天立教育国际控股有限公司
Tianli Education International Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1773)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

## FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2018** | 2017 | **Change** | **Percentage Change** |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | |
| | **(Unaudited)** | (Unaudited) | | |
| Revenue | **308,504** | 229,280 | +79,224 | +34.6% |
| Gross Profit | **155,363** | 107,018 | +48,345 | +45.2% |
| Profit for the period | **107,349** | 79,496 | +27,853 | +35.0% |
| Adjusted Net Profit *(Note)* | **116,341** | 81,161 | +35,180 | +43.3% |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | | |
| | **RMB** | RMB | RMB | |
| Basic and diluted | **6.93 cents** | 5.12 cents | +1.81 cents | +35.4% |

*Note:* The Company defined its adjusted net profit as its profit for the period after adjusting for those items which were not indicative of the Company's operating performances, mainly including the listing expense recorded in Administrative Expenses amounted to RMB9.0 million and RMB1.7 million for the six months ended 30 June 2018 and the six months ended 30 June 2017, respectively.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Tianli Education International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2018. These interim results have been reviewed by the Company's audit committee (the "**Audit Committee**") and the Company's external auditors, Ernst & Young.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| REVENUE | *3* | **308,504** | 229,280 |
| Cost of sales | | **(153,141)** | (122,262) |
| Gross profit | | **155,363** | 107,018 |
| Other income and gains | *3* | **6,381** | 3,142 |
| Selling and distribution expenses | | **(5,882)** | (4,664) |
| Administrative expenses | | **(36,688)** | (23,402) |
| Other expenses | | **(733)** | (423) |
| Interest expenses | *4* | **(10,917)** | (2,417) |
| Share of profit of an associate | | **1,260** | 845 |
| PROFIT BEFORE TAX | *5* | **108,784** | 80,099 |
| Income tax expense | *6* | **(1,435)** | (603) |
| PROFIT FOR THE PERIOD | | **107,349** | 79,496 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | **–** | – |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **107,349** | 79,496 |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | **103,904** | 76,564 |
| Non-controlling interests | | **3,445** | 2,932 |
| | | **107,349** | 79,496 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic and diluted | *7* | **RMB6.93 cents** | RMB5.12 cents |

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*30 JUNE 2018*

| | Notes | **30 June 2018 RMB'000 (Unaudited)** | 31 December 2017 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | *8* | **1,484,632** | 1,296,309 |
| Prepaid land lease payments | *8* | **203,996** | 206,283 |
| Goodwill | | **7,572** | 7,572 |
| Intangible assets | | **–** | 9 |
| Investment in an associate | | **5,146** | 3,886 |
| Prepayments, deposits and other receivables | *9* | **162,643** | 3,265 |
| Total non-current assets | | **1,863,989** | 1,517,324 |
| CURRENT ASSETS | | | |
| Inventories | | **3,642** | 3,613 |
| Trade receivables | *10* | **919** | 903 |
| Prepayments, deposits and other receivables | *9* | **45,240** | 22,216 |
| Amounts due from related parties | *20(b)* | **8,238** | 6,275 |
| Financial assets at fair value through profit or loss/ Available-for-sale investments | | **13,050** | 14,240 |
| Pledged deposits | | **27,855** | 27,855 |
| Cash and cash equivalents | | **331,570** | 313,539 |
| Total current assets | | **430,514** | 388,641 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | *11* | **19,340** | 16,191 |
| Other payables and accruals | *12* | **177,029** | 166,524 |
| Contract liabilities/Deferred revenue | *13* | **439,417** | 242,092 |
| Interest-bearing bank loans | *15* | **154,534** | 137,300 |
| Amounts due to related parties | *20(b)* | **55,781** | 31,723 |
| Tax payable | | **3,470** | 2,899 |
| Deferred income | *14* | **30,556** | 57,241 |
| Total current liabilities | | **880,127** | 653,970 |
| NET CURRENT LIABILITIES | *2.1* | **(449,613)** | (265,329) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,414,376** | 1,251,995 |

Continued/...

| | Notes | 30 June 2018 RMB'000 (Unaudited) | 31 December 2017 RMB'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Contract liabilities/Deferred revenue | *13* | **53,349** | 54,474 |
| Deferred income | *14* | **37,269** | 35,903 |
| Interest-bearing bank loans | *15* | **377,060** | 325,000 |
| Total non-current liabilities | | **467,678** | 415,377 |
| Net assets | | **946,698** | 836,618 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | *16* | **308** | – |
| Reserves | | **916,244** | 812,340 |
| | | **916,552** | 812,340 |
| Non-controlling interests | | **30,146** | 24,278 |
| Total equity | | **946,698** | 836,618 |

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Issued capital** *RMB'000* (unaudited) *(note 16)* | **Capital reserve** *RMB'000* (unaudited) | **Difference arising from acquisition of non-controlling interests** *RMB'000* (unaudited) | **Statutory surplus reserves** *RMB'000* (unaudited) | **Retained profits** *RMB'000* (unaudited) | **Total** *RMB'000* (unaudited) | **Non-controlling interests** *RMB'000* (unaudited) | **Total equity** *RMB'000* (unaudited) |
| As at 1 January 2018 | **–** | **563,558*** | **(824)*** | **51,989*** | **197,617*** | **812,340** | **24,278** | **836,618** |
| Profit and total comprehensive income for the period | **–** | **–** | **–** | **–** | **103,904** | **103,904** | **3,445** | **107,349** |
| Transfer from retained profits | **–** | **–** | **–** | **14,635** | **(14,635)** | **–** | **–** | **–** |
| Issue of shares | **308** | **–** | **–** | **–** | **–** | **308** | **–** | **308** |
| Capital contribution from non-controlling shareholders of a subsidiary | **–** | **–** | **–** | **–** | **–** | **–** | **2,423** | **2,423** |
| As at 30 June 2018 | **308** | **563,558*** | **(824)*** | **66,624*** | **286,886*** | **916,552** | **30,146** | **946,698** |
| As at 1 January 2017 | – | 421,289 | (824) | 26,664 | 91,724 | 538,853 | 18,047 | 556,900 |
| Profit and total comprehensive income for the period | – | – | – | – | 76,564 | 76,564 | 2,932 | 79,496 |
| Transfer from retained profits | – | – | – | 15,157 | (15,157) | – | – | – |
| Capital contribution from non-controlling shareholders of a subsidiary | – | – | – | – | – | – | 653 | 653 |
| As at 30 June 2017 | – | 421,289 | (824) | 41,821 | 153,131 | 615,417 | 21,632 | 637,049 |

* These reserve accounts comprise the reserves of RMB916,244,000 (31 December 2017: RMB812,340,000) in the consolidated statement of financial position.

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | Notes | For the six months ended 30 June 2018 RMB'000 (unaudited) | 2017 RMB'000 (unaudited) |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | **108,784** | 80,099 |
| Adjustments for: | | | |
| Depreciation | *5* | **22,001** | 15,593 |
| Recognition of prepaid land lease payments | *5* | **2,287** | 2,081 |
| Amortisation of intangible assets | *5* | **9** | 18 |
| Share of profit of an associate | | **(1,260)** | (845) |
| Gain on disposal of financial assets at fair value through profit or loss/available-for-sale investments | *5* | **(1,672)** | (135) |
| Interest income | *5* | **(2,017)** | (347) |
| Deferred income released to profit or loss | *14* | **(40,784)** | (29,739) |
| Interest expenses | *4* | **10,917** | 2,417 |
| | | **98,265** | 69,142 |
| Increase in inventories | | **(29)** | (141) |
| Increase in trade receivables | | **(16)** | (548) |
| Increase in prepayments, deposits and other receivables | | **(17,289)** | (22,333) |
| Decrease/(increase) in amounts due from related parties | | **(8,479)** | 8,229 |
| Increase/(decrease) in trade and bills payables | | **3,148** | (466) |
| Increase in contract liabilities/deferred revenue | | **196,200** | 156,796 |
| Receipt of government grants | | **465** | 44,187 |
| Increase in other payables and accruals | | **14,543** | 19,150 |
| Cash generated from operations | | **286,808** | 274,016 |
| Income tax paid | | **(863)** | (508) |
| Net cash flows from operating activities | | **285,945** | 273,508 |

Continued/...

