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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1773)

**(1) INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024;
(2) FURTHER INFORMATION IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 AUGUST 2023**

(1) INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024

The Board of Tianli International Holdings Limited is pleased to announce the interim results of the Group for the six months ended 29 February 2024, together with comparative figures for the six months ended 28 February 2023.

FINANCIAL HIGHLIGHTS

	For the six months ended 29 February 2024 RMB'000	For the six months ended 28 February 2023 RMB'000	Change RMB'000	Percentage Change
Revenue	1,645,443	946,591	698,852	73.8%
Gross profit	582,925	370,780	212,145	57.2%
Profit for the period	285,863	172,649	113,214	65.6%
Adjusted profit for the period	319,474	187,904	131,570	70.0%
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY				
EQUITY HOLDERS OF THE COMPANY				
	RMB	RMB	RMB	
Basic	13.90 cents	8.20 cents	5.70 cents	69.5%
Diluted	13.84 cents	8.20 cents	5.64 cents	68.8%
	RMB	RMB	RMB	
Interim dividend per Share	4.17 cents	2.43 cents	1.74 cents	71.6%
Dividend payout ratio	30%	30%	-	-

Note: The amounts of the profit for the period, adjusted profit for the period and earnings per share attributable to ordinary equity holders of the Company for the six months ended 28 February 2023 have been restated.

Calculation of the adjusted profit for the period

	For the six months ended 29 February 2024 RMB'000	For the six months ended 28 February 2023 RMB'000 (Restated)
Profit for the period	285,863	172,649
Add/(Less):		
Share of (profits)/losses of a joint venture and associates	(9,417)	4,433
Equity-settled share award scheme and share option scheme expenses	29,852	2,122
Foreign exchange losses	8,186	3,216
Depreciation and amortisation arising from valiative appreciation	4,990	5,484
Adjusted profit for the period	<u>319,474</u>	<u>187,904</u>

The adjusted profit for the period was derived from the profit for the period 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 Period, we provided comprehensive education service to 36,708 high school students.

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 2023, the Group was awarded the "Outstanding Case of Educational Innovation of the Year" (年度教育創新優秀案例) for its "Six Establishments and One Accomplishment" curriculum system with Tianli characteristics. In the same month, the Group also received awards for the "Most Valuable Social Service Company" (最具價值社會服務公司) and the "Transformation Pioneer Enterprise of the Year" (年度轉型先鋒企業). In addition, leveraging its excellent comprehensive strength and brand influence, the Group was awarded the "2023 Top Ten Innovative Enterprises in Education Industry" (二零二三年度教育行業十大創新企業) in January 2024.

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 Period, a total of 15 students won the first prize in the Provincial Competition of National League in the five subjects of physics, chemistry, mathematics, biology and informatics, and 3 persons were selected for the provincial competition team and won 2 gold medal in the national finals. In 2023, our graduating high school students of our schools participated in the National Higher Education Entrance Examination (known as “Gaokao”) in the respective 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 the 2023 Gaokao, 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. During the Reporting Period, 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 29 February 2024, the number of full-time teachers employed by our self-owned schools was 2,060 (as of 28 February 2023: 1,654).

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 Period, the Group provided school management and franchise services for 10 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 29 February 2024:

Number	School name	Principal business
1	Luzhou Longmatan Tianli Elementary School (<i>Note 1</i>)	Elementary school
2	Yibin Cuiping District Tianli School	Elementary school and Middle school
3	Guangyuan Tianli School	Elementary school and Middle school
4	Neijiang Shizhong District Tianli School	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 (<i>Note2</i>)	Elementary school and Middle school
30	Chengdu Pidu Tianli School (<i>Note2</i>)	Integrated school

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

Notes:

1. Approximately 83.34% of equity interest of Luzhou Longmatan Tianli Elementary School was attributable to the Company.
2. 49% of equity interest of Chengdu Longquanyi Tianli School and Chengdu 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:

	29 February 2024 RMB '000 (unaudited)	31 August 2023 RMB '000 (unaudited)
Current assets	1,369,015	1,878,178
Non-current assets	2,137,648	2,279,994
Total assets	3,506,663	4,158,172
Current liabilities	2,098,837	2,596,637
Non-current liabilities	568,105	694,698
Total liabilities	2,666,942	3,291,335
Net assets	839,721	866,837

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 29 February 2024, 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 six months ended 28 February 2023 and the six months ended 29 February 2024.

