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天立国际控股有限公司
Tianli International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1773)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023**

The Board of Tianli International Holdings Limited is pleased to announce the interim results of the Group for the six months ended 28 February 2023, together with comparative figures for the six months ended 28 February 2022.

FINANCIAL HIGHLIGHTS

	For the six months ended 28 February			Percentage Change
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	Change <i>RMB'000</i>	
Revenue	946,591	399,063	547,528	137.20%
Gross Profit	370,780	112,834	257,946	228.61%
Profit for the period	170,611	30,802	139,809	453.90%
Adjusted profit for the period (<i>Note</i>)	185,866	36,279	149,587	412.32%
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	
Basic	8.10 cents	1.47 cents	6.63 cents	451.02%
Diluted	8.10 cents	1.46 cents	6.64 cents	454.79%
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	
Interim dividend per Share	2.43 cents	–	–	–
Dividend payout ratio	30%	–	–	–

Note: The adjusted profit for the period was derived from profit for the period excluding share of losses of a joint venture and associates, depreciation and amortisation arising from valuation appreciation and other items which are not indicative of the Group's operating performance. These are not International Financial Reporting Standard ("IFRS") measures. Please see the tables headed "Calculation of the adjusted profit for the period" below for further details.

Calculation of the adjusted profit for the period

	For the six months ended 28 February 2023 RMB'000	For the six months ended 28 February 2022 RMB'000
Profit for the period	170,611	30,802
Add:		
Share of loss of a joint venture	3,748	473
Share of losses of associates	685	103
Equity-settled share award scheme expenses	2,122	3,527
Foreign exchange losses	3,216	1,374
Depreciation and amortisation arising from valuation appreciation	5,484	—
Adjusted profit for the period	<u>185,866</u>	<u>36,279</u>

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. At the beginning of the fall semester of 2022, the number of high school students enrolled in the Group's school network was 25,524.

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 society. In December 2022, the Group was rewarded the "2022 Benchmark Education Group" (2022 年度標桿教育集團).

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. In 2022, our graduating high school students participated in the National Higher Education Entrance Examination (known as "Gaokao") in the relevant cities where the schools are located. 90% of our Gaokao candidates in 2022 attained entry requirements of universities in the PRC, and approximately 60% attained the entry requirements of first-tier universities in the PRC. In the 2022 Gaokao, 79 of our high school graduates were enrolled into the world's top 50 universities such as Tsinghua University and Peking University. Diversified studies have achieved initial results, where 1 student with sports specialty was recommended for admission to Tsinghua University, 4 students with arts specialty were enrolled into the Academy of Arts & Design, Tsinghua University, 1 student was enrolled into the University of London, and 3 students were enrolled into Nanyang Technological University, Singapore.

Our Schools

With a strong presence in Sichuan province where the Group is based in, our schools span across 33 cities in Inner Mongolia, Shandong, Henan, Guizhou, Jiangxi, Zhejiang, Yunnan, Gansu, Anhui, Guangxi, Guang dong, Chongqing and Hubei. During the Reporting Period, the Group principally provided students with comprehensive education services in 44 schools.

Apart from our principal operation in comprehensive education services, the Group has also provided extra-curricular classes in music, arts, sports, languages, etc. in our Luzhou and Yibin tutorial centers 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. As at 28 February 2023, the number of full-time teachers employed by our high schools was 1,654 (as at 31 August 2022: 1,124).

We recruit teachers through different channels and means, including campus recruitment, general public recruitment and the use of online recruiting websites, and we conduct assessment on candidates who apply through our recruitment procedures. We offer internship opportunities 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.

Self-owned Schools

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.

Information about our tutorial centers

The Group has also provided extra-curricular classes in music, arts, sports, languages, etc. in self-owned tutorial centers. The following table sets forth information about our tutorial centers in operation as at 28 February 2023:

Location	Program	Nature	Number of centers
Luzhou	Music, art and after school classes	Self-owned	2
Yibin	Music, art and language classes	Self-owned	1

Management and franchise fees received from entrusted schools

During the Reporting Period, the Group provided school management and franchise services for 7 entrusted schools.

REGULATORY UPDATES

The Implementation Rules for the Law for Promoting Privation Education (《中華人民共和國民辦教育促進法實施條例》) (the “Implementation Regulations”)

In May 2021, the State Council of the People’s Republic of China announced the Implementation Regulations which came into effect on 1 September 2021. The Implementation Regulations set out more detailed regulations over the operation and management of private schools, which, among other things, required that (i) social organizations and individuals are prohibited from controlling private schools that provide compulsory education and non-profit private schools that provide pre-school education by means of merger, acquisition or agreement control; and (ii) private schools providing compulsory education are prohibited from conducting transactions with the related parties.

As the Implementation Regulations prohibit private schools which provide compulsory education from conducting transactions with the related parties, the management team of our Group has assessed its impact on our Group and concluded that, based on the existing relevant facts and situation, the Group’s ability to acquire variable returns through Exclusive Business Cooperation Agreement from certain operating schools (the “**Affected Business**”) has been terminated immediately before the Implementation Regulations came into effect on 1 September 2021. Therefore, the Group has decided to exclude its Affected Business from the scope of the consolidated financial statements since 31 August 2021. For details, please refer to the annual report of the Company for the eight months ended 31 August 2021 published on 22 March 2022.

The Company is of the opinion that there are substantial uncertainties regarding the interpretation and application of the Implementation Regulations. As at the date of this announcement, the national and local governments have not yet issued corresponding classification management regulations and rules in respect of the Implementation Regulations. We will continue to monitor the implementation of the Implementation Regulations in different regions and continue to assess its subsequent impact on the Company and will make further announcement(s) as and when appropriate.

