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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 August 2023	For the year ended 31 August 2022	Change	Percentage Change
	RMB'000	*RMB'000*	*RMB'000*	
Revenue	**2,302,540**	884,372	1,418,168	160.3%
Gross profit	**778,847**	293,539	485,308	165.3%
Profit for the year	**331,073**	96,160	234,913	244.3%
Adjusted profit for the year	**365,660**	97,142	268,518	276.4%
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
	RMB	*RMB*	*RMB*	
Basic	**15.90 cents**	4.58 cents	11.32 cents	247.2%
Diluted	**15.90 cents**	4.56 cents	11.34 cents	248.7%
	RMB	*RMB*	*RMB*	
Interim dividend per Share	**2.43 cents**	–	–	–
Final dividend per Share	**2.34 cents**	2.29 cents	0.05 cents	2.2%
Total dividend	**4.77 cents**	2.29 cents	2.48 cents	108.3%
Dividend payout ratio	**30%**	50%	–	-20 p.p

Calculation of the adjusted profit for the year

	For the year ended 31 August 2023 *RMB'000*	For the year ended 31 August 2022 *RMB'000*
Profit for the year	**331,073**	96,160
Add/(Less):		
Share of losses/(profits) of a joint venture	**549**	(1,222)
Share of losses of associates	**1,104**	271
Equity-settled share award scheme and share option scheme expenses	**27,798**	5,779
Foreign exchange gains	**(3,354)**	(3,846)
Depreciation and amortisation arising from valuative appreciation	**8,490**	–
Adjusted profit for the year	**365,660**	97,142

The adjusted profit for the year was derived from the profit for the year excluding the items which are not indicative of the Group's operating performance. These are not International Financial Reporting Standard ("**IFRS**") measures.

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. During the Reporting Year, we provided comprehensive education service to 25,524 high school students. At the beginning of the fall semester of 2023, the number of high school students enrolled in the Group's school network increased significantly by 43.8% to 36,708.

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 society. 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. In December 2022, the Group was rewarded the "2022 Benchmark Education Group" (二零二二年度標桿教育集團). In addition, leveraging its excellent comprehensive strength and brand influence, the Group was awarded the "2023 Top Ten Influential Brands in Education Industry" (二零二三年度教育行業十大影響力品牌) in May 2023.

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. During the Reporting Year, a total of 14 students won the first prize in the Provincial Competition of National League in the five subjects of physics, chemistry, mathematics, biology and informatics, and 6 persons were selected for the provincial competition team and won 1 gold medal, 2 silver medals and 3 bronze medals in the national finals, 1 student was selected for the national training team and was guaranteed to be sent to Tsinghua University. During the Reporting Year, 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. Approximately 83.5% of our Gaokao candidates in 2023 attained entry requirements of universities in the PRC, and approximately 50.3% attained the entry requirements of first-tier universities in the PRC.

In 2023, 127 of our high school graduates were enrolled into the world's top 50 universities such as Tsinghua University and Peking University, representing an increase of 48 students compared to 79 students in 2022.

Our Schools

With a strong presence in Sichuan province where the Group is based in, our school spans across 36 cities in Inner Mongolia, Shandong, Henan, Guizhou, Jiangxi, Zhejiang, Yunnan, Gansu, Anhui, Guangxi, Guangdong, Shaanxi, Shanghai, Chongqing and Hubei. As at 31 August 2023, the Group principally provided students with comprehensive education services in 50 schools.

PRC-certified teachers are crucial to our business, allowing us to maintain the quality of our educational services while undergoing expansion. As of 31 August 2023, the number of full-time teachers employed by our self-owned schools was 2,090 (as of 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 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.

Management and franchise fees received from entrusted schools

During the Reporting Year, 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 31 August 2023:

Number	**School name**	**Principal business**
1	Luzhou Longmatan Tianli Elementary School *(Note 1)*	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	Elementary school and Middle 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 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 *(Note2)*	Elementary school and Middle school
30	Chengdu Pidu Tianli School *(Note2)*	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 Pidu 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 comprehensive educational services to students and parents.

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

	31 August 2023 *RMB '000* **(unaudited)**	31 August 2022 *RMB '000* (unaudited)
Current assets	**1,878,178**	2,923,716
Non-current assets	**2,279,994**	1,878,506
Total assets	**4,158,172**	4,802,222
Current liabilities	**2,596,637**	2,790,775
Non-current liabilities	**694,698**	997,188
Total liabilities	**3,291,335**	3,787,963
Net assets	**866,837**	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 31 August 2023, the Group had successfully separated a total of 5 for-profit high schools with independent operating licenses from integrated schools. The financial results of these high schools have been consolidated into the consolidated financial statements of the Group; and (ii) the Group will progressively increase the enrollment scale of the existing high schools. There were 36,708 high school students in the Company's school network as at the beginning of the 2023 fall semester, representing an increase of approximately 43.8% compared to 25,524 high school students as at the beginning of the 2022 fall semester, among which the enrollment number of new high school students was 19,071, representing an increase of approximately 41% as compared with the enrollment number of new high school students as at the beginning of the 2022 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 year ended 31 August 2022 and the year ended 31 August 2023.

