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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 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June			Percentage Change
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	Change RMB'000	
Revenue	882,490	570,654	311,836	54.6%
Gross Profit	413,401	275,262	138,139	50.2%
Profit for the period	273,797	210,242	63,555	30.2%
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
	RMB	RMB	RMB	
Basic	12.65 cents	10.22 cents	2.43 cents	23.8%
Diluted	12.57 cents	10.19 cents	2.38 cents	23.4%

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 condensed consolidated interim results of the Group for the six months ended 30 June 2021 (the “**Reporting Period**”). These interim results have been reviewed by the Company’s audit committee (the “**Audit Committee**”) and the Company’s external auditors, Ernst & Young.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	3	882,490	570,654
Cost of sales		<u>(469,089)</u>	<u>(295,392)</u>
Gross profit		413,401	275,262
Other income and gains	3	13,393	11,288
Selling and distribution expenses		(11,377)	(8,108)
Administrative expenses		(113,153)	(58,575)
Other expenses		(13,418)	(1,576)
Interest expenses	4	(13,337)	(7,395)
Share of profits/(losses) of:			
A joint venture		3,405	–
Associates		<u>1,630</u>	<u>(103)</u>
PROFIT BEFORE TAX	5	280,544	210,793
Income tax expense	6	<u>(6,747)</u>	<u>(551)</u>
PROFIT FOR THE PERIOD		<u>273,797</u>	<u>210,242</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Other comprehensive income/(loss) that will be reclassified to profit or loss in subsequent periods:			
Exchange differences related to translation of a foreign operation		<u>(85)</u>	<u>178</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>273,712</u>	<u>210,420</u>

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit attributable to:			
Owners of the Company		269,568	208,466
Non-controlling interests		4,229	1,776
		<u>273,797</u>	<u>210,242</u>
Total comprehensive income attributable to:			
Owners of the Company		269,483	208,644
Non-controlling interests		4,229	1,776
		<u>273,712</u>	<u>210,420</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	<u>RMB12.65</u> <u>cents</u>	RMB10.22 cents
Diluted	7	<u>RMB12.57</u> <u>cents</u>	RMB10.19 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>8</i>	5,102,622	3,801,800
Right-of-use assets	<i>9</i>	1,538,748	1,261,552
Goodwill	<i>10</i>	7,572	7,572
Other intangible assets		7,271	5,622
Investment in a joint venture		268,296	264,891
Investments in associates		98,929	97,299
Prepayments, deposits and other receivables	<i>12</i>	477,178	201,155
		<hr/>	<hr/>
Total non-current assets		7,500,616	5,639,891
CURRENT ASSETS			
Inventories		6,043	9,010
Trade receivables	<i>11</i>	3,450	739
Prepayments, deposits and other receivables	<i>12</i>	47,567	49,066
Amounts due from related parties	<i>23(b)</i>	1,882	95,692
Financial assets at fair value through profit or loss		359,650	68,550
Cash and cash equivalents	<i>13</i>	880,222	1,563,135
		<hr/>	<hr/>
Total current assets		1,298,814	1,786,192
CURRENT LIABILITIES			
Trade payables	<i>14</i>	26,404	30,030
Other payables and accruals	<i>15</i>	504,282	372,885
Contract liabilities	<i>16</i>	567,619	672,559
Interest-bearing bank loans	<i>18</i>	538,859	520,056
Amounts due to related parties	<i>23(b)</i>	799,980	270,444
Tax payable		9,535	4,011
Lease liabilities	<i>9</i>	19,732	7,477
Deferred income	<i>17</i>	461,897	376,491
		<hr/>	<hr/>
Total current liabilities		2,928,308	2,253,953
NET CURRENT LIABILITIES	<i>1</i>	(1,629,494)	(467,761)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,871,122	5,172,130

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Contract liabilities	<i>16</i>	47,387	48,399
Lease liabilities	<i>9</i>	191,192	90,202
Deferred income	<i>17</i>	1,174,420	907,145
Interest-bearing bank loans	<i>18</i>	950,750	773,250
		<hr/>	<hr/>
Total non-current liabilities		2,363,749	1,818,996
		<hr/>	<hr/>
Net assets		3,507,373	3,353,134
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>19</i>	184,042	184,042
Reserves		3,287,367	3,128,053
		<hr/>	<hr/>
		3,471,409	3,312,095
Non-controlling interests		35,964	41,039
		<hr/>	<hr/>
Total equity		3,507,373	3,353,134
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company											
	Issued capital <i>RMB'000</i> (unaudited) <i>(note 19)</i>	Share premium <i>RMB'000</i> (unaudited)	Shares repurchased for the share award scheme <i>RMB'000</i> (unaudited) <i>(note 20)</i>	Share award scheme reserve <i>RMB'000</i> (unaudited)	Capital reserve <i>RMB'000</i> (unaudited)	Difference arising from acquisition of non- controlling interests <i>RMB'000</i> (unaudited)	Statutory surplus reserves <i>RMB'000</i> (unaudited)	Exchange fluctuation reserve <i>RMB'000</i> (unaudited)	Retained profits <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)	Non- controlling interests <i>RMB'000</i> (unaudited)	Total equity <i>RMB'000</i> (unaudited)
As at 1 January 2021 (audited)	184,042	1,515,989*	(41,211)*	2,803*	563,558*	(824)*	137,958*	(338)*	950,118*	3,312,095	41,039	3,353,134
Profit for the period	-	-	-	-	-	-	-	-	269,568	269,568	4,229	273,797
Other comprehensive income for the period:												
Exchange differences on translation of a foreign operation	-	-	-	-	-	-	-	(85)	-	(85)	-	(85)
Total comprehensive income for the period	-	-	-	-	-	-	-	(85)	269,568	269,483	4,229	273,712
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Transfer from retained profits	-	-	-	-	-	-	6,819	-	(6,819)	-	-	-
Shares repurchased for the share award scheme	-	-	(22,404)	-	-	-	-	-	-	(22,404)	-	(22,404)
Shares awarded under the share award scheme	-	-	17,136	-	-	-	-	-	-	17,136	-	17,136
Offset with a dividend	-	-	1,729	-	-	-	-	-	-	1,729	-	1,729
Reduction in reserve due to shares awarded becoming vested	-	903	(29)	(874)	-	-	-	-	-	-	-	-
Final 2020 dividend declared	-	(112,102)	-	-	-	-	-	-	-	(112,102)	-	(112,102)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(10,453)	(10,453)
Equity-settled share award scheme expenses	-	-	-	5,797	-	-	-	-	-	5,797	-	5,797
Share issue expenses in respect of placing of shares in the prior year	-	(28)	-	-	-	-	-	-	-	(28)	-	(28)
Acquisition of non-controlling interests	-	-	-	-	-	(297)	-	-	-	(297)	149	(148)
As at 30 June 2021 (unaudited)	<u>184,042</u>	<u>1,404,762*</u>	<u>(44,779)*</u>	<u>7,726*</u>	<u>563,558*</u>	<u>(1,121)*</u>	<u>144,777*</u>	<u>(423)*</u>	<u>1,212,867*</u>	<u>3,471,409</u>	<u>35,964</u>	<u>3,507,373</u>
At 1 January 2020 (audited)	176,375	1,015,777	(42,489)	-	563,558	16,326	101,025	151	608,260	2,438,983	42,424	2,481,407
Profit for the period	-	-	-	-	-	-	-	-	208,466	208,466	1,776	210,242
Other comprehensive income for the period:												
Exchange differences on translation of foreign operation	-	-	-	-	-	-	-	178	-	178	-	178
Total comprehensive income for the period	-	-	-	-	-	-	-	178	208,466	208,644	1,776	210,420
Transfer from retained profits	-	-	-	-	-	-	23,893	-	(23,893)	-	-	-
Offset with a dividend	-	-	1,270	-	-	-	-	-	-	1,270	-	1,270
Final 2019 dividend declared	-	(77,668)	-	-	-	-	-	-	-	(77,668)	-	(77,668)
Equity-settled share award scheme expenses	-	-	-	1,480	-	-	-	-	-	1,480	-	1,480
Proceeds from shares awarded in the prior year under the share award scheme	-	-	8	-	-	-	-	-	-	8	-	8
At 30 June 2020 (unaudited)	<u>176,375</u>	<u>938,109*</u>	<u>(41,211)</u>	<u>1,480*</u>	<u>563,558*</u>	<u>16,326*</u>	<u>124,918*</u>	<u>329*</u>	<u>792,833*</u>	<u>2,572,717</u>	<u>44,200</u>	<u>2,616,917</u>