The Foreign Investment Law of the PRC 《(中華人民共和國外商投資法)》 (the “Foreign Investment Law”)

On 15 March 2019, the Standing Committee of the National People’s Congress promulgated the Foreign Investment Law which became effective on 1 January 2020. The Implementation Rules of the Foreign Investment Law came into effect on the same date as well. The Foreign Investment Law and its implementation rules defines foreign investment as direct or indirect investment activities in the PRC by one or more foreign natural persons, enterprises or other organizations (“**Foreign Investors**”), and clearly stipulates four types of investment activities would fall within the definition of foreign investment, including (a) Foreign Investors alone or cooperate with other investors to establish foreign-invested enterprises in the PRC; (b) Foreign Investors acquire shares, equities, property shares or other similar rights of Chinese domestic enterprises; (c) Foreign Investors alone or cooperate with other investors invest new projects in the PRC; and (d) other means of investment prescribed by laws, administrative regulations and rules promulgated by the State Council. Furthermore, the law prescribes that the PRC applies the pre-establishment national treatment and negative list management system against foreign investment. The negative list of prohibited investment sectors prescribes areas which foreign investors are not allowed to invest upon; the negative list of restricted investment sectors prescribes areas which foreign investors are required to abide to the conditions as imposed under the regulations of the negative list; and all other areas excluded from the negative list would be handled according to the general principles applicable for both domestic and foreign enterprises. The Foreign Investment Law further stipulates that laws such as the Company Law of the PRC and the Partnership Enterprise law of the PRC shall apply to the organizational form, corporate governance and activities standards of foreign invested enterprises. For foreign invested enterprises established before the implementation of the Foreign Investment Law may maintain their original organizational form for five years from 1 January 2020. Specific measures for implementation shall be formulated by the State Council. The Foreign Investment Law does not explicitly include clauses involving “actual control” or “contractual arrangements.”

Nevertheless, the Company does not rule out the possibility that there will be further laws and regulations governing the same. Therefore, it remains uncertain as to whether the structure under contractual arrangements will be included in the supervisory regime for foreign investment, and if so, the ways under which it is governed. As at the date of this announcement, the Company’s operation remained unaffected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and related legislations.

The Affected Business

The table below sets out the names of entities and their principal business related to the Affected Business as at 28 February 2023:

Number	School name	Principal business
1	Luzhou Longmatan Tianli Elementary School (<i>Note 1</i>)	Elementary school
2	Yibin Cuiping District Tianli School	Elementary school and Middle school
3	Guangyuan Tianli School	Elementary school and Middle school
4	Neijiang Shizhong District Tianli School	Integrated school
5	Liangshan Xichang Tianli School	Integrated school
6	Ya'an Tianli School	Elementary school and Middle school
7	Cangxi Tianli School	Elementary school and Middle school
8	Deyang Tianli School	Integrated school
9	Ziyang Tianli School	Integrated school
10	Yichun Tianli School	Elementary school and Middle school
11	Baoshan Tianli School	Elementary school and Middle school
12	Dazhou Tianli School	Integrated school
13	Weifang Tianli School	Integrated school
14	Yiliang Tianli School	Elementary school and Middle school
15	Ulanqab Jining District Tianli School	Elementary school and Middle school
16	Zhoukou Tianli School	Elementary school and Middle school
17	Zunyi Xinpu New District Tianli School	Elementary school and Middle school
18	Dongying Kenli District Tianli School	Elementary school and Middle school
19	Jiange Jianmenguan Tianli School	Elementary school and Middle school
20	Luzhou Longmatan Tianli Chunyu School	Elementary school and Middle school
21	Wulian Tianli School	Elementary school and Middle school
22	Baise Tianli School	Elementary school and Middle school
23	Jining Tianli School	Elementary school and Middle school
24	Weihai Nanhai New Area District Tianli School	Elementary school and Middle school
25	Chongqing Fuling Lida School	Elementary school and Middle school
26	Honghu Tianli School	Elementary school and Middle school
27	Tongren Wanshan District Tianli School	Elementary school and Middle school
28	Lanzhou Tianli School	Elementary school and Middle school
29	Chengdu Longquanyi Tianli School (<i>Note 2</i>)	Elementary school and Middle school
30	Chengdu Pidun Tianli School (<i>Note 2</i>)	Integrated school

* Integrated school included elementary school, middle school and high school.

Notes:

1. Approximately 83.34% of equity interest of Luzhou Longmatan Tianli Elementary School was attributable to the Company.
2. 49% of equity interest of Chengdu Longquanyi Tianli School and Chengdu Pidun Tianli School were indirectly attributable to the Company.
3. All other schools were wholly-owned by the Group.

Although the aforementioned schools were deconsolidated from the Group due to the Implementation Regulations, with an accountable and responsible attitude to students, parents and the society, the Group will maintain continuous and stable enrollment and operation for the schools that have been opened and operated nationwide. We will continue to provide high quality teaching services to students and parents.

The financial information relating to the Affected Business are as below:

	28 February 2023 RMB '000 (management account)	31 August 2022 RMB '000 (management account)
Current assets	3,280,802	2,923,716
Non-current assets	1,448,783	1,878,506
Total assets	4,729,585	4,802,222
Current liabilities	2,861,867	2,790,775
Non-current liabilities	894,403	997,188
Total liabilities	3,756,270	3,787,963
Net assets	973,315	1,014,259

Prospects

In order to safeguard the sustainable development of the Group and to protect the long-term interests of the Company and its shareholders, (i) the Group will adopt measures to optimize its operational structure, including separating the high schools with independent operating licenses from integrated schools. As at 28 February 2023, the Group had successfully separated 4 for-profit high schools with independent operating licences from integrated schools. The financial results of these high schools have been consolidated in the consolidated financial statements of the Group; and (ii) the Group will progressively reduce the enrolment scale of elementary and middle schools affected. There are 25,524 high school students enrolled in the Company's school network as at the beginning of the 2022 fall semester, representing an increase of approximately 48.9% compared to 17,139 student enrollments as at the beginning of the 2021 fall semester, among which the enrollment number of freshman of high school is 11,045, representing an increase of approximately 76.6% as compared with the enrollment number of freshman of high school as at the beginning of the 2021 fall semester.