	Year ended 31 August 2023 *RMB'000* **(audited)**	Year ended 31 August 2022 *RMB'000* (audited)
Revenue	2,302,540	884,372
Cost of sales	(1,523,693)	(590,833)
GROSS PROFIT	778,847	293,539
Other income and gains	22,860	16,966
Selling and distribution expenses	(36,227)	(12,197)
Administrative expenses	(240,061)	(132,822)
Other expenses	(17,294)	(13,586)
Finance costs	(62,529)	(27,502)
Share of (losses)/profits of:		
A joint venture	(549)	1,222
Associates	(1,104)	(271)
PROFIT BEFORE TAX	443,943	125,349
Income tax expense	(112,870)	(29,189)
PROFIT FOR THE YEAR	331,073	96,160

REVENUE

The following table sets forth an analysis of revenue for the year ended 31 August 2022 and the year ended 31 August 2023:

	Year ended 31 August 2023 *RMB'000*	Year ended 31 August 2022 *RMB'000*
Revenue from contracts with customers		
Comprehensive educational services *(Note 1)*	**1,223,218**	345,695
Sales of products	**555,230**	59,232
Canteen operations	**485,093**	432,089
Management and franchise fees *(Note 2)*	**38,999**	47,356
Total revenue	**2,302,540**	884,372

Notes:

1. It includes comprehensive education and quality services, and study tour services.

2. It includes supply chain management services, consulting management fees,and management and franchise fees.

Our revenue mainly includes comprehensive educational services, sales of products, canteen operations, and management and franchise fees.

Our revenue increased by 160.3% from approximately RMB884.4 million for the year ended 31 August 2022 to approximately RMB2,302.5 million for the Reporting Year, primarily driven by increase of revenue from comprehensive educational services and sales of products.

The revenue from comprehensive educational services of the Group increased by 253.8% from approximately RMB345.7 million for the year ended 31 August 2022 to approximately RMB1,223.2 million for the Reporting Year, which is primarily due to : 1) the increase in high school students enrollment; 2) the new separation of 4 for-profit high schools with independent operating licenses from the integrated schools during the Reporting Year, and hence the consolidation of the financial results of such high schools into the consolidated financial statements of the Group; 3) the provision of comprehensive quality services by the Group to tens of thousands of people of appropriate age, including but not limited to sinology, technology, sports, art, etc, which aimed at facilitating all-round development of students and cultivating comprehensive talents; and 4) the end of the pandemic, which led to an explosive growth in the study tour business during the Reporting Year.

During the Reporting Year, the Group had generated sales revenue of approximately RMB555.2 million, including revenue of approximately RMB160.0 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 RMB395.2 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 12.3% from approximately RMB432.1 million for the year ended 31 August 2022 to approximately RMB485.1 million for the Reporting Year, primarily due to the increase in the number of students served by the Group.

The revenue from management and franchise fees decreased by 17.7% from approximately RMB47.4 million for the year ended 31 August 2022 to approximately RMB39.0 million for the Reporting Year, primarily because we adjusted our cooperation model with suppliers, resulting in a decrease in revenue from supply chain management services.

Costs of Principal Activities

The following table sets forth the components of our cost of sales for the year ended 31 August 2022 and the year ended 31 August 2023.

	Year ended 31 August 2023 *RMB'000*	Year ended 31 August 2022 *RMB'000*
Material consumption	**340,622**	252,905
Staff costs	**397,260**	119,622
Depreciation and amortization	**183,595**	117,052
Procurement cost of products	**459,427**	45,352
Teaching activity costs	**107,088**	33,076
Utilities	**16,005**	15,114
Others	**19,696**	7,712
Total	**1,523,693**	590,833

Our cost of sales consists of material consumption, staff costs, depreciation and amortization, procurement cost of products, teaching activity costs, utilities and others.

Our cost of sales increased by 157.9% from approximately RMB590.8 million for the year ended 31 August 2022 to approximately RMB1,523.7 million for the Reporting Year, primarily due to the significant increase in revenue of 160.3% during the Reporting Year resulting in the corresponding increase in staff costs, product procurement costs, depreciation and amortization and other costs related to business operations.

Material consumption costs increased by 34.7% from RMB252.9 million for the year ended 31 August 2022 to RMB340.6 million for the Reporting Year, primarily due to the increase in the number of diners in the canteens operated during the Reporting Year.

Staff costs increased by 232.2% from RMB119.6 million for the year ended 31 August 2022 to RMB397.3 million for the Reporting Year, primarily due to the increase in labor cost as a result of the recruitment of new teachers resulted from the increase in the number of high school students, and the Group's provision of comprehensive quality services, product sales business, etc..

Depreciation and amortization costs increased by 56.8% from RMB117.1 million for the year ended 31 August 2022 to RMB183.6 million for the Reporting Year, primarily due to the increase in depreciation as a result of the high schools newly opened in September 2022 and the completion of the spin-off and consolidation of four additional high schools in the Reporting Year.

Procurement cost of products increased by 911.9% from RMB45.4 million for the year ended 31 August 2022 to RMB459.4 million for the Reporting Year, primarily due to the increase in procurement costs as a result of a significant increase in product sales revenue of 837.8%.

Teaching activity costs increased by 223.6% from RMB33.1 million for the year ended 31 August 2022 to RMB107.1 million for the Reporting Year, primarily due to the increase in teaching service costs related to the business of study tours which is in line with its significant growth.

