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 2017

FINANCIAL HIGHLIGHTS

- The overall revenue for the year 2017 was RMB1,557.7 million, representing an increase of approximately 72.3% as compared to year 2016;
- The overall gross profit for the year 2017 increased from approximately RMB109.5 million in 2016 to RMB378.6 million and gross profit margin for the year 2017 expanded to 24.3% from 12.1% last year;
- Profit attributable to owners of the Company for the year 2017 was approximately RMB134.0 million, whereas a loss of approximately RMB68.9 million in 2016 was recorded;
- Basic and diluted earnings per share for the year was RMB18.6 cents; and
- The Board recommends no payment of final dividends for the year ended 31 December 2017.

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 2017, 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 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*5*	**1,557,652**	904,168
Cost of sales		**(1,179,036)**	(794,668)
Gross profit		**378,616**	109,500
Other income	*6*	**30,460**	10,322
Selling and distribution costs		**(23,844)**	(22,847)
Administrative expenses		**(127,836)**	(65,285)
Other expenses		**(3,351)**	(4,358)
Research and development costs	*7(c)*	**(40,244)**	(20,762)
Impairment of property, plant and equipment	*7(c)*	**–**	(50,696)
Profit/(loss) from operations		**213,801**	(44,126)
Finance costs	*7(a)*	**(59,735)**	(36,993)
Share of profit/(loss) of joint ventures		**3,101**	(33)
Profit/(loss) before taxation	*7*	**157,167**	(81,152)
Income tax (expenses)/credit	*8*	**(24,543)**	11,989
Profit/(loss) for the year		**132,624**	(69,163)
Other comprehensive income/(loss) for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,190**	(7,951)
Other comprehensive income/(loss) for the year, net of income tax		**2,190**	(7,951)
Total comprehensive income/(loss) for the year, net of income tax		**134,814**	(77,114)

	Note	2017 RMB'000	2016 RMB'000
Profit/(loss) attributable to:			
Owners of the Company		**134,032**	(68,874)
Non-controlling interests		**(1,408)**	(289)
		132,624	(69,163)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**137,127**	(76,811)
Non-controlling interests		**(2,313)**	(303)
		134,814	(77,114)
		RMB cents	*RMB cents*
Earnings/(loss) per share	*10*		
Basic and diluted		**18.6**	(12.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**129,180**	144,858
Investment properties		**22,984**	18,542
Prepaid land lease payments		**17,897**	18,387
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		**10,599**	2,949
Deposit paid for acquisition of a subsidiary		**32,420**	–
Accounts receivables	*11*	**–**	4,241
Loan receivables		**–**	115,641
Interest in an associate		**–**	–
Investments in joint ventures		**2,957**	268,758
Available-for-sale investment		**26,222**	28,225
Financial assets designated as at fair value through profit or loss ("**FVTPL**") — fund investments		**551,949**	–
Other intangible assets		**419**	957
Deferred tax assets		**20,795**	25,753
Total non-current assets		**815,422**	628,311
Current assets			
Inventories		**113,796**	107,605
Accounts and bills receivables	*11*	**391,319**	336,871
Loan receivables		**2,774**	113,476
Prepayments, deposits and other receivables		**15,159**	9,755
Amounts due from joint ventures		**829**	588
Pledged bank deposits		**28,633**	18,186
Cash and bank balances		**668,920**	129,703
		1,221,430	716,184
Assets of disposal group classified as held for sale		**15,133**	–
Total current assets		**1,236,563**	716,184

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Current liabilities			
Trade and bills payables	*12*	**123,806**	113,035
Deferred income, accruals and other payables		**107,831**	52,074
Tax payable		**32,656**	20,194
Bank and other loans		**518,224**	62,526
Bond payable	*13*	**393,853**	397,762
Obligations under finance lease		**110**	115
Dividends payable		**88**	88
Total current liabilities		**1,176,568**	645,794
Net current assets		**59,995**	70,390
Total assets less current liabilities		**875,417**	698,701
Non-current liabilities			
Obligations under finance lease		**278**	417
Deferred income		**22,095**	32,057
Deferred tax liabilities		**9,581**	3,462
Other loans		**–**	272,999
Total non-current liabilities		**31,954**	308,935
NET ASSETS		**843,463**	389,766
CAPITAL AND RESERVES			
Share capital	*14*	**6,637**	4,571
Reserves		**825,538**	371,594
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**832,175**	376,165
Non-controlling interests		**11,288**	13,601
TOTAL EQUITY		**843,463**	389,766

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Tianli Holdings Group Limited (the "**Company**") was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is the office of 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.

The principal activity of the Company is investment holding. Details of 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 2017 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interests in joint ventures and associates.

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 where otherwise indicated.