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited and restated)
REVENUE	1,645,443	946,591
Cost of sales	<u>(1,062,518)</u>	<u>(575,811)</u>
Gross profit	582,925	370,780
Other income and gains	9,166	9,526
Selling and distribution expenses	(36,405)	(12,340)
Administrative expenses	(130,048)	(100,095)
Other expenses	(17,323)	(8,779)
Finance costs	(35,595)	(25,633)
Share of profits/(losses) of:		
A joint venture	(191)	(3,748)
Associates	9,608	(685)
PROFIT BEFORE TAX	382,137	229,026
Income tax expense	<u>(96,274)</u>	<u>(56,377)</u>
PROFIT FOR THE PERIOD	<u>285,863</u>	<u>172,649</u>

REVENUE

The following table sets forth an analysis of revenue for the six months ended 28 February 2023 and the six months ended 29 February 2024:

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Revenue from contracts with customers		
Comprehensive educational services	851,272	517,780
Canteen operations	294,305	245,384
Sales of products	473,810	164,109
Management and franchise fees	26,056	19,318
	<hr/>	<hr/>
Total revenue	<u>1,645,443</u>	<u>946,591</u>

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

Our revenue increased by 73.8% from approximately RMB946.6 million for the six months ended 28 February 2023 to approximately RMB1,645.4 million for the Reporting Period, 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 64.4% from approximately RMB517.8 million for the six months ended 28 February 2023 to approximately RMB851.3 million for the Reporting Period, which is primarily due to : 1) the increase in high school students enrollment; 2) the end of the pandemic, which led to a significant growth in the study tour business during the Reporting Period.

During the Reporting Period, the Group had generated sales revenue of approximately RMB473.8 million, including revenue of approximately RMB72.5 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 RMB401.3 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 19.9% from approximately RMB245.4 million for the six months ended 28 February 2023 to approximately RMB294.3 million for the Reporting Period, primarily due to the increase in the number of students served by the Group.

The revenue from management and franchise fees increased by 34.9% from approximately RMB19.3 million for the six months ended 28 February 2023 to approximately RMB26.1 million for the Reporting Period, primarily because of the addition of three schools to our entrusted school network during the Reporting Period.

Costs of Principal Activities

The following table sets forth the components of our cost of sales for the six months ended 28 February 2023 and the six months ended 29 February 2024.

	Six months ended 29 February 2024 RMB'000 (unaudited)	Six months ended 28 February 2023 RMB'000 (unaudited)
Material consumption	208,957	181,116
Staff costs	202,770	154,887
Depreciation and amortization	112,545	86,126
Procurement cost of products	426,956	113,724
Teaching activity costs	92,216	21,707
Utilities	9,661	8,033
Others	9,413	10,218
	<u>1,062,518</u>	<u>575,811</u>

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 84.5% from approximately RMB575.8 million for the six months ended 28 February 2023 to approximately RMB1,062.5 million for the Reporting Period, primarily due to the significant increase in revenue of 73.8% during the Reporting Period 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 15.4% from RMB181.1 million for the six months ended 28 February 2023 to RMB209.0 million for the Reporting Period, primarily due to the increase in the number of diners in the canteens operated during the Reporting Period.

Staff costs increased by 30.9% from RMB154.9 million for the six months ended 28 February 2023 to RMB202.8 million for the Reporting Period, 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 30.7% from RMB86.1 million for the six months ended 28 February 2023 to RMB112.5 million for the Reporting Period, primarily due to the increase in depreciation and amortization as a result of new campus in Shanghai and the campus of Gaokao repetition education business newly opened in September 2023.

Procurement cost of products increased by 275.4% from RMB113.7 million for the six months ended 28 February 2023 to RMB427.0 million for the Reporting Period, primarily due to the increase in procurement costs as a result of a significant increase in product sales revenue of 188.7%.

Teaching activity costs increased by 324.8% from RMB21.7 million for the six months ended 28 February 2023 to RMB92.2 million for the Reporting Period, 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 by 20.3% from RMB8.0 million for the six months ended 28 February 2023 to RMB9.7 million for the Reporting Period, primarily due to the increased number of students served.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period was approximately RMB582.9 million, representing an increase of 57.2% from approximately RMB370.8 million for the six months ended 28 February 2023, 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 Period was approximately 35.4%, representing a slight decrease of 3.8 percentage points as compared with 39.2% for the six months ended 28 February 2023.