Utilities cost increased slightly by 6.0% from RMB15.1 million for the year ended 31 August 2022 to RMB16.0 million for the Reporting Year, due to the fact that on one hand, the increased number of students served would increase the costs, and on the other hand, the Group promotes the green office and frugality convention, and integrates environmental awareness and green actions into school daily management to improve operational efficiency.

Other costs increased by 155.8% from approximately RMB7.7 million for the year ended 31 August 2022 to RMB19.7 million for the Reporting Year, primarily due to other daily operating costs arising from the growth in business volume.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Year was approximately RMB778.8 million, representing an increase of 165.3% from approximately RMB293.5 million for the year ended 31 August 2022, primarily due to the increase in the number of high school students enrolled and the revenue from the Group's provision of comprehensive quality services and product sales. The Group's gross profit margin for the Reporting Year was approximately 33.8%, representing a slight increase of 0.6 percentage points as compared with 33.2% for the year ended 31 August 2022.

Other Income and Gains

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

Other income and gains increased from approximately RMB17.0 million for the year ended 31 August 2022 to approximately RMB22.9 million for the Reporting Year, primarily because of the increase in bank interest income and other subsidy income received.

Administrative Expenses

Administrative expenses primarily consist of (i) administrative staff costs, (ii) equity-settled share option scheme expenses, and (iii) 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 80.8% from approximately RMB132.8 million for the year ended 31 August 2022 to approximately RMB240.1 million for the Reporting Year, primarily as a result of an increase in administrative staff costs, equity-settled share option scheme expenses and other expenses.

Finance Costs

Finance costs increased from RMB27.5 million for the year ended 31 August 2022 to RMB62.5 million for the Reporting Year, primarily due to the increase in interest on bank loans and the decrease in the amount of interest capitalised as a result of the decrease in the number of schools under construction as compared to the year ended 31 August 2022.

Income Tax

Income tax increased by 286.6% from approximately RMB29.2 million for the year ended 31 August 2022 to approximately RMB112.9 million for the year ended 31 August 2023, mainly due to the increase in profit before tax arising from taxable subsidiaries, in particular, our high schools and the Group's major subsidiaries established in the PRC which are subject to corporate income tax at a rate of 25%. The effective income tax rate for the year ended 31 August 2023 was 25.4% (for the year ended 31 August 2022: 23.3%).

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 31 August 2023, we had net current liabilities of approximately RMB2,198.4 million, as compared with net current liabilities of approximately RMB1,608.5 million as at 31 August 2022. Such increase in net current liabilities was primarily attributable to the increase in short-term bank loans and the increase in other payables for the purchase of property, plant and equipment.

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 31 August 2023, the Group had cash and cash equivalents of approximately RMB1,501.7 million (31 August 2022: approximately RMB929.9 million). The following table sets forth a summary of our cash flows for the year indicated:

	Year ended 31 August 2023 (Audited) ***RMB'000***	Year ended 31 August 2022 (Audited) *RMB'000*
Net cash flow from operating activities	**975,668**	736,527
Net cash flow used in investing activities	**(435,229)**	(796,494)
Net cash flow used in financing activities	**(30,841)**	(290,711)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**509,598**	(350,678)
Net effect of foreign exchange rates	**2,869**	(2,678)
Cash and cash equivalents at the beginning of year	**919,902**	1,273,258
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,432,369**	919,902
Time deposits with maturity over 3 months	**69,355**	10,000
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,501,724**	929,902

BORROWINGS AND GEARING RATIO

As at 31 August 2023, the Group had borrowings of approximately RMB1,672.4 million (31 August 2022: RMB1,131.8 million) and the Group's unutilised banking facilities was approximately RMB 730 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 31 August 2023, the gearing ratio of the Group, calculated as the total interest-bearing borrowings divided by the total assets, was approximately 17.5% (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 31 August 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 for the year ended 31 August 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 year ended 31 August 2023, our capital expenditures were approximately RMB419.7 million (the year ended 31 August 2022: approximately RMB929.4 million), which we funded primarily through cash generated from operations, bank facilities, and net proceeds received from the Placing and the Subscription in December 2020.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 August 2023, the Group had capital commitments contracted but not provided for property, plant and equipment amounting to approximately RMB81.5 million (31 August 2022: approximately RMB263.4 million).

SEGMENT INFORMATION

The Group has determined that it only has one operating segment which is engaged in the provision of comprehensive education 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 year ended 31 August 2023** *(HKD million)*	**Unutilised as at 31 August 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	38.26	161.74	31 August 2024
Expansion of self-built and self-operated projects in first-tier and core cities	194.97	84.48	40.58	43.9	31 August 2024
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 31 August 2023:

	As at 31 August 2023 *(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)	**151.07**

The Board of Tianli International Holdings Limited is pleased to announce the audited consolidated results of the Group for the year ended 31 August 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2023

	Notes	Year ended 31 August 2023 RMB'000	Year ended 31 August 2022 RMB'000
Revenue	4	**2,302,540**	884,372
Cost of sales		**(1,523,693)**	(590,833)
Gross profit		**778,847**	293,539
Other income and gains	4	**22,860**	16,966
Selling and distribution expenses		**(36,227)**	(12,197)
Administrative expenses		**(240,061)**	(132,822)
Other expenses		**(17,294)**	(13,586)
Finance costs	5	**(62,529)**	(27,502)
Share of (losses)/profits of:			
A joint venture		**(549)**	1,222
Associates		**(1,104)**	(271)
PROFIT BEFORE TAX	6	**443,943**	125,349
Income tax expense	7	**(112,870)**	(29,189)
PROFIT FOR THE YEAR		**331,073**	96,160
OTHER COMPREHENSIVE LOSS FOR THE YEAR			
Other comprehensive loss that will be reclassified to profit or loss in subsequent periods:			
Exchange differences related to translation of a foreign operation		**(58)**	206
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**331,015**	96,366