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

— financial assets designated as at FVTPL fund investment;

— assets of disposal group classified as held for sale;

— 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provision of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide guidance on how an entity determines, in accordance with IAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised losses of a debt instrument that is measured at fair value under certain specific facts and circumstances, such as it is probable that all the contractual cash flows of the debt instrument will be collected and any gains/losses on the debt instrument are taxable (deductible only when realized).

Amendments to IFRS 12 As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014–2016 Cycle for the first time in the current year. The amendments to IAS 28 Investments in Associates and Joint Ventures included in the annual improvements are not yet mandatorily effective and they have not been early applied by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that except for summarised financial information, all other disclosure requirements under IFRS 12 are applicable.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The application of these amendments has had no effect on the Group's 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; include but not limited to (i) direct investments in debt, equity and/or any other asset; (ii) asset management; (iii) provision of financial advisory services; and (iv) financial technologies; 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.

(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 profit/(loss) of joint ventures and associates 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, income tax 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 2017 and 2016 is set out below:

	Year ended 31 December 2017			
	MLCC *RMB'000*	Investment and financial services *RMB'000*	Other general trading *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	**739,343**	**152,450**	**665,859**	**1,557,652**
Segment profit	**142,046**	**101,835**	**1,215**	**245,096**
Corporate interest income				**1**
Central administration expenses				**(49,330)**
Central finance costs				**(41,701)**
Share of profit of joint ventures				**3,101**
Consolidated profit before taxation				**157,167**
Segment assets	**783,468**	**897,472**	**5,202**	**1,686,142**
Cash and bank balances				**347,742**
Unallocated corporate assets				**18,101**
Consolidated total assets				**2,051,985**
Segment liabilities	**322,935**	**24,440**	**41**	**347,416**
Bond payable				**393,853**
Other loan				**447,760**
Other unallocated corporate liabilities				**19,493**
Consolidated total liabilities				**1,208,522**
Other segment information				
Additions to non-current assets	**18,763**	**33,421**	**–**	**52,184**
Unallocated				**–**
				52,184
Depreciation and amortisation	**(20,542)**	**(911)**	**–**	**(21,453)**
Unallocated				**–**
				(21,453)
Interest income	**217**	**22,537**	**8**	**22,762**
Unallocated corporate interest income				**1**
				22,763
Finance costs	**(5,279)**	**(12,755)**	**–**	**(18,034)**
Unallocated				**(41,701)**
				(59,735)
Income tax expenses	**(24,329)**	**(199)**	**(15)**	**(24,543)**
Reversal of impairment loss for accounts receivables	**209**	**–**	**–**	**209**

	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)
Accounts receivables	(1,984)	–	–	(1,984)
Other receivables	(980)	–	–	(980)

There are no inter-segment sales for the years ended 31 December 2017 and 2016.

(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 sold and delivered or the services were provided is as follows:

	2017 RMB'000	2016 RMB'000
Mainland China (place of domicile)	**1,259,313**	794,790
Hong Kong	**150,462**	78,440
Other countries	**147,877**	30,938
	1,557,652	904,168

(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:

	2017 RMB'000	2016 RMB'000
Other general trading		
— Customer A	**653,470**	–
— Customer B	**–**	163,011
— Customer C	**–**	103,323
	653,470	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:

	2017 RMB'000	2016 RMB'000
Sale of MLCC	**739,343**	585,833
Trading of electronic components	**653,326**	–
Trading of heavy sculpture fuel oil	**–**	266,334
Trading of chrome ore	**12,533**	20,249
Interest income from financial investment	**19,887**	26,463
Advisory service income	**24,627**	5,289
Asset management fee income	**38,661**	–
Gain from financial assets designated as at fair value through profit or loss — fund investments	**69,275**	–
	1,557,652	904,168

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:

	2017	2016
	RMB'000	*RMB'000*
Sale of MLCC	**739,343**	585,833
Other general trading	**665,859**	286,583
Investment interest income	**19,887**	26,463
Advisory service income	**24,627**	5,289
Asset management fee income	**38,661**	–
Gain from financial assets designated as at fair value through profit or loss — fund investments	**69,275**	–
Revenue from investment and financial services	**152,450**	31,752
	1,557,652	904,168

Note: For the year ended 31 December 2017, total amount of interest income on financial assets not at fair value through profit or loss, including bank interest income (note 6), was RMB22,763,000 (2016: RMB28,427,000).

6. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Bank interest income	**2,876**	1,964
Rental income	**5,943**	4,366
Government grants *(note)*	**2,427**	665
Release of government grants as income	**8,166**	957
Sale of materials	**69**	21
Other management fee income	**708**	91
Fair value gain on derivative financial instruments	**–**	1,043
Net foreign exchange gain	**–**	234
Gain on disposal of a subsidiary	**7,609**	–
Sundry income	**2,662**	981
	30,460	10,322

Note: 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.

7. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	2017	2016
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	**5,279**	5,366
Interest on other loans	**29,051**	4,337
Interest on bond payable	**25,393**	27,282
Finance charges on obligations under finance lease	**12**	8
	59,735	36,993

(b) Staff costs (including directors' emoluments)

	2017	2016
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plans	**8,048**	11,561
Equity-settled share-based payment expenses	**15,126**	9,694
Salaries, wages and other benefits *(notes i and ii)*	**150,435**	99,287
	173,609	120,542

(c) Other items

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Carrying amount of inventories sold		**1,156,013**	793,610
Write-down of inventories		**13,587**	1,300
Reversal of write-down of inventories *(note iii)*		**(10)**	(242)
Cost of inventories *(note i)*		**1,169,590**	794,668
Depreciation *(notes i and ii)*		**20,425**	34,642
Amortisation of prepaid land lease payments		**490**	488
Amortisation of other intangible assets		**538**	539
Research and development costs:			
Current year expenditure *(note ii)*		**40,244**	20,762
Minimum lease payments under operating leases in respect of buildings		**6,832**	2,723
Auditor's remuneration		**1,705**	1,181
Net foreign exchange loss/(gain)		**5,451**	(234)
Reversal of impairment loss for trade receivables		**(209)**	–
Impairment loss of accounts receivables*		**–**	1,984
Impairment loss of other receivables*		**–**	980
Loss on disposal of property, plant and equipment		**2,485**	341
Impairment loss of property, plant and equipment		**–**	50,696
Fair value loss on derivative financial instruments*		**1,043**	–
Rental income on investment properties less direct outgoings of RMB391,000 (2016: RMB308,000)	*6*	**(5,552)**	(4,058)

* The fair value loss on derivative financial instruments and impairment loss for accounts 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 RMB13,813,000 (2016: RMB32,211,000) and staff costs of RMB63,706,000 (2016: RMB55,551,000), which are also included in the respective total amounts disclosed separately above.

(ii) Included in research and development costs are depreciation of RMB4,398,000 (2016: RMB414,000) and staff costs of RMB9,988,000 (2016: RMB7,056,000), which are also included in the respective total amounts disclosed separately above.

(iii) During the year, there was a reversal of write down of inventories due to subsequent sale of obsolete inventories. As a result, a reversal of write down of finished goods of approximately RMB10,000 (2016: RMB242,000) has been recognised.

8. INCOME TAX EXPENSES/(CREDIT)

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

	2017	2016
	RMB'000	*RMB'000*
Current tax		
— Hong Kong Profits Tax for the year	**214**	–
— PRC Enterprise Income Tax ("**EIT**") for the year	**13,252**	1,218
Deferred taxation		
— Origination and reversal of temporary differences	**11,077**	(13,207)
Income tax expenses/(credit) for the year	**24,543**	(11,989)

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) The provision for Hong Kong profits tax for 2017 is calculated at 16.5% of the estimated assessable profits for the year. 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 year ended 31 December 2016.

(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 2017, all PRC subsidiaries were subject to EIT at the standard rate of 25% (2016: 25%) on their respective taxable profit during the year.

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit attributable to the owners of the Company of RMB134,032,000 (2016: loss of RMB68,874,000) and the weighted average number of 719,245,000 ordinary shares (2016: 537,875,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**496,500**	496,500
Effect of completion of open offer on 14 February 2017	**222,745**	41,375
Weighted average number of ordinary shares at 31 December	**719,245**	537,875

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the years ended 31 December 2017 and 2016 is the same as the basic earnings/(loss) per share as there were no potential ordinary shares outstanding during the year.

11. ACCOUNTS AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Accounts receivables *(note a)*	**321,831**	270,479
Less: Impairment *(note a)*	**(7,417)**	(7,990)
	314,414	262,489
Bills receivables *(note b)*	**76,905**	78,623
	391,319	341,112
Current portion	**(391,319)**	(336,871)
Non-current portion	**–**	4,241

(a) Accounts receivables

	2017 RMB'000	2016 RMB'000
Accounts receivables		
— from third parties	**321,831**	266,238
— from a joint venture	**–**	4,241
	321,831	270,479
Less: Impairment	**(7,417)**	(7,990)
	314,414	262,489

(i) Accounts receivables consist of trade receivables, asset 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 one to four months. The asset management fee is received or receivable at the end of each quarter. Each customer is assigned a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are reviewed regularly by management. The accounts receivables are non-interest-bearing.

(ii) As at 31 December 2017 and 2016, the interest receivables were arising from the loan receivables.