Other Income and Gains

Other income and gains primarily consist of bank interest income, other service income and other subsidy income.

Other income and gains represents a slightly decrease from approximately RMB9.5 million for the six months ended 28 February 2023 to approximately RMB9.2 million for the Reporting Period.

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 29.9% from approximately RMB100.1 million for the six months ended 28 February 2023 to approximately RMB130.0 million for the Reporting Period, primarily as a result of an increase in equity-settled share option scheme expenses and other expenses.

Finance Costs

Finance costs increased from RMB25.6 million for the six months ended 28 February 2023 to RMB35.6 million for the Reporting Period, primarily due to the increase in interest on bank loans and lease liabilities.

Income Tax

Income tax increased by 70.7% from approximately RMB56.4 million for the six months ended 28 February 2023 to approximately RMB96.3 million for the six months ended 29 February 2024, 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 six months ended 29 February 2024 was 25.2% (for the six months ended 28 February 2023: 24.6%).

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 29 February 2024, we had net current liabilities of approximately RMB2,356.7 million, as compared with net current liabilities of approximately RMB2,198.4 million as at 31 August 2023. Such increase in net current liabilities was primarily attributable to the increase in short-term bank loans and the increase in tax payable.

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 29 February 2024, the Group had cash and cash equivalents of approximately RMB652.3 million (28 February 2023: approximately RMB704.7 million). The following table sets forth a summary of our cash flows for the periods indicated:

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
Net cash flow (used in)/from operating activities	(74,804)	67,486
Net cash flow used in investing activities	(220,408)	(353,523)
Net cash flow (used in)/from financing activities	(620,734)	61,934
Net decrease in cash and cash equivalents	(915,946)	(224,103)
Net effect of foreign exchange rates	6,081	69
Cash and cash equivalents at beginning of period	1,432,369	919,902
Cash and cash equivalents as stated in the consolidated statement of cash flows	522,504	695,868
Time deposits with maturity over 3 months	129,828	8,860
Cash and cash equivalents at end of period (as stated in the consolidated statement of financial position)	652,332	704,728

BORROWINGS AND GEARING RATIO

As at 29 February 2024, the Group had borrowings of approximately RMB1,727.2 million (28 February 2023: RMB1,505.4 million) and the Group's unutilised banking facilities was approximately RMB1,423 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 29 February 2024, the gearing ratio of the Group, calculated as the total interest-bearing borrowings divided by the total assets, was approximately 19.4% (28 February 2023: approximately 17.7%).

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 29 February 2024, 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 positioned 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 six months ended 29 February 2024. The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify investment opportunities in order to broaden the revenue base of the Group, enhance its future financial performance and profitability. Moreover, the Group will gradually restructure its business into the provision of integrated operational services in relation to the development of people of the appropriate age, and seek generic strategic expansions through acquisitions of suitable targets. We are confident in the future and committed to continuous growth of the Company.

CAPITAL EXPENDITURES

Our capital expenditures primarily related to the construction of new self-owned schools, the maintenance and upgrade of our existing self-owned schools, and the purchase of additional educational facilities and equipment for our self-owned schools. The Group's capital expenditures consisted of purchase or construction costs relating to property, equipment, prepaid land lease payments and other intangible assets. For the six months ended 29 February 2024, our capital expenditures were approximately RMB201.7 million (the six months ended 28 February 2023: approximately RMB111.19 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 29 February 2024, the Group did not have any material contingent liabilities (28 February 2023: Nil).

CAPITAL COMMITMENTS

As at 29 February 2024, the Group had capital commitments contracted but not provided for property, plant and equipment amounting to approximately RMB190.0 million (28 February 2023: approximately RMB99.7 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 2023 (HKD million)	Net proceeds utilised during the six months ended 29 February 2024 (HKD million)	Unutilised as at 29 February 2024 (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	161.74	39.55	122.19	31 August 2024
Expansion of self-built and self-operated projects in first-tier and core cities	194.97	43.90	12.79	31.11	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 29 February 2024:

	As at 29 February 2024 (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)	163.86