	Note	Year ended 31 August 2023 RMB'000	Year ended 31 August 2022 RMB'000
Profit attributable to:			
– Owners of the Company		**333,829**	96,539
– Non-controlling interests		**(2,756)**	(379)
		331,073	96,160
Total comprehensive income attributable to:			
– Owners of the Company		**333,771**	96,745
– Non-controlling interests		**(2,756)**	(379)
		331,015	96,366
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**RMB15.90 cents**	RMB4.58 cents
Diluted		**RMB15.90 cents**	RMB4.56 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 AUGUST 2023

	Notes	**31 August 2023 RMB'000**	31 August 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**4,454,733**	3,640,254
Right-of-use assets	*11*	**2,044,905**	1,655,213
Goodwill	*12*	**16,413**	7,572
Other intangible assets		**34,490**	24,091
Investment in a joint venture		**162,493**	163,042
Investments in associates		**68,695**	69,499
Prepayments, deposits and other receivables		**123,917**	95,387
Deferred tax assets		**274,942**	270,020
Total non-current assets		**7,180,588**	5,925,078
CURRENT ASSETS			
Inventories		**27,283**	18,817
Trade receivables	*13*	**17,448**	10,953
Prepayments, deposits and other receivables	*14*	**72,846**	59,111
Amounts due from related parties		**651,520**	1,085,667
Financial assets at fair value through profit or loss		**100,309**	100,010
Restricted deposits		**–**	1,573
Cash and cash equivalents		**1,501,724**	929,902
Total current assets		**2,371,130**	2,206,033
CURRENT LIABILITIES			
Trade payables	*15*	**47,066**	46,571
Other payables and accruals	*16*	**512,010**	222,041
Contract liabilities		**1,315,089**	842,940
Interest-bearing bank and other borrowings		**553,935**	240,450
Amounts due to related parties		**1,743,099**	2,138,962
Tax payable		**146,320**	120,755
Lease liabilities	*11*	**20,221**	11,612
Deferred income		**231,741**	191,249
Total current liabilities		**4,569,481**	3,814,580
NET CURRENT LIABILITIES		**(2,198,351)**	(1,608,547)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,982,237**	4,316,531

	Notes	31 August 2023 RMB'000	31 August 2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*11*	**219,389**	178,931
Deferred tax liabilities		**54,416**	–
Deferred income		**342,913**	368,729
Interest-bearing bank and other borrowings		**1,118,474**	891,375
Amounts due to related parties		**1,151,577**	998,581
Total non-current liabilities		**2,886,769**	2,437,616
NET ASSETS		**2,095,468**	1,878,915
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**183,022**	183,022
Treasury shares		**(31,663)**	–
Reserves		**1,914,107**	1,668,774
		2,065,466	1,851,796
Non-controlling interests		**30,002**	27,119
Total equity		**2,095,468**	1,878,915

NOTES TO FINANCIAL STATEMENTS

31 AUGUST 2023

1. CORPORATE AND GROUP INFORMATION

Tianli International Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 24 January 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the provision of comprehensive education management and diversified services in the People's Republic of China (the "**PRC**"). There were no significant changes in the nature of the Group's principal activities during the year.

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

On 14 May 2021, the 2021 Implementation Regulations for Private Education Laws (the "**2021 Implementation Regulations**") were promulgated by the PRC State Council, and the aforesaid contractual agreements of private schools providing compulsory education (the "**Affected Business**") were no longer enforceable from 1 September 2021. The Directors conclude that, the Group legally owned the Affected Business through the affiliated entities of the Group as a result of the contractual agreements, but ceased to have control over them from 31 August 2021 due to the 2021 Implementation Regulations.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**") and International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

As at 31 August 2023, the Group recorded net current liabilities of approximately RMB2,198,351,000 (2022: RMB1,608,547,000). Included in the current liabilities as at 31 August 2023 were contract liabilities and deferred income of RMB1,315,089,000 (2022: RMB842,940,000) and RMB231,741,000 (2022: RMB191,249,000), respectively. The Group had cash and cash equivalents of RMB1,501,724,000 as at 31 August 2023 (2022: RMB929,902,000).

The Directors have prepared these consolidated financial statements 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 RMB730,000,000 (2022: RMB770,250,000) which are available for drawdown within the next 2 to 7 years from 31 August 2023.

Having considered the cash flows from operations 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 consolidated financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 August 2023. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies except where adjustments are made to certain subsidiaries established in the PRC to adjust the annual reporting year end from 31 December to 31 August to ensure the conformity with the Group's reporting period. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 *Reference to the Conceptual Framework*

Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 September 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 September 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 September 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 September 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 6]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[7]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 5]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[2]
Amendments to IAS 21	*Lack of Exchangeability*[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
6 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
7 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 September 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers. As a result, supplier finance arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the original payment due dates. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments are effective for annual reporting periods beginning on or after 1 January 2025. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to IAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB59,748,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB54,241,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 September 2022.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. On this basis, the Directors have determined that the Group only has one operating segment which is engaged in the provision of education services. Therefore, no information about the operating segment is presented other than the entity-wide disclosures.