* These reserve accounts comprise the reserves of RMB3,287,367,000 (31 December 2020: RMB3,128,053,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<i>Notes</i>	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		280,544	210,793
Adjustments for:			
Depreciation of property, plant and equipment	<i>5</i>	58,699	49,490
Depreciation of right-of-use assets	<i>5</i>	19,157	11,848
Amortisation of intangible assets	<i>5</i>	394	139
Share of profits and losses of a joint venture and associates		(5,035)	103
Gain on disposal of financial assets at fair value through profit or loss	<i>5</i>	(6,330)	(110)
Loss on disposal of items of property, plant and equipment, net	<i>5</i>	19	69
Loss on cancellation of operating leases as a lessee		–	114
Equity-settled share award scheme expenses	<i>5</i>	5,797	1,480
Unrealised foreign exchange gains/(losses), net		5,225	(5,367)
Bank interest income	<i>5</i>	(1,933)	(3,532)
Deferred income released to profit or loss	<i>17</i>	(139,819)	(86,694)
Interest expenses	<i>4</i>	13,337	7,395
		230,055	185,728
Decrease/(increase) in inventories		2,967	(299)
Increase in trade receivables		(2,711)	(1,921)
Increase in prepayments, deposits and other receivables		(22,326)	(13,875)
Increase/(decrease) in trade payables		(3,626)	442
Decrease in contract liabilities		(105,952)	(129,679)
Receipt of government grants	<i>17</i>	492,500	446,305
Increase in other payables and accruals		130,085	44,868
Cash generated from operations		720,992	531,569
Income tax paid		(1,223)	(647)
Net cash flows from operating activities		719,769	530,922

	<i>Notes</i>	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(1,058,695)	(558,859)
Purchases of intangible assets		(374)	(3,613)
Prepaid land lease payments		(426,874)	(290,916)
Prepaid building lease payment		(13,750)	–
Proceeds from disposal of items of property, plant and equipment		37	50
Purchase of financial assets at fair value through profit or loss		(341,100)	(107,803)
Proceeds from disposal of financial assets at fair value through profit or loss		56,330	105,813
Proceeds from disposal of a subsidiary in the prior year		2,010	–
Advances given to related parties		(54,513)	–
Repayment of advances given to related parties		146,313	–
Decrease in time deposits with original maturity of over three months		–	180,434
Bank interest received		1,933	3,918
Net cash flows used in investing activities		<u>(1,688,683)</u>	<u>(670,976)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses in respect of placing of shares in the prior year		(28)	–
Dividend received from share award scheme		–	1,270
Repurchase of shares held for share award scheme		(22,404)	–
Proceeds from shares awarded under share award scheme		17,136	400
Capital contribution from a non-controlling shareholder of a subsidiary		1,000	–
Acquisition of non-controlling interests		(148)	–
Proceeds from bank loans		289,730	736,000
Repayment of bank loans		(93,427)	(181,000)
Advances received from a related party		338,777	–
Repayment of advances from a related party		(71,645)	–
Dividends paid		(112,102)	(77,668)
Dividends paid to a non-controlling shareholder of a subsidiary		(10,453)	–
Principal portion of lease payments		(4,015)	(1,621)
Interest portion of lease liabilities		(1,095)	(1,044)
Interest paid		(40,015)	(17,774)
Net cash flows from financing activities		<u>291,311</u>	<u>458,563</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	13	1,563,135	450,995
Effect of foreign exchange rate changes, net		(5,310)	5,545
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>880,222</u></u>	<u><u>775,049</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 (the “**Period**”) has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated 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 annual financial statements for the year ended 31 December 2020.

Going concern

The Group recorded net current liabilities of RMB1,629,494,000 as at 30 June 2021. Therein the Group recorded a current portion of contract liabilities and deferred income of RMB567,619,000 and RMB461,897,000, respectively, as at 30 June 2021.