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of items of property, plant and equipment | **(185,586)** | (170,655) |
| Prepaid land lease payments | **(140,722)** | (19,341) |
| Proceeds from disposal of items of property, plant and equipment | **–** | 113 |
| Purchase of financial assets at fair value through profit or loss/ available-for-sale investments | **(517,580)** | (96,800) |
| Proceeds from disposal of financial assets at fair value through profit or loss/available-for-sale investments | **518,770** | 141,040 |
| Interest received | **3,689** | 482 |
| Net cash flows used in investing activities | **(321,429)** | (145,161) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital contribution from the non-controlling shareholders | **2,423** | 653 |
| Proceeds from bank loans | **91,566** | 13,000 |
| Repayment of bank loans | **(22,272)** | (42,800) |
| Interest paid | **(18,202)** | (15,908) |
| Net cash flows from/(used in) financing activities | **53,515** | (45,055) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **18,031** | 83,292 |
| Cash and cash equivalents at beginning of period | **313,539** | 325,651 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | **331,570** | 408,943 |

# NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

*30 JUNE 2018*

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 24 January 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

During the period ended 30 June 2018 (the "**Period**"), the Group were principally engaged in the provision of education and related management services in the People's Republic of China (the "**PRC**"). There were no significant changes in the nature of the Group's principal activities during the Period.

In the opinion of the Directors, the parent company and the ultimate holding company of the Company is Sky Elite Limited, a company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Company is Mr. Luo Shi ("**Mr. Luo**").

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 July 2018 (the "**Listing Date**").

## 2.1 BASIS OF PRESENTATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements ("**Historical Financial Information**") included in the Accountants' Report set forth in Appendix I to the Company's prospectus dated 28 June 2018 (the "**Prospectus**").

**Going concern**

The Group recorded net current liabilities of RMB449,613,000 (31 December 2017: RMB265,329,000) as at 30 June 2018. After excluding the current portion of contract liabilities and deferred income, the Group's net current assets in total amounted to RMB20,360,000 (31 December 2017: After excluding the current portion of deferred revenue and deferred income, the Group's net current assets in total amounted to RMB34,004,000) as at 30 June 2018.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In addition, as disclosed in notes 21(b)&(c), the Company received net proceeds amounting to RMB1,093,130,000 and RMB166,975,000 from the initial public offering of the Company's shares on the Listing Date and over-allotment exercise on 25 July 2018, respectively. Having considered the cash flows from operations and the positive operating results, the Directors are of the opinion the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the interim condensed financial information of the Group for the six months ended 30 June 2018 on a going concern basis.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's Historical Financial Information that contained in Appendix I to the Prospectus, except for the adoption of the following new standards, interpretation and amendments to a number of International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board for the first time for the financial year beginning 1 January 2018.

| | |
|---|---|
| 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* |
| IFRS 9 | *Financial Instruments* |
| IFRS 15 | *Revenue from Contracts with Customers* |
| Amendments to IFRS 15 | *Clarifications to IFRS 15 Revenue from Contracts with Customers* |
| Amendments to IAS 40 | *Transfers of Investment Property* |
| IFRIC 22 | *Foreign Currency Transactions and Advance Consideration* |
| *Annual Improvements 2014-2016 Cycle* | Amendments to IFRS 1 and IAS 28 |

The adoption of these new standards, interpretation and amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group except for the adoption of IFRS 9 and IFRS 15, as explained below.

The Group applies, for the first time, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* using the modified retrospective method for adoption. For the adoption of IFRS 9, the Group has not restated comparative information and has not recognised any transition adjustments against the opening balance of equity at 1 January 2018. For the adoption of IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

**IFRS 15 *Revenue from Contracts with Customers***

The Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised. However, as the presentation and disclosure requirements in IFRS 15 are more detailed than those under IAS 18, as required for the interim condensed financial information, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. In addition, upon adoption of IFRS 15 since 1 January 2018, the Group recognised revenue-related contracts liabilities for the unsatisfied performance obligation which were previously recognised as deferred revenue.

**IFRS 9 *Financial Instruments***

The Group has performed an assessment and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised. In addition, for equity investments previously held as available for sale measured at fair value with unrealised gains or losses recognised through other comprehensive income, the Group applied the option to present fair value changes in profit or loss upon the adoption of IFRS 9 since 1 January 2018.

## 3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the values of services rendered after deducting scholarships and refunds during the Period and six months ended 30 June 2017.

An analysis of revenue, other income and gains is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **Revenue** | | |
| Tuition fees | **215,860** | 159,445 |
| Boarding fees | **29,757** | 22,870 |
| School canteen operations | **61,891** | 46,410 |
| Management and franchise fees | **996** | 555 |
| Total revenue | **308,504** | 229,280 |
| **Other income and gains** | | |
| Bank interest income | **2,017** | 347 |
| Other service income | **2,003** | 2,015 |
| Gain on disposal of: financial assets at fair value through profit or loss/available -for-sale investments | **1,672** | 135 |
| Rental income | **420** | 388 |
| Others | **269** | 257 |
| Total other income and gains | **6,381** | 3,142 |

## 4. INTEREST EXPENSES

An analysis of the Group's interest expenses is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Interest on bank loans | **18,171** | 14,431 |
| Less: Interest capitalised *(note 8(a))* | **(7,254)** | (12,014) |
| | **10,917** | 2,417 |
| Interest rate of borrowing costs capitalised | **7.00%** | 8.01% |

## 5. PROFIT BEFORE TAX

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

| | Notes | For the six months ended 30 June 2018 RMB'000 (unaudited) | 2017 RMB'000 (unaudited) |
|---|---|---|---|
| Cost of inventories sold | | **33,631** | 25,985 |
| Cost of services provided | | **119,510** | 96,277 |
| | | **153,141** | 122,262 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | | |
| Wages and salaries | | **114,206** | 91,925 |
| Pension scheme contributions (defined contribution scheme) | | **15,405** | 12,867 |
| Welfare | | **9,858** | 7,327 |
| Housing fund (defined contribution scheme) | | **5,728** | 4,258 |
| Less: Government grants released | *14* | **(40,784)** | (29,739) |
| Subsidies received | | **(1,767)** | (4,423) |
| | | **102,646** | 82,215 |
| Depreciation | *8* | **22,001** | 15,593 |
| Recognition of prepaid land lease payments* | *8* | **2,287** | 2,081 |
| Amortisation of intangible assets | | **9** | 18 |
| Minimum lease payments under operating leases | | **708** | 571 |
| Bank interest income | | **(2,017)** | (347) |
| Listing expenses | | **8,992** | 1,665 |
| Gain on disposal of: financial assets at fair value through profit or loss/available-for-sale investments | | **(1,672)** | (135) |
| Rental income | | **(420)** | (388) |

* The recognition of prepaid land lease payments during the Period and the six months ended 30 June 2017 was recorded in "Cost of sales" in profit or loss.

## 6. INCOME TAX EXPENSE

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Period and six months ended 30 June 2017:

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current – Mainland China | | |
| Charge for the period | **1,435** | 603 |

*Notes:*

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in Cayman Islands and British Virgin Islands.

(b) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period and the six months ended 30 June 2017.

(c) Pursuant to the PRC Income Tax Law and the respective regulations, all of the Group's non-school subsidiaries that provide non-academic educational services established in the PRC were subject to the PRC Corporate Income Tax of 25% during the Period and the six months ended 30 June 2017.

During the Period and the six months ended 30 June 2017, in accordance with the historical tax returns filed with the relevant tax authorities and the confirmations obtained therefrom, except for the tutoring schools and certain kindergartens, there was no corporate income tax imposed on the Group's schools in respect of the education services provided since their establishment.