Entity-wide disclosures

Geographical information

During the year, the Group operated within one geographical location because all of its revenues were generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue from a single customer amounted to 10% or more of the total revenue of the Group during the year (2022: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the values of services rendered after deducting scholarships and refunds during the year.

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000)*
Revenue from contracts with customers		
Comprehensive educational services	**1,223,218**	345,695
Sales of products	**555,230**	59,232
Canteen operations	**485,093**	432,089
Management and franchise fees	**38,999**	47,356
Total revenue	**2,302,540**	884,372

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Products transferred at a point in time	**620,675**	133,840
Services transferred over time	**1,681,865**	750,532
Total revenue from contracts with customers	**2,302,540**	884,372

(ii) Performance obligations

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

Goods transferred at a point in time

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

Services transferred over time

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

As at 31 August 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:

	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**3,418**	1,924
Foreign exchange gains, net	**3,354**	3,846
Gain on disposal of financial assets at fair value through profit or loss	**3,015**	6,779
Fair value gains on financial assets at fair value through profit or loss	**299**	–
Gain on cancellation of operating leases as a lessee	**2,444**	–
Rental income	**1,123**	2,424
Gain on disposal of property, plant and equipment	**223**	–
Gain on disposal of subsidiaries	**–**	172
Others	**8,984**	1,821
Total other income and gains	**22,860**	16,966

5. FINANCE COSTS

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

	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**82,586**	68,044
Less: Interest capitalised *(note 10(b))*	**(32,612)**	(51,141)
	49,974	16,903
Interest on lease liabilities *(note 11(c))*	**12,555**	10,599
	62,529	27,502
Interest rate of borrowing costs capitalised (%)	**5.38-7.15**	5.39-7.35

6. PROFIT BEFORE TAX

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

	Notes	**2023** **RMB'000**	2022 RMB'000
Cost of inventories consumed		**800,049**	298,257
Cost of services provided		**723,644**	292,576
Employee benefit expense (excluding Directors' and chief executive's remuneration)			
Wages and salaries		**591,460**	252,709
Equity-settled share award scheme expenses		**4,501**	5,779
Equity-settled share option scheme expenses		**9,618**	–
Pension scheme contributions (defined contribution scheme) ***		**23,037**	10,932
Welfare		**38,618**	22,319
Housing fund (defined contribution scheme)		**9,421**	5,825
Less: Government grants released*		**(125,780)**	(101,164)
Subsidies received*		**(112)**	(178)
		550,763	196,222
Depreciation of items of property, plant and equipment**	*10*	**131,568**	79,996
Depreciation of right-of-use assets**	*11(a)*	**66,205**	51,102
Amortisation of other intangible assets		**4,630**	1,709
Loss on disposal of items of property, plant and equipment, net		**1,250**	556
Loss on cancellation of operating leases as a lessee		**2,444**	38
Auditor's remuneration		**5,800**	5,500
Lease payments not included in the measurement of lease liabilities**	*11(c)*	**3,378**	1,318
Research expenses		**10,626**	14,238
Equity-settled share option scheme expenses		**874**	–
Bank interest income		**(3,418)**	(1,924)
Foreign exchange gains, net		**(3,354)**	(3,846)
Gain on disposal of subsidiaries		**–**	(126)
Loss on disposal of a subsidiary		**–**	172
Gain on disposal of financial assets at fair value through profit or loss		**(3,015)**	(6,779)
Fair value gains on financial assets at fair value through profit or loss		**(299)**	–
Rental income		**(1,123)**	(2,424)

* Various government grants and subsidies have been received to subsidise the schools' operating expenditure. The government grants received have been deducted from the employee costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

** The depreciation of items of property, plant and equipment, depreciation of right-of-use assets and expenses relating to leases of low-value assets and variable lease payments for the year of RMB117,833,000 (2022: RMB68,209,000), RMB61,133,000 (2022: RMB47,135,000) and RMB2,507,000 (2022: RMB425,000), respectively are recorded in "Cost of sales" in profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. 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 year:

	2023	2022
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**123,786**	27,618
(Overprovision)/underprovision in prior years	**(3,871)**	282
Deferred	**(7,045)**	1,289
	112,870	29,189

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

		2023	2022
	Notes	***RMB'000***	*RMB'000*
Profit before tax		**443,943**	125,349
Tax/(notional tax) at the applicable tax rates:			
16.5%	*(b)*	**(438)**	(454)
25%		**111,649**	32,025
Lower tax rates enacted by local authorities	*(c)*	**(28,544)**	(3,347)
Tax effect on income not subject to tax	*(d)*	**(14,592)**	(29,994)
Tax losses utilised from previous periods		**(7,470)**	(7,017)
Losses/(profits) attributable to a joint venture and associates		**413**	(238)
Income not subject to tax		**(7)**	(16,802)
Expenses not deductible for tax		**7,430**	199
Adjustments in respect of current tax of previous years		**(3,871)**	282
Tax losses not recognised		**48,300**	54,535
Tax charge at the Group's effective rate		**112,870**	29,189

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%.

(c) Pursuant to the People's Republic of China (the "**PRC**") Income Tax Law and the respective regulations, except for Tibet Yongsi, Shenzhou Hongyu and 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 year.

