounting policies of the operating segments are the same as the Group's accounting policies.

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 years ended 31 December 2016 and 2015 is set out below:

	Year ended 31 December 2016			
	MLCC *RMB'000*	**Investment and financial services** *RMB'000*	**Other general trading** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Sales to external customers	**585,833**	**31,752**	**286,583**	**904,168**
Segment (loss)/profit	**(41,443)**	**8,352**	**263**	**(32,828)**
Corporate interest income				**917**
Central administration expenses				**(21,926)**
Central finance costs				**(27,282)**
Share of loss of joint ventures				**(33)**
Consolidated loss before tax				**(81,152)**
Segment assets	**605,944**	**643,733**	**91,979**	**1,341,656**
Unallocated corporate assets				**2,839**
Consolidated total assets				**1,344,495**
Segment liabilities	**264,605**	**279,060**	**11,592**	**555,257**
Bond payable				**397,762**
Other unallocated corporate liabilities				**1,710**
Consolidated total liabilities				**954,729**
Other segment information				
Additions to non-current assets	**32,728**	**4,876**	**65**	**37,669**
Unallocated				**35**
				37,704
Depreciation and amortisation	**(35,340)**	**(328)**	**–**	**(35,668)**
Unallocated				**(1)**
				(35,669)
Interest income	**1,033**	**26,474**	**3**	**27,510**
Unallocated corporate interest income				**917**
				28,427
Finance costs	**(5,366)**	**(4,345)**	**–**	**(9,711)**
Unallocated				**(27,282)**
				(36,993)
Income tax credit	**11,989**	**–**	**–**	**11,989**
Impairment loss recognised:				
Property, plant and equipment	**(50,696)**	**–**	**–**	**(50,696)**
Trade receivables	**(1,984)**	**–**	**–**	**(1,984)**
Other receivables	**(980)**	**–**	**–**	**(980)**

	Year ended 31 December 2015	
	MLCC	Total
	RMB'000	*RMB'000*
Segment revenue:		
Sales to external customers	517,887	517,887
Segment loss	(23,093)	(23,093)
Corporate interest income		694
Central administration expenses		(2,958)
Central finance costs		(9,604)
Consolidated loss before tax		(34,961)
Segment assets	647,490	647,490
Cash and bank balance		415,262
Other unallocated corporate assets		163
Consolidated total assets		1,062,915
Segment liabilities	273,616	273,616
Bond payable		345,693
Other unallocated corporate liabilities		816
Consolidated total liabilities		620,125
Other segment information		
Additions to non-current assets	24,654	24,654
Unallocated		–
		24,654
Depreciation and amortisation	(39,752)	(39,752)
Unallocated		(2)
		(39,754)
Interest income	428	428
Unallocated corporate interest income		694
		1,122
Finance costs	(4,259)	(4,259)
Unallocated		(9,604)
		(13,863)
Income tax credit	1,985	1,985
Impairment loss recognised:		
Property, plant and equipment	(14,587)	(14,587)
Other intangible assets	(116)	(116)
Trade receivables	(379)	(379)

There are no inter-segment sales for the years ended 31 December 2016 and 2015.

(b) Geographical information

(i) Revenue from external customers

The geographical analysis of the Group's revenue from external customers by geographical location based on where the goods are delivered or the services were provided is as follows:

	2016	2015
	RMB'000	*RMB'000*
Mainland China (place of domicile)	**794,790**	399,175
Hong Kong	**78,440**	86,772
Other countries	**30,938**	31,940
	904,168	517,887

(ii) Non-current assets

No non-current assets information is presented for the Group's geographical location, as over 90% of the Group's non-current assets (excluding financial instruments and deferred tax assets) are located in Mainland China.

(c) Information about major customers

Revenue from customers contributing 10% or more of the Group's revenue are as follows:

	2016	2015
	RMB'000	*RMB'000*
Other general trading		
— Customer A	**163,011**	–
— Customer B	**103,323**	–
	266,334	–

(d) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2016	2015
	RMB'000	*RMB'000*
Sale of MLCC	**585,833**	517,887
Trading of heavy sulphur fuel oil	**266,334**	–
Trading of chrome ore	**20,249**	–
Interest income from financial investment	**26,463**	–
Advisory service income	**5,289**	–
	904,168	517,887

5. REVENUE

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:

	2016	2015
	RMB'000	*RMB'000*
Sale of MLCC	**585,833**	517,887
Other general trading	**286,583**	–
Investment interest income *(note)*	**26,463**	–
Advisory service income	**5,289**	–
Revenue from investment and financial services	**31,752**	–
	904,168	517,887

Note: For the year ended 31 December 2016, total amount of interest income on financial assets not at fair value through profit or loss, including bank interest income (note 6), was RMB28,427,000 (2015: RMB1,122,000).

6. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Bank interest income	**1,964**	1,122
Rental income	**4,366**	6,539
Government grants *(note)*	**665**	2,117
Release of government grants as income	**957**	829
Sale of materials	**21**	289
Management fee income	**91**	313
Sundry income	**981**	1,524
Fair value gain on derivative financial instruments	**1,043**	–
Net foreign exchange gain/(loss)	**234**	(1,915)
Long–outstanding trade payable written off	**–**	1,318
Net reversal of write down of inventories	**–**	345
	10,322	12,481

Note: Government grants represented the subsidy to the Group by the government of the People's Republic of China ("**PRC**" or "**Mainland China**") as incentive primarily to encourage the development of the Group and the contribution to the local economic development.

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

(a) Finance costs

	2016	2015
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	**5,366**	4,259
Interest on other loans	**4,337**	–
Interest on bond payable	**27,282**	9,604
Finance charges on obligations under finance lease	**8**	–
	36,993	13,863

(b) Staff costs (including Directors' emoluments)

	2016	2015
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plans	**11,561**	9,258
Equity–settled share–based payment expenses	**9,694**	–
Salaries, wages and other benefits *(notes i and ii)*	**99,287**	72,501
	120,542	81,759

(c) Other items

		2016	2015
	Note	***RMB'000***	*RMB'000*
Carrying amount of inventories sold		**794,668**	450,934
Write-down of inventories*		**1,300**	366
Reversal of write-down of inventories*		**(242)**	(711)
Cost of inventories *(note i)*		**795,726**	450,589
Depreciation *(notes i and ii)*		**34,642**	38,727
Amortisation of prepaid land lease payments		**488**	488
Amortisation of other intangible assets		**539**	539
Research and development costs:			
Current year expenditure *(note ii)*		**20,762**	34,489
Minimum lease payments under operating leases in respect of buildings		**2,723**	690
Auditor's remuneration		**1,181**	680
Net foreign exchange (gain)/loss	*6*	**(234)**	1,915
Reversal of impairment loss for trade receivables		**–**	(256)
Impairment loss of trade receivables*		**1,984**	379
Impairment loss of other receivables*		**980**	–
Loss on disposal of property, plant and equipment		**341**	1,788
Impairment loss of property, plant and equipment		**50,696**	14,587
Impairment loss of other intangible assets#		**–**	116
Rental income on investment properties less direct outgoings of RMB308,000 (2015: RMB739,000)	*6*	**(4,058)**	(5,800)

\# Included in administrative expenses of the consolidated statement of profit or loss and other comprehensive income.

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

Notes:

(i) Cost of inventories includes depreciation of RMB32,211,000 (2015: RMB36,863,000) and staff costs of RMB55,551,000 (2015: RMB44,971,000), which are also included in the respective total amounts disclosed separately above.

(ii) Included in research and development costs are depreciation of RMB414,000 (2015: RMB116,000) and staff costs of RMB7,056,000 (2015: RMB7,666,000), which are also included in the respective total amounts disclosed separately above.

8. INCOME TAX CREDIT

Income tax recognised in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	RMB'000	*RMB'000*
Current tax		
— PRC Enterprise Income Tax ("**EIT**") for the year	**1,218**	1,588
Deferred taxation		
— Origination and reversal of temporary differences	**(13,207)**	(3,573)
Income tax credit for the year	**(11,989)**	(1,985)

Notes:

(i) 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.

(ii) No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits derived from or earned in Hong Kong during the years ended 31 December 2016 and 2015.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI respectively.

(iv) For the year ended 31 December 2016, all PRC subsidiaries were subject to EIT at the standard rate of 25% (2015: 25%) on their respective taxable profit during the year.

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company of RMB68,874,000 (2015: RMB32,976,000) and the weighted average number of 537,875,000 ordinary shares (2015 (restated): 472,898,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2016	2015
	'000	*'000*
		(restated)
Issued ordinary shares at 1 January	**496,500**	405,500
Effect of shares issued upon exercise of share options	**–**	3,804
Effect of shares issued upon placing of shares	**–**	22,219
Effect of completion of open offer on 14 February 2017 *(note)*	**41,375**	41,375
Weighted average number of ordinary shares at 31 December	**537,875**	472,898

Note: The number of ordinary shares for both years for the purposes of calculating basic loss per share has been adjusted for the completion of open offer on 14 February 2017, which the Company raised gross proceeds of HK$372,375,000 (equivalent to approximately RMB330,356,000) by way of an open offer of 248,250,000 offer shares at the subscription price of HK$1.5 per offer share on the basis of one offer share for every two shares. As a consequence, the amount of basic loss per share for the year ended 31 December 2015 has been restated from HK7.6 cents to HK7.0 cents.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2016 is the same as the basic loss per share as there were no potential ordinary shares outstanding during the year.