Looking forward, the Group will adhere to its strategic expansion nationwide through expansion of optimization with a focus of for-profit high schools, providing students with comprehensive operational services, including but not limited to a series of other value-added services such as online campus store, logistical integrated services, study guidance for arts and sports oriented schools, international education, overseas studies consulting and study tours to promote the overall development of the students.

FINANCIAL REVIEW

Set out below includes the key highlights for the financial results for the six months ended 28 February 2022 and the six months ended 28 February 2023.

	Six months ended 28 February 2023 RMB'000 (unaudited)	Six months ended 28 February 2022 RMB'000 (unaudited)
Revenue	946,591	399,063
Cost of sales	<u>(575,811)</u>	<u>(286,229)</u>
GROSS PROFIT	370,780	112,834
Other income and gains	9,526	10,051
Selling and distribution expenses	(12,340)	(5,918)
Administrative expenses	(100,095)	(60,375)
Other expenses	(8,779)	(3,226)
Finance costs	(25,633)	(14,453)
Share of losses of:		
A joint venture	(3,748)	(473)
Associates	<u>(685)</u>	<u>(103)</u>
PROFIT BEFORE TAX	229,026	38,337
Income tax expense	<u>(58,415)</u>	<u>(7,535)</u>
PROFIT FOR THE PERIOD	<u>170,611</u>	<u>30,802</u>

Revenue

Our revenue mainly includes comprehensive educational services, canteen operations, sale of products, and management and franchise fees. The following table sets forth the components of our revenue for the periods indicated.

	Six months ended 28 February 2023 RMB'000 (unaudited)	Six months ended 28 February 2022 RMB'000 (unaudited)
Revenue from contracts with customers		
Comprehensive educational services (<i>Note 1</i>)	517,780	171,075
Canteen operations	245,384	212,647
Sale of products	164,109	–
Management and franchise fees (<i>Note 2</i>)	19,318	15,341
	<hr/>	<hr/>
Total revenue	946,591	399,063
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- 1: It includes comprehensive education and quality services, and study trip services.
- 2: It includes supply chain management services, consulting management fees, and management and franchise fees.

Our revenue increased by 137.2% from approximately RMB399.1 million for the six months ended 28 February 2022 to approximately RMB946.6 million for the six months ended 28 February 2023, primarily driven by the increase of revenue from comprehensive educational services and sale of products, respectively.

The revenue from comprehensive educational services of the Group increased by 202.7% from approximately RMB171.1 million for the six months ended 28 February 2022 to approximately RMB517.8 million for the six months ended 28 February 2023, which was mainly due to: 1) the natural growth in the number of students enrolled in high schools; 2) the separation of four for-profit high schools with independent operating licenses from the integrated schools and the corresponding consolidation of the financial results of these high schools into the Group's consolidated financial statements during the Reporting Period; 3) the Group's provision of comprehensive quality services to more than 50,000 school-age individuals, including but not limited to national studies, technology, sports and arts programs, with the aim of promoting all-round development of students and cultivating comprehensive talents.

During the Reporting Period, the Group had generated sales revenue of approximately RMB164.1 million, including revenue of approximately RMB63.1 million from the sale of student supplies, such as school uniforms, bedding, daily necessities and stationery provided to students through the online campus store; and revenue of approximately RMB101.0 million from the supply and sales of agricultural and sideline products through the integration of channel resources and logistics system.

The revenue from canteen operations increased by 15.4% from approximately RMB212.6 million for the six months ended 28 February 2022 to approximately RMB245.4 million for the six months ended 28 February 2023, which was mainly driven by the increase in the number of students served by the Group.

The revenue from management and franchise fees increased by 25.9% from approximately RMB15.3 million for the six months ended 28 February 2022 to approximately RMB19.3 million for the six months ended 28 February 2023, mainly due to the increase in revenue from the Group's provision of study abroad consulting services to students and smart education services such as online marking and personalized assignments to external schools.

Costs of Principal Activities

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

	Six months ended 28 February 2023 RMB'000 (unaudited)	Six months ended 28 February 2022 RMB'000 (unaudited)
Material consumption	181,116	135,597
Staff costs	154,887	73,018
Depreciation and amortization	86,126	50,154
Procurement cost of products	113,724	–
Teaching activity costs	21,707	12,645
Utilities	8,033	8,723
Others	10,218	6,092
	<u>575,811</u>	<u>286,229</u>

Material consumption costs increased by 33.6% from approximately RMB135.6 million for the six months ended 28 February 2022 to approximately RMB181.1 million for the six months ended 28 February 2023, mainly due to the increase in the number of diners in the restaurants operated by the Group.

Staff costs increased by 112.1% from approximately RMB73.0 million for the six months ended 28 February 2022 to approximately RMB154.9 million for the six months ended 28 February 2023, mainly due to the increase in staff costs for hiring new teachers to meet the increase in the number of high school students and the Group's provision of comprehensive quality services and product sales business.

Depreciation and amortization costs increased by 71.7% from approximately RMB50.2 million for the six months ended 28 February 2022 to approximately RMB86.1 million for the six months ended 28 February 2023, primarily due to increased depreciation from the opening of the new high school in September 2022 and the completion of the spin-off and consolidation of four high schools during the Reporting Period.

Teaching activity costs increased by 71.7% from approximately RMB12.6 million for the six months ended 28 February 2022 to approximately RMB21.7 million for the six months ended 28 February 2023. This is mainly due to the increase in the number of students served by the Group.

Utilities costs decreased by 7.9% from approximately RMB8.7 million for the six months ended 28 February 2022 to approximately RMB8.0 million for the six months ended 28 February 2023, mainly due to the Group's promotion of green office, diligence and frugality, and the integration of environmental awareness and green actions into daily management work.