During the year, Tibet Yongsi was entitled to an effective preferential PRC CIT rate of 9%. The business scope of Tibet Yongsi falls within the local encouraged industries in Tibet under the "Western Development Policy", and a preferential PRC CIT rate of 15% is applicable. 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 is levied at a preferential PRC CIT rate of 15%.

Under the "Western Development Policy", the income tax provision for 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%, while others which provide non-academic and comprehensive quality 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%.

During the year, Baise Tianli High School was entitled to an effective preferential PRC CIT rate of 15%. As its business scope falls within the scope of the encouraged industries in Guangxi Baise Pilot Zone, it can have the local part of CIT (40% of 25%) exempted.

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

The share of tax attributable to a joint venture and associates amounting to RMB911,000 (2022: RMB863,000) and RMB148,000 (2022: RMB58,000), respectively, is included in "Share of profits of a joint venture and associates" in profit or loss.

Deferred tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*
At 31 August 2022 and 1 September 2022	–
Acquisition of subsidiaries	(56,539)
Deferred tax credited to profit or loss during the year	2,123
At 31 August 2023	**(54,416)**

Deferred tax assets

	Impairment losses on non-current assets *RMB'000*	**Unrealised profit from intra-group transactions** *RMB'000*	**Total** *RMB'000*
At 1 September 2021	271,309	–	271,309
Deferred tax credited/(charged) to profit or loss during the year	(6,345)	5,056	(1,289)
At 31 August 2022 and 1 September 2022	264,964	5,056	270,020
Deferred tax credited/(charged) to profit or loss during the year	(6,682)	11,604	4,922
At 31 August 2023	**258,282**	**16,660**	**274,942**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 August 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 August 2023, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,196,656,000 (2022: RMB876,995,000).

As at 31 August 2023, the Group has tax losses arising in Mainland China of RMB530,781,000 (2022: RMB468,402,000), which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these temporary differences and tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

8. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Interim – RMB2.43 cents (2022: Nil) per ordinary share	**58,224**	–
Proposed final – RMB2.34 cents (2022: RMB2.29 cents) per ordinary share	**50,404**	49,327
	108,628	49,327

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. 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:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**333,829**	96,539

	Number of shares ('000)	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue	**2,154,000**	2,160,091
Effect of the weighted average number of ordinary shares repurchased under the share award scheme	**(57,299)**	(56,548)
Weighted average number of vested ordinary shares granted under the share award plan	**3,178**	2,043
Adjusted weighted average number of ordinary shares used in the basic earnings per share calculation	**2,099,879**	2,105,586
Effect of dilution:		
Weighted average number of unvested ordinary shares granted under the share award plan	**115**	10,413
Adjusted weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,099,994**	2,115,999

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures *RMB'000*	Furniture and fixtures *RMB'000*	Leasehold improvements *RMB'000*	Devices and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 August 2023						
At 1 September 2022:						
Cost	**4,587,209**	**146,986**	**22,447**	**121,310**	**94,834**	**4,972,786**
Accumulated depreciation and impairment	**(1,224,649)**	**(56,139)**	**(13,973)**	**(37,771)**	**–**	**(1,332,532)**
Net carrying amount	**3,362,560**	**90,847**	**8,474**	**83,539**	**94,834**	**3,640,254**
At 1 September 2022, net of accumulated depreciation	**3,362,560**	**90,847**	**8,474**	**83,539**	**94,834**	**3,640,254**
Additions	**–**	**2,460**	**29,836**	**23,155**	**294,506**	**349,957**
Acquisition of subsidiaries	**581,781**	**3,196**	**3,770**	**9,681**	**–**	**598,428**
Disposals	**–**	**(2,043)**	**–**	**(295)**	**–**	**(2,338)**
Depreciation provided during the year *(note 6)*	**(75,317)**	**(24,601)**	**(4,258)**	**(27,392)**	**–**	**(131,568)**
Transfer from construction in progress	**217,268**	**11,052**	**103,929**	**1,408**	**(333,657)**	**–**
At 31 August 2023, net of accumulated depreciation and impairment	**4,086,292**	**80,911**	**141,751**	**90,096**	**55,683**	**4,454,733**
At 31 August 2023:						
Cost	**5,386,258**	**161,651**	**159,982**	**155,259**	**55,683**	**5,918,833**
Accumulated depreciation and impairment	**(1,299,966)**	**(80,740)**	**(18,231)**	**(65,163)**	**–**	**(1,464,100)**
Net carrying amount	**4,086,292**	**80,911**	**141,751**	**90,096**	**55,683**	**4,454,733**

