TIANLI
HOLDINGS GROUP LIMITED

TIANLI HOLDINGS GROUP LIMITED
天利控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code:117)

Interim Report
2018

Contents

Abbreviations

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Chunhua *(Chairman)*
Mr. Jin Zhifeng *(Chief Executive Officer)*
Mr. Jing Wenping
Mr. Pan Tong

Independent Non-executive Directors

Mr. Chu Kin Wang, Peleus
Mr. To Yan Ming, Edmond
Mr. David Tsoi
Mr. Xu Xuechuan

AUDIT COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. To Yan Ming, Edmond
Mr. David Tsoi
Mr. Xu Xuechuan

REMUNERATION COMMITTEE

Mr. Xu Xuechuan *(Chairman)*
Mr. Chu Kin Wang, Peleus
Mr. To Yan Ming, Edmond
Mr. Zhou Chunhua

NOMINATION COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. To Yan Ming, Edmond
Mr. Xu Xuechuan
Mr. Zhou Chunhua

AUTHORIZED REPRESENTATIVES

Mr. Leung Wai Chung
Mr. Zhou Chunhua

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

COMPANY SECRETARY

Mr. Leung Wai Chung *CPA*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

Chong Hing Bank
Industrial and Commercial Bank of China (Asia)
Industrial and Commercial Bank of China (Macau)
Agricultural Bank of China
Citibank (Hong Kong)
China Construction Bank
Shenzhen Ping An Bank

HONG KONG LEGAL ADVISER

Junhe Law Offices

CAYMAN ISLANDS LEGAL ADVISER

Conyers Dill & Pearman

AUDITOR

Crowe (HK) CPA Limited (formerly known as Crowe Horwath (HK) CPA Limited)
Certified Public Accountants

STOCK CODE

117

COMPANY WEBSITE

http://www.tlhg.com.hk

Management's Discussion and Analysis

BUSINESS REVIEW

In the first six months of 2018, the Group continues its focus on the business of investment and financial services and general trading and MLCC business. Due to the significant improvements in performance both in terms of scale and profitability since the end of 2017, MLCC has recorded a substantial increase in profit. Meanwhile, the asset management business remains stable in the first six months of 2018.

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. During the first six months of 2018, the participating shares of Wasen-Tianli SPC were redeemed, and the related investor switched to directly investing into individual fund managed by the Group. As at 30 June 2018, the Group has established and/or managed a total number of 11 funds, each with a distinct investment focus. In the meantime, the Group also directly invests 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	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	–
3	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
4	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
5	Tianli Global Opportunities Capital L.P.(2)	March 2017	7+2(1)	Invest globally across various sectors and distressed assets	175.0	12.2
6	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
7	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
8	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	–
9	Tianli China Opportunities Fund II L.P.	March 2017	5+1(3)+1(4)	Project fund established for an investment in Shanghai	80.4	–
10	Tianli UK Opportunities Fund L.P.	March 2017	5+1(3)+1(4)	Invest predominantly in projects located in United Kingdom	150.4	–
11	Tianli US Opportunities Fund L.P.	April 2017	5+1(3)+1(4)	Invest predominantly in projects located in the 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 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 30 June 2018, the total capital commitment of the above funds (after eliminating the cross-holding effect) is approximately US$1,058 million, among which the Group has committed approximately US$89.9 million with US$78.7 million capital invested. During the first six months of 2018, these 11 funds has recorded a total net loss of RMB6.0 million on the Group's capital invested and contributed a total management fee revenue of RMB26.9 million to the Group.

The funds managed by the Group mainly invested in six countries and regions including Australia, Hong Kong, Korea, PRC, UK and USA. 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	53.1
	Korea	35.0
	UK	69.0
	USA	21.4
Tianli Special Situations Capital L.P.	Hong Kong	117.2
Tianli M&A Investment L.P.	Hong Kong	310.0
Tianli China Opportunities Fund II L.P.	PRC	81.0
Tianli UK Opportunities Fund L.P.	UK	131.3
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 Common Equity Preferred Equity	119.7 21.4 37.4
Tianli Special Situations Capital L.P.	Debt	117.2
Tianli M&A Investment L.P.	Debt	310.0
Tianli China Opportunities Fund II L.P.	Common Equity	81.0
Tianli UK Opportunities Fund L.P.	Common Equity Preferred Equity	101.1 30.2
Tianli US Opportunities Fund L.P.	Common Equity	10.4

Investment

As at 30 June 2018, other than the capital invested into funds managed by the Group as limited partner, the Group's balance of direct financial investment is approximately RMB61.4 million, including equity investment of approximately RMB26.6 million and interest in associate of approximately RMB34.8 million.

The Group has been exploring opportunities for strategic expansion into the Korean asset management market since mid-2017, and decided to indirectly acquire 28.31% interest in Asset One Investments Korea Limited, which is a fully licensed comprehensive asset management company in Korea. The transaction in respect of the investment was completed in February 2018.

Financial Technology

In 2017, 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 had been completed in January 2018.

OTHER GENERAL TRADING

To optimise product structure and minimise risk exposure, the Group's general trading segment suspended the trading of electronic components and focused on the trading of bulk commodity chrome ore.

During the first six months of 2018, chrome ore prices increased slightly in the first quarter but continued to decline afterward. Ferrochrome factories' willingness to purchase was low due to tightening environmental protection policies and high level of chrome ore stocks in China's seaports. The Group have been trading cautiously to minimise risk exposure. The Group completed approximately 39,000 tons of chrome ore sales in the first six months of 2018.