Diluted loss per share for the year ended 31 December 2015 was the same as the basic loss per share because the share options outstanding during the year had an anti-dilutive effect.

11. TRADE AND BILLS RECEIVABLES AND INTEREST RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade and bills receivables *(note a)*	**313,851**	228,119
Interest receivables *(note b)*	**27,261**	–
	341,112	228,119
Current portion	**(336,871)**	(228,119)
Non-current portion	**4,241**	–

(a) Trade and bills receivables

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**243,218**	188,522
Bills receivables	**78,623**	45,603
	321,841	234,125
Less: Impairment	**(7,990)**	(6,006)
	313,851	228,119

(i) 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 are non-interest-bearing.

(ii) The bills receivables were all due within 60 to 180 days (2015: 60 to 360 days) from the end of the reporting period.

(iii) An ageing analysis of the trade receivables as at the end of the reporting period based on the invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**211,478**	157,850
91 to 180 days	**23,948**	24,168
181 to 360 days	**426**	462
1 to 2 years	**1,084**	108
2 to 3 years	**155**	–
Over 3 years	**6,127**	5,934
	243,218	188,522

(iv) An ageing analysis of the bills receivables as at the end of the reporting period based on bills issue date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**56,668**	13,851
91 to 180 days	**21,955**	31,674
181 to 360 days	**–**	78
	78,623	45,603

(v) The movements in the provision for impairment of trade receivables are as follows:

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	**6,006**	5,883
Impairment losses recognised	**1,984**	379
Reversal of impairment	**–**	(256)
At 31 December	**7,990**	6,006

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB7,990,000 (2015: RMB6,006,000) with a carrying amount of RMB7,990,000 (2015: RMB6,006,000). The individually impaired trade receivables relate to customers that were in financial difficulties and are doubtful. The Group does not hold any collateral or other credit enhancements over these balances.

(b) Interest receivables

	2016 *RMB'000*	2015 *RMB'000*
Interest receivables		
— from third parties	**23,020**	–
— from joint venture	**4,241**	–
	27,261	–

(i) As at 31 December 2016, the interest receivables were arising from the loan receivables.

(ii) As at the end of the reporting period, the ageing analysis of interest receivables, based on the revenue recognition date, is as follows:

	2016 *RMB'000*	2015 *RMB'000*
Within 90 days	**13,913**	–
91 to 180 days	**8,359**	–
181 to 360 days	**4,989**	–
	27,261	–

Interest receivables are due every one to six months or due on maturity of corresponding loan receivables according to the relevant loan agreements and relate to a number of customers for whom there were no significant history of default.

12. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**96,800**	102,656
Bills payables	**16,235**	18,584
	113,035	121,240

(a) An ageing analysis of the trade payables as at the end of the reporting period based on the suppliers statements date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**84,326**	93,731
91 to 180 days	**10,822**	7,912
181 to 360 days	**664**	497
1 to 2 years	**487**	382
Over 2 years	**501**	134
	96,800	102,656

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

(c) An ageing analysis of the bills payables as at the end of the reporting period based on bills issue date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**16,095**	14,660
91 to 180 days	**140**	3,924
	16,235	18,584

(d) At 31 December 2016, included within trade and bills payable were bills payable of RMB16,235,000 (2015: RMB18,584,000) being secured by the pledged bank deposits of approximately RMB4,858,000 (2015: approximately RMB7,525,000).

13. BOND PAYABLE

	2016	2015
	RMB'000	*RMB'000*
Bond payable		
— repayable within one year	**397,762**	–
— repayable after one year but within two years	**–**	345,693
	397,762	345,693

The bond payable comprise of outstanding principal and interests of RMB358,344,000 (2015: RMB335,624,000) and RMB39,418,000 (2015: RMB10,069,000) respectively, and the bond payable is denominated in Hong Kong dollars ("**HK$**").

On 14 August 2015, a wholly-owned subsidiary of the Company issued a two-year corporate bond with a principal amount of HK$400,000,000 (equivalent to approximately RMB329,620,000) to an independent third party at an issue price equal to the face value of the bond. The bond is secured by all equity interests in two wholly-owned subsidiaries of the Company and is repayable on 13 August 2017, the maturity date of the bond. The principal of the bond payable bears interest at the rate of 8% per annum.