	Buildings and structures RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2022						
At 1 September 2021:						
Cost	3,874,020	103,862	16,002	65,234	108,390	4,167,508
Accumulated depreciation and impairment	(1,119,801)	(35,547)	(12,624)	(21,216)	(62,784)	(1,251,972)
Net carrying amount	2,754,219	68,315	3,378	44,018	45,606	2,915,536
At 1 September 2021, net of accumulated depreciation	2,754,219	68,315	3,378	44,018	45,606	2,915,536
Additions/(adjustment upon the finalisation of account)	(11,843)	18,860	6,445	16,710	775,884	806,056
Disposals	(515)	(176)	–	(87)	–	(778)
Disposal of subsidiaries	–	(28)	(395)	(141)	–	(564)
Depreciation provided during the year *(note 6)*	(42,064)	(20,564)	(954)	(16,414)	–	(79,996)
Transfer from construction in progress, net of impairment	662,763	24,440	–	39,453	(726,656)	–
At 31 August 2022, net of accumulated depreciation and impairment	3,362,560	90,847	8,474	83,539	94,834	3,640,254
At 31 August 2022:						
Cost	4,587,209	146,986	22,447	121,310	94,834	4,972,786
Accumulated depreciation and impairment	(1,224,649)	(56,139)	(13,973)	(37,771)	–	(1,332,532)
Net carrying amount	3,362,560	90,847	8,474	83,539	94,834	3,640,254

Notes:

(a) At 31 August 2023, the Group was in the process of obtaining the relevant property ownership certificates for certain buildings with a net carrying amount of approximately RMB356,944,000 (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 property, plant and equipment by the Group during the year amounted to RMB32,612,000 (2022: RMB51,141,000) (note 5).

(c) Impairment

Based on the assessment of the implications of the 2021 Implementation Regulations, and the related facts and circumstances of the property, plant and equipment free-occupied by the Affected Business, an impairment loss was made for these property, plant and equipment by 31 August 2021.

As at 31 August 2023, the Group's management assessed whether significant change of regulations had occurred or any indicators that may trigger impairment provision or reversal of impairment, and the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.

Based on the above assessment made, no impairment loss was recognised for year ended 31 August 2023 (2022: Nil).

11. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and other premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the government with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and other premises generally have lease terms between 2 and 20 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Buildings and other premises *RMB'000*	**Leasehold land** *RMB'000*	**Total** *RMB'000*
At 1 September 2021	184,622	1,417,296	1,601,918
Additions	18,827	86,406	105,233
Depreciation charge *(note 6)*	(20,337)	(30,765)	(51,102)
Cancellation	(836)	–	(836)
At 31 August 2022 and 1 September 2022	182,276	1,472,937	1,655,213
Additions	55,609	8,636	64,245
Acquisition of subsidiaries	32,453	374,719	407,172
Depreciation charge *(note 6)*	(27,448)	(38,757)	(66,205)
Cancellation	(15,520)	–	(15,520)
At 31 August 2023	**227,370**	**1,817,535**	**2,044,905**

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023	2022
	RMB'000	*RMB'000*
Carrying amount at beginning of the year	**190,543**	171,024
New leases	**55,609**	15,646
Acquisition of subsidiaries	**32,453**	–
Accretion of interest recognised during the year	**12,555**	10,599
Payments	**(33,586)**	(5,928)
Cancellation	**(17,964)**	(798)
Carrying amount at end of the year	**239,610**	190,543
Analysed into:		
Current portion	**20,221**	11,612
Non-current portion	**219,389**	178,931

(c) ***The amounts recognised in profit or loss in relation to leases are as follows:***

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**12,555**	10,599
Depreciation charge of right-of-use assets	**66,205**	51,102
Expense relating to leases of low-value assets (included in cost of sales and administrative expenses) *(note 6)*	**1,518**	1,318
Variable lease payments not included in the measurement of lease liabilities (included in cost of services provided) *(note 6)*	**1,860**	–
Total amount recognised in profit or loss	**82,138**	63,019

(d) Honghu Shenzhou Tianli Senior High School has a lease contract for school buildings that contains variable payments based on the number of students enrolled each year without any fixed payment. Management's objective is to align the lease expense with the revenue earned.

The Group as a lessor

The Group leases certain schools' spaces under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB1,123,000 (2022: RMB2,424,000), details of which are included in Note 4 to the announcement.

As at 31 August 2023, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**962**	925
After one year but within two years	**699**	871
After two years but within three years	**679**	604
After three years but within four years	**496**	579
After four years but within five years	**110**	392
After five years	**64**	–
	3,010	3,371

12. GOODWILL

	RMB'000
At 1 September 2022	7,572
Acquisition of subsidiaries	8,841
Cost and net carrying amount at 31 August 2023	16,413

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Kinderworld Kindergarten cash-generating unit ("**Kinderworld Kindergarten CGU**"); and
- Sichuan Fengming Niepan cash-generating unit ("**Sichuan Fengming Niepan CGU**").

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2023	2022
	RMB'000	*RMB'000*
Kinderworld Kindergarten CGU	**7,572**	7,572
Sichuan Fengming Niepan CGU	**8,841**	–
	16,413	7,572

The recoverable amount of each of the above CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors.

Assumptions were used in the value in use calculation of the above CGUs for 31 August 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue – The budgeted revenue is based on the historical data and management's expectation on the future market.

Budgeted EBIT – The basis used to determine the value assigned to the budgeted EBIT is the average EBIT achieved in two years immediately before the budget year.

Long-term growth rate – The long-term growth rate used to extrapolate the cash flows of the above CGUs beyond the five-year period is 0% and the inflation rates for the Kinderworld Kindergarten CGU and the Sichuan Fengming Niepan CGU are 3%, which are based on management's expectation on the future market.

Pre-tax discount rate – The pre-tax discount rate reflects risks relating to the CGU, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of public listed companies conducting business in the PRC education industry. The pre-tax discount rates applied to the cash flow projections for the Kinderworld Kindergarten CGU and the Sichuan Fengming Niepan CGU are 17% and 16%, respectively.