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

	2017 RMB'000	2016 RMB'000
Within 90 days	**272,469**	225,391
91 to 180 days	**31,691**	32,307
181 to 360 days	**10,438**	5,415
1 to 2 years	**797**	1,084
2 to 3 years	**422**	155
Over 3 years	**6,014**	6,127
	321,831	270,479

(iv) The movements in the provision for impairment of accounts receivables are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**7,990**	6,006
Impairment losses recognised	**–**	1,984
Reversal of impairment	**(209)**	–
Exchange realignment	**(364)**	–
At 31 December	**7,417**	7,990

Included in the above provision for impairment of accounts receivables is a provision for individually impaired accounts receivables of RMB7,417,000 (2016: RMB7,990,000) with a carrying amount of RMB7,417,000 (2016: RMB7,990,000). The individually impaired accounts 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) Bills receivables

	2017	2016
	RMB'000	*RMB'000*
Bills receivables	**76,905**	78,623

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

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**54,146**	56,668
91 to 180 days	**21,840**	21,955
181 to 360 days	**919**	–
	76,905	78,623

(iii) An ageing analysis of the bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**76,905**	78,623

12. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**71,966**	96,800
Bills payables	**51,840**	16,235
	123,806	113,035

(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:

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**59,371**	84,326
91 to 180 days	**11,261**	10,822
181 to 360 days	**65**	664
1 to 2 years	**67**	487
Over 2 years	**1,202**	501
	71,966	96,800

(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:

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**756**	16,095
91 to 180 days	**25,666**	140
181 to 360 days	**25,240**	–
1 to 2 years	**178**	–
	51,840	16,235

(d) At 31 December 2017, included within trade and bills payables were bills payable of RMB50,373,000 (2016: RMB16,235,000) being secured by the pledged bank deposits of approximately RMB27,583,000 (2016: approximately RMB4,858,000).

13. BOND PAYABLE

	2017	2016
	RMB'000	*RMB'000*
Bond payable — repayable within one year	**393,853**	397,762

The bond payable comprise of outstanding principal and interests of RMB332,923,000 (2016: RMB358,344,000) and RMB60,930,000 (2016: RMB39,418,000), 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.

On 14 August 2017, the Group entered into an amendment deed with bond holder to revise the maturity date of the bond to 14 August 2018 and amend the interest rate to 6% per annum for the outstanding principal for the period from 15 August 2017 to 14 August 2018.

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 than 15 days' advance notice of such redemption intention shall have been given to the bond holder.

14. SHARE CAPITAL

Authorised and issued share capital

	2017	2016
	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 (2016: 496,500,000) ordinary shares of HK$0.01 each	**4,965**	4,965
Issuance of 248,250,000 ordinary shares of HK$0.01 each upon open offer on 14 February 2017	**2,483**	–
At the end of the year 744,750,000 (2016: 496,500,000) ordinary shares of HK$0.01 each	**7,448**	4,965
Equivalent to RMB'000	**6,637**	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.

15. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2017:

(a) 深圳市天農科技有限公司, an indirect non-wholly owned subsidiary of the Company, entered into a sales and purchases agreement with an independent third party to dispose of the entire issued capital of 深圳市香納商業保理有限公司 and 北京希為科技有限公司 at a total cash consideration of approximately RMB28,695,000. The disposal of the two subsidiaries completed on 9 January 2018 and 17 January 2018 respectively, resulted a gain on disposal of RMB13,562,000 to the Group.

(b) On 17 July 2017, Star Chaser Ventures Limited, an indirect wholly owned subsidiary of the Company, entered into a subscription and shareholders agreement with independent third parties and Asia Capital Real Estate V Pte. Limited ("**ACRE V**") to subscribe for the new shares of ACRE V at a cash consideration of approximately USD5,019,000 (approximately RMB32,420,000). After the completion of acquisition of ACRE V on 2 March 2018, the Company holds 94.42% equity interest in ACRE V.

ACRE V is an investment holding company which is primarily investing is an associate.

MANAGEMENT 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. Particularly, the newly launched asset management business had quickly emerged as one of the major components of the Group's business portfolio. By the end of 2017, each of the three business segments including MLCC had delivered significant improvements in performance both in terms of scale and profitability.

INVESTMENT AND FINANCIAL SERVICES

Asset Management

One of our operating subsidiaries was granted the licenses for Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the SFC in Hong Kong in November 2016. Since then, the Group has formally launched its asset management business. As of 31 December 2017, the Group has established and/or managed a total number of 12 funds each with a distinct investment focus. In the meantime, the Group also directly invest into certain funds as limited partner.

Unit: US$ million

					Capital Commitment	
	Fund Name	**Initial Closing Date**	**Term (Year)**	**Investment Focus**	**Total of the Fund[7]**	**Total from the Group[8]**
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	22.6	–
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	300.0	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

	Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment Total of the Fund[7]	Total from the Group[8]
6	Tianli Global Opportunities Capital L.P.[2]	March 2017	7+2[1]	Invest globally across various sectors and distressed assets	175.0	9.8
7	Tianli Special Situations Capital L.P.	March 2017	7+2[1]+1[1]	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	175.0	9.8
8	Tianli Public Markets Capital L.P.	March 2017	4+2[1]+2[1]	Invest predominantly in the secondary market of publicly traded securities globally	100.0	5.6
9	Tianli M&A Investment L.P.	March 2017	3+2[1]+2[4]	Invest predominantly in global mergers and acquisitions or other corporate finance related investments	310.0	–
10	Tianli China Opportunities Fund II L.P.	March 2017	5+1[3]+1[4]	Project fund established for an investment in Shanghai	80.4	–
11	Tianli UK Opportunities Fund L.P.	March 2017	5+1[3]+1[4]	Invest predominantly in projects located in United Kingdom	150.4	–
12	Tianli US Opportunities Fund L.P.	April 2017	5+1[3]+1[4]	Invest predominantly in projects located in United States	12.6	–