Based on the confirmations from the in-charge local tax bureau and the local office of State Administration of Taxation of the PRC operating entities, there was no corporate income tax imposed on the income from provision of formal educational services. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the Period and the six months ended 30 June 2017.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the Company for six months ended 30 June 2018 of RMB103,904,000 (six months ended 30 June 2017: RMB76,564,000), and the number of shares assumed to be issued and issuable of 1,499,472,222, comprising weighted average number of 3,272,222 ordinary shares issued during the Period and 1,496,200,000 ordinary shares to be issued pursuant to the capitalisation issue after the reporting period (note 21(a)) (Six months ended 30 June 2017: 1,496,200,000 ordinary shares, which were deemed to have been issued by way of capitalisation throughout the six months ended 30 June 2017).

No adjustment has been made to the basic earnings per share amounts presented for the Period and the six months ended 30 June 2017 in respect of a dilution as the Group had no potential dilutive ordinary share in issue during the Period and the six months ended 30 June 2017.

## 8. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment and prepaid land lease payments during the Period are as follows:

| | Property, plant and equipment *RMB'000* (Unaudited) *(note a)* | Prepaid land lease payments *RMB'000* (Unaudited) |
|---|---|---|
| Carrying amounts at 1 January 2018 | **1,296,309** | **210,923** |
| Additions | **210,324** | **–** |
| Depreciation/amortisation charged for the Period *(note 5)* | **(22,001)** | **(2,287)** |
| Carrying amounts at 30 June 2018 | **1,484,632** | **208,636** |
| Less: Current portion included in prepayments, deposits and other receivables *(note 9)* | | **(4,640)** |
| Non-current portion | | **203,996** |

*Note:*

(a) As at 30 June 2018, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with a net carrying amount of approximately RMB925,091,000 (31 December 2017: RMB931,516,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.

Interest expenses capitalised as part of property, plant and equipment by the Group during the Period amounted to RMB7,254,000 (six months ended 30 June 2017: RMB12,014,000) (note 4).

## 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| *Current portion:* | | |
| Prepayments | **5,919** | 2,495 |
| Other deposits | **5,182** | 6,041 |
| Advance to third parties | **2,704** | 2,021 |
| Advances to staff | **3,304** | 3,686 |
| Deferred listing expenses | **4,342** | 2,348 |
| Prepaid land lease payments to be amortised within one year *(note 8)* | **4,640** | 4,640 |
| Government grant receivable | **15,000** | – |
| Receivables from the issue of shares | **308** | – |
| Other receivables | **3,841** | 985 |
| | **45,240** | 22,216 |
| *Non-current portion:* | | |
| Prepayment for property, plant and equipment | **12,354** | 3,265 |
| Security deposit* | **9,567** | – |
| Prepayment for the purchase of land use rights | **140,722** | – |
| | **162,643** | 3,265 |
| Total | **207,883** | 25,481 |

* The amount represents the refundable deposit made by Yibin Cuiping District Tianli School ("**Yibin Tianli School**") amounting to RMB9,567,000 which has been pledged for a long-term bank loan of RMB28,195,000 as at 30 June 2018 (note 15(a)).

The above amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 10. TRADE RECEIVABLES

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| Tutoring fees receivable | **919** | 903 |

Trade receivables represented amounts due from certain of the Group's schools students. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Trade receivables as at the end of the reporting period were aged within 3 months based on the transaction date and were not individually nor collectively considered to be impaired. None of the above trade receivables is either past due or impaired. The receivables have no recent history of default.

## 11. TRADE AND BILLS PAYABLES

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| Within 3 months | **19,028** | 8,510 |
| Over 3 months and within 6 months | **298** | 7,667 |
| Over 6 months | **14** | 14 |
| | **19,340** | 16,191 |

The trade payables are non-interest-bearing and are normally settled on 30-day terms. As at 30 June 2018, the bills payable amounting to RMB10,000,000 had a maturity period of 47 days and were secured by the pledged bank deposits (31 December 2017: RMB7,400,000).

## 12. OTHER PAYABLES AND ACCRUALS

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| Payables for purchase of property, plant and equipment | **50,498** | 54,500 |
| Miscellaneous advances from students* | **53,239** | 29,577 |
| Accrued bonuses and other employee benefits | **57,589** | 67,374 |
| Deposits | **7,645** | 6,843 |
| Interest payable | **199** | 230 |
| Other payables and accrued expenses | **7,859** | 8,000 |
| | **177,029** | 166,524 |

* Balances mainly represented miscellaneous advances received from students for purchasing of uniforms and textbooks on their behalf.

The above balances are unsecured and non-interest-bearing.

## 13. CONTRACT LIABILITIES/DEFERRED REVENUE

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| Tuition fees | **458,089** | 277,935 |
| Boarding fees | **16,075** | 7,245 |
| Canteen operation fees | **15,650** | 10,913 |
| Others | **2,952** | 473 |
| | **492,766** | 296,566 |
| Current portion | **439,417** | 242,092 |
| Non-current portion *(note)* | **53,349** | 54,474 |
| | **492,766** | 296,566 |

*Note:* The amounts represent tuition fees received in advance from Xichang City Government as consideration to enrol a certain number of students designated by Xichang City Government within 30 years since the operation of Xichang Tianli International School ("**Xichang Tianli School**").

Changes in contract liabilities during the Period are as follows:

| | **For the six months ended 30 June 2018** *RMB'000* **(unaudited)** |
|---|---|
| At the beginning of the Period (previously recorded under deferred revenue) | **296,566** |
| Revenue recognised that was included in the contract liabilities at the beginning of the Period | **(243,217)** |
| Increase due to cash received, excluding amounts recognised as revenue during the Period | **439,417** |
| At the end of the Period | **492,766** |

There were no contract assets at 30 June 2018 recognised in the consolidated statement of financial position.

## 14. DEFERRED INCOME

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| *Government grants related to expense items* | | |
| At the beginning of period/year | **93,144** | 83,047 |
| Government grants received | **15,465** | 80,407 |
| Released to profit or loss *(note 5)* | **(40,784)** | (70,310) |
| At the end of period/year | **67,825** | 93,144 |
| Current | **30,556** | 57,241 |
| Non-current | **37,269** | 35,903 |
| Total | **67,825** | 93,144 |

Various government grants have been received for the purpose of compensation of salaries and wages arising from the teaching activities at certain schools of the Group. Upon completion of the operating activities, the government grants related to the expense items would be released to profit or loss and deducted from the operating expenses to which they relate. Government grants received for which expenditure has not yet been undertaken are included in deferred income.

## 15. INTEREST-BEARING BANK LOANS

| | **30 June 2018 (unaudited)** | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate** | **Maturity** | ***RMB'000*** | Effective interest rate | Maturity | *RMB'000* |
| **Current** | | | | | | |
| Bank loans – secured | **5.22** | **2018** | **100,000** | 5.22 | 2018 | 100,000 |
| Current portion of long-term bank loans – secured | **4.75-9.00** | **2018** | **54,534** | 6.65-9.00 | 2018 | 37,300 |
| | | | **154,534** | | | 137,300 |
| **Non-current** | | | | | | |
| Bank loans – secured | **4.75-9.00** | **2019-2023** | **377,060** | 6.65-9.00 | 2019-2021 | 325,000 |
| | | | **531,594** | | | 462,300 |
| Bank loans repayable: | | | | | | |
| Within one year | | | **154,534** | | | 137,300 |
| In the second year | | | **103,200** | | | 96,000 |
| In the third to fifth years, inclusive | | | **273,860** | | | 229,000 |
| | | | **531,594** | | | 462,300 |

All of the Group's bank loans are denominated in RMB.

*Notes:*

The Group's bank loans are secured by:

(a) Mortgages over the following assets:

*The Group's assets:*

(i) time deposits of Shenzhou Tianli Education Investment Company Limited ("Tianli Education") amounting to RMB15,000,000 have been pledged for a bank loan of RMB100,000,000 as at 30 June 2018 and 31 December 2017; and

(ii) security deposit of Yibin Tianli School amounting to RMB9,567,000 which has been pledged for a bank loan of RMB28,195,000 as at 30 June 2018.