The Group incurred procurement costs of products of approximately RMB113.7 million for the six months ended 28 February 2023, due to the procurement costs incurred from the sale of student supplies and the sale of agricultural and sideline products.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 28 February 2023 were approximately RMB370.8 million, representing an increase of 228.7% from approximately RMB112.8 million for the six months ended 28 February 2022, mainly due to the increase in gross profit as a result of the increase in the number of high school students enrolled and the Group's provision of comprehensive quality services and revenue from product sales. The Group's gross profit margin for the six months ended 28 February 2023 was approximately 39.2%, an increase of 10.9 percentage points as compared to 28.3% for the six months ended 28 February 2022, mainly due to the improved operational efficiency of the high school with the increase in enrollment.

Other Income and Gains

Other income and gains primarily consist of bank interest income, government grants, gain on disposal of financial assets at fair value through profit or loss and rental income. Other income and gains for the six months ended 28 February 2023 amounted to approximately RMB9.5 million, representing a slight decrease from the amount for the six months ended 28 February 2022.

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. The Group's administrative expenses of approximately RMB100.1 million for the six months ended 28 February 2023 increased as compared to approximately RMB60.4 million for the six months ended 28 February 2022 mainly due to the increase in administrative staff costs, office administration expenses and other expenses.

Finance costs

Finance costs increased from approximately RMB14.5 million for the six months ended 28 February 2022 to approximately RMB25.6 million for the six months ended 28 February 2023, primarily because of the increase in the interest on bank loans and the decrease in capitalized interest expense due to a decrease in schools under construction compared to the six months ended 28 February 2022.

Income tax

Income tax increased by 675.2% from approximately RMB7.5 million for the six months ended 28 February 2022 to approximately RMB58.4 million for the six months ended 28 February 2023, primarily because of the increase in profit before tax generated from taxable subsidiaries, specifically our high schools and the Group's major subsidiaries established in the PRC were subject to the income tax at a rate of 25%.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Shares 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 28 February 2023, we had net current liabilities of approximately RMB1,760.0 million (31 August 2022: approximately RMB1,608.5 million). The increase in net current liabilities was mainly attributable to the increase in tax payable as a result of profit for the period and increase in other payables due to the purchase of property, plant and equipment during the Reporting Period.

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 unutilised banking facilities, 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 Financial Information as a going concern basis.

As at 28 February 2023, the Group had cash and cash equivalents of approximately RMB704.7 million (28 February 2022: approximately RMB469.6 million). The following table sets forth a summary of our cash flows for the periods indicated:

	Six months ended 28 February 2023 (Unaudited) RMB'000	Six months ended 28 February 2022 (Unaudited) RMB'000
Net cash flow from operating activities	67,486	83,915
Net cash flow used in investing activities	(353,523)	(300,625)
Net cash flow from/(used in) financing activities	61,934	(585,876)
Net decrease in cash and cash equivalents	(224,103)	(802,586)
Net effect of foreign exchange rates	69	(1,047)
Cash and cash equivalents at beginning of period	919,902	1,273,258
Time deposits with maturity over 3 months	8,860	–
Cash and cash equivalents at end of period	704,728	469,625

BORROWINGS AND GEARING RATIO

As at 28 February 2023, the Group had borrowings of approximately RMB1,505.4 million (31 August 2022: RMB1,131.8 million). The Group's bank borrowings, which were all at fixed interest rates, were primarily used in financing the working capital requirement of its operations and school constructions.

As at 28 February 2023, the gearing ratio of the Group, calculated as the total interest-bearing borrowings divided by the total assets, was approximately 17.7% (31 August 2022: approximately 13.9%).

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 28 February 2023, 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. The Company also currently does not have any foreign exchange hedging policy.

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 six months ended 28 February 2023. 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 will gradually restructure its business into the provision of integrated operational services in relation to the development of people of the appropriate age, and seek generic strategic expansions through acquisitions of suitable targets. 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 six months ended 28 February 2023, our capital expenditures were RMB111.19 million, which we funded primarily through cash generated from operations and bank facilities.

CONTINGENT LIABILITIES

As at 28 February 2023, the Group did not have any material contingent liabilities (31 August 2022: Nil).

CAPITAL COMMITMENTS

As at 28 February 2023, the Group had capital commitments contracted but not provided for property, plant and equipment amounting to approximately RMB99.7 million (31 August 2022: approximately RMB263.4 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.

USE OF PROCEEDS FROM PLACING AND SUBSCRIPTION

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, respectively. 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 the Subscription are set out on the following table:

Items	Allocation of net proceeds (HKD million)	Unutilised as at 31 August 2022 (HKD million)	Net proceeds utilised during the six months ended 28 February 2023 (HKD million)	Unutilised as at 28 February 2023 (HKD million)	Expected time for the use of unutilised proceeds (Note)
Potential future mergers and acquisitions of high quality targets at reasonable prices	200.00	200.00	11.29	188.71	31 August 2023
Expansion of self-built and self-operated projects in first-tier and core cities	194.97	84.48	16.68	67.80	31 August 2023
Repayment of bank loans	300.00	0.00	0.00	0.00	Not applicable

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 28 February 2023:

	As at 28 February 2023 (HKD million)
Net proceeds utilised for expansion of self-built and self-operated projects	127.17
Shenzhen Tianli International School (深圳天立國際學校)	127.17

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved the payment of an interim dividend of RMB2.43 cents (equivalent to HKD2.77 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 25 April 2023, i.e. RMB0.87715 equivalent to HKD1.00) (six months ended 28 February 2022: Nil) per share for the six months ended 28 February 2023 to be paid on Monday, 17 July 2023 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 21 June 2023, representing a dividend payout of RMB52.34 million (equivalent to approximately HKD59.67 million) and dividend payout ratio of 30% for the six months ended 28 February 2023 (six months ended 28 February 2022: Nil).