In view of the net current liability 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. Having considered the cash flows from operations and the positive operating results, the Directors are of the opinion that 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 consolidated financial information of the Group for the six months ended 30 June 2021 on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following amendments to the existing standards for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions

The Group has assessed the impact of the adoption of these amendments and concluded that these amendments did not have any significant financial impact on the financial position and performance of the Group.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<i>Revenue from contracts with customers</i>		
Educational services	682,856	461,012
Canteen operations	188,402	107,815
Study trip services	4,740	–
Management and franchise fees	4,676	1,827
Supply chain management services	1,816	–
	<u>882,490</u>	<u>570,654</u>
Total revenue	<u>882,490</u>	<u>570,654</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	188,402	107,815
Services transferred over time	694,088	462,839
	<u>882,490</u>	<u>570,654</u>
Total revenue from contracts with customers	<u>882,490</u>	<u>570,654</u>

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within one year	567,619	672,559
More than one year	47,387	48,399
	<u>615,006</u>	<u>720,958</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income and gains		
Bank interest income	1,933	3,532
Other service income	2,323	1,177
Foreign exchange gains, net	–	5,863
Gain on disposal of financial assets at fair value through profit or loss	6,330	110
Rental income	444	320
Others	2,363	286
	<hr/>	<hr/>
Total other income and gains	13,393	11,288
	<hr/> <hr/>	<hr/> <hr/>

4. INTEREST EXPENSES

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank loans	41,134	17,522
Less: Interest capitalised (<i>note 8(b)</i>)	(31,447)	(13,192)
	<hr/>	<hr/>
Interest on lease liabilities	9,687	4,330
	3,650	3,065
	<hr/>	<hr/>
	13,337	7,395
	<hr/> <hr/>	<hr/> <hr/>
Interest rate of borrowing costs capitalised (%)	5.39-7.35	5.73-7.13
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cost of inventories sold		106,064	48,994
Cost of services provided		363,025	246,398
		469,089	295,392
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		382,924	252,410
Pension scheme contributions (defined contribution scheme)		32,454	17,950
Welfare		34,386	25,100
Housing fund (defined contribution scheme)		10,826	8,826
Less: Government grants released	17	(139,819)	(86,694)
Subsidies received		(7,182)	(9,160)
		313,589	208,432
Depreciation of items of property, plant and equipment*	8	58,699	49,490
Depreciation of right-of-use assets*	9	19,157	11,848
Amortisation of other intangible assets		394	139
Auditor's remuneration		1,200	1,200
Bank interest income	3	(1,933)	(3,532)
Loss on disposal of property, plant and equipment, net		19	69
Loss on cancellation of operating leases as a lessee		–	114
Gain on disposal of financial assets at fair value through profit or loss	3	(6,330)	(110)
Lease payments not included in the measurement of lease liabilities	9	2,494	941
Research expenses		5,389	1,452
Equity-settled share award scheme expenses	20	5,797	1,480
Foreign exchange losses/(gains), net		7,322	(5,863)
Rental income		(444)	(320)

* The depreciation of items of property, plant and equipment and depreciation of right-of-use assets of RMB53,038,000 and RMB18,230,000, respectively (Six months ended 30 June 2020: the depreciation of items of property, plant and equipment and depreciation of right-of-use assets of RMB44,143,000 and RMB11,124,000, respectively) for the Period are recorded in "Cost of sales" in profit or loss.

6. INCOME TAX

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:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current – Mainland China Charge for the period	<u>6,747</u>	<u>551</u>

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 the Cayman Islands and British Virgin Islands.
- (b) The applicable corporate income tax (“CIT”) rate for a Hong Kong-incorporated subsidiary was 16.5% during the Period and the six months ended 30 June 2020. 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 2020.
- (c) Pursuant to the People’s Republic of China (“PRC”) Income Tax Law and the respective regulations, except for Tibet Yongsi, all the Group’s non-school subsidiaries established in the PRC were subject to the PRC CIT at a rate of 25% during the Period and the six months ended 30 June 2020.
- (d) During the Period, Tibet Yongsi was entitled to a preferential PRC CIT rate of 15% as its business scope falls within the scope of the encouraged industries, one of which is the education industry, under the “Western Development Policy”.
- (e) According to the Implementation Rules for the Law for Promoting Private Education (the “**Implementation Rules**”), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy preferential tax treatments as public schools. As a result, the Group’s formal education services income from elementary schools, middle schools and existing not-for-profit high schools (“**Certain Formal Education Services Income**”) are applicable to the above-mentioned preferential tax treatments. In accordance with the historical tax returns filed with the relevant tax authorities and the confirmations obtained therefrom, there was no corporate income tax imposed on the Group’s private schools in respect of Certain Formal Education Services Income. As a result, no income tax expense was recognised for these schools in respect of Certain Formal Education Services Income during the Period and the six months ended 30 June 2020.
- (f) For high schools registered as for-profit private schools, their assessable profits are taxed at 25%.
- (g) Kindergartens and tutoring schools are qualifying entities under the preferential income tax reduction policy for small-scaled minimal profit enterprises. Under the preferential tax policy, the first RMB1 million of taxable income of these schools is taxed at 5% and taxable income within RMB1 million to RMB3 million is taxed at 10%.

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 the six months ended 30 June 2021, and the weighted average number of ordinary shares in issue during the Period, as adjusted to reflect the shares repurchased under the share award scheme during the Period.

The calculation of the diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation and the number of unvested ordinary shares that would have been issued under the share award scheme when they become vested.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	<u>269,568</u>	<u>208,466</u>
	Number of shares	
	For the six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue	2,166,000,000	2,075,000,000
Effect of the weighted average number of ordinary shares repurchased under the share award scheme	<u>(34,358,600)</u>	<u>(34,355,000)</u>
Adjusted weighted average number of ordinary shares used in the basic earnings per share calculation	<u>2,131,641,400</u>	<u>2,040,645,000</u>
Effect of dilution:		
Weighted average number of unvested ordinary shares granted under the share award scheme	<u>12,585,600</u>	<u>7,724,000</u>
Adjusted weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>2,144,227,000</u>	<u>2,048,369,000</u>

8. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the Period are as follows:

	Property, plant and equipment RMB'000 (Unaudited)
Carrying amounts at 1 January 2021	3,801,800
Additions	1,359,577
Disposals	(56)
Depreciation charged for the Period (note 5)	<u>(58,699)</u>
Carrying amounts at 30 June 2021	<u><u>5,102,622</u></u>

Notes:

- (a) As at 30 June 2021, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with a net carrying amount of approximately RMB1,844,804,000 (31 December 2020: RMB1,551,875,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.
- (b) Interest expenses capitalised as part of property, plant and equipment by the Group during the Period amounted to RMB31,447,000 (six months ended 30 June 2020: RMB13,192,000) (note 4).