*Related parties' assets (note 20(c)(4)):*

(i) the land owned by Guangyuan Tianjiao Property Development Co., Ltd. ("Guangyuan Tianjiao") has been pledged to secure the Group's bank loans of RMB83,400,000 and RMB94,300,000 as at 30 June 2018 and 31 December 2017, respectively; and

(ii) the building owned by Yibin Tianrui Real Estate Development Co., Ltd. ("Yibin Tianrui") has been pledged to secure the Group's bank loans of RMB100,000,000 as at 30 June 2018 and 31 December 2017.

(b) Pledges of equity interests in the following subsidiaries of the Group:

(i) 54.625% equity interest in Tianli Education has been pledged for bank loans of RMB90,000,000 and RMB100,000,000 as at 30 June 2018 and 31 December 2017, respectively;

(ii) 100% equity interest in Yibin Shenzhou Tianli Education Development Limited has been pledged for a bank loan of RMB100,000,000 as at 30 June 2018 and 31 December 2017;

(iii) 100% equity interest in Neijiang Shenzhou Tianli Education Development Limited and 100% sponsor right of Neijiang Tianli (International) School ("Neijiang Tianli School") have been pledged for bank loans of RMB83,400,000 and RMB94,300,000 as at 30 June 2018 and 31 December 2017, respectively;

(iv) 100% equity interest in Xichang Shenzhou Tianli Education Development Limited has been pledged for bank loans of RMB90,000,000 and RMB100,000,000 as at 30 June 2018 and 31 December 2017, respectively; and

(v) 100% equity interest in Ya'an Shenzhou Tianli Education Development Limited has been pledged for a bank loan of RMB100,000,000 as at 30 June 2018 and 31 December 2017.

(c) Rights over tuition or boarding fees of the following schools:

(i) Rights over tuition fees of Guangyuan Tianli International School have been pledged for bank loans of RMB85,000,000 as at 31 December 2017;

(ii) Rights over boarding fees of Yibin Tianli School have been pledged for a bank loan of RMB100,000,000 as at 30 June 2018 and 31 December 2017;

(iii) Rights over tuition and boarding fees of Neijiang Tianli School have been pledged for bank loans of RMB83,400,000 and RMB94,300,000 as at 30 June 2018 and 31 December 2017, respectively;

(iv) Rights over tuition fees of Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School have been pledged for aggregate bank loans of RMB130,000,000 and RMB68,000,000 as at 30 June 2018 and 31 December 2017, respectively;

(v) Rights over tuition fees of Xichang Tianli School have been pledged for bank loans of RMB90,000,000 and RMB100,000,000 as at 30 June 2018 and 31 December 2017, respectively; and

(vi) Rights over tuition fees of Ya'an Tianli School have been pledged for bank loans of RMB100,000,000 as at 30 June 2018 and 31 December 2017.

(d) In addition, the following related parties have guaranteed certain of the Group's bank loans, details of which are as follows (note 20(c)(4)):

(i) Shenzhou Tianli Investment Group Company Limited ("**Tianli Holding**") has guaranteed the Group's bank loans of RMB373,400,000 and RMB394,300,000 as at 30 June 2018 and 31 December 2017, respectively;and

(ii) Mr. Luo has guaranteed the Group's bank loans of RMB273,400,000 and RMB294,300,000 as at 30 June 2018 and 31 December 2017, respectively.

## 16. SHARE CAPITAL

**Shares**

| | **30 June 2018** *HK$* **(unaudited)** | 31 December 2017 *HK$* |
|---|---|---|
| **Authorised:** | | |
| 2,000,000,000 (31 December 2017: 3,800,000) ordinary shares of HK$0.1 each *(note (a))* | **200,000,000** | 380,000 |
| **Issued and fully paid:** | | |
| 1 (31 December 2017: 1) ordinary share of HK$0.1 | **0.10** | 0.10 |
| **Issued but not fully paid** | | |
| 3,799,999 (31 December 2017: nil) ordinary shares of HK$0.1 each *(note (b))* | **379,999.90** | – |
| | **380,000.00** | 0.10 |
| Equivalent to approximately *(in RMB)* | **RMB308,000** | RMB0.10 |

*Notes:*

(a) Pursuant to the resolutions passed by the shareholders of the Company on 24 June 2018, the authorised capital of the Company increased from HK$380,000 divided into 3,800,000 shares of par value of HK$0.1 each to HK$200,000,000 divided into 2,000,000,000 shares of par value of HK$0.1 each.

(b) On 26 January 2018, the Company issued a total number of 3,799,999 shares at par value of HK$0.1 each.

## 17. DIVIDEND

At the meeting of the Directors held on 29 August 2018, the Directors resolved not pay an interim dividend for the Period (six months ended 30 June 2017: nil).

## 18. OPERATING LEASE COMMITMENTS

### (a) As lessor

The Group leased its buildings under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2018 and 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | **30 June 2018** ***RMB'000*** **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| Within one year | **650** | 767 |
| After one year but within five years | **1,430** | 1,430 |
| | **2,080** | 2,197 |

### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties and office equipment are negotiated for original terms ranging from 6 months to 20 years.

As at 30 June 2018 and 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| Within one year | **3,560** | 2,911 |
| After one year but within five years | **6,966** | 8,062 |
| After five years | **7,250** | 7,852 |
| | **17,776** | 18,825 |

## 19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had the following capital commitments as at 30 June 2018 and 31 December 2017:

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| Contracted but not provided for: | | |
| Property, plant and equipment | **134,582** | 111,094 |

## 20. RELATED PARTY TRANSACTIONS AND BALANCES

The Directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Period.

### (a) Name and relationships of related parties

| Name | Relationships |
|---|---|
| Mr. Luo | Ultimate controlling shareholder of the Company |
| Tianli Holding Shengzhong Industry Co., Ltd. ("**Gulin Shengzhong**") | A company controlled by Mr. Luo |
| Luzhou Nanyuan Construction Engineering Co., Ltd. ("**Nanyuan Construction**") | A company controlled by Mr. Luo |
| Sichuan Jinchen Construction Engineering Co., Ltd. ("**Sichuan Jinchen**") | A company controlled by Mr. Luo |
| Sichuan Shenzhou Tianyu Technology Co., Ltd. ("**Shenzhou Tianyu**") | A company controlled by Mr. Luo |
| Sichuan Shengzhong Energy Saving Technology Co., Ltd. ("**Sichuan Shengzhong**") | A company controlled by Mr. Luo |
| Sichuan Tianli Real Estate Development Co., Ltd. ("**Tianli Real Estate**") | A company controlled by Mr. Luo |
| Sichuan Tianyu Zhiyuan Technology Co., Ltd. ("**Sichuan Tianyu Zhiyuan**") | A company controlled by Mr. Luo |
| Yibin Tianrui | A company controlled by Mr. Luo |
| Guangyuan Tianjiao | A company controlled by Mr. Luo |
| Luzhou Tianli Property Management Co., Ltd. ("**Luzhou Tianli Property**") | A company controlled by Mr. Luo |
| Affiliated Kindergarten of Luzhou Tianli School ("**Luzhou Tianli Kindergarten**") | An associate of the Company |

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

(b) **Outstanding balances with related parties**

| | Note | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|---|
| **Amounts due from related parties** | | | |
| ***Trade in nature*** | | | |
| Luzhou Tianli Kindergarten | *(i)* | **583** | 580 |
| ***Non-trade in nature*** | | | |
| Nanyuan Construction | | **7,655** | – |
| Luzhou Tianli Property | | **–** | 20 |
| Luzhou Tianli Kindergarten | *(i)* | **–** | 4,665 |
| Sichuan Jinchen | | **–** | 584 |
| Shenzhou Tianyu | | **–** | 426 |
| | | **7,655** | 5,695 |
| Total | | **8,238** | 6,275 |

| | **30 June 2018** *RMB'000* **(unaudited)** | 31 December 2017 *RMB'000* |
|---|---|---|
| **Due to related parties** | | |
| ***Trade in nature*** | | |
| Gulin Shengzhong | **128** | – |
| ***Non-trade in nature*** | | |
| Nanyuan Construction | **55,653** | 23,489 |
| Sichuan Jinchen | **–** | 5,694 |
| Shenzhou Tianyu | **–** | 1,116 |
| Sichuan Shengzhong | **–** | 584 |
| Sichuan Tianyu Zhiyuan | **–** | 840 |
| | **55,653** | 31,723 |
| Total | **55,781** | 31,723 |

*Notes:*

(i) The trade in nature balance due from Luzhou Tianli Kindergarten represented management fees receivable for the provision of kindergarten management service provided by the Group. The non-trade nature balance as at 31 December 2017 represented interest-free advances granted to Luzhou Tianli Kindergarten.