The register of members of the Company will be closed from Monday, 19 June 2023 to Wednesday, 21 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, 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 Friday, 16 June 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

		For the six months ended 28 February	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(unaudited)	(unaudited)
REVENUE	3	946,591	399,063
Cost of sales		<u>(575,811)</u>	<u>(286,229)</u>
Gross profit		370,780	112,834
Other income and gains	3	9,526	10,051
Selling and distribution expenses		(12,340)	(5,918)
Administrative expenses		(100,095)	(60,375)
Other expenses		(8,779)	(3,226)
Finance costs	4	(25,633)	(14,453)
Share of losses of:			
A joint venture		(3,748)	(473)
Associates		<u>(685)</u>	<u>(103)</u>
PROFIT BEFORE TAX	5	229,026	38,337
Income tax expense	6	<u>(58,415)</u>	<u>(7,535)</u>
PROFIT FOR THE PERIOD		<u>170,611</u>	<u>30,802</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
FOR THE PERIOD			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of a foreign operation		<u>44</u>	<u>(141)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>170,655</u>	<u>30,661</u>

		For the six months ended 28 February	
	<i>Notes</i>	2023	2022
		<i>RMB'000</i>	RMB'000
		(unaudited)	(unaudited)
Profit attributable to:			
Owners of the Company		170,147	31,077
Non-controlling interests		464	(275)
		<u>170,611</u>	<u>30,802</u>
Total comprehensive income attributable to:			
Owners of the Company		170,191	30,936
Non-controlling interests		464	(275)
		<u>170,655</u>	<u>30,661</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	<u>RMB8.10 cents</u>	<u>RMB1.47 cents</u>
Diluted	7	<u>RMB8.10 cents</u>	<u>RMB1.46 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
28 FEBRUARY 2023

		28 February 2023	31 August 2022
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	
NON-CURRENT ASSETS			
Property, plant, and equipment	8	4,075,111	3,640,254
Right-of-use assets	9	1,924,736	1,655,213
Goodwill	10	16,413	7,572
Other intangible assets		34,986	24,091
Investment in a joint venture		159,294	163,042
Investments in associates		68,814	69,499
Prepayments, deposits and other receivables	12	108,476	95,387
Deferred tax assets		278,808	270,020
		<hr/>	<hr/>
Total non-current assets		6,666,638	5,925,078
CURRENT ASSETS			
Inventories		28,873	18,817
Trade receivables	11	8,528	10,953
Prepayments, deposits and other receivables	12	62,624	59,111
Amounts due from related parties		955,554	1,085,667
Financial assets at fair value through profit or loss		82,510	100,010
Restricted deposits		–	1,573
Cash and cash equivalents		704,728	929,902
		<hr/>	<hr/>
Total current assets		1,842,817	2,206,033
CURRENT LIABILITIES			
Trade payables	13	57,321	46,571
Other payables and accruals		299,637	222,041
Contract liabilities	14	767,824	842,940
Interest-bearing bank loans	15	467,196	240,450
Amounts due to related parties		1,620,929	2,138,962
Tax payable		160,059	120,755
Lease liabilities	9	13,875	11,612
Deferred income		216,018	191,249
		<hr/>	<hr/>
Total current liabilities		3,602,859	3,814,580
NET CURRENT LIABILITIES			
	1	(1,760,042)	(1,608,547)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 4,906,596	<hr/> 4,316,531

		28 February 2023	31 August 2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	
NON-CURRENT LIABILITIES			
Lease liabilities	9	206,661	178,931
Deferred tax liabilities		53,784	–
Deferred income		328,095	368,729
Interest-bearing bank loans	15	1,038,179	891,375
Amounts due to related parties		1,281,830	998,581
		<hr/>	<hr/>
Total non-current liabilities		2,908,549	2,437,616
		<hr/>	<hr/>
NET ASSETS		1,998,047	1,878,915
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	183,022	183,022
Reserves		1,781,803	1,668,774
		<hr/>	<hr/>
		1,964,825	1,851,796
		<hr/>	<hr/>
Non-controlling interests		33,222	27,119
		<hr/>	<hr/>
Total equity		1,998,047	1,878,915
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

28 FEBRUARY 2023

1 BASIS OF PREPARATION

The interim condensed financial information for the six months ended 28 February 2023 (the “Period”) has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The 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 annual financial statements for the year ended 31 August 2022.

Going concern

As at 28 February 2023, the Group recorded net current liabilities of approximately RMB1,760,042,000 (31 August 2022: RMB1,608,547,000). Included in the current liabilities as at 28 February 2023 were contract liabilities and deferred income of RMB767,824,000 (31 August 2022: RMB842,940,000) and RMB216,018,000 (31 August 2022: RMB191,249,000), respectively. As at 28 February 2023, the Group had cash and cash equivalents of RMB704,728,000 (31 August 2022: RMB929,902,000).

The Directors have prepared this interim condensed financial information on a going concern basis notwithstanding the net current liabilities position because based on the arrangements and confirmations received from the licensed banks in Mainland China, the Group has total unutilised banking facilities of RMB857,125,000 (31 August 2022: RMB770,250,000) which are available for drawdown within the next 1 to 7.5 years from 28 February 2023.

Having considered the cash flows from operations, the positive operating results and unutilised bank facilities, 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 financial information of the Group for the Period on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 August 2022, except for the adoption of the amendments to IFRS 3, IAS 16, and IAS 37, and *Annual improvements to IFRSs 2018-2020* for the first time for the current period’s condensed financial information.

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 for the Period.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 28 February	
	2023	2022
	RMB’000	RMB’000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Comprehensive educational services	517,780	171,075
Canteen operations	245,384	212,647
Sale of products	164,109	–
Management and franchise fees	19,318	15,341
	<hr/>	<hr/>
Total revenue	946,591	399,063
	<hr/> <hr/>	<hr/> <hr/>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 28 February	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
Products transferred at a point in time	197,154	212,647
Services transferred over time	749,437	186,416
Total revenue from contracts with customers	<u>946,591</u>	<u>399,063</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Products transferred at a point in time

The performance obligations of the Menu-ordering Canteen Operations and revenue from sale of products, including student necessities and agricultural and sideline products, are satisfied at the point in time when the control of products has been transferred, being the time when the products are accepted by the customers.