In the first six months of 2018, general trading segment contributed a segment revenue of approximately RMB59.4 million, representing a decrease of 74.9% as compared to the first six months of 2017, which was mainly due to lower-than-expected trading volume of chrome ore as a result of the suspension of trading of electronic components. The segment contributed a segment profit of approximately RMB0.3 million (2017: RMB1.5 million), representing a decrease of 78.8% as compared to the first six months of 2017.

MLCC

In the first half of 2018, demand for MLCC products continued to grow significantly due to rapid development of consumer electronics (such as smartphones, smart home appliances) and industrial-grade electronics (such as new-energy vehicles, autopilot systems). However, the supply shortfall in the MLCC market from last year continued into the first half of 2018 because it takes time for MLCC producers to expand their production capacity to meet such increased demand. This supply-demand imbalance caused the average selling price of MLCC products to increase. The prices for different series of MLCC products increased at varying degrees. Despite the higher profit margin of large-sized products, the Group continued to follow its strategy in this heated market and focus on the production of smaller-sized products, because it believes its competitive strengths are in the production of such smaller products. By strengthening its concentration on smaller-sized products and maintaining a forward-looking approach for production planning and research and development, the Group was able to generate decent profit for the current period while maintaining capacity for sustained long-term growth. The amount of revenue of MLCC products increased by RMB322.2 million, or 132.6%, from the same period last year, and meanwhile profit before tax grew by RMB274.3 million as compared with the last corresponding period.

Going forward, in order to meet customer demand, the Group will continue to expand equipments, resources and manpower to optimise production, and significantly increase investment in purchasing new production equipment to expand capacity. However, as other MLCC producers are also expanding their production by purchasing new equipment, the Group encountered delays in the delivery of new equipment, especially equipment related to key stages in the production process. Moreover, since MLCC production involves a series of processes which require many different types of equipment, it will take considerable time for the Group to effectively expand overall production capacity. Meanwhile, the Group also noticed a number of factors such as the slow-down in the economic development in China, the tightening money supply and Sino-US trade war occurred recently. The Group will attach more importance to liquidity. By learning from the advanced models adopted by the leading companies in the international electronics industry, the Group will, on the corporate strategic level, gradually transform from a heavy-assets model to a light-assets model, and make good use of the financial platform adopting channel strategy with focus on agency, to mitigate the enormous risks that might arise from the market. In addition, the Group will be dedicated to investing in the research and development of its products and improving product quality and client-side design-in.

FINANCIAL REVIEW

Revenue

As aforementioned, the Group generates revenue from three distinct business segments, namely (i) manufacturing and sale of MLCC; (ii) investment and financial services; and (iii) other general trading. The three segments in aggregate produced total revenue of RMB645.6 million in the first half of 2018, representing an increase of 14.7% as compared with the same period in 2017.

Revenue from the MLCC segment in the first half of 2018 was RMB565.3 million, more than doubled as compared to the same period in 2017. Such improvement was mainly due to the selling price substantially increased as a result of increased market demand since the fourth quarter of 2017.

Despite higher management fees, due to lower capital gains and revenue from consulting businesses and interest income, revenue from investment and financial services segment decreased from RMB83.2 million in the first half of 2017 to RMB20.9 million in the first half of 2018, representing a decrease of 74.8%. The other general trading segment noted a revenue of RMB59.4 million in first half of 2018, and this represented a drop of RMB177.2 million or 74.9% from the same period in 2017, which was mainly due to lower-than-expected trading volume of chrome ore as a result of the suspension of trading of electronic components.

Gross Profit Margin

The Group's gross profit margin in the first six months of 2018 was approximately 53.5%, representing an increase of approximately 31.1 percentage points from approximately 22.4% for the same period of 2017.

The gross profit margin of the Group's MLCC business for the first six months of 2018 was 57.2%, representing a significant improvement from approximately 17.0% for the six months of 2017. The increase was mainly due to the increase of selling price with a stable cost of sales at times of inflated demand.

The gross profit margin of other general trading business remained slim, and was 1.8% for the first half of 2018 (2017: 0.7%).

Other income

The Group's other income amounted to RMB31.8 million in the first half of 2018, representing an increase of 188.8% as compared to the same period in 2017. The increase was mainly due to a gain from disposal of subsidiaries and foreign exchange gain.

Selling and Distribution Costs

The Group's selling and distribution costs totalled RMB14.0 million in the first half of 2018, and this was a 60.4% increase as compared to the same period in 2017. The increase was mainly due to the increased expenses as a result of the significant growth in sales of MLCC.

Administrative Expenses

The Group's administrative expenses for the first half of 2018 were RMB51.3 million, representing a decrease of RMB7.5 million from the same period in 2017. The decrease was mainly due to the decrease of approximately RMB6.0 million of share-based payment expense.

Research and Development Costs

The Group incurred research and development costs of RMB27.3 million in the first half of 2018, which is almost doubled as compared to the same period in 2017. The increase was mainly due to the current research efforts on high capacity and high precision products of super-miniature 0201 capacitors conducted.

Other Expenses

The Group had no other expenses incurred in the first half of 2018.

Finance Costs

The Group's finance costs amounted to RMB14.5 million in the six months ended 30 June 2018, which is significantly lower than the amount of RMB33.6 million recorded in the first six months of 2017. The decrease in finance costs was due to settlement of bank and other loans in the first half of 2018.

Property, Plant and Equipment

The net book values of the Group's property, plant and equipment were RMB152.4 million at 30 June 2018, slightly increased from the balance of RMB129.2 million at 31 December 2017. The increase was mainly due to the additions in MLCC's productive assets.