Notes:

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

As at 31 December 2017, the total capital commitment of the above funds (after eliminating the cross-holding effect) is approximately US$1,067.3 million, among which the Group has committed approximately US$87.5 million. During the twelve months of 2017, these 12 funds has generated a total revenue of RMB69.3 million on the Group's capital invested and contributed a total management fee revenue of RMB38.7 million to the Group.

The Group invested in 6 countries and regions including Australia, Hong Kong, Korea, PRC, UK and USA for the following funds. The product types were mainly debt, common equity and preferred equity.

Unit: US$ million

Fund Name	**Country/Region**	**Invested Amount**
Tianli China Opportunities Fund I L.P.	PRC	116.4
Tianli Private Debt Fund L.P.	Australia	65.6
	Korea	35.6
	UK	22.1
	USA	39.5
Tianli M&A Investment L.P.	Hong Kong	290.6
Tianli China Opportunities Fund II L.P.	PRC	81.0
Tianli UK Opportunities Fund L.P.	UK	129.8
Tianli US Opportunities Fund L.P.	USA	10.4

Fund Name	**Product**	**Invested Amount**
Tianli China Opportunities Fund I L.P.	Common Equity	116.4
Tianli Private Debt Fund L.P.	Debt	116.3
	Common Equity	12.0
	Preferred Equity	34.5
Tianli M&A Investment L.P.	Debt	290.6
Tianli China Opportunities Fund II L.P.	Common Equity	81.0
Tianli UK Opportunities Fund L.P.	Common Equity	92.9
	Preferred Equity	36.9
Tianli US Opportunities Fund L.P.	Common Equity	10.4

1. The amount has excluded interfund investment. This is being the amount invested in third parties.

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 RMB124.9 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.

In July 2017, Glory Legacy Holdings Limited, an indirect wholly-owned subsidiary of the Company, provided a bridge loan in the principal amount of US$11.7 million to a Canada Borrower ("a corporation incorporated in Canada") at an interest rate of 18% per annum for the purpose of financing the contemplated acquisition of all of the issued and outstanding voting shares of another corporation incorporated in Canada. The Canada Borrower settled the principal and interest in October 2017.

In 2017, other than the capital invested into funds as limited partner, the Group's balance of direct financial investment are approximately RMB64.4 million, including deposit paid for acquisition of investment of approximately RMB32.4 million, equity investment of approximately RMB26.2 million and debt investment of approximately RMB2.8 million and interest in joint ventures of approximately RMB3.0 million.

Financial Advisory

In 2017, the Group has provided financial advisory services both on cross-border acquisitions as well as loan financing. The aggregated fee income generated was approximately RMB24.6 million.

Financial Technology

In 2017, the Group's financial technology business development was slower than expected. During the year, total revenue from the financial technology business was approximately RMB1.31 million, which primarily came from software product development and its related services, resulting in a net loss. Following an assessment on market demand and subsequent investment needs, the management decided to cease further investment into the financial technology business for the time being. In December 2017, an agreement was entered into with an independent third party for the sale of 北京希為科技有限公司 and 深圳市香納商業保理有限公司, two of the Group's financial technology subsidiaries. The transaction is to be completed in 2018. As of 31 December 2017, the deposit for the transaction was received by the Group.

OTHER GENERAL TRADING

The group strived to increase financial returns of the other general trading segment in 2017 by expanding sales channel, optimizing product structure and changing settlement method.

The Group's commodities trading business is mainly engaged in the trading of chrome ore. During the year, the sales volume of chrome ore amounted to approximately 4,500 tonnes, representing a 57.5% decrease as compared to that of 2016 (10,600 tonnes), primarily due to lowered trading volume of the Group as it tried to control pricing risks in light of market volatility in chrome ore trading during the year.

Driven by rising global demand for mobile devices, the global demand was strong for electronic components, especially multi-chip package flash memories. In light of the significant increase of trading volume and amount of these products on the international market during the year and with a view to expand its business scope and increase segment profit, the Group became engaged in the trading of multi-chip package flash memories, supplying products of various specifications and capacities to downstream manufacturers for the production of mobile phones and other handheld devices. During the year, sales volume of multi-chip package flash memories was approximately 3 million pieces.

During the year, the other general trading segment contributed a revenue of approximately RMB666 million (2016: RMB286 million), representing a 132.3% increase as compared to 2016, which mainly came from the trading of multi-chip package flash memories. The segment contributed a segment profit of approximately RMB1.2 million (2016: RMB0.26 million), representing a 361.5% increase as compared to 2016.