9. LEASES

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the Period are as follows:

	Right-of-use assets			Lease liabilities RMB'000 (Unaudited)
	Leasehold land RMB'000 (Unaudited)	Buildings and other premises RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	
As at 1 January 2021	1,181,497	80,055	1,261,552	97,679
Additions	167,898	128,455	296,353	114,705
Depreciation charged	(14,409)	(4,748)	(19,157)	–
Interest expense	–	–	–	3,650
Payments	–	–	–	<u>(5,110)</u>
As at 30 June 2021	<u><u>1,334,986</u></u>	<u><u>203,762</u></u>	<u><u>1,538,748</u></u>	<u><u>210,924</u></u>

The Group recognised rental expenses from short-term leases of RMB2,494,000 (note 5) for the Period (six months ended 30 June 2020: RMB941,000).

10. GOODWILL

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. However, management did not identify any significant adverse changes in the operating results and macro environment in the six months ended 30 June 2021, and the Company's management has concluded there was no impairment indicator of goodwill as at 30 June 2021. Accordingly, the Company's management did not perform impairment testing on goodwill as at 30 June 2021.

11. TRADE RECEIVABLES

An ageing analysis of trade receivables as at the end of the reporting period, based on the transaction date, is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 3 months	3,450	739

Trade receivables as at the end of the reporting period are not individually nor collectively considered to be impaired. None of the above trade receivables is either past due or impaired.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
<i>Current portion:</i>		
Security deposits related to construction of schools	4,817	10,911
Other deposits	114	2,211
Prepayments	9,956	7,667
Advances to staff	22,689	12,275
Advances to third parties	1,833	1,833
Deductible input value-added tax	1,934	2,027
Prepayment for equity investment	–	8,640
Other receivables	6,224	3,502
	47,567	49,066
<i>Non-current portion:</i>		
Prepayments for property, plant and equipment*	22,176	29,014
Deductible input value added tax	81,130	55,576
Prepayment for other intangible assets	2,816	4,485
Prepayment for the acquisition of land use rights	371,056	112,080
	477,178	201,155
Total	524,745	250,221

* Included in the prepayments for property, plant and equipment is a prepayment paid to a related party, Sichuan Nanyuan Construction Co., Ltd. (“**Nanyuan Construction**”), amounting to RMB4,851,000 (31 December 2020: RMB23,586,000) (note 23(b)).

13. CASH AND CASH EQUIVALENTS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Cash and bank balances	813,166	1,495,602
Time deposits with original maturity of less than three months	67,056	67,533
Cash and cash equivalents	880,222	1,563,135

The Group's cash and bank balances and time deposits are denominated in the following currencies:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
RMB	683,368	661,017
HK\$	110,094	708,348
US\$	86,760	193,770
	880,222	1,563,135

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

14. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the Period, based on the invoice date, is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 3 months	26,024	29,064
Over 3 months and within 6 months	73	–
Over 6 months	307	966
	26,404	30,030

15. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Accrued bonuses and other employee benefits	253,276	184,820
Miscellaneous advances from students*	135,927	86,351
Payables for purchase of property, plant and equipment	51,372	51,179
Deposits	29,293	17,714
Interest payable	1,315	196
Other payables and accrued expenses	33,099	32,625
	<u>504,282</u>	<u>372,885</u>

* The balances mainly represented miscellaneous advances received from students for the purchase of uniforms and textbooks on their behalf.

16. CONTRACT LIABILITIES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Educational services	583,450	683,015
Canteen operations	28,097	35,706
Others	3,459	2,237
	<u>615,006</u>	<u>720,958</u>
Current portion	567,619	672,559
Non-current portion (<i>note</i>)	47,387	48,399
	<u>615,006</u>	<u>720,958</u>

Note: The amounts represent educational services fees received in advance from the Xichang City Government as consideration to admit a certain number of students designated by the Xichang City Government for 30 years since the start of operation of Xichang Tianli International School.

There were no contract assets at the end of the reporting period recognised in the consolidated statement of financial position.

17. DEFERRED INCOME

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
<i>Government grants related to expense items</i>		
At the beginning of period/year	1,283,636	603,379
Government grants received	492,500	923,966
Released to profit or loss (<i>note 5</i>)	(139,819)	(243,709)
	<u>1,636,317</u>	<u>1,283,636</u>
At the end of period/year		
Current	461,897	376,491
Non-current	1,174,420	907,145
	<u>1,636,317</u>	<u>1,283,636</u>
Total		

Various government grants have been received mainly 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.

18. INTEREST-BEARING BANK LOANS

	30 June 2021 (unaudited)			31 December 2020 (audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	1.250-6.000	2022	322,109	1.250-6.000	2021	323,306
Current portion of long-term bank loans – secured	5.290-7.350	2022	<u>216,750</u>	5.290-7.350	2021	<u>196,750</u>
			<u>538,859</u>			<u>520,056</u>
Non-current						
Bank loans – secured	5.290-7.350	2023-2030	<u>950,750</u>	5.290-7.350	2022-2030	<u>773,250</u>
			<u>1,489,609</u>			<u>1,293,306</u>

Notes:

The Group's bank loans are secured by:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
<i>Secured by:</i>		
Equity interests in certain subsidiaries	92,379	93,306
Rights over educational services fees of certain schools	200,000	200,000
Both equity interests and rights over educational services fees*	1,147,500	950,000
	1,439,879	1,243,306
Guaranteed by Xizang Yongsu Technology	49,730	50,000
Total	1,489,609	1,293,306

* In addition, Mr. Luo Shi ("Mr. Luo") has guaranteed the Group's bank loans of RMB81,000,000 and RMB90,000,000 as at 30 June 2021 and 31 December 2020, respectively.

19. SHARE CAPITAL

Shares

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
2,166,000,000 ordinary shares of HK\$0.1 each	216,600	216,600
Equivalent to approximately (<i>in RMB'000</i>)	184,042	184,042

20. RESTRICTED SHARE AWARD SCHEME

The following awarded shares were outstanding under the restricted share award scheme at the end of the reporting period:

	Number of shares purchased for the scheme	Number of awarded shares
At 1 January 2021	<u>26,631,000</u>	<u>6,951,600</u>
Purchased and withheld during the Period	7,193,000	–
Granted during the Period	(7,140,000)	7,140,000
Forfeited during the Period	<u>851,400</u>	<u>(851,400)</u>
At 30 June 2021	<u>27,535,400</u>	<u>13,240,200</u>

During the Period, the total restricted share award scheme expenses of RMB5,797,000 (note 5) were charged to profit or loss (six months ended 30 June 2020: RMB1,480,000).