(ii) All related parties' balances were unsecured, interest-free and had no fixed terms of repayments.

**(c) Transactions with related parties**

***(1) Construction of property, plant and equipment***

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Nanyuan Construction | **148,919** | 23,057 |
| Sichuan Jinchen | **–** | 19,627 |
| | **148,919** | 42,684 |

The considerations for the construction of property, plant and equipment were determined at prices mutually agreed between the Group and its related parties with reference to the benchmarking studies for similar transactions.

***(2) Rental of properties***

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Gulin Shengzhong | **96** | – |
| Tianli Real Estate | **128** | 162 |
| | **224** | 162 |

The Group rented certain properties from Gulin Shengzhong and Tianli Real Estate. Rental was charged based on prices mutually agreed between the Group and its related parties.

*(3) Provision of management services and sale of goods*

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Luzhou Tianli Kindergarten | **560** | 637 |

The amount represented fees charged for the provision of management service Luzhou Tianli Kindergarten, at prices mutually agreed between the Group and Luzhou Tianli Kindergarten.

*(4) Others*

During the Period, certain bank loans of the Group were secured by the assets or guaranteed by certain related parties of the Group. Details of these securities and guarantees are disclosed in note 15.

**(d) Compensation of key management personnel of the Group**

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Salaries, allowances and benefits in kind | **541** | 486 |
| Pension scheme contributions | **40** | 45 |
| | **581** | 531 |

## 21. EVENTS AFTER THE REPORTING PERIOD

In addition to the event detailed elsewhere in this announcement, the Group had the following events after the reporting period:

(a) As a result of the issue of the offer shares by the Company pursuant to the Global Offering (as defined in the Prospectus), the Directors were authorized to issue a total of 1,496,200,000 shares credited as fully paid at par to the persons whose names appeared on the register of members of the Company at the close of business on 24 June 2018 by way of capitalisation of such sum standing to the credit of the share premium account of the Company, and the shares to be allotted and issued shall rank pari passu in all respects with the existing issued shares.

(b) On 12 July 2018, 500,000,000 ordinary shares of par value HK$0.1 each were issued at a price of HK$2.66 per share in connection with the Company's Global Offering. The proceeds of HK$50,000,000 (equivalent to approximately RMB42,510,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK$1,235,733,000 (equivalent to approximately RMB1,050,620,000) before issuing expenses were credited to the share premium account.

(c) On 25 July 2018, 75,000,000 over-allotment ordinary shares of par value HK$0.1 each were issued at a price of HK$2.66 per share. The proceeds at HK$7,500,000 (equivalent to approximately RMB6,492,000) representing the par value, were credited to the Company's share capital. The remaining over-allotment proceeds of approximately HK$185,401,000 (equivalent to approximately RMB160,483,000) before issuing expenses were credited to the share premium account.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

Established in 2002, we are a leading private education service provider in Western China. We primarily offer K-12 educational services, supplemented by tutoring services for K-12 students and pre-kindergarten children. In terms of student enrollment in 2017, we are the second largest private K-12 school operator in Western China, according to the Frost and Sullivan Report as disclosed in the prospectus issued by the Company on 28 June 2018 (the "**Prospectus**"). As at 30 June 2018, we have approximately 21,944 students enrolled in the K-12 schools in our school network, representing an increase of 31.3% comparing with approximately 16,710 students enrolled as at 30 June 2017.

### Our Schools and Education Curriculum

We have established a school network consisting of (i) self-owned schools and a self-owned early childhood education center which are owned and operated by us, (ii) entrusted schools to which we provide management services, and (iii) franchised early childhood education centers to which we have licensed the right to use our brand. As of 30 June 2018, our school network consisted of 13 K-12 schools in operation, which administered four high school programs, six middle school programs, eight elementary school programs and six kindergarten programs, 11 tutorial centers and four early childhood education centers across eight cities in China. All of our self-owned K-12 schools and tutorial centers in operation are not-for-profit private schools, except for Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. and Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd..

### Our Education Philosophy

Our fundamental educational philosophy is premised on the development of each child's strengths and potential and promotion of life-long learning and growth. The core of our educational philosophy is "Six Establishments and One Accomplishment (六立一達)", which represents the seven crucial objectives we encourage our students to achieve – sound health, morality, wisdom, behavior, mind and creativity and a positive influence on society in addition to self-realization (「立身, 立德, 立學, 立行, 立心, 立異, 達人」). We design and develop our educational programs to reflect this concept, emphasizing the importance of solid academic performance in core subject areas such as Mathematics, Science, Language and History, at the same time encouraging our students to explore individual interests and enhance physical fitness, and nurturing students' creativity, communication skills, independent thinking and social responsibility.

### Student Placement and Education Quality

Since our inception, our students have consistently achieved outstanding results in various academic examinations and contests, as well as in extra-curricular activities. For the financial year ended 31 December 2017, approximately 95.6% of the graduating high school students of our schools with high school programs which have graduating classes who participated in the Gaokao in the cities in which the relevant schools are located were admitted to universities in China, and approximately 71.6% were admitted to first-tier universities in China. In addition, during the past three financial years ended as at 31 December 2017, 16 of our middle school students won second-grade prizes and 19 won third-grade prizes in national academic contests, and our elementary school students have received various prizes in arts, language skills and scientific innovation contests.

### Centralized management

We have established a centralized and standardized management system which we believe is essential to the success of our business as it enables us to integrate our resources, enhance our operating efficiency and ensure the quality of our educational services. Leveraging our management system, we have been able to quickly expand our school network into new geographic locations and at the same time implement our quality standards across our school network.

### Expansion strategy and recent development

With an increasing demand for quality K-12 education in the PRC, we plan to explore opportunities in new geographic locations and gradually expand our school network to more second- and third-tier cities in and outside Sichuan Province. We expect to open new K-12 schools in Chengdu, Dazhou, Hejiang, Deyang and Ziyang in Sichuan Province, Ulanqab in Inner Mongolia, Xiangtan in Hunan Province and Dongying in Shandong Province in the next three years. Please refer to the section headed "Business – Our K-12 Schools under Development and Planning'' in the Prospectus for more information.

We opened one new K-12 school during the six months ended 30 June 2018, namely Affiliated Green Rhyme Kindergarten of Luzhou Tianli School (瀘州天立綠韵幼兒園), and we are actively exploring opportunities in other second- and third-tier cities for our future expansion. As of the date of this announcement, we had entered into agreements to open six K-12 schools in 2018 and five K-12 schools in 2019. We believe our deep understanding of the K-12 education market in second- and third-tier cities in Sichuan Province, support for private K-12 education from the local governments, our position as a market leader and the potential of our target markets are highly favorable to our continued successful expansion both in and outside of Sichuan Province.

Of the K-12 schools stated as "under planning" and "under development" in the Prospectus[1], we have signed agreements during the six months ended 30 June 2018, pursuant to which the land use rights for the construction of Chengdu West District Tianli School (成都西區天立學校) and Chengdu Tianli Elementary School (成都天立小學) have been transferred to us. As at the date of this announcement, the procedures in relation to the land transfer have been completed for Dazhou Tianli International School (達州天立國際學校) and Dongying Tianli School (東營天立學校).