The Group may at any time after the first anniversary of the issue date of the bond to the maturity date to early redeem the whole outstanding bond payable, including the principal amount of HK$400,000,000 and the interest accrued thereon, with the prior written consent from the bond holder provided that not less then 15 days' advance notice of such redemption intention shall have been given to the bond holder.

14. SHARE CAPITAL

(a) Authorised and issued share capital

	2016	2015
	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 year 496,500,000 (2015: 405,500,000) ordinary shares of HK$0.01 each	**4,965**	4,055
Shares issued under share option scheme (9,900,000 ordinary shares of HK$0.01 each)	**–**	99
Shares issued upon placing of shares (81,100,000 ordinary shares of HK$0.01 each)	**–**	811
At the end of the year 496,500,000 ordinary shares of HK$0.01 each	**4,965**	4,965
Equivalent to RMB'000	**4,571**	4,571

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Shares issued under share option scheme

During the year ended 31 December 2016, no share option was exercised.

During the year ended 31 December 2015, share options were exercised to subscribe for 9,900,000 ordinary shares of the Company at a total consideration of HK$10,415,000 (equivalent to approximately RMB8,354,000), of which HK$99,000 (equivalent to approximately RMB80,000) was credited to share capital and HK$10,316,000 (equivalent to approximately RMB8,274,000) was credited to share premium account and RMB2,835,000 was transferred from the share option reserve to the share premium account.

(c) Shares issued upon placing of shares

During the year ended 31 December 2016, no share was issued under placing of shares.

On 7 September 2015, the Company entered into a placing agreement with a placing agent pursuant to which the Company agreed to place, through the placing agent, 81,100,000 new shares of the Company to not less than six independent placees at the placing price of HK$1.15 per placing share. On 23 September 2015, the placing of the shares was completed and 81,100,000 new shares of the Company were issued to not less than six independent placees. Of the net proceeds of approximately HK$90,813,000 (equivalent to approximately RMB74,728,000) from the issue of the shares upon placing, approximately HK$811,000 (equivalent to approximately RMB667,000) was credited to share capital and the remaining balance of approximately HK$90,002,000 (equivalent to approximately RMB74,061,000) was credited to share premium account.

15. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2016:

(a) On 5 January 2017, Tianli Capital Limited ("**Tianli Capital**"), an indirect wholly owned subsidiary of the Company, entered into a subscription agreement, pursuant to which Tianli Capital agreed to invest with the capital commitment of US$35,000,000 (equivalent to approximately HK$271,250,000 or approximately RMB240,800,000) as a junior limited partner in Tianli Private Debt Fund L.P. ("**Tianli Private Debt Fund**"), established by Tianli Private Debt Fund Investment Limited, an indirect wholly owned subsidiary of the Company, as general partner and Tianli Capital as the initial limited partner.

(b) Completion of the open offer took place on 14 February 2017. The Company raised gross proceeds of HK$372,375,000 (equivalent to approximately RMB330,356,000) by way of an open offer of 248,250,000 offer shares at subscription price of HK$1.50 per offer share on the basis of one offer share for every two shares.

(c) On 20 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$143,412,000.00 or approximately RMB127,148,000) to Tianli Private Debt Fund.

(d) On 3 March 2017, Universal Blossom Limited, a joint venture of the Group, sold, transferred, assigned, set over and delivered 8.84% of the total commitment in Tianli Real Estate Investment L.P. ("**Tianli Real Estate Fund**") to Tianli Capital at a consideration of approximately US$10,378,000 (equivalent to approximately HK$80,530,000.00 or approximately RMB71,401,000) (the "**Acquisition**"). Upon completion of the Acquisition, Tianli Capital holds 15.04% of the total commitment of Tianli Real Estate Fund.

(e) In March 2017, Tianli Capital subscribed for the respective limited partner interests in the following four new funds with distinct investment objectives and focuses as junior limited partner:

(i) Tianli Private Debt Capital L.P., a Cayman Islands exempted limited partnership, with the capital commitment of US$9,800,000 (equivalent to approximately HK$76,048,000 or approximately RMB67,424,000);

(ii) Tianli Real Estate Capital L.P., a Cayman Islands exempted limited partnership, with the capital commitment of US$9,800,000 (equivalent to approximately HK$76,048,000 or approximately RMB67,424,000);

(iii) Tianli Special Situations Capital L.P., a Cayman Islands exempted limited partnership, with the capital commitment of US$9,800,000 (equivalent to approximately HK$76,048,000 or approximately RMB67,424,000); and

(iv) Tianli Public Markets Capital L.P., a Cayman Islands exempted limited partnership, with the capital commitment of US$5,600,000 (equivalent to approximately HK$43,456,000 or approximately RMB38,528,000).