21. DIVIDEND

On 31 August 2021, the board of directors declared an interim dividend of HK4.56 cents (six months ended 30 June 2020: Nil), which is equivalent to approximately RMB3.79 cents, per ordinary share. The total interim dividend is approximately HK\$98,770,000 (six months ended 30 June 2020: Nil), which is equivalent to approximately RMB82,091,000.

22. COMMITMENTS

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Contracted but not provided for: Property, plant and equipment	<u>929,279</u>	<u>1,172,238</u>

23. 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
Gulin Tianli Shengzhong Industry Co., Ltd ("Gulin Shengzhong")	A company controlled by Mr. Luo
Nanyuan Construction	A company controlled by Mr. Luo
Luzhou Tianli Property Management Co., Ltd. ("Luzhou Tianli Property")	A company controlled by Mr. Luo
Sichuan Tianli Times Aviation Technology Co., Ltd. ("Sichuan Tianli Times Aviation")	A company controlled by Mr. Luo
Shenzhou Tianli Investment Group Co., Ltd. ("Shenzhou Tianli Investment")	A company controlled by Mr. Luo
Chengdu Shenzhou Tianli Education Consulting Co., Ltd ("Chengdu Shenzhou Tianli")	A joint venture of the Company
Affiliated Kindergarten of Luzhou Tianli School ("Luzhou Tianli Kindergarten")	An associate of the Company

In addition to the transactions detailed elsewhere in this interim condensed consolidated financial information, the Group had the following transactions with related parties:

(b) Outstanding balances with related parties

		30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
<i>Amounts due from related parties</i>			
<i>Trade in nature</i>			
Luzhou Tianli Kindergarten	(i)	15	15
<i>Non-trade in nature</i>			
Luzhou Tianli Property		20	20
Luzhou Tianli Kindergarten		1,847	1,839
Chengdu Shenzhou Tianli		–	89,508
Sichuan Tianli Times Aviation		–	2,300
Shenzhou Tianli Investment		–	2,010
		1,867	95,677
Total		1,882	95,692

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
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Prepayments, deposits and other receivables

Non-trade in nature

Nanyuan Construction	4,851	23,586
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Amounts due to related parties

Non-trade in nature

Nanyuan Construction	532,848	270,444
Chengdu Shenzhou Tianli	267,132	–
	799,980	270,444

Notes:

- (i) Included in the amount due from Luzhou Tianli Kindergarten represented management fees receivable for the provision of kindergarten management service provided by the Group amounting to RMB15,000 as at 30 June 2021 (31 December 2020: RMB15,000).
- (ii) Except for the amounts due from related parties as disclosed in note (i) above and the prepayments made to Nanyuan Construction in relation to the construction services to be provided by Nanyuan Construction, the amounts due from related parties were unsecured, interest-free and had no fixed terms of repayment.

(c) Transactions with related parties

(1) Construction of property, plant and equipment

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Nanyuan Construction	1,276,426	739,891

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) Provision of management services and sale of goods

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Luzhou Tianli Kindergarten	244	81

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

(3) *Advances given and repayment of advances given*

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Advances given to:		
Chengdu Shenzhou Tianli	54,505	–
Luzhou Tianli Kindergarten	8	–
	<u>54,513</u>	<u>–</u>
Repayment of advances given:		
Chengdu Shenzhou Tianli	144,013	–
Sichuan Tianli Times Aviation	2,300	–
	<u>146,313</u>	<u>–</u>

(4) *Advances received and repayment of advances received*

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Advances received from:		
Chengdu Shenzhou Tianli	<u>338,777</u>	<u>–</u>
Repayment of advances received:		
Chengdu Shenzhou Tianli	<u>71,645</u>	<u>–</u>

(5) *Others*

During the Period, a bank loan of RMB81,000,000 (31 December 2020: RMB90,000,000) of the Group has been guaranteed by Mr. Luo. Details of this guarantee are disclosed in note 18 to the interim condensed consolidated financial information.

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	967	565
Equity-settled share award scheme expenses	240	383
Pension scheme contributions	48	4
	<u>1,255</u>	<u>952</u>

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Financial assets at fair value through profit or loss	359,650	68,550
Long-term interest-bearing bank loans	950,750	773,250
	<u>1,310,400</u>	<u>841,800</u>
	Fair values	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Financial assets at fair value through profit or loss	359,650	68,550
Long-term interest-bearing bank loans	950,750	773,250
	<u>1,310,400</u>	<u>841,800</u>

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at 30 June 2021 was assessed to be insignificant.

The fair values of financial assets at fair value through profit or loss included in other current financial assets are measured using the expected return published by licensed banks.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
<i>Financial assets at fair value through profit or loss</i>				
30 June 2021	–	359,650	–	359,650
31 December 2020	–	68,550	–	68,550

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

25. EVENTS AFTER THE REPORTING PERIOD

There were no significant events for which additional disclosure or adjustments are required after the reporting period.

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 31 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Established in 2002, the Group is a leading comprehensive education service operator in Western region of the PRC. We provide customers with comprehensive education management and diversified services. As at 30 June 2021, we provide comprehensive education service to 58,190 students, representing an increase of 42.5% comparing with approximately 40,833 students as at 30 June 2020.

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 are committed to being the role model among our students through continuous contribution to the communities. In May 2021, the Group was named as an outstanding enterprise in "10,000 enterprises assisting 10,000 villages (萬企幫萬村)" national poverty relief campaign.

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 six months ended 30 June 2021 (the "**Reporting Period**"), our graduating high school students of our schools participated in the National Higher Education Entrance Examination (known as "**Gaokao**") in the relevant cities where the schools are located. 93.2% of our Gaokao candidates in 2021 attained entry requirements of universities in the PRC, and approximately 67.1% attained the entry requirements of first-tier universities in the PRC, including 10 enrolled at Tsinghua University and 3 enrolled into Peking University. In addition, there were 4 our high school graduates enrolled into the world's top 50 universities, including 2 enrolled into the University of Sydney, 1 enrolled into the University of Manchester, and 1 enrolled into the University of Michigan during the Reporting Period.

Our Schools

With a strong presence in Sichuan province where the Group is based in, our school spans across 20 cities in Inner Mongolia, Shangdong, Henan, Guizhou, Jiangxi, Zhejiang and Yunnan. As at 30 June 2021, the Group owned and operated 26 self-owned schools and provided management services to 6 entrusted schools. Our schools principally provide students with comprehensive education services.