### *Business Collaborations*

Historically, we developed and expanded our school network mainly through the establishment of our own schools. As the reputation of our "Tianli'' brand continues to grow, we have been able to leverage our reputation and experience as a premium school operator to expand our school network by partnering with local governments and other third parties. We set out below details of such recent arrangements:

[1] For details, please refer to the section headed "Business – Overview of our School Network – Our K-12 Schools" in the Prospectus.

*Management agreement with Luzhou Huixing Investment Company Limited*

In June 2018, we entered into a school management agreement with Luzhou Huixing Investment Company Limited, the school sponsor of Luxian Tianli Primary School (瀘縣天立小學) for a term of 20 years from 1 September 2019. Pursuant to the agreement, we will be responsible for managing the school and the school sponsor is responsible for the construction of the school. We are entitled to a management fee equal to a fixed percentage of the profit earned by the school calculated pursuant to the terms of the agreement. It is expected that, subject to the conditions stated in the agreement, the school will commence its operation by September 2019 with 1,845 kindergarten students and elementary school students.

*Investment agreement with the government of Luzhou Longma Tan District*

In July 2018, through Shenzhou Tianli, we entered into an investment agreement with the government of Luzhou Longma Tan District for the construction of a school to be located at Luzhou City, Longma Tan District, Sichuan Province and to be called Luzhou Tianli Flagship School. It is expected that the school will accommodate 5,000 of kindergarten students, elementary school students and middle school students. We will be responsible for the development and operation of the school. The total planned target investment for this school amounted to RMB586 million. The government of Luzhou Longma Tan District agreed to sell the piece of land to us for the construction of the school through listing sale and will be responsible for the coordination of the relevant governmental authorities to accomplish this project. It is expected that, subject to the conditions stated in the agreement, the school will commence its operation by September 2019.

*Investment agreement with Zunyi Puxin New District Management Committee*

In July 2018, through Shenzhou Tianli, we entered into an investment agreement with Zunyi Puxin New District Management Committee for the construction of a school to be located at Zunyi City, Puxin New District, Guizhou Province and to be called Zunyi Tianli International School. It is expected that the school will accommodate 5,000 of kindergarten students, elementary school students, middle school students and high school students. We will be responsible for the development and operation of the school. The total planned target investment for this school amounted to RMB500 million. Zunyi Puxin New District Management Committee agreed to sell the piece of land to us for the construction of the school through listing sale and will be responsible for the coordination of the relevant governmental authorities to accomplish this project. It is expected that, subject to the conditions stated in the agreement, the school will commence its operation by September 2019.

### *Other Development*

*Termination of the school management agreement regarding a kindergarten in Ulanqab*

We entered into a school management agreement with the school sponsor of a kindergarten in Ulanqab in March 2017. The term of this management agreement is 20 years, we will be managing this school and in exchange we are entitled to a management fee equal to a fixed percentage of the profit earned by the kindergarten every year. Since the school sponsor failed to deliver the kindergarten properties and obtain the relevant government permits and approvals in a timely manner according to the school management agreement, the parties have agreed to terminate the agreement in August 2018. We have not started to manage the kindergarten and therefore no substantial costs have been incurred. Since the projected revenue under the school management agreement is not significant, we are of the view that the termination of the said school management agreement does not have material adverse impact on the operation or the financial position of the Group.

## BUSINESS OPERATION AND GROWTH

### Revenue

The following table sets forth information about the revenue of our self-owned K-12 schools, which were in operation as of 30 June 2018, and the average revenue per student during the six months ended 30 June 2017 and 2018.

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | **2018** |
| | *(RMB '000)* | |
| **Revenue** | | |
| Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園) | N/A | **6,490** |
| Guangyuan Tianli International School (廣元天立國際學校) | 29,888 | **43,189** |
| Cangxi Tianli School (蒼溪天立學校) | N/A | **2,354** |
| Luzhou Tianli School (瀘州天立學校) | 44,898 | **52,216** |
| Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學) | 18,548 | **18,037** |
| Tianli Kindergarten of Gulin County (古藺縣天立幼兒園) | 684 | **1,228** |
| Neijiang Tianli (International) School (內江天立（國際）學校) | 29,449 | **41,564** |
| Xichang Tianli (International) School (西昌天立（國際）學校) | 22,853 | **40,732** |
| Ya'an Tianli (School) (雅安天立學校) | N/A | **16,849** |
| Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校) | 65,683 | **71,125** |
| **Total** | 212,003 | **293,784** |
| **Average revenue per student[2]** | 14.0 | **14.5** |

**Average tuition fees and boarding fees per student of our K-12 schools**

The following table illustrates the information on average tuition fees and boarding fees per student by school programs during the six months ended 30 June 2018:

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | **2018** |
| | *(RMB '000)* | |
| **Average tuition and boarding fees per student of our self-owned K-12 school[1]** | | |
| High schools | 9.21 | **9.71** |
| Middle schools | 10.45 | **11.64** |
| Elementary schools | 12.15 | **11.36** |
| Kindergartens | 11.74 | **14.44** |

1. The average revenue per student of our self-owned K-12 schools is equal to the total revenue of our self-owned K-12 schools during January to June of that year, divided by the number of students of the spring term of that year.

**Information about our tutorial centers and early childhood education centers**

Our self-owned and entrusted tutorial centers offer tutoring services to K-12 students, and our franchised early childhood education centers offer tutoring services to pre-kindergarten children. The following table sets forth information about our tutorial centers and early childhood education centers in operation as of 30 June 2018:

| Location | Tutorial Centers | Early Childhood Education Center | Types of tutoring services offered | Commencement of operation/ (no. of centers) | Nature/ (no. of centers) |
|---|---|---|---|---|---|
| Chongqing | – | 1 | Early childhood tutoring services | 2017 (1) | Franchised (1) |
| Guangyuan | 1 | – | After-school tutoring services; Music, art and sports tutoring services | 2017 (1) | Self-owned (1) |
| Luzhou | 5 | 3 | After-school tutoring services; Music, art and sports tutoring services; Early childhood education; English tutoring services | 2011 (1)<br>2013 (1)<br>2014 (2)<br>2017 (4) | Self-owned (4)<br>Entrusted (2)<br>Franchised (2) |
| Neijiang | 1 | – | After-school tutoring services; Music, art and sports tutoring services | 2017 (1) | Self-owned (1) |
| Xichang | 1 | – | After-school tutoring services; Music, art and sports tutoring services | 2017 (1) | Self-owned (1) |
| Yibin | 3 | – | After-school tutoring services; Music, art and sports tutoring services | 2014 (1)<br>2015 (1)<br>2017 (1) | Self-owned (3) |

We evaluate the market demand and offer different courses with different class sizes in our self-owned tutorial centers and early childhood education center from time to time to satisfy various needs of students, and the tuition fees we charge vary according to (i) different categories of courses, (ii) class size (we generally charge a higher tuition fee rate for a course with a specific term if the class size is smaller), and (iii) the term of courses (the tuition fee rate of a course with a certain class size is usually higher if the course consists of more sessions). As a result, a change in the mix of courses of different tuition fee rates and the proportion of student enrollment in courses of different tuition fee rates will lead to a change in the average tuition per enrollment.

**Teachers**

PRC-certified teachers are crucial to our business, allowing us to maintain the quality of our educational services while undergoing expansion. The table below sets forth a breakdown of the number of full-time teachers employed by us as of the dates indicated:

| | **Six months ended 30 June** | |
|---|---|---|
| | 2017 | **2018** |
| Self-owned K-12 schools | 1,280 | **1,735** |
| Self-owned tutorial centers | 35 | **92** |
| **Total** | 1,315 | **1,827** |

We recruit teachers through different channels and methods, including campus recruitment, general public recruitment, assessment of candidates who apply through our recruitment procedures and the use of online recruiting websites. We offer internships to undergraduate students who major in education or related fields and who show promising potential during our recruiting process. We also actively seek experienced teachers from public and other private schools to expand our talent pool.