Services transferred over time

Other than the Menu-ordering Canteen Operations and sale of products, the performance obligations for services are satisfied over time because a customer simultaneously receives and consumes the benefits provided by the Group.

At 28 February 2023, all amounts of transaction prices related to performance obligations are expected to be recognised as revenue within one year and as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts (or partially unsatisfied) is not disclosed.

An analysis of other income and gains is as follows:

	For the six months ended 28 February	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on disposal of financial assets at fair value through profit or loss	2,617	6,535
Rental income	297	1,709
Bank interest income	1,446	1,268
Government grants	2,644	–
Others	2,522	539
Total other income and gains	<u>9,526</u>	<u>10,051</u>

4. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	For the six months ended 28 February	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank loans	37,303	32,842
Less: Interest capitalised under property, plant and equipment	(17,703)	(24,288)
	<u>19,600</u>	<u>8,554</u>
Interest on lease liabilities	6,033	5,899
	<u>25,633</u>	<u>14,453</u>
Interest rate of borrowing costs capitalised (%)	<u>5.53-7.15</u>	<u>5.39-7.35</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 28 February	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories consumed	291,158	135,857
Cost of services provided	284,653	150,372
	<u>575,811</u>	<u>286,229</u>
Loss on disposal of property, plant and equipment, net	1,246	–
Equity-settled share award scheme expenses	2,122	3,527
Foreign exchange losses, net	3,216	1,374

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 28 February	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – Mainland China	68,574	7,535
Deferred	(10,159)	–
Total tax charge for the period	<u>58,415</u>	<u>7,535</u>

Notes:

- 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.
- The applicable corporate income tax (“CIT”) rate for a Hong Kong-incorporated subsidiary was 16.5% and 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.
- Pursuant to the People’s Republic of China (the “PRC”) Income Tax Law and the respective regulations, except for Tibet Yongsi Technology Co., Ltd. (“Tibet Yongsi”), Shenzhou Hongyu (Zhuhai Hengqin) Management Consulting Co., Ltd. (“Shenzhou Hongyu”) and Dayan Zhiguang (Zhuhai Hengqin) Educational Consulting Co., Ltd. (“Dayan Zhiguang”), 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.

During the Period, Tibet Yongsi was entitled to an effective preferential PRC CIT rate of 9% as its business scope falls within the scope of the encouraged industries, one of which is the education industry, under the “Western Development Policy”, and simultaneously as Tibet Yongsi absorbed more than 70% of the total number of employees of the employment of the permanent population in Tibet, it can have the local part of CIT (40% of 15%) exempted.

Shenzhou Hongyu and Dayan Zhiguang were recognised as qualified entities under the preferential income tax policy for the encouraged industrial enterprises in Zhuhai Hengqin Free Trade Zone. Under the preferential tax policy, the income tax of Shenzhou Hongyu and Dayan Zhiguang was levied at a preferential PRC CIT rate of 15%.

Under the “Western Development Policy”, the income tax provision of tutoring schools, including Luzhou Longmatan Tutoring School, Sichuan Lixing Yanxue Travel Co., Ltd, and Chengdu Daren Sports Culture Development Co., Ltd., was calculated at a preferential tax rate of 15%, others which provide non-academic and non-formal educational services, are subject to PRC CIT at the rate of 25%.

Kindergartens and certain tutoring schools were qualified entities under the preferential income tax reduction policy for small-scale minimal profit enterprises. Under the preferential tax policy, the first RMB1 million of taxable income of these schools can be subject to PRC CIT at an effective rate of 2.5% and taxable income within RMB1 million to RMB3 million can be subject to PRC CIT at an effective rate of 5%.

(d) For high schools registered as for-profit private schools, they were subject to PRC CIT at the rate of 25%.

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

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are based on the following data:

	For the six months ended 28 February	
	2023	2022
	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	170,147	31,077
	2,154,000,000	2,166,000,000
Effect of the weighted average number of ordinary shares repurchased under the share award scheme	(56,548,000)	(56,548,000)
Weighted average number of vested ordinary shares granted under the share award plan	3,178,000	2,043,300
Adjusted weighted average number of ordinary shares used in the basic earnings per share calculation	2,100,630,000	2,111,495,300
Effect of dilution:		
Weighted average number of unvested ordinary shares granted under the share award scheme	–	10,763,700
Adjusted weighted average number of ordinary shares used in the diluted earnings per share calculation	2,100,630,000	2,122,259,000

8. PROPERTY, PLANT AND EQUIPMENT

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

	RMB'000 (unaudited)
Carrying amounts at 1 September 2022	3,640,254
Additions	99,356
Acquisition of subsidiaries	402,388
Disposals	(3,125)
Depreciation charged for the Period	<u>(63,762)</u>
Carrying amounts at 28 February 2023	<u><u>4,075,111</u></u>

Notes:

- (a) As at 28 February 2023, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with a net carrying amount of approximately RMB421,403,000 (31 August 2022: RMB738,642,000). 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 the property, plant and equipment by the Group during the Period amounted to RMB17,703,000 (six months ended 28 February 2022: RMB24,288,000).