Apart from our principal operation in comprehensive education services, the Group has also provided extra-curricular classes in music, arts, sports and language in our Luzhou and Yibin tutorial centers, and licensed the right to use our brand to early childhood education centers in Chongqing and Luzhou during the Reporting Period.

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 at the dates indicated:

	Six months ended 30 June	
	2021	2020
Self-owned schools	3,607	2,538
Self-owned tutorial centers	41	80
Total	3,648	2,618

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 subjects and show promising potential during our recruiting process. We also actively recruit teachers with extensive experiences from public schools and other private schools to expand our talent pool.

As at 30 June 2021, we have approximately 58,190 students enrolled in the self-owned and entrusted schools in our school network, representing a year-on-year increase of 42.5%. This increase is driven by the increase in the number of students enrolled in existing schools, which utilization rates will continue to increase and the increase in the number of students enrolled in the newly opened self-owned schools.

Financially, our revenue increased by 54.6% from RMB570.7 million for the six months ended 30 June 2020 to RMB882.5 million for the Reporting Period, primarily driven by the increase of revenue from our self-owned schools. The following table sets forth the revenue generated from each type of fees in our network for the six months ended 30 June 2020 and 30 June 2021:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Comprehensive education services	668,214	446,903
Canteen operations	188,402	107,815
Training services	12,292	12,624
Early childhood education services	2,350	1,485
Management and franchise	4,676	1,827
Study trip services	4,740	–
Supply chain management services	1,816	–
Total	882,490	570,654

Self-owned School

All of our schools except kindergartens are boarding schools. We charge students enrolled in our self-owned schools comprehensive education services fees, which are generally paid in advance prior to the beginning of each school year. For our self-owned kindergartens, the fees are generally paid in advance at the beginning of every semester. During the Reporting Period, the Group recorded RMB668.2 million of revenue from comprehensive education services which represented 49.5% year-on-year increase and contributed to 75.7% of the Group's revenue for the Reporting Period, primarily driven by the increase in student enrollment.

Information about Our Tutorial Centers and Early Childhood Education Centers

The Group has also provided extra-curricular classes in music, arts, sports and language in self-owned tutorial centers, and licensed the right to use our brand to early childhood education centers during the Reporting Period. The following table sets forth information about our tutorial centers and early childhood education centers in operation as at 30 June 2021:

Tutorial centers

Location	Program	Nature	Number of centers
Luzhou	Music, art, sports and after-school classes	Self-owned	3
Yibin	Music, art, sports and language classes	Self-owned	2

Early childhood education center

Location	Program	Nature	Number of centers
Chongqing	Pre-school education	Franchised	1
Luzhou	Pre-school education	Self-owned	2
		Franchised	2

Self-owned Tutorial Centers

During the Reporting Period, the Group maintained a revenue of RMB12.3 million (2020: RMB12.6 million) from our self-owned tutorial centers.

Self-owned Early Childhood Education Center

As at 30 June 2021, we owned and operated 2 self-owned early childhood education centers in Luzhou. Due to an increase in the number of students, the revenue from self-owned early childhood centers increased to RMB2.4 million for the Reporting Period.

Management and Franchise Fees Received from Entrusted and Franchised Schools

During the Reporting Period, the Group provided school management services for 6 entrusted schools and licensed the right to use our brand to 3 franchised early childhood education centers.

Thanks to continuous improvement from the COVID-19 epidemic, revenue from management and franchise fees increased by 155.9% from approximately RMB1.8 million for the six months ended 30 June 2020 to approximately RMB4.7 million during the Reporting Period.

PROSPECTS

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, to enhance our operating efficiency and to ensure the quality of our educational services. With our management system, we have been able to quickly expand our school network to new geographic locations and at the same time implement our quality standards across our school network.

Looking forward, the Group will adhere to its strategic expansion nationwide through expansion of optimization with a focus of for-profit high schools, providing guidance for further diversified education. We are committed to strengthening our teaching quality and optimizing our “Six Establishments and One Accomplishment” education system. We strive for better services to our students and parents through excellence in school management and professionalism among our teaching staff. As a leading comprehensive education service operator, the Group serves as a complement of public education and contribute to the future pillars of our society.

We have entered into 6 agreements during the Reporting Period and 3 agreements subsequent to the Reporting Period to create enrollment capacity for approximately 24,000 students in Sichuan, Henan, Guangdong, Hunan, Guangxi, Yunnan, Shandong and Shaanxi, respectively.

REGULATORY UPDATES

In May 2021, the State Council of the People's Republic of China promulgated the Implementation Rules for the Law for Promoting Private Education (《民辦教育促進法實施條例》) (the “**2021 Implementation Rules**”) which will become effective on 1 September 2021. The 2021 Implementation Rules have set series of restrictions and guidelines on operation, taxation, shareholding structure, connected transactions and merge and acquisition of compulsory education.

However, uncertainties exist with respect to the interpretation and enforcement of the 2021 Implementation Rules. The Company will closely monitor the developments related to the 2021 Implementation Rules, and continue to assess the possible impacts on the Company following the implementation.

Subsequent to the Reporting Period, the Opinions on Further Reducing the Burden of Compulsory Education Students Homework and Off-campus Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “**Opinions**”) was issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the People's Republic of China in July. The Board believes that the Opinions will not have a material impact to the Group's operation and financial performance because the revenue from self-owned tutorial centers of the Group represented only 1.4% of the Group's revenue during the Reporting Period and 2.6% of the Group's revenue for the year ended 31 December 2020. Please refer to the announcement of the Company dated 26 July 2021 for details.

As a comprehensive education service operator, the Group will continue to comply with all applicable rules and regulations in relation to the provision of education services and provide high-quality comprehensive education services for our students on an ongoing-basis. Meanwhile, the Company will make further announcement(s) as and when appropriate in compliance with the Listing Rules and the applicable laws and regulations.

FINANCIAL REVIEW

Revenue

Our revenue includes comprehensive education services, canteen operations, training services, early childhood education services, study trip services, management and franchise and supply chain management services.

Our revenue increased by 54.6% from RMB570.7 million for the six months ended 30 June 2020 to RMB882.5 million for the Reporting Period, primarily driven by increase of revenue from comprehensive education services. During the Reporting Period, revenue from comprehensive education services increased by 49.5% from RMB446.9 million for the six months ended 30 June 2020 to RMB668.2 million for the Reporting Period as driven by an increase in student enrollment of our self-owned school.