## MARKET REVIEW AND OUTLOOK

### Outlook for private education in China

Private education in China was first allowed under PRC law in early 1980s to bridge the shortage of public resources. Private education has since experienced rapid growth and become an important segment in the PRC education system. Private education is expected to develop further, mainly driven by strong policy support from the PRC government and the increasing demand from parents.

Development of China's private fundamental education market is driven primarily by the following factors:

- ***Chinese families' focus on children's education:*** In China, children's education has always been highly valued by parents. Parents are willing to incur high costs in order for their children to receive high-quality education. In addition, an increasing number of Chinese parents would like their children to receive differentiated education that is not exam-oriented, which is usually provided by premium private schools.

- ***Government support:*** Since the 1980s, the PRC government, both at the central and the local levels, has launched a series of policies to encourage the development of private education institutions. The PRC government also encourages private investment to invest in the education sector. In some regions, local governments have implemented favorable policies, such as providing free land or financial support for campus building, to attract renowned private school operators.

- ***Increase in private investment:*** With the continuous development of the PRC education sector and support from the PRC government, China's private fundamental education market has attracted increasing attention from private investors, and significant investments have been made by them in the form of private investment and initial public offering. We expect that private investors will continue to enter this sector and become an important funding channel for China's private fundamental education market.

- ***Increase in income and wealth:*** As China's economy grows, Chinese households' income and wealth have increased significantly. As such, Chinese parents are likely to increase their spending on education as most Chinese families highly value children's education.

- ***Relaxation of One-Child Policy:*** In previous years, student enrollment of China's private fundamental education market was negatively affected by the decreasing school-age population caused by low birth rate. The Two-Child Policy is expected to keep China's birth rate at a stable level, thus supporting the development of China's fundamental education market. The policy is likely to affect China's population starting from the end of 2016, and school-age population from 2019.

The expected revenue growth in the private fundamental education industry in Western China is mainly driven by the growth in both student enrollment and average tuition and miscellaneous fees. With the increasing number of school-age population and the enhancing preference and demand for private education, the total student enrollment of private fundamental education market in Western China is expected to increase continuously.

Owing to its large population, Sichuan Province is one of the largest private fundamental education markets in China in terms of student enrollment. In Western China, Sichuan Province also has the highest penetration rate of private fundamental education. The private fundamental education market in Sichuan Province has shown a steady growth from 2012 to 2016, and such increasing trend is expected to continue. The expected revenue growth in the private fundamental education industry in Sichuan province is mainly driven by the growth in both student enrollment and average tuition and miscellaneous fees. With the increasing number of school-age population and the enhancing preference and demand for private education, total student enrollment in private fundamental education market in Sichuan province is expected to increase continuously.

**Outlook for private tutoring market**

Private tutoring market can be divided into after-school tutoring, extra-curricular tutoring, and early childhood education centers. The total revenue of the private tutoring market in China has grown from RMB431.4 billion in 2012 to RMB747.2 billion in 2016, representing a CAGR of 14.7%. With increasing disposable income and growing emphasis on children's all-around development, more parents have decided to have their children learn at least one type of art, such as a musical instrument, painting and calligraphy. As higher education resources are very limited in China, it has become common for children in China to attend tutorial centers from a young age.

**Regulatory Update**

On 10 August 2018, the Ministry of Justice of the People's Republic of China issued Draft Amendments on the Implementation Rules for the Law for Promoting Private Education (the "**Amendment Law**") (《中華人民共和國民辦教育促進法實施條例(修訂草案) (送審稿)》) to seek views and comments on the proposed changes. After consulting the Company's PRC legal advisor, the Board is of the view that the Company is not yet in the position to assess the impact of the Amendment Law on its operation due to the ambiguity in the draft Amendment Law and the uncertainty in the legislative timetable of the Amendment Law. As at the date of this announcement, the draft Amendment Law is not a final draft and has not been approved or has not taken effect yet. There are uncertainties involved in the final version of the Amendment Law and its implementation. As at the date of this announcement, the Company's operation remained unaffected by the draft Amendment Law. The Company will closely monitor the development of the Amendment Law and will make further announcement as and when appropriate.

## FINANCIAL REVIEW

### Revenue

Our revenue includes tuition fees, boarding fees, canteen operation fees and management and franchise fees.

Our revenue increased by 34.5% from RMB229.3 million for the six months ended 30 June 2017 to RMB308.5 million for the six months ended 30 June 2018, primarily driven by an increase in student enrolment.

Revenue from tuition fees increased by 35.4% from RMB159.4 million for the six months ended 30 June 2017 to RMB215.9 million for the six months ended 30 June 2018, primarily as a result of an increase in the number of students enrolled in our existing self-owned K-12 schools as we increased the overall utilization rate of our self-owned K-12 schools and the opening of two new self-owned K-12 schools, Cangxi Tianli School and Ya'an Tianli International School, both of which commenced operations in 2017. The increase in revenue from tuition fees is also attributable to an increase in tuition fee rates for some of our self-owned K-12 schools. In the 2017/2018 school year, we raised the tuition fee rates for high schools, middle schools and elementary schools at our Luzhou campus by approximately 13.6%, 10.0% and 9.1%, respectively. We also raised tuition fee rates for high schools and middle schools in our Yibin campus by approximately 10.0% in the 2017/2018 school year.

Revenue from boarding fees increased by 30.1% from RMB22.9 million for the six months ended 30 June 2017 to RMB29.8 million for the six months ended 30 June 2018, primarily driven by an increase in student enrolment.

Revenue from school canteen and convenience store operations increased by 33.4% from RMB46.4 million for the six months ended 30 June 2017 to RMB61.9 million for the six months ended 30 June 2018, primarily as a result of increased student enrollment.

Revenue from management fees increased by 79.5% from approximately RMB555 thousand for the six months ended 30 June 2017 to approximately RMB996 thousand for the six months ended 30 June 2018, primarily because of an increase in management service fees received from Luzhou Tianli Talent Foreign Language School, Longmatan Tianli Talent Culture and Art Tutoring School and Affiliated Kindergarten of Luzhou Tianli School, which are based on an agreed fixed percentage of its revenue every year.

**Costs of Principal Activities**

Our cost of sales consists of labor costs, teaching related costs, depreciation and amortization, material consumption, utilities and others. The following table sets forth the components of our cost of sales for the periods indicated.

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | **2018** |
| | *(RMB'000)* | |
| Labor costs | 65,665 | **79,614** |
| Teaching related costs | 7,690 | **7,964** |
| Depreciation and amortization | 17,051 | **22,778** |
| Material consumption | 25,985 | **33,631** |
| Utilities | 4,488 | **6,029** |
| Others | 1,383 | **3,125** |
| Total | 122,262 | **153,141** |

Cost of sales increased by 25.2% from RMB122.3 million for the six months ended 30 June 2017 to RMB153.1 million for the six months ended 30 June 2018, primarily due to increases in material consumption costs, depreciation and amortization costs, and labor costs.

Labor costs increased by 21.2% from RMB65.7 million for the six months ended 30 June 2017 to RMB79.6 million for the six months ended 30 June 2018, primarily because we hired new teachers as a result of the increased student enrollment and the expansion of our school network while raising the salaries and wages of our teachers to attract and retain well-qualified teaching staff, partially offset by additional government grants related to operating costs from local government authorities for the six months ended 30 June 2018, most of which was applied against our labor costs for the six months ended 30 June 2018.

Teaching related costs increased by 3.9% from RMB7.7 million for the six months ended 30 June 2017 to RMB8.0 million for the six months ended 30 June 2018, primarily because of an increase in our teachers' teaching activities resulting from the increased student enrollment.

Depreciation and amortization costs increased by 33.3% from RMB17.1 million for the six months ended 30 June 2017 to RMB22.8 million for the six months ended 30 June 2018, primarily because we opened two self-owned K-12 schools in September 2017, and there was an increase in depreciation costs in Xichang Tianli (International) School during the six months ended 30 June 2018.

Material consumption costs increased by 29.2% from RMB26.0 million for the six months ended 30 June 2017 to RMB33.6 million for the six months ended 30 June 2018, primarily because of the increased student enrollment.