Investment Properties

The Group's investment properties were RMB22.7 million at 30 June 2018, not materially different from the balance at 31 December 2017 of RMB23.0 million.

Financial Assets at Fair Value Through Profit or Loss

The Group's financial assets at fair value through profit or loss ("FVTPL") at 30 June 2018 were carrying at RMB569.5 million, which was 3.2% up from the balance of RMB551.9 million as at 31 December 2017 which was classified as financial assets designated at FVTPL. The change was due to additional investments, offset by fair value loss in the funds.

Other Intangible Assets

The Group's other intangible assets amounted to RMB0.2 million at 30 June 2018, down from RMB0.4 million at 31 December 2017. The decrease was due to amortisation charged in current period.

Accounts and Bills Receivables

At 30 June 2018, the Group's accounts and bills receivables amounted to RMB450.7 million, which increased by RMB59.3 million or 15.2% from the balance of RMB391.3 million as at 31 December 2017. 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

At 30 June 2018, total prepayments, deposits and other receivables amounted to RMB13.5 million, similar to that at 31 December 2017.

Cash and Bank Balances and Pledged Bank Deposits

At 30 June 2018, the Group's cash and bank balances and pledged bank deposits totalled RMB243.5 million, down by RMB454.0 million from RMB697.6 million as at 31 December 2017. The decrease was mainly due to settlement of borrowings in the first six months of 2018.

Trade and Bills Payables

At 30 June 2018, the Group's trade and bills payables amounted to RMB95.2 million, decreased by RMB28.6 million from RMB123.8 million as at 31 December 2017. The decrease was mainly due to the settlement from other general trading business.

Deferred Income, Accruals and Other Payables

At 30 June 2018, total deferred income, accruals and other payables amounted to RMB82.7 million, which was RMB47.3 million down from RMB129.9 million as at 31 December 2017. The decrease was mainly due to the completion of the disposal of subsidiaries in January 2018 which resulted in drop of deposits received.

Bank and Other Loans

In the first half of 2018, the Group had settled all outstanding bank and other loans.

Bond Payable

The bond payable by the Group at 30 June 2018 was carrying at RMB409.1 million, up by RMB15.2 million from RMB393.9 million as at 31 December 2017. The increase was mainly due to the accrual of interests during the period, as well as the depreciation of Renminbi in the first six months of 2018.

Contingent Liabilities

At 30 June 2018, the Group had no material contingent liabilities.

Capital Commitments

At 30 June 2018, the Group had capital commitments of RMB172.5 million, majority of which was undrawn commitment to Tianli Private Debt Fund L.P. and purchase of plant and machinery.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 30 June 2018, the Group had net current assets of approximately RMB213.3 million (31 December 2017: approximately RMB60.0 million), comprising of current assets of RMB872.3 million (31 December 2017: approximately RMB1,236.6 million), net of current liabilities of RMB659.0 million (31 December 2017: approximately RMB1,176.6 million).

The Group's current ratio was 1.32 as at 30 June 2018, while this ratio was 1.05 as at 31 December 2017. The increase in current ratio was mainly due to the settlement of bank and other loans in the first six months of 2018.

Banking Facilities

As at 30 June 2018, the Group had been granted banking facilities of RMB240.0 million aggregately, and RMB236.3 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 and other loans, bond payable, obligations under finance lease, dividend payable, trade and bills payables and accruals and other payables (excluding deferred income) less cash and cash equivalents. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 30 June 2018 and 31 December 2017, the gearing ratio of the Group was approximately 23.9% and 34.7%, respectively. The improvement in gearing ratio was a result of the loan settlement in the first six months of 2018.

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 reserves to meet its ongoing operational requirements.

Foreign Currency Risk

In the first half of 2018, both of the Group's revenue and cost of services were denominated in Renminbi, US dollars and Hong Kong dollars.

In the event of vigorous fluctuation of exchange rates, foreign currencies risk will exist to a certain extent. During the period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Employees

As at 30 June 2018, the Group had a total of 1,412 employees (31 December 2017: 1,277 employees). The remunerations and benefits of employees are determined based on prevailing market conditions, state policies and individual performance.

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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue	3 & 4	**645,618**	562,851
Cost of sales		**(300,244)**	(436,637)
Gross profit		**345,374**	126,214
Other income	4	**31,773**	11,003
Selling and distribution costs		**(13,975)**	(8,711)
Administrative expenses		**(51,343)**	(58,802)
Other expenses		**–**	(2,067)
Research and development costs		**(27,310)**	(13,458)
Profit from operations		**284,519**	54,179
Finance costs	5	**(14,466)**	(33,641)
Share of profit of joint ventures		**–**	3,048
Profit before taxation	6	**270,053**	23,586
Income tax expenses	7	**(80,486)**	(755)
Profit for the period		**189,567**	22,831
Other comprehensive income for the period, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,723**	1,719
Total comprehensive income for the period, net of income tax		**193,290**	24,550
Profit/(loss) for the period attributable to:			
Owners of the Company		**189,833**	23,488
Non-controlling interests		**(266)**	(657)
		189,567	22,831
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**193,353**	25,615
Non-controlling interests		**(63)**	(1,065)
		193,290	24,550
		RMB cents	RMB cents
Earnings per share			
Basic and diluted	9	**25.49**	3.33

The notes on pages 17 to 43 form part of this interim financial report.