Revenue from canteen operations increased by 74.7% from RMB107.8 million for the six months ended 30 June 2020 to RMB188.4 million for the Reporting Period, primarily as a result of increased student enrollment and resumption of canteen operation following to the improved conditions of the epidemic.

Revenue from training services saw a slight decrease by 2.6% from RMB12.6 million for the six months ended 30 June 2020 to RMB12.3 million for the Reporting Period. Revenue from early childhood education service increased by 58.2% from RMB1.5 million for the six months ended 30 June 2020 to RMB2.4 million for the Reporting Period because of an increase in number of students.

Revenue from management fees increased by 155.9% from RMB1.8 million for the six months ended 30 June 2020 to RMB4.7 million for the Reporting Period, primarily because of addition of 2 schools into our entrusted school network during the Reporting Period.

Revenue from study trip services and supply chain management service are RMB4.7 million and RMB1.8 million respectively for the Reporting Period.

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.

Category of costs	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Labour costs	249,735	169,382
Teaching related costs	17,031	10,067
Depreciation and amortization	71,661	55,408
Material consumption	106,064	48,994
Utilities	17,647	8,873
Others	6,951	2,668
Total	469,089	295,392

Labor costs increased by 47.4% from RMB169.4 million for the six months ended 30 June 2020 to RMB249.7 million for the Reporting Period, 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.

Teaching related costs increased by 69.2% from RMB10.1 million for the six months ended 30 June 2020 to RMB17.0 million for the Reporting Period, primarily because of an increase in our teaching activities resulting from the increased student enrollment.

Depreciation and amortization costs increased by 29.3% from RMB55.4 million for the six months ended 30 June 2020 to RMB71.7 million for the Reporting Period, primarily because we opened 6 self-owned schools which classes commenced in 2020/2021 school year.

Material consumption costs increased by 116.5% from RMB49.0 million for the six months ended 30 June 2020 to RMB106.1 million for the Reporting Period, primarily because of the increased student enrollment and resumption of canteen operation following to improved conditions of the epidemic.

Utilities costs increased by 98.9% from RMB8.9 million for the six months ended 30 June 2020 to RMB17.6 million for the Reporting Period, primarily because we incurred additional utility for the self-owned schools opened in 2020/2021 school year.

Other costs increased by 160.5% from approximately RMB2.7 million for the six months ended 30 June 2020 to approximately RMB7.0 million for the Reporting Period, primarily due to the increased maintenance costs for the existing campuses.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period was approximately RMB413.4 million, representing an increase of 50.2% from approximately RMB275.3 million for the six months ended 30 June 2020. The Group's gross profit margin for the Reporting Period was approximately 46.8%, representing a slight decrease from approximately 48.2% for the six months ended 30 June 2020 due to the year-on-year increase of costs arising from daily operation for resumption of classroom teaching after the recovery from the epidemic.

Other Income and Gains

Other income and gains primarily consist of interest income from bank deposits, other service income, gain on disposal of financial assets at fair value through profit or loss and rental income.

Other income and gains increased from RMB11.3 million for the six months ended 30 June 2020 to RMB13.4 million for the Reporting Period.

Administrative Expenses

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

Administrative expenses increased by 93.2% from RMB58.6 million for the six months ended 30 June 2020 to RMB113.2 million for the Reporting Period primarily driven by the increase of administrative staff costs and other expenses. The Group has gradually resumed ordinary operation as the epidemic continued to improve, driving an increase of operational expenses such as reimbursement of travelling costs of the executives of the Group.

Administrative staff costs increased by 91.1% from RMB38.4 million for the six months ended 2020 to RMB73.4 million for the Reporting Period. As the scale of the Group's operation continued to expand, the Group prepared to set up management teams for the new operations which become in place in the forthcoming year and enhanced the remuneration scheme for the existing management.

In order to reflect the core of our education philosophy "Six Establishments and One Accomplishment (六立一達)", we design and develop our education programs, namely the "Lida Program". Pursuant to the overall construction plan of Lida Program, the Group is conducting researches and will develop the products of Lida Program, including teaching materials, repositories, examination databases, courses and other resources, and the related expenses will be recognized as research expenditure or development expenditure, respectively, according to the research stage of the project. As such, the Group recorded research expenditure of approximately RMB5.4 million for the Reporting Period (six months ended 30 June 2020: RMB1.5 million).

Interest Expenses

Interest expenses increased from RMB7.4 million for the six months ended 30 June 2020 to RMB13.3 million for the Reporting Period, primarily because of increase in the average balances of bank loans.

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 2021, we had net current liabilities of approximately RMB1,629.5 million (31 December 2020: RMB467.8 million). The increase in net current liabilities was mainly attributable to (i) purchase of property, plant and equipment for the newly opened schools; and (ii) payment of dividends declared in 2020.

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. 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 financial information as a going concern basis.

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB880.2 million (31 December 2020: approximately RMB1,563.1 million).

The following table sets forth a summary of our cash flows for the periods indicated:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flow from operating activities	719,769	530,922
Net cash flow used in investing activities	(1,688,683)	(670,976)
Net cash flow from financing activities	291,311	458,563
Net (decrease)/increase in cash and cash equivalents	(677,603)	318,509
Effect of foreign exchange rate changes, net	(5,310)	5,545
Cash and cash equivalents at beginning of period	1,563,135	450,995
Cash and cash equivalents at end of the period	880,222	775,049

As at 30 June 2021, cash and cash equivalents amounted to RMB880.2 million. It also represented a decrease of RMB682.9 million compared with RMB1,563.1 million as at 31 December 2020. The decrease in cash and cash equivalents was primarily attributable to increase of land and construction costs for construction of new schools and expansion of existing campuses during the Reporting Period.

BORROWINGS AND GEARING RATIO

As at 30 June 2021, the Group had borrowings of approximately RMB1,489.6 million which was denominated in RMB (31 December 2020: RMB1,293.3 million). The Group's bank borrowings, which were all at fixed interest rates, were primarily used in financing the school constructions.

As at 30 June 2021, the gearing ratio of the Group, calculated as the total interest-bearing borrowings divided by the total assets, was approximately 16.9% (31 December 2020: approximately 17.4%).

CHARGE OVER ASSETS AND RIGHTS

Save as disclosed in note 18 under the section of "Notes to financial statements", the Group did not have additional assets or rights pledged as at 30 June 2021 and 30 June 2020.

FOREIGN CURRENCY RISK

The functional currency of the Company is RMB, except that the functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at 30 June 2021, certain cash and bank balances and time deposits are denominated in RMB, HKD and USD, which would expose the Group to foreign currency risk. The Group has not used any foreign currency swap contracts to reduce the exposure to USD and HKD arising from bank balances.