Utilities increased by 33.3% from RMB4.5 million for the six months ended 30 June 2017 to RMB6.0 million for the six months ended 30 June 2018, primarily because we incurred additional utility costs for our self-owned tutorial centers, which commenced operations in 2017, and the opening of two self-owned K-12 schools.

Other costs increased by 126.0% from approximately RMB1.4 million for the six months ended 30 June 2017 to approximately RMB3.1 million for the six months ended 30 June 2018, primarily because we incurred additional maintenance and rental costs for our self-owned tutorial centers, which commenced operations in 2017.

**Other Income and Gains**

Other income and gains primarily consist of interest income from bank deposits, other service income, gain on disposal of available-for-sale investments and rental income.

Other income and gains sharply increased from RMB3.1 million for the six months ended 30 June 2017 to RMB6.4 million for the six months ended 30 June 2018, primarily because of an increase in interest income from bank deposits.

**Gross Profit and Gross Profit Margin**

The Group's gross profit for the six months ended 30 June 2018 were approximately RMB155.4 million, representing an increase of 45.2% from approximately RMB107.0 million for the six months ended 30 June 2017. The Group's gross profit margin for the six months ended 30 June 2018 was approximately 50.4%, representing an increase of approximately 3.7 percentage points as compared to approximately 46.7% for the six months ended 30 June 2017.

**Administrative Expenses**

Administrative expenses primarily consist of (i) administrative staff costs, (ii) office administration expenses, which primarily consist of office supply and utilities and travelling, meal and training expenses incurred in connection with administrative activities, and (iii) listing expenses incurred by auditors and consultants.

Administrative expenses increased by 56.8% from RMB23.4 million for the six months ended 30 June 2017 to RMB36.7 million for the six months ended 30 June 2018, primarily as a result of an increase in administrative staff costs and non-recurring listing expenses.

Administrative staff costs increased by 37.0% from RMB15.4 million for the six months ended 30 June 2017 to RMB21.1 million for the six months ended 30 June 2018, primarily because we recruited additional administrative staff and management personnel for the two self-owned K-12 schools we opened in 2017.

Listing expenses increased by 429.4% from RMB1.7 million for the six months ended 30 June 2017 to RMB9.0 million for the six months ended 30 June 2018.

**Interest Expenses**

Interest expenses sharply increased from RMB2.4 million for the six months ended 30 June 2017 to RMB10.9 million for the six months ended 30 June 2018, primarily because of an increase in our outstanding loan from daily operating activities between January to June in 2018.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares of the Company were successfully listed on Main Board of the Stock Exchange on 12 July 2018. There has been no change in the capital structure of the Group since then. The capital of the Company only comprises of ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB331.6 million (31 December 2017: approximately RMB313.5 million).

As at 30 June 2018, the Group's total equity attributable to owners of the Company amounted to approximately RMB916.6 million (31 December 2017: approximately RMB812.3 million). As of the same date, the Group's total debt, includes all interest-bearing bank loans, amounted to approximately RMB1,347.8 million (31 December 2017: approximately RMB1,069.3 million).

The Directors believe that with the new capital from the Global Offering, the Group is in a healthy financial position to expand its business and achieve its business objectives.

## BORROWINGS AND GEARING RATIO

As at 30 June 2018, the Group had borrowings of approximately RMB531.6 million which was denominated in Renminbi (31 December 2017: approximately RMB462.3 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations and school constructions.

As at 30 June 2018, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 56.2% (31 December 2017: approximately 55.3%).

## CHARGE OVER ASSETS AND RIGHTS

Save as disclosed in note 15 under the section of "notes to interim condensed financial information", the Group did not have additional assets or rights pledged as at 30 June 2018 and 31 December 2017.

## FOREIGN CURRENCY RISK

The Group has no significant exposure to foreign currency risk because almost all of the Group's transactions are denominated in Renminbi ("**RMB**").

## TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash and cash equivalents and maintain a strong and healthy liquidity position to ensure that the Group is well placed to take advantage of future growth opportunities.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, there was no significant investment held, material acquisition and disposal of subsidiaries and associates by the Company during the six months ended 30 June 2018. There was no future plan for material investments or capitals assets as at 30 June 2018.

## CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

## CAPITAL COMMITMENTS

As at 30 June 2018, the Group had capital commitments contracted but not provided for property, plant and equipment amounting to RMB134.6 million (31 December 2017: RMB111.1 million).

## SEGMENT INFORMATION

The Group has determined that it only has one operating segment which is engaged in the provision of education and related management services.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed a total of 3,427 employees (30 June 2017: 2,546). The staff costs, including Directors' emoluments, of the Group were approximately RMB102.6 million for the six months ended 30 June 2018 (30 June 2017: approximately RMB82.2 million.)

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high-calibre staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance.

## USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK$1,285.73 million which will be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

## INTERIM DIVIDEND

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

## EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to 30 June 2018:

- As a result of the issue of the offer shares by the Company pursuant to the Global Offering (as defined in the Prospectus), the Directors were authorized to issue a total of 1,496,200,000 shares credited as fully paid at par to the persons whose names appeared on the register of members of the Company at the close of business on 24 June 2018 by way of capitalisation of such sum standing to the credit of the share premium account of the Company, and the shares to be allotted and issued shall rank pari passu in all respects with the existing issued shares.

- On 12 July 2018, 500,000,000 ordinary shares of par value HK$0.1 each were issued at a price of HK$2.66 per share in connection with the Company's Global Offering. The proceeds of HK$50,000,000 (equivalent to approximately RMB42,510,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK$1,235,733,000 (equivalent to approximately RMB1,050,620,000) before issuing expenses were credited to the share premium account.

- On 25 July 2018, 75,000,000 over-allotment ordinary shares of par value HK$0.1 each were issued at a price of HK$2.66 per share. The proceeds of HK$7,500,000 (equivalent to RMB6,492,000), representing the par value, were credited to the Company's share capital. The remaining over-allotment proceeds of approximately HK$185,401,000 (equivalent to approximately RMB160,483,000) before issuing expenses were credited to the share premium account.

## COMPETITION AND CONFLICT OF INTEREST

None of the Directors or the controlling shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) of the Company (the "**Controlling Shareholders**") or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group during the six months ended 30 June 2018.

## SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 24 June 2018 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations. Further details of the Scheme are set forth in the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix V to the Prospectus.

For the six months ended 30 June 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

## CORPORATE GOVERNANCE

The Directors are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules on the Stock Exchange. In the opinion of the Board, the Company has complied with the CG Code since the Listing Date up to the date of this announcement, except for the deviation from provision A.2.1 of the CG Code which is explained below:

According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Luo is the chairman of the Board and chief executive officer of the Company, responsible for strategic development, overall operational management and major decision making of the Group.

Mr. Luo is the founder of the Group and has been managing the Group's business and overall strategic planning since its establishment, the Directors thereby consider that the vesting of the roles of chairman and chief executive officer in Mr. Luo is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group, aligning the directions and approaches on the board level and execution level and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of its chairman and chief executive officer. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the period from the Listing Date up to the date of this announcement.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

As shares of the Company were not yet listed on the Stock Exchange for the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period.

## REVIEW OF INTERIM RESULTS

The independent auditors of the Company, namely, Ernst & Young, have carried out a review of the interim condensed financial information in accordance with the Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended 30 June 2018) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at (www.hkexnews.hk) and the Company's website at (http://www.sztljyjt.com). The interim report of the Company for the six months ended 30 June 2018 will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

## APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By order of the Board
**Tianli Education International Holdings Limited**
**Luo Shi**
*Chairman, Executive Director and Chief Executive Officer*

The PRC, 29 August 2018

*As at the date of this announcement, the Board comprises Mr. Luo Shi as chairman and executive Director, Ms. Yang Zhaotao and Mr. Wang Rui as executive Directors, Mr. Tian Mu as non-executive Director, and Mr. Liu Kai Yu Kenneth, Mr. Yang Dong and Mr. Cheng Yiqun as independent non-executive Directors.*