The values assigned to the key assumptions on market development of the cash-generating units and discount rates are consistent with external information sources.

13. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**17,448**	10,953

Trade receivables mainly represented amounts of management fees due from certain entrusted schools. There is no fixed credit term for payments. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

No expected credit losses were provided as it is assessed that the overall expected credit loss rate for the above financial assets measured at amortised cost is minimal.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Current portion:		
Security deposits related to the construction of schools	**5,377**	3,509
Other deposits	**10**	10
Prepayments	**11,129**	11,263
Advances to staff	**25,868**	16,572
Loans to third parties	**14,260**	14,268
Deductible input value-added tax	**10,259**	8,068
Other receivables	**5,943**	5,421
	72,846	59,111
Non-current portion:		
Prepayments for property, plant and equipment	**2,549**	6,352
Deductible input value-added tax	**79,317**	81,968
Prepayments for other intangible assets	**2,301**	2,067
Long-term prepayments for equity transfer	**24,688**	–
Prepayments for the acquisition of land use rights	**15,062**	5,000
	123,917	95,387
Total	**196,763**	154,498

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 August 2023 and 31 August 2022, the loss allowance was assessed to be minimal.

15. TRADE PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**46,533**	46,571
3 to 6 months	**20**	–
Over 6 months	**513**	–
	47,066	46,571

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

16. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Accrued bonuses and other employee benefits	**185,864**	47,376
Miscellaneous advances from students*	**33,012**	27,999
Payables for purchase of property, plant and equipment	**149,961**	37,354
Performance deposits from suppliers	**26,667**	19,766
Interest payable	**8,145**	8,509
Other payables and accrued expenses	**108,361**	81,037
	512,010	222,041

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

Other payables are non-interest-bearing and have an average term of three months.

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB2.34 cents (equivalent to HK2.56 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 23 November 2023, i.e. RMB0.91329 equivalent to HKD1.00) (Year ended 31 August 2022: RMB2.29 cents) per Share for the year ended 31 August 2023 to be paid on Monday, 5 February 2024 to the Shareholders whose names appear on the register of members of the Company on Thursday, 25 January 2024, representing a dividend payout of approximately RMB50.40 million (equivalent to approximately HKD55.14 million). The recommendation of payment of the final dividend is subject to the Shareholders' approval at the forthcoming AGM of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Tuesday, 16 January 2024, the register of members of the Company will be closed from Thursday, 11 January 2024 to Tuesday, 16 January 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the AGM, 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 Wednesday, 10 January 2024.

For determining the entitlement to the proposed final dividend (subject to the approval by Shareholders at the AGM) for the year ended 31 August 2023, the register of members of the Company will be closed from Tuesday, 23 January 2024 to Thursday, 25 January 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified for the proposed final 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 Monday, 22 January 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2023, the Group employed 5,029 employees (as at 31 August 2022: 3,018).

The staff costs, including Directors ' emoluments, net of government grant released and subsidies received, of the Group were approximately RMB566.4 million for the Reporting Year (2022: approximately RMB198.6 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.

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 the 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 of the Company.

On 17 December 2018, the Company adopted the Restricted Share Award Scheme. For details of such scheme, please refer to the announcement of the Company dated 17 December 2018.

Pursuant to the Share Option Scheme, the Company may issue (upon exercise of all options to be granted thereunder) up to a maximum of 200,000,000 Shares. On 10 March 2023, the Company granted an aggregate of 61,000,000 share options (where each share option shall entitle the relevant grantee to subscribe for one Share) to eligible participants pursuant to the Share Option Scheme. 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.

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

During the year ended 31 August 2023, the Company repurchased a total of 13,407,000 Shares ("**Shares Repurchased**") on the Stock Exchange, at an aggregate consideration of HKD35,526,836 (inclusive of the payment of trading fees, levies and commissions in the aggregate amount of HKD84,588). Details of the Shares Repurchased are as follows:

Month	No. of Shares repurchased	Price paid per Share Highest *(HKD)*	Price paid per Share Lowest *(HKD)*	Aggregate consideration *(HKD)*
July 2023	2,434,000	2.75	2.55	6,500,215
August 2023	10,973,000	2.82	2.47	29,026,621
Total	13,407,000			35,526,836

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Year.

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 the year ended 31 August 2023.

CORPORATE GOVERNANCE

During the year ended 31 August 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 during the year ended 31 August 2023. 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 7 Directors (Mr. Tian Mu resigned as a non-executive Director 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 annual results and the consolidated financial statements of the Group for the year ended 31 August 2023.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 August 2023, but represents an extract from the consolidated financial statements for the year ended 31 August 2023 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 August 2023.

EVENTS AFTER THE REPORTING YEAR

There were no significant events of the Group after 31 August 2023 and up to the date of this announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of HKEXnews at www.hkexnews.hk and the website of the Company at www.tianlieducation.com. The annual report of the Group for the year ended 31 August 2023 will be published on the aforesaid websites of HKEXnews 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 report, the following expressions have the meanings set out below unless the context requires otherwise:

"AGM"	annual general meeting
"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 as set out in part 2 of 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" and "HK cent(s)"	Hong Kong dollar and cent(s) respectively, the lawful currency of Hong Kong
"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 report, 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 Year"	the period for the year ended 31 August 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, 23 November 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.