Interim Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	**152,382**	129,180
Investment properties	11	**22,656**	22,984
Prepaid land lease payments	12	**17,649**	17,897
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit		**22,913**	10,599
Deposit paid for acquisition of a subsidiary		**–**	32,420
Interests in joint ventures		**–**	2,957
Interest in an associate	13	**34,781**	–
Financial assets at fair value through profit or loss ("FVTPL")	17	**569,451**	–
Financial assets at fair value through other comprehensive income ("FVTOCI")	18	**26,562**	–
Available-for-sale investment	18	**–**	26,222
Financial assets designated at FVTPL — fund investments	17	**–**	551,949
Other intangible assets		**154**	419
Deferred tax assets		**20,762**	20,795
Total non-current assets		**867,310**	815,422
Current assets			
Inventories		**164,538**	113,796
Accounts and bills receivables	14	**450,652**	391,319
Loan receivables		**–**	2,774
Prepayments, deposits and other receivables		**13,538**	15,159
Amounts due from joint ventures		**–**	829
Pledged bank deposits		**23,161**	28,633
Cash and bank balances		**220,383**	668,920
		872,272	1,221,430
Assets of disposal group classified as held for sale		**–**	15,133
Total current assets		**872,272**	1,236,563
Current liabilities			
Trade and bills payables	15	**95,175**	123,806
Deferred income, accruals and other payables		**61,879**	107,831
Tax payable		**92,667**	32,656
Bank and other loans	16	**–**	518,224
Bond payable	16	**409,067**	393,853
Obligations under finance lease	16	**113**	110
Dividends payable		**88**	88
Total current liabilities		**658,989**	1,176,568
Net current assets		**213,283**	59,995
Total assets less current liabilities		**1,080,593**	875,417

Interim Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Non-current liabilities			
Obligations under finance lease	16	**224**	278
Deferred income		**20,773**	22,095
Deferred tax liabilities		**19,947**	9,581
Total non-current liabilities		**40,944**	31,954
Net assets		**1,039,649**	843,463
Capital and reserves			
Share capital		**6,637**	6,637
Reserves		**1,019,912**	825,538
Total equity attributable to owners of the Company		**1,026,549**	832,175
Non-controlling interests		**13,100**	11,288
Total equity		**1,039,649**	843,463

The notes on pages 17 to 43 form part of this interim financial report.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (Audited)	**6,637**	**491,518**	**230,863**	**2,206**	**(1,988)**	**40,768**	**62,171**	**832,175**	**11,288**	**843,463**
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**–**	**3,520**	**–**	**189,833**	**193,353**	**(63)**	**193,290**
Acquisition of a subsidiary (note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,875**	**1,875**
Recognition of equity-settled share-based payment expenses under share award scheme	**–**	**–**	**–**	**1,021**	**–**	**–**	**–**	**1,021**	**–**	**1,021**
Lapse of share award granted	**–**	**–**	**(23,106)**	**(1,039)**	**–**	**–**	**24,145**	**–**	**–**	**–**
At 30 June 2018 (Unaudited)	**6,637**	**491,518**	**207,757**	**2,188**	**1,532**	**40,768**	**276,149**	**1,026,549**	**13,100**	**1,039,649**
At 1 January 2017 (Audited)	4,571	189,827	217,943	–	(5,083)	40,768	(71,861)	376,165	13,601	389,766
Total comprehensive income/(loss) for the period	–	–	–	–	2,127	–	23,488	25,615	(1,065)	24,550
Shares issued under open offer	2,155	314,675	–	–	–	–	–	316,830	–	316,830
Deemed contribution from owner for the share award transaction	–	–	6,980	–	–	–	–	6,980	–	6,980
At 30 June 2017 (Unaudited)	6,726	504,502	224,923	–	(2,956)	40,768	(48,373)	725,590	12,536	738,126

The notes on pages 17 to 43 form part of this interim financial report.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	**102,524**	(137,548)
Net cash (used in)/generated from investing activities	**(46,161)**	76,389
Net cash (used in)/generated from financing activities	**(509,464)**	501,246
Net (decrease)/increase in cash and cash equivalents	**(453,101)**	440,087
Effect of foreign exchange rate changes, net	**(14,116)**	(6,486)
Cash and cash equivalents at beginning of the period	**693,775**	135,125
Cash and cash equivalents at end of the period	**226,558**	568,726
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**220,383**	553,198
Pledged bank deposits with original maturity of less than three months when acquired	**6,175**	15,528
	226,558	568,726

The notes on pages 17 to 43 form part of this interim financial report.

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure provision of the Listing Rules and in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the new and revised standards and interpretations that are effective for the Group's current accounting period noted below.

Application of new and revised standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

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

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Key changes in accounting policies resulting from application of IFRS 9 Financial Instruments

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15. All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

— the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

— the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

Key changes in accounting policies resulting from application of IFRS 9 Financial Instruments *(Continued)*

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings/will continue to be held in the FVTOCI reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "revenue" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification on the Group's financial assets and the impacts thereof are detailed below under heading of "Summary of effects arising from initial application of IFRS 9".

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

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including accounts and bills receivables, loan receivables, other receivables and amounts due from joint ventures). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts and bills receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

Significant increase in credit risk *(Continued)*

— an actual or expected significant deterioration in the operating results of the debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts and bills receivables, loan receivables, other receivables and amounts due from joint ventures where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

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

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(Continued)*

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	IAS 39 carrying amount at 31 December 2017 (Audited) RMB'000	**Reclassification** (Unaudited) RMB'000	**IFRS 9 carrying amount at 1 January 2018** (Restated & unaudited) RMB'000
Financial assets at FVTPL	–	551,949	551,949
Financial assets at FVTOCI	–	26,222	26,222
Financial assets designated at FVTPL	551,949	(551,949)	–
Available-for-sale investment	26,222	(26,222)	–

Available-for-sale investment

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, which related to unquoted equity investments previously measured at fair value under IAS 39. The investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, the balance of RMB26,222,000 was reclassified from available-for-sale investment to financial assets at FVTOCI.

Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the fund investment which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, the fair value of these investments of RMB551,949,000 was reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

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

Impairment under ECL model

As at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings.

Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application.

Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

— the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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

Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

Key changes in accounting policies resulting from application of IFRS 15 *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Summary of effects arising from initial application of IFRS 15

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue arising from sale of MLCC, other general trading and assets management fee income.

Impacts and changes in accounting policies of application on IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Group is required to determine the date of transaction for each payment or receipt of advance consideration.

For foreign currency denominated advance considerations paid by the Group in relation to acquisition of property, plant and equipment, acquisition of a subsidiary, purchases of inventories and other prepayments and foreign currency denominated advance considerations received by the Group in relation to disposal of subsidiaries and other receipts in advance, the Group recorded these advances by applying the spot exchange rate on initial recognition between the functional currency of the relevant group entity and the foreign currency. Accordingly, the application of this interpretation has had no significant impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date. There is no impact to the classification at 1 January 2018.

Except as describe above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Board (the chief operating decision maker) for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) MLCC: manufacture and sale of MLCC;

(b) Investment and financial services: including but not limited to (i) direct investments in debt, equity and/or any other 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.

Information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below:

	Six months ended 30 June 2018 (Unaudited)			
	MLCC RMB'000	**Investment and financial services RMB'000**	**Other general trading RMB'000**	**Total RMB'000**
Reportable segment revenue from external customers	**565,303**	**20,947**	**59,368**	**645,618**
Reportable segment profit	**277,075**	**4,540**	**324**	**281,939**

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

There are no inter-segment sales for the six months ended 30 June 2018 and 2017.

The measure used for reporting segment profit is earnings of each segment without allocation of corporate interest income, other corporate income, central administrative expenses, central finance costs, share of profit of joint ventures and associates and income tax.

3. SEGMENT REPORTING *(Continued)*

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2018 and 31 December 2017:

	At 30 June 2018 (Unaudited)			
	MLCC RMB'000	**Investment and financial services RMB'000**	**Other general trading RMB'000**	**Total RMB'000**
Reportable segment assets	**941,182**	**692,752**	**17,241**	**1,651,175**
Reportable segment liabilities	**282,268**	**3,127**	**1,279**	**286,674**

	At 31 December 2017 (Audited)			
	MLCC RMB'000	Investment and financial services RMB'000	Other general trading RMB'000	Total RMB'000
Reportable segment assets	783,468	897,472	5,202	1,686,142
Reportable segment liabilities	322,935	24,440	41	347,416

Reconciliation of reportable segment profit:

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Total reportable segment profit derived from the Group's external customers	**281,939**	61,439
Corporate interest income	**6**	–
Other corporate income	**15,698**	–
Central administrative expenses	**(17,823)**	(23,507)
Central finance costs	**(9,767)**	(17,394)
Share of profit of joint ventures	**–**	3,048
Consolidated profit before taxation	**270,053**	23,586

4. REVENUE AND OTHER INCOME

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

The amounts of each significant category of revenue are as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of MLCC	**565,303**	243,080
Other general trading	**59,368**	236,565
Investment interest income (note i)	**86**	16,244
Advisory service income	**–**	25,095
Assets management fee income	**26,904**	13,392
Net loss on financial assets at FVTPL	**(6,043)**	–
Net gain from financial assets designated at FVTPL — fund investments	**–**	28,475
Revenue from investment and financial services	**20,947**	83,206
	645,618	562,851
Other income		
Bank interest income (note i)	**1,195**	1,363
Rental income	**3,460**	2,810
Government grants (note ii)	**1,836**	88
Release of government grants as income	**1,732**	443
Gain on disposal of subsidiaries	**13,562**	1,843
Net foreign exchange gain	**6,420**	3,949
Sale of materials	**26**	9
Other management fee income	**250**	187
Sundry income	**3,292**	311
	31,773	11,003
	677,391	573,854

Note i: For the six months ended 30 June 2018, the total amount of interest income on financial assets not at FVTPL, including bank interest income, was RMB1,281,000 (six months ended 30 June 2017: RMB17,607,000).

Note ii: Government grants represented the subsidy to the Group by the government of the PRC as incentive primarily to encourage the development of the Group and the contribution to the local economic development.

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total interest expense on financial liabilities not at FVTPL:		
Interest on bank loans	**2,086**	3,334
Interest on other loans	**2,608**	16,125
Interest on bond payable	**9,767**	14,176
Finance charges on obligations under finance lease	**5**	6
	14,466	33,641

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Carrying amount of inventories sold	**300,393**	436,637
Write-down of inventories#	**–**	3,804
Reversal of write-down of inventories	**(149)**	–
Cost of inventories (note i)	**300,244**	440,441
Depreciation (notes i and ii)	**11,190**	7,772
Amortisation of prepaid land lease payments	**249**	244
Amortisation of other intangible assets	**265**	269
Research and development costs:		
Current period expenditure (note ii)	**27,310**	13,458
Minimum lease payments under operating leases in respect of buildings	**3,693**	2,774
Staff costs (including directors' emoluments) (notes i and ii)	**68,106**	58,126
Equity-settled share-based payment expenses	**1,021**	6,980
Net foreign exchange gain	**(6,420)**	(3,949)
Reversal of impairment loss for accounts receivables*	**–**	(363)
(Gain)/loss on disposal of property, plant and equipment	**(1)**	104
Rental income on investment properties less direct outgoings of RMB297,000 (six months ended 30 June 2017: RMB184,000)	**(3,163)**	(2,626)

* The reversal of impairment loss for accounts receivables are included in "other expenses" of the interim condensed consolidated statement of profit or loss and other comprehensive income.