MLCC

The Group's MLCC business operation went through challenging times and experienced good and hard years. The prices of conventional MLCC series remained low because of saturating supply and abundant competition. Given the Company's insignificant market share, coupled with the relocation of some production lines to Anhui Province over the past few years, resulting in a period much longer than expected for equipment calibration and training of workers, there was a lack of benefit from economies of scale. Therefore, as of the first quarter of the year, the MLCC business still incurred a loss.

Entering the second quarter, some leading Japanese manufacturers were among the first to gradually withdraw from the profitless conventional MLCC market, relocating production capacity to the more profitable high-end automotive and industrial products. This gave rise to a certain degree of temporary shortage in mid-range and low-end MLCC supply. Furthermore, manufacturers were under the pressure to raise price amidst higher costs. The Group followed suit as it started to adjust its prices mildly upward at a slow pace, finally recording a profit a RMB2.8 million as at the first half.

During the second half, the imminent peak season for consumer electronics further widened the supply and demand gap of MLCC products. To maximize profits, not only did the Group's competitors begin to increase their selling prices significantly in the fourth quarter, they also slowed their shipments considerably. As a result, the market responded with the long-waited boom. Amid surging orders in the fourth quarter, the Group was also prompt in adjusting the selling prices of certain products. Under this condition, the increase in both shipment quantity and prices of most products led to satisfactory results. Full-year revenue increased from RMB585.8 million last year to RMB739.3 million. Profit turned from last year's loss to a gain of 117.7 million.

During 2017, due a global shortage in MLCC production capacity, market demand remained unsatisfied amid sustained undersupply, while prices for MLCC products had been rising excessively within the marketplace. As a result, many large MLCC manufacturers had sequentially announced major investment plans to increase capacity, with a view to filling up this gap in the segment. The Group has, however, adopted a prudent view about the length of the supply shortage and the scale of investments to be made for capacity improvement. Our strategy for the near future is to focus on clearing inventory and realizing short-term capital gains; for the longer term, we will primarily concentrate on upgrading products and improving customer portfolio. Believing it unwise to aimlessly increase capacity to any significant degree, the Group will continue to follow its schedule and increase capacity in a prudent manner. In addition, the Group will make it its operational principle to address the demand of customer orders by adjusting its product mix. Through these measures, the Group aims at building protection against another vicious investment cycle within the sector (i.e. supply shortage→capacity expansion→excessive capacity→price war→loss→capacity reduction→supply shortage) after the vast release of newly added capacity by major manufacturers. However, since the MLCC manufacturing industry requires large amounts of capital investment, considerable capital injections with long recovery period will be needed once capacity has been expanded. The Group serves the key customer group of smartphone users. The smartphone market has been increasingly dominated by major brands since 2016, sequentially forcing many internationally celebrated brands, as well as second and third-tier brands from mainland China to withdraw. In the aftermath, operational risks associated with customers producing middle to low-end smartphones have increased drastically. Taking advantage of the opportunities arisen from the current supply shortage in the market, the Group further adjusted its customer structure by accelerating its separation from middle to low-end smartphone users, and by concentrating available resources to secure major customers and transactions. However, these customers tend to have a strong bargaining power, while risk exposure for the Group is reduced, so will its pricing power, thereby putting gross profit under pressure.

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 2017 was approximately RMB1,557.7 million, representing a 72.3% increase as compared to 2016. The revenue from the MLCC segment amounted to RMB739.3 million, representing an increase of 26.2% from that of 2016, as a result of the selling price substantially increased since the market improvement in the fourth quarter of 2017. The investment and financial services segment continue 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 RMB152.5 million mainly through investment gain from financial assets designated as at fair value through profit and loss, income from management fee, provision of advisory services and loans to external clients in 2017, representing an increase of 379.6%. The other general trading segment generated a revenue of approximately RMB665.9 million, representing an increase of 132.3%, which is mainly due to the increase in trading of electronic components.

Gross Profit Margin

The Group's gross profit margin increased to 24.3% in 2017 from 12.1% in 2016. The increase was mainly due to the high gross profit of asset management business continuing in 2017.

The gross profit margin of the Group's MLCC business in 2017 was 31.3%, representing an improvement from 13.2% in 2016. The increase was mainly due to the improvement in MLCC market, resulting the increase of selling price of MLCC products.

During the year, the gross profit margin of other general trading business was approximately 0.7% (2016: 0.01%). The increase was mainly due to the higher profit margin in trading of electronic components in 2017.

Other Income

The Group's other income totaled RMB30.5 million in 2017, representing an increase of RMB20.2 million from that of 2016. The increase was mainly due to the gain on disposal of a subsidiary of RMB7.6 million and the increase in the release of government grants as income of RMB7.2 million.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to RMB23.8 million in 2017, remained at a similar level to that of 2016.