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024

	<i>Notes</i>	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited and restated)
REVENUE	<i>3</i>	1,645,443	946,591
Cost of sales		(1,062,518)	(575,811)
Gross profit		582,925	370,780
Other income and gains	<i>3</i>	9,166	9,526
Selling and distribution expenses		(36,405)	(12,340)
Administrative expenses		(130,048)	(100,095)
Other expenses		(17,323)	(8,779)
Finance costs	<i>4</i>	(35,595)	(25,633)
Share of profits/(losses) of:			
A joint venture		(191)	(3,748)
Associates		9,608	(685)
PROFIT BEFORE TAX	<i>5</i>	382,137	229,026
Income tax expense	<i>6</i>	(96,274)	(56,377)
PROFIT FOR THE PERIOD		285,863	172,649

	<i>Notes</i>	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited and restated)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of a foreign operation		50	44
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		285,913	172,693
Profit attributable to:			
Owners of the Company		288,881	172,185
Non-controlling interests		(3,018)	464
		285,863	172,649
Total comprehensive income attributable to:			
Owners of the Company		288,931	172,229
Non-controlling interests		(3,018)	464
		285,913	172,693
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	RMB13.90 cents	RMB8.20 cents
Diluted	7	RMB13.84 cents	RMB8.20 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
29 FEBRUARY 2024

	<i>Notes</i>	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant, and equipment	<i>8</i>	4,568,682	4,454,733
Right-of-use assets	<i>9</i>	2,121,706	2,044,905
Goodwill	<i>10</i>	102,211	16,413
Other intangible assets		42,490	34,490
Investment in a joint venture		162,302	162,493
Investments in associates		78,303	68,695
Prepayments, deposits and other receivables	<i>12</i>	95,078	123,917
Deferred tax assets		276,093	280,449
		<hr/>	<hr/>
Total non-current assets		7,446,865	7,186,095
CURRENT ASSETS			
Inventories		16,695	27,283
Trade receivables	<i>11</i>	22,307	17,448
Prepayments, deposits and other receivables	<i>12</i>	92,302	72,846
Amounts due from related parties		674,861	651,520
Financial assets at fair value through profit or loss		3,004	100,309
Cash and cash equivalents		652,332	1,501,724
		<hr/>	<hr/>
Total current assets		1,461,501	2,371,130
CURRENT LIABILITIES			
Trade payables	<i>13</i>	61,877	47,066
Other payables and accruals		440,155	512,010
Contract liabilities	<i>14</i>	924,491	1,315,089
Interest-bearing bank and other borrowings	<i>15</i>	670,866	553,935
Amounts due to related parties		1,255,445	1,743,099
Tax payable		176,736	146,320
Lease liabilities	<i>9</i>	30,440	20,221
Deferred income		258,163	231,741
		<hr/>	<hr/>
Total current liabilities		3,818,173	4,569,481
NET CURRENT LIABILITIES			
	<i>1</i>	(2,356,672)	(2,198,351)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		5,090,193	4,987,744
		<hr/> <hr/>	<hr/> <hr/>

		29 February 2024	31 August 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Restated)
NON-CURRENT LIABILITIES			
Lease liabilities	<i>9</i>	298,115	219,389
Deferred tax liabilities		57,491	54,416
Deferred income		281,357	342,913
Interest-bearing bank and other borrowings	<i>15</i>	1,056,285	1,118,474
Amounts due to related parties		1,103,394	1,151,577
		<hr/>	<hr/>
Total non-current liabilities		2,796,642	2,886,769
		<hr/>	<hr/>
NET ASSETS		2,293,551	2,100,975
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>16</i>	183,022	183,022
Treasury shares		(89,190)	(31,663)
Reserves		2,177,297	1,919,373
		<hr/>	<hr/>
		2,271,129	2,070,732
		<hr/>	<hr/>
Non-controlling interests		22,422	30,243
		<hr/>	<hr/>
Total equity		2,293,551	2,100,975
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

29 FEBRUARY 2024

1 BASIS OF PREPARATION

The interim condensed financial information for the six months ended 29 February 2024 (the “Period”) has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 August 2023.

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.

Going concern

As at 29 February 2024, the Group recorded net current liabilities of approximately RMB2,356,672,000 (31 August 2023: RMB2,198,351,000). Included in the current liabilities as at 29 February 2024 were contract liabilities and deferred income of RMB924,491,000 (31 August 2023: RMB1,315,089,000) and RMB258,163,000 (31 August 2023: RMB231,741,000), respectively. As at 29 February 2024, the Group had cash and cash equivalents of RMB652,332,000 (31 August 2023: RMB1,501,724,000).