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2016 was a milestone year which witnessed the dedicated effort of the Group in progressively devising and implementing new business plans while proactively responding to the continuous challenges in the MLCC business. With effect from 15 June 2016, following the shareholders' approval at the extraordinary general meeting, the name of the Company was changed to "Tianli Holdings Group Limited" and the dual foreign name in Chinese of the Company was changed to "天利控股集團有限公司" to more accurately reflect the ongoing business development direction of the Company. The principal place of business of the Group has also been changed to Unit 907–909, 9/F., Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong in August 2016. Meanwhile, along with the gradual formation of its new business teams, the Group has seized suitable opportunities and expanded into new operations, including, among others, investment and financial services, as well as other general trading.

INVESTMENT AND FINANCIAL SERVICES

Investment

Since March 2016, the Group has established certain wholly-owned subsidiaries in Hong Kong and overseas and commenced the business of financial investment, which includes direct investments in debt and equity assets. For the year ended 31 December 2016, the Group completed in aggregate, equity investment of RMB28.2 million and debt investment of RMB229.1 million and interest in joint ventures of RMB268.8 million and some of the key projects included:

i. In April 2016, the Group made available to an independent borrower a secured loan of up to HK$120 million, for a term of nine months. The borrower holds part of the shareholding interests in the project company of an integrated property development project in Beijing, PRC.

ii. In the second half of the year 2016, the Group participated in and provided loan facilities for two residential property development projects located in Melbourne and Queensland, Australia, respectively, totalling A$22.5 million (equivalent to approximately RMB118.7 million).

iii. In June 2016, the Group and an independent joint venture partner formed Universal Blossom Limited (普華有限公司) (the "**Joint Venture**"), in which each of them held 50% of the equity interest. As at 31 December 2016, the Group funded the Joint Venture with HK$300 million (equivalent to approximately RMB268.8 million) in the form of shareholder's loan, to be used to invest primarily in properties and mezzanine loans.

Financial Services

In November 2016, the Group was granted licences in respect of Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the Securities and Futures Commission (the "**SFC**") as well as a money lenders licence in Hong Kong. Meanwhile, the Group was also in the process of filing for registration as a fund manager in Mainland China, which was completed in January 2017. The grant of these licences laid the foundation for the targeted diversification of businesses of the Group and enables the Group to expand into these specific areas in the financial services segment.

In addition, the management believes that the financial industry is undergoing an unprecedented wave of shock from the Internet and new technologies, while conventional financial institutions are forced to seek for substantial transformation under growing operational pressure. Against this backdrop and in the anticipation that the market is going to respond with a rapid growth in its demand for financial technologies, the Group invested RMB70.0 million to establish a subsidiary in September 2016, which will be committed to developing and providing market leading products and solutions centred around financial technologies for the financial industry. Based on artificial intelligence and big data technologies, these will include, among others, intelligent marketing solutions, online credit products and smart investment advisory services.

During the year, the investment and financial services business contributed a segment profit of approximately RMB8.4 million (2015: Nil) to the Group.

OTHER GENERAL TRADING

The Group expanded into other general trading businesses in the second half of the year 2016, involving products including but not limited to commodities such as metals, minerals and petroleum products.

Relatively low oil price and its upward trend have supported the Group's commencement of fuel oil trading business, given a continuing rebound of global oil price in 2016 from the historical low over recent years. During 2016, the Group recorded an aggregate of 150,000 tonnes of fuel oil sold to downstream supply chains for the use of ocean-going vessel refuelling. In the second half of 2016, the commodity price of chrome ore hit the highest level since 2014. The continuous increase in the ore price was expected to accelerate the procurement of metal smelting plants and boost the demand for trade of chrome ore. In the second half of 2016, the Group supplied a total of 10,600 tonnes of high-grade chrome ore to smelting plants for extraction of chromium.

During the year, the other general trading contributed a segment profit of approximately RMB0.3 million (2015: Nil) to the Group.

MLCC

In 2016, the Group has seen recovery in the market of smart phones, which is the principal market of the Group's MLCC business. The advantage of seizing a rather large market share in the domestic brand customers market in 2015 has been maintained during the year, during which the sales volume and revenue of the MLCC business recorded growths of 19.5% and 13.1% over 2015, respectively.

However, on the one hand, the Group's cost of imported materials and foreign exchange loss rose sharply under the impact arising from the nearly 7% depreciation of Renminbi during the year; on the other hand, the frequent price cuts of products for end consumers, such as mobile phones and TVs, coupled with the price war waged by other players in the industry for the purpose of capturing market share, the price of the Group's products recorded a moderate decline.