Included in "other expenses" of the interim condensed consolidated statement of profit or loss and other comprehensive income.

Notes:

(i) Cost of inventories includes depreciation of RMB7,473,000 (six months ended 30 June 2017: RMB5,979,000), and staff costs of RMB36,277,000 (six months ended 30 June 2017: RMB28,185,000), which are also included in the respective total amounts disclosed separately above.

(ii) Included in research and development costs are depreciation of RMB2,430,000 (six months ended 30 June 2017: RMB597,000) and staff costs of RMB5,358,000 (six months ended 30 June 2017: RMB2,581,000), which are also included in the respective total amounts disclosed separately above.

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
— PRC Enterprise Income Tax for the period	**70,087**	240
— Hong Kong Profits Tax for the period	**–**	1,152
Deferred tax		
— Origination and reversal of temporary differences	**10,399**	(637)
Income tax expenses for the period	**80,486**	755

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No Hong Kong Profits Tax has been provided for the six months ended 30 June 2018 as the Group has no assessable profits derived in Hong Kong for the period. The provision for Hong Kong Profits Tax for six months ended 30 June 2017 was calculated at 16.5% of estimated assessable profits for the period.

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

The subsidiaries of the Company in China were subject to enterprise income tax at the standard rate of 25% (six months ended 30 June 2017: 25%) on their respective taxable profit during the period.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company of RMB189,833,000 (six months ended 30 June 2017: RMB23,488,000), and the weighted average number of 744,750,000 ordinary shares (six months ended 30 June 2017: 705,890,000 ordinary shares) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2018 and 2017 is the same as the basic earnings per share as there were no potential ordinary shares outstanding during the periods.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Carrying amount at 1 January	**129,180**	144,858
Additions	**33,441**	11,535
Construction expenditure capitalised	**797**	421
Disposals	**(136)**	(2,590)
Transfer to investment properties (note 11)	**–**	(11,534)
Transfer from investment properties (note 11)	**–**	6,603
Depreciation provided during the period/year	**(10,862)**	(19,936)
Effect of foreign currency exchange differences	**(38)**	(177)
Carrying amount at 30 June/31 December	**152,382**	129,180

11. INVESTMENT PROPERTIES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Carrying amount at 1 January	**22,984**	18,542
Transfer from property, plant and equipment (note 10)	**–**	11,534
Transfer to property, plant and equipment (note 10)	**–**	(6,603)
Depreciation provided during the period/year	**(328)**	(489)
Carrying amount at 30 June/31 December	**22,656**	22,984

12. PREPAID LAND LEASE PAYMENTS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Carrying amount at 1 January	**18,387**	18,877
Amortisation provided during the period/year	**(249)**	(490)
Carrying amount at 30 June/31 December	**18,138**	18,387
Current portion included in prepayments, deposits and other receivables	**(489)**	(490)
Non-current portion	**17,649**	17,897

13. INTEREST IN AN ASSOCIATE

In March 2018, the Group acquired 29.98% voting equity interest in Logan Pass Private Equity Fund ("Logan Pass") and its subsidiary (collectively, the "Logan Pass Group") through completion of acquisition of Asia Capital Real Estate V Pte. LTD. ("ACRE"). Logan Pass Group is engaged in asset management business.

			Proportion of ownership interest			
Name of company	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activity**
Logan Pass	Korea/Korea	Korean Won 19,896 million	28.31%	–	29.98%	Asset management

The investment in Logan Pass and its subsidiary enables the Group to have exposure to Korea market.

14. ACCOUNTS AND BILLS RECEIVABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Accounts receivables	**339,161**	321,831
Less: impairment	**(7,485)**	(7,417)
	331,676	314,414
Bills receivables	**118,976**	76,905
	450,652	391,319

Accounts receivables consist of trade receivables, assets 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 assets 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.

The bills receivables were all due within one year from the end of the reporting period.

14. ACCOUNTS AND BILLS RECEIVABLES *(Continued)*

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 90 days	**305,949**	272,469
91 to 180 days	**8,469**	31,691
181 to 360 days	**10,789**	10,438
1 to 2 years	**6,702**	797
2 to 3 years	**1,149**	422
Over 3 years	**6,103**	6,014
	339,161	321,831

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 90 days	**54,321**	54,146
91 to 180 days	**64,655**	21,840
181 to 360 days	**–**	919
	118,976	76,905

15. TRADE AND BILLS PAYABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trade payables	**91,669**	71,966
Bills payables	**3,506**	51,840
	95,175	123,806

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 90 days	**83,817**	59,371
91 to 180 days	**6,798**	11,261
181 to 360 days	**100**	65
1 to 2 years	**39**	67
Over 2 years	**915**	1,202
	91,669	71,966

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

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 90 days	**3,506**	756
91 to 180 days	**–**	25,666
181 to 360 days	**–**	25,240
1 to 2 years	**–**	178
	3,506	51,840

16. BANK AND OTHER LOANS, BOND PAYABLE AND OBLIGATIONS UNDER FINANCE LEASE

Movements in bank and other loans, bond payable and obligations under finance lease

	Bank and other loans RMB'000	Bond payable RMB'000	Obligations under finance lease RMB'000
At 1 January 2018 (Audited)	**518,224**	**393,853**	**388**
Changes from financing cash flows	**(513,198)**	**–**	**(65)**
Finance changes on obligations under finance lease	**–**	**–**	**5**
Interest expense	**4,694**	**9,767**	**–**
Exchange adjustments	**(9,720)**	**5,447**	**9**
At 30 June 2018 (unaudited)	**–**	**409,067**	**337**

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")/ FINANCIAL ASSETS DESIGNATED AT FVTPL — FUND INVESTMENT

All of the Group's investment in unlisted equity funds were designated as financial assets at FVTPL on initial recognition. The fair values of the investments were measured with reference to the net asset value as reported by the funds' management.