The Directors have prepared this interim condensed financial information on a going concern basis notwithstanding the net current liabilities position because based on the arrangements and confirmations received from the licensed banks in Chinese Mainland, the Group has total unutilised banking facilities of RMB1,423,000,000 (31 August 2023: RMB730,000,000) which are available for drawdown within the next 1.5 to 6.5 years from 29 February 2024.

Having considered the cash flows from operations, the positive operating results and unutilised bank facilities, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future, and it is appropriate to prepare the interim condensed financial information of the Group for the Period on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 August 2023, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The Group has assessed the impact of the adoption of these new and revised standards and concluded that these new and revised standards did not have any significant financial impact on the financial position and performance of the Group, except for Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* described below:

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 Group has applied the amendments on temporary differences related to leases as at 1 September 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 September 2022, if any.

Prior to the initial application of these amendments, the Group 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 recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 September 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed statement of financial position:

	Note	Increase/(decrease)		
		As at 29 February 2024 RMB'000 (Unaudited)	As at 31 August 2023 RMB'000	As at 31 August 2022 RMB'000
Assets				
Deferred tax assets	(i)	<u>81,612</u>	<u>59,748</u>	<u>47,636</u>
Total non-current assets		<u>81,612</u>	<u>59,748</u>	<u>47,636</u>
Total assets		<u>81,612</u>	<u>59,748</u>	<u>47,636</u>
Liabilities				
Deferred tax liabilities	(i)	<u>75,962</u>	<u>54,241</u>	<u>45,569</u>
Total non-current liabilities		<u>75,962</u>	<u>54,241</u>	<u>45,569</u>
Total liabilities		<u>75,962</u>	<u>54,241</u>	<u>45,569</u>
Net assets		<u>5,650</u>	<u>5,507</u>	<u>2,067</u>
Equity				
Retained profits (included in reserves)		<u>5,540</u>	<u>5,266</u>	<u>2,067</u>
Equity attributable to owners of the Company		<u>5,540</u>	<u>5,266</u>	<u>2,067</u>
Non-controlling interests		<u>110</u>	<u>241</u>	<u>–</u>
Total equity		<u>5,650</u>	<u>5,507</u>	<u>2,067</u>

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the interim condensed statement of profit or loss:

	Increase/(decrease)	
	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Income tax expense	(143)	(2,038)
Profit for the period	<u>143</u>	<u>2,038</u>
Attributable to:		
Owners of the Company	274	2,038
Non-controlling interests	<u>(131)</u>	<u>–</u>
	<u>143</u>	<u>2,038</u>
Total comprehensive income for the period	<u>143</u>	<u>2,038</u>
Attributable to:		
Owners of the Company	274	2,038
Non-controlling interests	<u>(131)</u>	<u>–</u>
	<u>143</u>	<u>2,038</u>

The adoption of amendments to IAS 12 did not have material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the Company, other comprehensive income and the interim condensed statements of cash flows for the six months ended 29 February 2024 and 28 February 2023.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Revenue from contracts with customers		
Comprehensive educational services	851,272	517,780
Canteen operations	294,305	245,384
Sales of products	473,810	164,109
Management and franchise fees	<u>26,056</u>	<u>19,318</u>
Total revenue	<u>1,645,443</u>	<u>946,591</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Timing of revenue recognition		
Products transferred at a point in time	522,372	197,154
Services transferred over time	<u>1,123,071</u>	<u>749,437</u>
Total revenue from contracts with customers	<u><u>1,645,443</u></u>	<u><u>946,591</u></u>

(ii) Performance obligations

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

Products transferred at a point in time

The performance obligations of students with the option to choose their meals from the canteen menus and make payments using their prepaid on-school identity cards (the "Menu-ordering Canteen Operations") and revenue from sale of products, including student necessities and agricultural and sideline products, are satisfied at the point in time when the control of products has been transferred, being the time when the products are accepted by the customers.

Services transferred over time

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

As at 29 February 2024, since all amounts of transaction prices related to performance obligations were expected to be recognised as revenue within one year and as permitted under IFRS 15, the transaction prices allocated to these unsatisfied contracts (or partially unsatisfied) are not disclosed.