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 September 2022	1,472,937	182,276	1,655,213	190,543
Additions	8,636	–	8,636	–
Acquisition of subsidiaries	257,504	32,453	289,957	32,453
Depreciation charge	(18,139)	(10,931)	(29,070)	–
Interest expense	–	–	–	6,033
Payments	–	–	–	<u>(8,493)</u>
As at 28 February 2023	<u><u>1,720,938</u></u>	<u><u>203,798</u></u>	<u><u>1,924,736</u></u>	<u><u>220,536</u></u>

10. GOODWILL

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	<i>RMB'000</i>
At 1 September 2022	7,572
Acquisition of subsidiaries	<u>8,841</u>
At 28 February 2023	<u><u>16,413</u></u>

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Management did not identify any significant adverse changes in the operating results and macro environment in the Period, and the Company's management has concluded there was no impairment indicator of goodwill as at 28 February 2023. Accordingly, the Company's management did not perform impairment testing on goodwill as at 28 February 2023.

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:

	28 February 2023 <i>RMB'000</i> (unaudited)	31 August 2022 <i>RMB'000</i>
Within 3 months	<u>8,528</u>	<u>10,953</u>

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

	28 February 2023 <i>RMB'000</i> (unaudited)	31 August 2022 <i>RMB'000</i>
<i>Current portion:</i>		
Security deposits related to construction of schools	4,497	3,509
Other deposits	10	10
Prepayments	7,830	11,263
Advances to staff	20,168	16,572
Loans to third parties	14,268	14,268
Deductible input value-added tax	5,593	8,068
Other receivables	<u>10,258</u>	<u>5,421</u>
	<u>62,624</u>	<u>59,111</u>
<i>Non-current portion:</i>		
Prepayments for property, plant and equipment	17,590	6,352
Deductible input value added tax	88,931	81,968
Prepayment for other intangible assets	1,955	2,067
Prepayment for the acquisition of land use rights	<u>–</u>	<u>5,000</u>
	<u>108,476</u>	<u>95,387</u>
Total	<u><u>171,100</u></u>	<u><u>154,498</u></u>

13. TRADE PAYABLES

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

	28 February 2023 <i>RMB'000</i> (unaudited)	31 August 2022 <i>RMB'000</i>
Within 3 months	54,593	46,571
Over 3 months and within 6 months	924	–
Over 6 months	1,804	–
	<u>57,321</u>	<u>46,571</u>

14. CONTRACT LIABILITIES

	28 February 2023 <i>RMB'000</i> (unaudited)	31 August 2022 <i>RMB'000</i>
<i>Advances received from customers</i>		
Comprehensive educational services	569,020	687,740
Canteen operation fees	175,187	151,371
Sale of products	23,617	3,829
	<u>767,824</u>	<u>842,940</u>

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

15. INTEREST-BEARING BANK LOANS

	28 February 2023 (unaudited)			31 August 2022		
	Effective interest rate (%)	Maturity	<i>RMB'000</i>	Effective interest rate (%)	Maturity	<i>RMB'000</i>
Current						
Bank loans						
– secured	5-6.15	2023	130,000	5	2023	50,000
– unsecured	6	2023	80,000	–	–	–
Current portion of long-term bank loans						
– secured	5.04-7.25	2023	251,196	5.39-7.35	2023	190,450
– unsecured	4.2	2023	6,000	–	–	–
			<u>467,196</u>			<u>240,450</u>
Non-current						
Bank loans						
– secured	5.04-7.25	2024-2030	1,014,179	5.39-7.35	2024-2030	891,375
– unsecured	4.2	2025	24,000	–	–	–
			<u>1,038,179</u>			<u>891,375</u>
			<u>1,505,375</u>			<u>1,131,825</u>

Notes:

The Group's bank loans are secured by:

	Loan amounts	
	28 February 2023	31 August 2022
	RMB'000	RMB'000
	(unaudited)	
Rights pertaining to comprehensive educational services fee collection of certain schools	70,000	45,000
Both equity interests and rights pertaining to comprehensive educational services fee collection	1,325,375	1,086,825
Total	1,395,375	1,131,825

16. SHARE CAPITAL

Shares

	28 February 2023	31 August 2022
	HK\$'000	HK\$'000
	(unaudited)	
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid: 2,154,000,000 ordinary shares of HK\$0.1 each	215,400	215,400
Equivalent to approximately (in RMB'000)	183,022	183,022

17. 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 repurchased for the scheme	Number of awarded shares
At 1 September 2022	54,504,700	9,623,600
Vested during the Period	(1,134,700)	(1,134,700)
At 28 February 2023	53,370,000	8,488,900

During the Period, 1,134,700 shares were vested under the restricted share award scheme. The purchase costs and the related share-based payment expenses charged of the granted shares vested are reversed from the related share award scheme reserve. The difference of RMB2,774,000 arising from this transfer was credited to share premium.

18. DIVIDEND

At the meeting of the board of directors held on 25 April 2023, the board of directors resolved to pay an interim dividend of RMB2.43 cents per share for the Period (six months ended 28 February 2022: nil). The total interim dividend was RMB52,342,000 (six months ended 28 February 2022: nil).

19. COMMITMENTS

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

	28 February 2023 RMB'000 (unaudited)	31 August 2022 RMB'000
Contracted but not provided for: Property, plant and equipment	<u>99,697</u>	<u>263,444</u>

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2023, the Group employed approximately 4,412 employees (31 August 2022: 3,018).

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.

The Company has also adopted a Pre-IPO Restricted Share Award Scheme, Share Option Scheme and Restricted Share Award Scheme for its employees and other eligible persons.

SHARE INCENTIVE SCHEMES

Prior to listing date, the Company adopted the Pre-IPO Restricted Share Award Scheme and the Share Option Scheme on 15 January 2018 and 24 June 2018 respectively. For details of the schemes, please refer to the Prospectus.

On 17 December 2018, the Company adopted the Restricted Share Award Scheme. The purpose and objective of the Restricted Share Award Scheme is (i) to recognize and motivate the contribution of the key management personnel and core employees of the Group; (ii) to help the Group retain and attract the Selected Participants in attaining the long term business objectives of the Company; and (iii) to further align the interests of the Selected Participants directly to the shareholders of the Company through ownership of Shares.