For private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the Group is a principal. The fund shall be consolidated if the Group acts in the role of principal.

The Group served as general partner, manager of structured entities, and therefore had power over them. In the opinion of the directors of the Company, the variable returns the Group is exposed to over the structured entities that the Group has interests in are not significant, and accordingly, the Group did not consolidate these structured entities.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")/AVAILABLE-FOR-SALE INVESTMENT

The amount represents the Group's investment in the unlisted equity securities issued by private entity incorporated in Hong Kong. The Group does not intend to dispose of that in the near future.

The fair value of the unlisted equity securities was arrived at by reference to the valuation performed by management by using cash flow projections based on the financial budget estimated by board of directors of the investee entity covering a five-year period.

19. CAPITAL COMMITMENTS

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	**99,392**	34,129
Fund investments	**73,155**	72,414
Investment in an associate	**–**	100
	172,547	106,643

20. CONTINGENT LIABILITIES

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

21. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period and balances with related parties at the end of the reporting period:

(a) Outstanding balances with related parties

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Due from subsidiaries of joint ventures	**–**	829

The amounts due from subsidiaries of joint ventures were unsecured, interest-free and repayable on demand.

(b) Key management personnel compensation

The key management personnel include directors of the Company and a director of a principal subsidiary, and the compensation for them are as follows:

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Short-term employee benefits	**8,376**	7,759
Post-employment benefits	**18**	30
Equity compensation benefits	**1,021**	6,980
	9,415	14,769

Total remuneration is included in "staff costs" (see note 6).

22. ACQUISITION OF A SUBSIDIARY

In March 2018, the Group acquired 94.42% voting equity interest in ACRE, a company engaged in asset management business and its associate (collectively, the "ACRE V Group"), at a cash consideration of approximately USD5,019,000 (approximately RMB31,717,000).

The fair values of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value (Unaudited) RMB'000
Interest in an associate	33,629
Other payables and accruals	(37)
Net identifiable assets acquired	33,592
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of ACRE V Group	(1,875)
Consideration paid	31,717
Less: Cash and cash equivalents acquired	–
Deposit paid for acquisition in prior year	(31,717)
Net cash outflow arising on acquisition	–

There are no receivables acquired.

23. DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2018

On 9 January 2018 and 17 January 2018, the Group disposed of the entire equity interests in 深圳市香納商業保理有限公司 and 北京希為科技有限公司, which carried out financial technologies business at total consideration of RMB28,695,000.

	(Unaudited) RMB'000
Consideration received	
Consideration received in cash and cash equivalents	28,695
Total consideration received	28,695
Analysis of assets and liabilities over which control was lost	
Current assets	
Cash and cash equivalents	15,133
Net assets disposed of	15,133
Gain on disposal of subsidiaries	
Consideration received	28,695
Net assets disposed of	(15,133)
Gain on disposal	13,562

The gain on disposal is included in "other income" of the interim condensed consolidated statement of profit or loss.

Net cash outflow on disposal of subsidiaries	
Consideration received in cash and cash equivalents	28,695
Less: Cash and cash equivalent balances disposed of	(15,133)
	13,562
Less: Consideration received in advance in prior year	(22,950)
	(9,388)

For the year ended 31 December 2017

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 RMB124,904,000) to Tianli Private Debt Fund L.P.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include the followings:

Categories of financial instruments

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Financial assets		
Accounts and bills receivables	**450,652**	391,319
Loan receivables from independent third parties	**–**	2,774
Other receivables	**5,715**	5,658
Amount due from joint ventures	**–**	829
Pledged bank deposits	**23,161**	28,633
Cash and bank balances	**220,383**	668,920
Financial assets measured at amortised cost (previously classified as loans and receivables)	**699,911**	1,098,133
Financial assets at FVTOCI	**26,562**	–
Available-for-sale investment	**–**	26,222
Financial assets at FVTPL	**569,451**	–
Financial assets designated at FVTPL — fund investments	**–**	551,949
Financial liabilities		
Trade and bills payables	**95,175**	123,806
Accruals and other payables	**45,635**	62,199
Bank and other loans	**–**	518,224
Bond payable	**409,067**	393,853
Obligations under finance lease	**337**	388
Dividends payable	**88**	88
Financial liabilities measured at amortised cost	**550,302**	1,098,558

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

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

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

Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

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

Fair values *(Continued)*

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

Fair value hierarchy *(Continued)*

	Fair value at 30 June 2018 (Unaudited) RMB'000	Fair value measurements as at 30 June 2018 categorised into Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000
Recurring fair value measurements				
Assets:				
Financial assets at FVTOCI	**26,562**	**–**	**–**	**26,562**
Financial assets at FVTPL	**569,451**	**–**	**–**	**569,451**
	596,013	**–**	**–**	**596,013**

	Fair value at 31 December 2017 (Audited) RMB'000	Fair value measurements as at 31 December 2017 categorised into Level 1 (Audited) RMB'000	Level 2 (Audited) RMB'000	Level 3 (Audited) RMB'000
Recurring fair value measurements				
Assets:				
Available-for-sale investment				
— Unlisted	26,222	–	–	26,222
Financial assets designated at FVTPL				
— fund investments	551,949	–	–	551,949
	578,171	–	–	578,171

During the six months ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

For unlisted investment funds classified under Level 3 of the fair value measurement hierarchy, the fair values are determined based on the net asset values of those investment funds determined with reference to valuation of underlying investment portfolio and adjustments of related expenses. The higher the net assets values, the higher the fair value.