As part of our overall strategy and vision for long-term development, during the year, the Group moved an additional MLCC production line from Dongguan, Guangdong Province to the production base in Anhui Province. As the products involved were more sophisticated, the relocation was more challenging than the previous one. As a result, the unit cost of those products involved increased while gross profit margin decreased as a result of the relocation.

During the year of 2016, the MLCC business record a segment loss of approximately RMB41.4 million (2015: approximately RMB23.1 million) mainly due to recognition of impairment loss on its property, plant and equipment amounted to approximately RMB50.7 million despite the increase of its revenue.

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 2016 was approximately RMB904.2 million, representing a 74.6% increase as compared to 2015. The revenue from the MLCC segment amounted to RMB585.8 million, representing an increase of 13.1% from that of 2015, as a result of the Group's continued expansion in market share since the second half of 2015. The investment and financial services segment commenced in the first half of 2016 and generated a revenue of approximately RMB31.8 million mainly through providing loans to external clients. The other general trading segment commenced in the second half of 2016 and generated a revenue of approximately RMB286.6 million.

Gross Profit Margin

The Group's gross profit margin decreased to 12.1% in 2016 from 12.9% in 2015. The decrease was mainly due to the low gross profit of the newly commenced other general trading business in 2016.

The gross profit margin of the Group's MLCC business in 2016 was 13.2%, representing a minor improvement from 12.9% in 2015. The increase was mainly due to the increased production and sales of the Super-miniature 0201 capacitors which has higher profit margin.

During the year, the gross profit margin of other general trading business was approximately 0.01% (2015: Nil).

Other Income

The Group's other net income totaled RMB10.3 million in 2016, representing a decrease of RMB2.2 million from that of 2015. The decrease was mainly due to the rental income during the year which was down by RMB2.2 million as a result of the decline in property floor area for lease in 2016.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to RMB22.8 million in 2016, remained at a similar level to that of 2015.

Administrative Expenses

The Group's administrative expenses were RMB65.3 million in 2016, increased by RMB35.6 million compared to that of 2015. The increase was mainly due to RMB9.7 million of the share award payment and approximately RMB19.6 million of staff costs (including Directors' emoluments) associated with those newly recruited in Hong Kong during the year.

Research and Development Costs

The Group's research and development costs were RMB20.8 million in 2016, representing a 39.8% decrease from that of 2015. The decrease was mainly due to the current research and development ("**R&D**") focus on improvement, upgrading and development of existing MLCC products, with no considerable R&D input for major projects.

Other Expenses

The Group's other expenses were RMB4.4 million in 2016, representing an increase of RMB4.2 million from that of 2015. This was mainly due to higher amount of provision for trade receivables compared to the corresponding period of last year.

Finance Costs

The Group's finance costs were RMB37.0 million in 2016, representing an increase of RMB23.1 million from that of 2015. The increase was mainly due to the full-year interest expenses recognized relating to the corporate bond of HK$400 million (equivalent to approximately RMB329.6 million) issued in August 2015 and the interest expenses on a new loan of HK$300 million (equivalent to approximately RMB268.8 million) obtained in September 2016.

Property, Plant and Equipment

The net carrying amount of the Group's property, plant and equipment as at 31 December 2016 was RMB144.9 million, representing a decrease of RMB44.5 million from that of 2015. The decrease was mainly due to the impairment loss of RMB50.7 million and depreciation of RMB34.1 million after being partly offset by the Group's new MLCC production equipments and construction in progress of RMB34.7 million.

Investment Properties

The Group's investment properties amounted to RMB18.5 million at the year end, representing a decrease of RMB6.3 million from that of 2015 and this was mainly due to the decline in property floor area for lease in 2016.

Other Intangible Assets

The Group's other intangible assets amounted to RMB1.0 million at the year end, representing a decrease of RMB0.5 million from that of 2015, the decrease represented the amortization of intangible assets associated with the SAP management software.

Trade and Bills Receivables and Interest Receivables

As at 31 December 2016, the Group's trade and bills receivables and interest receivables amounted to RMB341.1 million, representing an increase of RMB113.0 million from that of 2015. The increase was mainly associated with the trading activities within the other general trading segment and the interest receivable generated from investment and financial services business.

Prepayments, Deposits and Other Receivables

As at 31 December 2016, prepayments, deposits and other receivables classified as current assets of the Group amounted to RMB9.8 million, representing an increase of RMB1.3 million from that of 2015, which was primarily due to the increase in prepayments to suppliers.