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

There was no significant investment held, material acquisition and disposal of subsidiaries and associates by the Company during the Reporting Period. The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify investment opportunities in order to broaden the revenue base of the Group, enhance its future financial performance and profitability. Moreover, the Group is seeking for further operating efficiency across the business. We are confident in the future and committed to continuous growth of the Company.

CAPITAL EXPENDITURES

Our capital expenditures primarily related to the construction of new self-owned schools, the maintenance and upgrade of our existing self-owned schools, and the purchase of additional educational facilities and equipment for our self-owned schools. The Group's capital expenditures consisted of purchase or construction costs relating to property, equipment, prepaid land lease payments and other intangible assets. For the Reporting Period, our capital expenditures were RMB1,655.9 million (six months ended 30 June 2020: RMB916.6 million), which we funded primarily through cash generated from operations, bank facilities, and net proceeds received from the global offering in July 2018.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (2020: Nil).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitments contracted but not provided for property, plant and equipment amounting to RMB929.3 million (31 December 2020: RMB1,172.2 million).

SEGMENT INFORMATION

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved the payment of an interim dividend of HK4.56 cents (equivalent to RMB3.79 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 31 August 2021, i.e. RMB0.8307 equivalent to HKD1.00) (six months ended 30 June 2020: Nil) per share of the Company for the six months ended 30 June 2021 to be paid on Friday, 24 September 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 16 September 2021, representing a dividend payout of HKD98.77 million (equivalent to approximately RMB82.09 million) for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

The register of members of the Company will be closed from Tuesday, 14 September 2021 to Thursday, 16 September 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim dividend (which will be payable on Friday, 24 September 2021), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai for registration not later than 4:30 p.m. on Monday, 13 September 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed approximately 6,908 employees (30 June 2020: 5,501). The staff costs, including Directors' emoluments, net of government grant released and subsidies received, of the Group were approximately RMB313.6 million for the Reporting Period (30 June 2020: approximately RMB208.4 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. Besides, share incentive schemes are also adopted to retain high-calibre staff of the Group.

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China. The Group is required to contribute a certain proportion stipulated by the government of its payroll costs to the plan as stipulated by the governments. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans. Contributions to the defined contribution plan by the Group for its employees are fully and immediately vested when the contributions are made and may not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions.

USE OF PROCEEDS FROM LISTING, PLACING AND SUBSCRIPTION

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HKD1,478.63 million which was used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the prospectus dated 28 June 2018. As at 30 June 2021, the net proceeds from the Listing were fully utilised.

Items	Net proceeds (HKD million) from the Listing				Time for the use of unutilized proceeds
	Percentage	Available	Utilised	Unutilised	
Expansion of our school network	60%	887.18	887.18	0	Completed
Repayment of bank loans	30%	443.59	443.59	0	Completed
Working capital and general corporate purposes	10%	147.86	147.86	0	Completed

The following table illustrates the net proceeds utilised for expansion of our school network as at 30 June 2021:

	As at 30 June 2021 (HKD million)
Net proceeds utilised for expansion of our school network	
Ya'an Tianli School (雅安天立學校)	27.71
Deyang Tianli School (德陽天立學校)	131.39
Dazhou Tianli School (達州市天立學校)	114.41
Zunyi Xinpu Tianli School (遵義市新浦新區天立學校)	187.81
Yiliang Tianli School (彝良縣天立學校)	113.79
Chengdu Longquanyi Tianli Elementary School (成都市龍泉驛區天立小學校)	46.67
Chengdu Pixian Tianli School (成都郫縣天立學校)	132.35
Dongying Tianli School (東營天立學校)	133.05
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Total	887.18
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The Company sold a total of 91,000,000 existing ordinary shares at HKD7.72 by way of placing (the “**Placing**”) on 18 December 2020 and allotted and issued a total of 91,000,000 new ordinary shares at HKD7.72 (the “**Subscription**”) on 30 December 2020. For details, please refer to the announcements of the Company dated 16 December 2020 and 30 December 2020. The aggregate net proceeds from the Placing and the Subscription amounted to approximately HKD694.97 million. The intended purposes for the net proceeds from the Placing and Subscription are set out on the following table:

Items	Allocation of net proceeds (HKD million)	Unutilised as at 31 December 2020 (HKD million)	Net proceeds utilised during the Reporting Period (HKD million)	Unutilised as at 30 June 2021 (HKD million)	Expected time for the use of unutilised proceeds (Note)
Potential future mergers and acquisitions of high quality targets at reasonable prices	500.00	500.00	–	500.00	31 August 2023
Expansion of self-built and self-operated projects in first-tier and core cities	194.97	194.97	21.36	173.61	31 August 2023

Note: The expected timeline for utilising the remaining proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of the market condition.

The following table illustrates the net proceeds utilised for expansion of self-built and self-operated projects in first-tier and core cities as at 30 June 2021:

As at
30 June 2021
(HKD million)

Net proceeds utilised for expansion of self-built and self-operated projects

Shenzhen Tianli International School (深圳天立國際學校)	21.36
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OTHER FUND RAISING ACTIVITIES

The Company has not conducted any fund raising activities involving the issue of its equity securities during the Period.

OVERALL PERFORMANCE AND COMPLIANCE WITH THE STRUCTURED CONTRACTS

The Group has adopted certain measures to ensure the effective operation of our Group with the implementation of the Structured Contracts (defined in the prospectus of dated 28 June 2018) which we obtain control over and derive the economic benefits from our operating entities in PRC as the laws, regulations and regulatory practice generally prohibit or restrict foreign ownership in the private education. Each of our Directors has confirmed that he/she, and his/her associates, do not have any interest in any business or interests that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group. The Company is not aware of any non-performance of the Structured Contracts or non-compliance with such aforementioned measures.

EVENTS AFTER THE REPORTING PERIOD

No significant events that require additional disclosure or adjustments occurred after the Reporting Period.

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 (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 2021.

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 and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 of the Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the six months ended 30 June 2021, 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 for Securities Transactions by Directors of Listed Issuers (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 during the six months ended 30 June 2021.

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

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2021) 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 Hong Kong Exchanges and Clearing Limited at (www.hkexnews.hk) and the Company’s website at (<http://www.tianlieducation.com>). The interim report of the Company for the six months ended 30 June 2021 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, 31 August 2021

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.