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

Fair values *(Continued)*

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

Fair value hierarchy *(Continued)*

The movements during the year/period in the balance of these Level 3 fair value measurements are as follow:

	Financial assets at FVTPL RMB'000	Fund investments included in financial assets designated at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Unlisted available-for-sale investment RMB'000
At 1 January 2017 (Audited)	–	–	–	28,225
Additions	–	495,521	–	–
Net gain recognised in profit or loss	–	69,275	–	–
Exchange differences included in "exchange fluctuation reserve" in other comprehensive income	–	(4,476)	–	(2,003)
Dividend received	–	(8,371)	–	–
At 31 December 2017 (Audited)	–	551,949	–	26,222
Total gains for the year included in "revenue" in profit or loss for assets held at the end of the year	–	60,904	–	–
At 1 January 2018 (Audited)	**–**	**551,949**	**–**	**26,222**
Reclassification under IFRS 9	**551,949**	**(551,949)**	**26,222**	**(26,222)**
Additions	**16,676**	**–**	**–**	**–**
Net loss recognised in profit or loss	**(6,043)**	**–**	**–**	**–**
Exchange differences included in "exchange fluctuation reserve" in other comprehensive income	**7,503**	**–**	**340**	**–**
Dividend received	**(634)**	**–**	**–**	**–**
At 30 June 2018 (Unaudited)	**569,451**	**–**	**26,562**	**–**
Total losses for the period included in "revenue" in profit or loss for assets held at the end of the period	**(6,677)**	**–**	**–**	**–**

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2018 and 31 December 2017.

25. EVENT AFTER THE REPORTING PERIOD

Shenzhen Weichang New Energy Company Limited* (深圳市威長新能源有限公司), an indirect wholly owned subsidiary of the Company, entered into an asset sale-and-leaseback arrangement with an independent third party. Under this arrangement, the Company disposed the entire issued capital of Chuzhou Derun Electronics Company Limited* (滁州德潤電子有限公司, "Chuzhou Derun"), a subsidiary holding the Group's property, plant and land use right in Chuzhou site, at a total cash consideration of approximately RMB33,200,000. The disposal of the subsidiary was completed on 24 August 2018, resulted in a gain on disposal of RMB2,359,000 to the Group. After the disposal of Chuzhou Derun, the Group and Chuzhou Derun entered into a lease agreement which Chuzhou Derun agrees to lease its property, plant and land use right to the Group for six years.

* The English names are for identification purpose only.

DIVIDENDS

The Board resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any shares of the Company during the six months ended 30 June 2018.

UPDATES ON DIRECTORS' INFORMATION

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

— Mr. Zhou Chunhua was appointed as member of the Remuneration Committee and Nomination Committee on 16 July 2018.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2018, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the shares of the Company

Name of director	Capacity and nature of interest	Total number of ordinary shares	Approximate percentage of the Company's issued share capital
Mr. Zhou Chunhua	Beneficial owner	1,400,000	0.19%

Save as disclosed above, as at 30 June 2018, none of the Directors or the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, so far as is known to the Directors of the Company, the following persons or corporation (other than the Directors or chief executive of the Company) had, or were deemed to have an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the shares of the Company

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Cosmic Riches Investments Ltd ("Cosmic Riches")	Beneficial owner	189,765,825[(1)]	25.48%
Ms. Du Weilin ("Ms. Du")	Interest of controlled corporation	189,765,825[(1)]	25.48%
China Tian Yuan Manganese Limited ("China Tian Yuan")	Beneficial owner	60,590,482[(2)]	8.14%
Ningxia Tianyuan Manganese Industry Co., Ltd ("Ningxia Tianyuan")	Interest of controlled corporation	60,590,482[(2)]	8.14%
Mr. Jia Tianjiang ("Mr. Jia")	Interest of controlled corporation	60,590,482[(2)]	8.14%

Notes:

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

(2) Mr. Jia owns 99.62% shareholding interests of Ningxia Tianyuan which in turn holds 100% interest in China Tianyaun. Therefore, Mr. Jia and Ningxia Tianyaun are deemed to be interested in the same block of shares owned by China Tian Yuan.

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

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, the Company had complied with the code provisions set out in the Corporate Governance Code stipulated in Appendix 14 to the Listing Rules. The Board believes that high standard of corporate governance practices requires ongoing efforts to ensure the related company policies and practices are commensurate with the current operation and development of the Company's business. The Board reviews the practices from time to time to safeguard the interests of shareholders, the management as well as the employees of the Company and enhance the value of the Company as a whole.

MODEL CODE FOR DEALING SECURITIES BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Company Code") on terms no less exacting than the required standard set out in the Model Code. Following specific enquiries by the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company Code regarding the directors' securities transactions throughout the six months ended 30 June 2018.

AUDIT COMMITTEE AND INTERIM REVIEW

The Audit Committee, comprising four independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (Chairman of the Audit Committee), Mr. To Yan Ming, Edmond, Mr. David Tsoi and Mr. Xu Xuechuan, was established to review the financial information of the Company and oversee the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed the Group's unaudited condensed consolidated results for the six months ended 30 June 2018.

On behalf of the Board
Tianli Holdings Group Limited
Zhou Chunhua
Chairman

Hong Kong, 29 August 2018