Cash and Bank Balances and Pledged Bank Deposits

As at 31 December 2016, the Group's cash and bank balances and pledged bank deposits totaled RMB147.9 million, representing a decrease of RMB324.3 million from that of 2015. The decrease was mainly due to its funding of RMB257.3 million for the Group's investment and financial services business involving loans and an investment in independent third party, and RMB68.7 million used for other general trading business remaining outstanding as at 31 December 2016.

Trade and Bills Payables

As at 31 December 2016, the Group's trade and bills payables amounted to RMB113.0 million, representing a decreased of RMB8.2 million compared with that of 2015 after the Group curtailed its procurement around the end of the year.

Deferred Income, Accruals and Other Payables

As at 31 December 2016, the Group's deferred income, accruals and other payables amounted to RMB84.1 million, representing an increase of RMB23.1 million from that of 2015. This was mainly due to the increase in government grants and salary payables.

Bank Loans

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

Bond Payable

As at 31 December 2016, the Group had bond payable of approximately RMB397.8 million, representing an increase of RMB52.1 million as compared to that of 31 December 2015. The increase was mainly due to the interest accrued and the depreciation of Renminbi during the period. During the year ended 31 December 2016, The proceeds raised have been applied to (i) approximately HK$278.6 million (approximately RMB249.4 million) of the bond proceeds has been invested in the Company's investment and financial services business involving loans and an investment in independent third party and approximately HK$89.0 million (approximately RMB79.7 million) is reserved for the Company's other general trading business and (ii) the remaining for general working capital of the Group.

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Capital Commitments

As at 31 December 2016, the Group had capital commitments of RMB3.3 million, representing an decrease of RMB10.9 million from that of 2015, which was mainly because the decrease of the number of the outstanding contracts for purchasing equipment at the year end.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 31 December 2016, the Group had net current assets of approximately RMB70.4 million (2015: RMB562.2 million), including current assets of RMB716.2 million (2015: RMB809.9 million) and current liabilities of RMB645.8 million (2015: RMB247.7 million). The Group's current ratio was 1.11 as at 31 December 2016, representing a decrease 2.16 from that of 2015. The decrease was mainly due to the bond payable of approximately RMB397.8 million, which will be payable in August 2017, and subsequently increased the current liabilities at 31 December 2016.

Banking Facilities

As at 31 December 2016, the Group had aggregate banking facilities of approximately RMB340.0 million, of which approximately RMB262.3 million had not been utilised.

Gearing Ratio

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated at the sum of bank loans, bond payable, trade and bills payables and 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 31 December 2016 and 2015, the gearing ratio of the Group was approximately 66.8% and 18.8% respectively. The increase in gearing ratio in 2016 was mainly due to increase in external investment loans and increase in borrowings by the Group during the year.

Financial Resources

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

EMPLOYEES

As at 31 December 2016, the Group had a total of 1,284 (2015: 1,250) employees. In 2016, the aggregate staff costs of the Group (including Directors' emoluments) were RMB120.5 million (2015: RMB81.8 million). The remunerations and benefits of employees are determined based on prevailing market conditions, state policies and individual performance.

BUSINESS PROSPECTS

In response to the MLCC business continuing to incur losses following similar performance in the previous years, the Group has initiated the transformation to diversified operation in 2016. To this end, the Group has introduced a number of professional teams, and is focused on investment and financial services through concentrated efforts in developing SFC regulated licensed business, the objective of which is to deliver reasonable growths in revenue from its original business, while laying the foundation for the Group's business transformation and development. Since the end of the reporting period, the Group has already made new progress in its asset management business.

In January 2017, the Group sponsored Tianli Private Debt Fund, a fund that focuses on investing in a wide range of private debt instruments in the real estate industry, primarily in developed countries and PRC. The fund will not exceed US$400.0 million in size, and the capital commitment of the Group is US$35.0 million.

In January 2017, the Group also sponsored a real estate fund, namely Tianli Real Estate Investment L.P., to hold minority equity interests in a Beijing-based integrated property development project. As at the date of this announcement, the total commitment thereof accounted for approximately US$116 million (equivalent to approximately RMB798 million) in which the Group committed US$17.5 millions (equivalent to approximately RMB120.4 million). As part of the Group's plan to set up its portfolio of real estate funds, this is the first of a series of funds that will mainly focus on seizing opportunities across the global real estate market, with a view to generating stable returns over the long term.