An analysis of other income and gains is as follows:

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Gain on disposal of financial assets at fair value		
through profit or loss	754	2,617
Rental income	457	297
Bank interest income	4,500	1,446
Fair value gains on financial assets at fair value		
through profit or loss	4	–
Government grants	2,077	2,644
Others	<u>1,374</u>	<u>2,522</u>
Total other income and gains	<u><u>9,166</u></u>	<u><u>9,526</u></u>

4. FINANCE COSTS

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

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Interest on bank loans	46,650	37,303
Less: Interest capitalised under property, plant and equipment	<u>(20,814)</u>	<u>(17,703)</u>
	25,836	19,600
Interest on lease liabilities	<u>9,759</u>	<u>6,033</u>
	<u>35,595</u>	<u>25,633</u>
Interest rates of borrowing costs capitalised (%)	<u>4.20-6.95</u>	<u>5.53-7.15</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Cost of inventories consumed	635,913	291,158
Cost of services provided	<u>426,605</u>	<u>284,653</u>
	<u>1,062,518</u>	<u>575,811</u>
Loss on disposal of property, plant and equipment, net	–	1,246
Equity-settled share option scheme expenses	28,140	–
Equity-settled share award scheme expenses	1,712	2,122
Foreign exchange losses, net	<u>8,186</u>	<u>3,216</u>

6. INCOME TAX

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Chinese Mainland during the Period:

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Current – Chinese Mainland	93,581	68,574
Deferred	2,693	(12,197)
Total tax charge for the period	<u>96,274</u>	<u>56,377</u>

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (b) The applicable corporate income tax (“CIT”) rate for a Hong Kong-incorporated subsidiary was 16.5% and no provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.
- (c) Pursuant to the People’s Republic of China (the “PRC”) Income Tax Law and the respective regulations, except for Tibet Yongsi Technology Co., Ltd. (“Tibet Yongsi”), Shenzhou Hongyu (Zhuhai Hengqin) Management Consulting Co., Ltd. (“Shenzhou Hongyu”), Dayan Zhiguang (Zhuhai Hengqin) Educational Consulting Co., Ltd. (“Dayan Zhiguang”) and Sichuan Qiming Daren Technology Co., Ltd. (“Sichuan Qiming”), all the Group’s non-school subsidiaries established in the PRC were subject to the PRC CIT at a rate of 25% during the Period.

During the Period, Tibet Yongsi was entitled to an effective preferential PRC CIT rate of 9% as its business falls within the scope of the encouraged industries under the “Western Development Policy”, and as Tibet Yongsi employed more than 70% of the total working population of permanent residents 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 the Zhuhai Hengqin Free Trade Zone. Under the preferential tax policy, the income tax of Shenzhou Hongyu and Dayan Zhiguang was levied at a preferential PRC CIT rate of 15%.

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

Sichuan Qiming Daren Technology Co., Ltd. (“Sichuan Qiming”) was qualified as a “Double-soft Enterprise”, and entitles the qualified companies to enjoy full exemption from corporate income tax for the first two years from the profit-making year and a 50% reduction on corporate for the next subsequent three years. Sichuan Qiming enjoyed full exemption from CIT during the Period.

6. INCOME TAX (CONTINUED)

Notes (continued)

(c) (continued)

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 taxable income of these schools is subject to PRC CIT at an effective rate of 5%.

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 were subject to PRC CIT at the rate of 25%.

The share of tax attributable to a joint venture and associates amounting to RMB440,000 (28 February 2023: RMB434,000) and RMB8,000 (28 February 2023: RMB144,000), respectively, is included in "Share of profits/(losses) of a joint venture and associates" in profit or loss.

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

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

	For the six months ended 29 February 2024 RMB'000 (Unaudited)	For the six months ended 28 February 2023 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	<u>288,881</u>	<u>172,185</u>
Shares		
Weighted average number of ordinary shares in issue	2,154,000,000	2,154,000,000
Effect of the weighted average number of ordinary shares:		
Repurchased under the share award scheme	(56,548,000)	(56,548,000)
Treasury Shares repurchased for cancellation	(22,882,000)	–
Weighted average number of vested ordinary shares granted under the share award plan	<u>4,312,700</u>	<u>3,178,000</u>
Adjusted weighted average number of ordinary shares used in the basic earnings per share calculation	<u>2,078,882,700</u>	<u>2,100,630,000</u>
Effect of dilution-weighted average number of ordinary shares:		
Share award scheme	815,885	_Note
Share options	<u>7,162,118</u>	<u>N/A</u>
Adjusted weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>2,086,860,703</u>	<u>2,100,630,000</u>