Pursuant to the Restricted Share Award Scheme, existing Shares have been purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the relevant Selected Participants until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the scheme. The Restricted Share Award Scheme shall be subject to the administration of the Board and the Trustee in accordance with the scheme rules and the trust deed.

On 17 December 2018, the Board resolved to grant a total of not more than 75,000,000 Shares to Selected Participants. The Award Shares represent approximately 3.48% of the total issued shares of the Company as at the date of this announcement. Subject to the acceptance of grant of the Award Shares by the Selected Participants and the terms and conditions of the Restricted Share Award Scheme, the Award Shares will be vested in full in six years according to the respective vesting schedule for the grant.

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

During the six months ended 28 February 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH THE 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**”) as set out in Appendix 10 to the Listing Rules as the Company’s code for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, they have confirmed that they have complied with the Model Code during six months ended 28 February 2023.

CORPORATE GOVERNANCE

During the six months ended 28 February 2023, the Company has complied with all applicable code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules, save and except for the following deviation.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should not be performed by the same individual. Mr. Luo Shi was appointed as the chairman of the Board and the chief executive officer of the Company on 24 June 2018.

The Board believes that it is in the interest of the Company and its Shareholders for Mr. Luo Shi to assume the responsibilities of such positions, given that Mr. Luo Shi is the founder of the Company and has extensive experience in the operation and management of the Company. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises six other experienced individuals including one other executive Director, two non-executive Directors and three independent non-executive Directors. In addition, for major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will review such arrangement from time to time and will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

As at the date of this announcement, the Board comprises seven Directors (Mr. Tian Mu resigned on 22 November 2022, and Mr. Zhang Wenzao and Mr. Pan Ping were appointed as non-executive Directors on 25 April 2023), of whom all of them are male. According to Rule 13.92, the Stock Exchange will not consider diversity to be achieved for a single gender board. Henceforth, the Board is planning to improve the gender diversity at board level and across the workforce, and are in the process of seeking one or more suitable candidates of different gender to join the Board as Director(s) on or before 31 December 2024.

AUDIT COMMITTEE

The Company has established the Audit Committee comprising three members, namely, Mr. Liu Kai Yu Kenneth, Mr. Cheng Yiqun and Mr. Yang Dong. Mr. Liu Kai Yu Kenneth is the chairman of the Audit Committee.

The Audit Committee has its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the financial controls, risk management and internal control systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit Committee, together with the management of the Company, has discussed the matters concerning risk management and internal control, auditing and financial reporting matters and reviewed the interim results and the consolidated financial statements of the Group for the six months ended 28 February 2023.

SCOPE OF WORK FOR INTERIM RESULTS ANNOUNCEMENT BY AUDITORS

The Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the six months ended 28 February 2023 as set out in this announcement have been reviewed and agreed by the Company's auditor, Ernst & Young. The financial information has been reviewed by the Audit Committee and approved by the Board.

EVENTS AFTER THE REPORTING PERIOD

On 10 March 2023, the Company granted an aggregate of 61,000,000 share options to eligible participants pursuant to the Share Option Scheme, subject to their acceptance of such share options. In particular, the grant of share options to Mr. Luo Shi is also conditional upon the approval by the Shareholders at the extraordinary general meeting to be held on 26 April 2023. For further details, please refer to the announcement of the Company dated 10 March 2023 and the circular of the Company dated 6 April 2023.

Save as disclosed above, there were no other significant events of the Group after 28 February 2023 and up to the date of this announcement.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.tianlieducation.com. The interim report of the Group for the six months ended 28 February 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders 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.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Audit Committee”	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company
“Board”	the board of Directors of the Company
“Company”	Tianli International Holdings Limited (天立國際控股有限公司), a company incorporated in the Cayman Islands with limited liability on 24 January 2017, the Shares of which are listed on the Main Board of the Stock Exchange
“CG Code”	Corporate Governance Code and Corporate Governance Report (which was updated to Corporate Governance Code on 1 January 2022) as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Gaokao”	the National Higher Education Entrance Examination (普通高等學校招生全國統一考試)
“Group”, “we”, “us” or “our”	the Company, its subsidiaries and entities under the Company’s control through contractual arrangements in the PRC
“HKD”	Hong Kong dollar, the lawful currency of the Hong Kong Special Administrative Region
“IPO”	initial public offering
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pre-IPO Restricted Share Award Scheme”	the pre-IPO restricted share award scheme for the award of Shares to eligible participants, adopted by the Company on 26 January 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Restricted Share Award Scheme” in Appendix V to the Prospectus

“Prospectus”	the prospectus of the Company dated 28 June 2018 issued by the Company in relation to the listing of its Shares on the Main Board of the Stock Exchange
“Reporting Period”	the period for the six months ended 28 February 2023
“Restricted Share Award Scheme”	the restricted share award scheme for the award of Shares to eligible participant, adopted by the Company on 17 December 2018, pursuant to the announcement made by the Company on 17 December 2018
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Selected Participants”	eligible persons selected by the Board or authorized administrators to be granted the share awards under the Restricted Share Award Scheme at its sole discretion
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of HKD0.1 each
“Share Option Scheme”	the share option scheme of our Company, adopted pursuant to a resolution of our Shareholders on 24 June 2018, the principal terms of which are summarized in the section headed “Statutory and General Information – E. Share Option Scheme” in Appendix V to the Prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trustee”	THE CORE TRUST COMPANY LIMITED (匯聚信託有限公司) (which is independent of and not connected with the Company), being appointed by the Company for the administration of the Restricted Share Award Scheme, or any additional or replacement trustee(s)

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

The PRC, 25 April 2023

As at the date of this announcement, the Board comprises Mr. Luo Shi as chairman and executive Director and Mr. Wang Rui as executive Director, Mr. Zhang Wenzao and Mr. Pan Ping as non-executive Directors and Mr. Liu Kai Yu Kenneth, Mr. Yang Dong and Mr. Cheng Yiqun as independent non-executive Directors.