Administrative Expenses

The Group's administrative expenses were RMB127.8 million in 2017, increased by RMB62.6 million compared to that of 2016. The increase was mainly due to the increase of RMB4.0 million of the rental expenses and increase of approximately RMB40 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 RMB40.2 million in 2017, representing a 93.8% increase from that of 2016. The increase was mainly due to the current research and development works on high capacity and high precision products of super-miniature 0201 capacitors conducted and strengthen the research and development capabilities on the MLCC core technology as a result of the market improvement in the fourth quarter in 2017.

Other Expenses

The Group's other expenses were RMB3.4 million in 2017, representing a decrease of RMB1.0 million from that of 2016. This was mainly due to no impairment loss for accounts receivables in 2017.

Finance Costs

The Group's finance costs were RMB59.7 million in 2017, representing an increase of RMB22.7 million from that of 2016. The increase was mainly due to the full-year interest expenses recognized relating to the loan of HK$300 million (equivalent to approximately RMB249.7 million) obtained in 2016 and the interest expenses on a new loan of HK$200 million (equivalent to approximately RMB166.5 million) in 2017.

Property, Plant and Equipment

The net carrying amount of the Group's property, plant and equipment as at 31 December 2017 was RMB129.2 million, representing a decrease of RMB15.7 million from that of 2016. The decrease was mainly due to depreciation of RMB19.9 million after being partly offset by the Group's new MLCC production equipments and construction in progress of RMB12.0 million.

Investment Properties

The Group's investment properties amounted to RMB23.0 million as at 31 December 2017, representing an increase of RMB4.5 million from that of 2016 and this was mainly due to the slight increase in property floor area for lease in 2017.

Other Intangible Assets

The Group's other intangible assets amounted to RMB0.4 million as at 31 December 2017, representing a decrease of RMB0.5 million from that of 2016, the decrease represented the amortization of intangible assets associated with the SAP management software.

Accounts and Bills Receivables

As at 31 December 2017, the Group's accounts and bills receivables amounted to RMB391.3 million, representing an increase of RMB50.2 million from that of 2016. The increase was mainly due to increase in revenue generated from the MLCC's business and assets management business which led to a corresponding increase in accounts receivables.

Prepayments, Deposits and Other Receivables

As at 31 December 2017, prepayments, deposits and other receivables of the Group amounted to RMB58.2 million, representing an increase of RMB45.5 million from that of 2016, which was primarily due to the increase in an amount of US$5.0 million (equivalent to approximately RMB32.4 million) for acquisition of a subsidiary and its associate and increase in prepayments for acquisition of property, plant and equipment.

Cash and Bank Balances and Pledged Bank Deposits

As at 31 December 2017, the Group's cash and bank balances and pledged bank deposits totaled RMB697.6 million, representing an increase of RMB549.7 million from that of 2016. The increase was mainly due to repayment from the loan receivables from a joint venture of HK$300 million (equivalent to approximately RMB249.7) obtained in 2016 and an additional loan of HK$200 million (equivalent to approximately RMB166.5 million) in 2017.

Trade and Bills Payables

As at 31 December 2017, the Group's trade and bills payables amounted to RMB123.8 million, representing an increase of RMB10.8 million compared with that of 2016. The increase was mainly due to the increase in purchases of inventories as at in late 2017 for the production needs.

Deferred Income, Accruals and Other Payables

As at 31 December 2017, the Group's deferred income, accruals and other payables amounted to RMB129.9 million, representing an increase of RMB45.8 million from that of 2016. This was mainly due to the increase in other taxes and salary payables and deposit received for disposal of subsidiaries of RMB23.0 million.

Bank and other loans

As at 31 December 2017, the Group had outstanding bank and other loans of RMB518.2 million, representing an increase of RMB182.7 million from that of 2016. All the bank and other loans were repayable within one year. All the bank loans were bore floating interest rates and secured. The other loan was bore fixed interest rate and unsecured.

Bond Payable

As at 31 December 2017, the Group had bond payable of approximately RMB393.9 million, representing a decrease of RMB3.9 million as compared to that of 31 December 2016. The decrease was mainly due to the appreciation of Renminbi during the year offset the interest accrued for the year. During the year ended 31 December 2017, the proceeds raised have been applied to (i) approximately HK$259.9 million (approximately RMB216.4 million) in the Company's investment and financial services business involving investments in funds sponsored and/or managed or advised by the Group (ii) approximately HK$89.0 million (equivalent to approximately RMB74.1 million) being reserved for the Company's other general trading business; (iii) the remaining for general working capital of the Group.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Capital Commitments

As at 31 December 2017, the Group had capital commitments of RMB106.6 million, representing an increase of RMB103.3 million from that of 2016, which was mainly because due to the Group's approximately US$11.2 million (equivalent to approximately RMB72.2 million) undrawn commitment to Tianli Private Debt Fund L.P..