Note: No adjustment had been made to weighted average number of ordinary shares in respect of a dilution for the six months ended 28 February 2023 as the impact of share award scheme outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

8. PROPERTY, PLANT AND EQUIPMENT

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

	RMB'000 (Unaudited)
Carrying amounts as at 1 September 2023	4,454,733
Additions	188,449
Acquisition of subsidiaries	5,852
Disposals	(487)
Depreciation charged for the Period	<u>(79,865)</u>
Carrying amounts as at 29 February 2024	<u><u>4,568,682</u></u>

Notes:

- (a) As at 29 February 2024, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with a net carrying amount of approximately RMB350,863,000 (31 August 2023: RMB356,944,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.
- (b) Interest expenses capitalised as part of the property, plant and equipment by the Group during the Period amounted to RMB20,814,000 (six months ended 28 February 2023: RMB17,703,000).

9. LEASES

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

	Right-of- use assets			Lease liabilities
	Leasehold land	Buildings and other premises	Total	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
As at 1 September 2023	1,817,535	227,370	2,044,905	239,610
Additions	10,549	54,812	65,361	54,812
Acquisition of subsidiaries	–	52,629	52,629	44,129
Depreciation charge	(18,123)	(23,066)	(41,189)	–
Interest expense	–	–	–	9,759
Payments	–	–	–	<u>(19,755)</u>
As at 29 February 2024	<u>1,809,961</u>	<u>311,745</u>	<u>2,121,706</u>	<u>328,555</u>

10. GOODWILL

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

	<i>RMB'000</i> (Unaudited)
At 1 September 2023	16,413
Acquisition of subsidiaries	<u>85,798</u>
At 29 February 2024	<u><u>102,211</u></u>

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Management did not identify any significant adverse changes in the operating results and macro environment in the Period, and the Company's management has concluded there was no impairment indicator of goodwill as at 29 February 2024. Accordingly, the Company's management did not perform impairment tests on goodwill as at 29 February 2024.

11. TRADE RECEIVABLES

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

	29 February 2024 <i>RMB'000</i> (Unaudited)	31 August 2023 <i>RMB'000</i>
Within 3 months	15,843	17,448
Over 3 months	<u>6,464</u>	<u>–</u>
Total	<u><u>22,307</u></u>	<u><u>17,448</u></u>

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000
<i>Current portion:</i>		
Security deposits related to construction of schools	12,891	5,377
Other deposits	10	10
Prepayments	18,324	11,129
Advances to staff	28,933	25,868
Loans to third parties	14,760	14,260
Deductible input value-added tax	10,871	10,259
Other receivables	6,513	5,943
	<u>92,302</u>	<u>72,846</u>
<i>Non-current portion:</i>		
Prepayments for property, plant and equipment	6,372	2,549
Deductible input value-added tax	60,250	79,317
Prepayments for other intangible assets	–	2,301
Prepayments for acquisitions	28,456	24,688
Prepayments for the acquisition of land use rights	–	15,062
	<u>95,078</u>	<u>123,917</u>
Total	<u>187,380</u>	<u>196,763</u>

13. TRADE PAYABLES

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

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000
Within 3 months	55,747	46,533
3 to 6 months	5,656	20
6 months to 1 year	48	5
1 to 2 years	426	508
	<u>61,877</u>	<u>47,066</u>

14. CONTRACT LIABILITIES

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000
<i>Advances received from customers</i>		
Comprehensive educational services	706,846	1,043,507
Canteen operation fees	184,399	206,259
Sale of products	19,087	30,127
Others	14,159	35,196
	924,491	1,315,089

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	29 February 2024 (Unaudited)				31 August 2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	
<i>Notes</i>							
Current							
Bank loans							
– secured	(a)	4-6.15	2025	290,000	4.9-6.15	2023-2024	180,000
– unsecured				–	6	2023	80,000
Current portion of long-term bank loans							
– secured	(a)	5-7.2	2024-2025	309,329	5-7.2	2023-2024	221,925
– unsecured		5	2024-2025	5,000	4.2	2023-2024	7,500
Current portion of long-term other borrowing							
– secured	(a), (b)	6.1	2024-2025	66,537	6.1	2023-2024	64,510
				670,866			553,935
Non-current							
Bank loans							
– secured	(a)	4.2-7.2	2024-2030	945,521	5-7.2	2024-2030	994,450
– unsecured		5	2024-2025	40,000	4.2	2024-2025	19,500
Other borrowing							
– secured	(a), (b)	6	2024-2026	70,764	6.1	2024-2026	104,524
				1,056,285			1,118,474
				1,727,151			1,672,409

As at 29 February 2024 and 31 August 2023, all bank and other borrowing of the Group were denominated in RMB.