The Group has sponsored a number of other funds in March 2017, including:

i. Tianli Private Debt Capital L.P., which seeks to make investments predominantly across a wide range of private debt instruments globally. The total current capital commitment of the fund is US$175.0 million (equivalent to approximately HK$1,358.0 million or approximately RMB1,204.0 million), and the capital commitment of the Group is US$9.8 million (equivalent to approximately HK$76.0 million or approximately RMB67.4 million);

ii. Tianli Real Estate Capital L.P., which seeks to make investments in global real estate sector and distressed assets. The total current capital commitment of the fund is US$175.0 million (equivalent to approximately HK$1,358.0 million or approximately RMB1,204.0 million), and the capital commitment of the Group is US$9.8 million (equivalent to approximately HK$76.0 million or approximately RMB67.4 million);

iii. Tianli Special Situations Capital L.P., which seeks to make investments predominantly in global mergers and acquisitions, private equity or other transactions related to corporate finance. The total current capital commitment of the fund is US$175.0 million (equivalent to approximately HK$1,358.0 million or approximately RMB1,204.0 million), and the capital commitment of the Group is US$9.8 million (equivalent to approximately HK$76.0 million or approximately RMB67.4 million); and

iv. Tianli Public Markets Capital L.P., which seeks to make investments predominantly in the secondary market across a wide range of publicly traded securities globally. The total current capital commitment of the fund is US$100.0 million (equivalent to approximately HK$776.0 million or approximately RMB688.0 million), and the capital commitment of the Group is US$5.6 million (equivalent to approximately HK$43.5 million or RMB38.5 million).

For the purpose of developing into a comprehensive financial services platform encompassing asset management, strategic investment, corporate finance, mergers and acquisitions, trade finance and financial technologies, the Group completed an open offer in February 2017 and raised approximately HK$372.4 million (equivalent to approximately RMB331.4 million) (before deducting expenses), thus securing sufficient resources for the development of the Group in the targeted new business segments.

As at the date of this announcement, a total of nine funds are sponsored and/or advised by the Group through its wholly owned subsidiaries. Since January 2017, the Group has already started generating revenue from the assets management business and with the potential growth of the assets under its management, it is expected that this new income stream to the Group will further contribute to the revenue of the Group.

In terms of the Group's MLCC business, driven by the overall deceleration in market demand for downstream end consumer electronics and the growing concentration of smart phone brands, the upstream supply chain will also become increasingly concentrated. The performance of the MLCC business will largely rely on taking a steady hold in the market for end-users, which in turn, depends on whether the Group can make timely adjustment and sharp response to constant changing market trends on the Group's customer groups for MLCC products in the future. Meanwhile, any innovation in the end market of consumer electronics requires the delivery of MLCC products with higher performance, which also imposes higher demands for the Group's research, development and production capabilities.

CORPORATE GOVERNANCE PRACTICE

Throughout the process of formulating business strategies and devising procedures to implement both operation and execution plans to achieve the business goals, the Board has always been embarking on attaining a high standard of corporate governance on the basis of the code provisions as stipulated in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**CG Code**"). The Board from time to time reviews the Company's corporate governance practice and make necessary changes, if necessary, for the purpose of reaching the required standards of the CG Code. During the year ended 31 December 2016, the Company has complied with all the CG Code provisions except for the code provision as stated and explained below:

— Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In May 2016, Mr. Huang Mingxiang was appointed as the executive Director, chairman and chief executive officer of the Company. The Board opined that vesting the roles of both chairman and chief executive officer in the same person could provide the Group with strong and consistent leadership in the time the Group was revising its business strategies devising and implementing new business and operational plans. This arrangement also allowed for more effective planning and execution of long term business strategies and enhances the efficiency of decision making process.

AUDIT COMMITTEE

The Audit Committee (the "**Committee**") comprises four independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (chairman of the Committee), Mr. Chan Chi On, Derek, Mr. To Yan Ming, Edmond and Mr. Xu Xuechuan. The main duties of the Committee are to review the financial statements and financial and accounting policies of the Company and oversee the Company's financial reporting system, internal control procedures and risk management system of the Company.

The Audit Committee has reviewed the financial results and reports, financial reporting and compliance procedures, report of the Company's internal control and risk management review and the re-appointment of the external auditors. The Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors. The Group's annual results for the year ended 31 December 2016 have been discussed, reviewed and approved by the Audit Committee.

MODEL CODE FOR DEALING IN SECURITIES BY DIRECTORS

The Company has adopted a code of conduct governing securities transactions by directors on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made to each Director of the Board and all Directors confirm that they have fully complied with the Model Code throughout the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

FINAL DIVIDEND

The Board did not recommend payment of the final dividend for the year ended 31 December 2016 (2015: Nil).

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.tlhg.com.hk) respectively. The relevant annual report of the Company will be despatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 27 March 2017

As at the date of this announcement, the Board comprises six executive Directors, namely, Mr. Huang Mingxiang, Mr. Jing Wenping, Mr. Kwok Oi Lung Roy, 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.