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 31 December 2017, the Group had net current assets of approximately RMB60.0 million (2016: RMB70.4 million), including current assets of RMB1,236.6 million (2016: RMB716.2 million) and current liabilities of RMB1,176.6 million (2016: RMB645.8 million). The Group's current ratio was 1.05 as at 31 December 2017, representing a decrease of 0.06 from that of 2016. The decrease was mainly due to the other loans of approximately HK$537.9 million (equivalent to approximately RMB447.8 million), which will be payable in 2018, and subsequently increased the current liabilities as at 31 December 2017.

Banking Facilities

As at 31 December 2017, the Group had aggregate banking facilities of approximately RMB370 million, of which approximately RMB313 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 and other loans, bond payable, obligations under finance lease, dividend payable, trade and bills payables and accruals and other payables (excluding deferred income and receipt in advance) less cash and cash equivalent. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 31 December 2017 and 2016, the gearing ratio of the Group was approximately 34.7% and 66.8% respectively. The decrease in gearing ratio in 2017 was mainly due to increase in cash and bank balances in 2017.

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.

FOREIGN CURRENCY RISK

In 2017, the Group's revenue 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. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CHARGES ON ASSETS

As at 31 December 2017, certain buildings, prepaid land lease payments, investment properties and trade and bills receivables of the Group with carrying amounts of approximately RMB42.6 million, RMB10.3 million, RMB23.0 million and RMB330.1 million respectively (2016: RMB58.9 million, RMB10.9 million, RMB15.5 million and RMB222.6 million respectively) have been pledged as securities for bank loans.

As of 31 December 2017, the Group's bond payable is secured by all equity interests in two wholly-owned subsidiaries of the Company.

As of 31 December 2017, the carrying amount of motor vehicle held under finance lease was RMB0.5 million (2016: RMB0.6 million).

As of 31 December 2017, the Group's bill payables of RMB50.4 million (2016: RMB16.2 million) is secured by the pledged bank deposits of RMB27.6 million (2016: RMB4.9 million).

EMPLOYEES

As at 31 December 2017, the Group had a total of 1,277 (2016: 1,284) employees. In 2017, the aggregate staff costs of the Group (including Directors' emoluments) were RMB173.6 million (2016: RMB120.5 million). The remunerations and benefits of employees are determined based on prevailing market conditions, state policies and individual performance.

CORPORATE GOVERNANCE PRACTICE

The Board, with members experienced in investment banking and investment, has successfully made inroad into investment and financial services of which asset management and direct investment are the major components. In view of the more stringent regulatory requirements and complicated operation environments of the new business, the management has been carefully looking into the business strategy and procedures to ensure a high standard of corporate governance on the basis of the code provisions as stipulated in the CG Code as well as the requirements from other regulatory bodies like SFC. The Board continues to adhere to the principles of high standard of corporate governance through regular review on the Company's corporate governance practice and make necessary changes whenever necessary. During the year ended 31 December 2017, the Company has complied with all the CG Code provisions except for the provision as stated and explained below:

— Code provision A.2.1 of the CG Code (the "**Code Provision**") states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huang Mingxiang was appointed as the executive director, chairman and chief executive officer of the Company in May 2016 in view of a strong and consistent leadership in the time the Group was revising its business strategy and implementing new plans. The Board believed that vesting the roles of both chairman and chief executive officer in the same person could ensure more effective planning and execution of long term business strategies and enhance the efficiency of decision making process. Mr. Huang continued to hold the two positions until the appointment of a new chief executive officer in August 2017.

As the development and implementation process of the new business had reached critical mile stone, the Board decided to appoint Mr. Jin Zhifeng as the new chief executive officer after careful consideration of scale of the overall business operation of the Group. Since then the roles of Chairman and CEO of the Company has become separate and are performed by two different individuals in compliance with the Code Provision.

AUDIT COMMITTEE

The Audit Committee (the "**Committee**") comprises five independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (chairman of the Committee), Mr. Chan Chi On, Derek, Mr. To Yan Ming, Edmond, Mr. David Tsoi 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 Committee has reviewed the consolidated financial statements for the year ended 31 December 2017.

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 2017.

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

During the year ended 31 December 2017, 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 2017 (2016: 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
Zhou Chunhua
Chairman

Hong Kong, 27 March 2018

As at the date of this announcement, the Board comprises seven Executive Directors, namely Mr. Zhou Chunhua (Chairman), Mr. Jin Zhifeng (Chief Executive Officer), Mr. Jing Wenping, Mr. Kwok Oi Lung Roy, Mr. Pan Tong, Mr. Yu Zhenyu and Mr. Zhu Xiaodong, and five Independent Non-executive Directors, namely Mr. Chan Chi On, Derek, Mr. Chu Kin Wang, Peleus, Mr. To Yan Ming, Edmond, Mr. David Tsoi and Mr. Xu Xuechuan.