Notes:

(a) Certain of the Group's bank and other borrowings are secured by:

	Loan amounts	
	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000
Pledged Loans – secured		
Rights over educational services fees of certain schools	339,000	70,000
Both equity interests in certain subsidiaries and rights over educational services fees	<u>1,343,151</u>	<u>1,495,409</u>
Total	<u><u>1,682,151</u></u>	<u><u>1,565,409</u></u>

(b) It represented other borrowing borrowed from an independent third party leasing company by the Group, with the principal of RMB137,301,000, which bears interest at an effective rate of 6.10% per annum with annual instalment payments up to the maturity dates on 20 February 2026.

16. SHARE CAPITAL

Shares

	29 February 2024 HK\$'000 (Unaudited)	31 August 2023 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
2,154,000,000 ordinary shares of HK\$0.1 each	<u>215,400</u>	<u>215,400</u>
Equivalent to approximately (in RMB'000)	<u>183,022</u>	<u>183,022</u>

17. DIVIDEND

At the meeting of the board of directors held on 26 April 2024, the board of directors resolved to pay an interim dividend of RMB4.17 cents per share for the Period (six months ended 28 February 2023: RMB2.43 cents). The total interim dividend was RMB88,237,000 (six months ended 28 February 2023: RMB52,342,000).

18. COMMITMENTS

The Group had the following capital commitments at the end of the Period:

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000
Contracted but not provided for:		
Property, plant and equipment	<u>80,740</u>	<u>81,478</u>

INTERIM DIVIDEND

The Board resolved for the payment of an interim dividend of RMB4.17 cents (equivalent to HKD4.59 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 26 April 2024, i.e. RMB0.90777 equivalent to HKD1.00) per Share for the six months ended 29 February 2024 (for the six months ended 28 February 2023: RMB2.43 cents per Share) to be paid on Wednesday, 17 July 2024 to the Shareholders whose names appear on the register of members of the Company on Friday, 5 July 2024, representing a dividend payout amount of approximately RMB88.24 million (equivalent to approximately HKD97.12 million) (based on the number of issued Shares as at the date of this announcement, excluding 37,990,000 Shares repurchased but not yet cancelled of even date) and a dividend payout ratio of 30% for the six months ended 29 February 2024 (for six months ended 28 February 2023: 30%).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 29 February 2024, the register of members of the Company will be closed from Wednesday, 3 July 2024 to Friday, 5 July 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai for registration not later than 4:30 p.m. on Tuesday, 2 July 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 29 February 2024, the Group employed 5,106 employees (as at 28 February 2023: 4,412).

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.

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 six months ended 29 February 2024, the Company repurchased a total of 22,345,000 Shares (“**Shares Repurchased**”) on the Stock Exchange, at an aggregate consideration of HKD64,651,011 (inclusive of the payment of trading fees, levies and commissions in the aggregate amount of HKD140,555). Details of the Shares Repurchased are as follows:

Month	No. of Shares repurchased	Price paid per Share		Aggregate consideration (HKD)
		Highest (HKD)	Lowest (HKD)	
September 2023	4,698,000	2.60	2.33	11,473,918
November 2023	292,000	3.13	3.00	901,024
December 2023	6,632,000	3.30	2.79	20,523,427
January 2024	6,485,000	3.17	2.85	19,525,519
February 2024	4,238,000	3.22	2.59	12,227,123
Total	<u>22,345,000</u>			<u>64,651,011</u>

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 Period.

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 C3 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 six months ended 29 February 2024.

CORPORATE GOVERNANCE

During the six months ended 29 February 2024, the Company has complied with all applicable code provisions set out in the CG Code contained in Appendix C1 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 six months ended 29 February 2024. 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, 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 six months ended 29 February 2024.

SCOPE OF WORK FOR INTERIM RESULTS ANNOUNCEMENT BY AUDITORS

The Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the six months ended 29 February 2024 as set out in this announcement have been reviewed and agreed by the Company's auditor, Ernst & Young. The financial information has been reviewed by the Audit Committee and approved by the Board.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events of the Group after six months ended 29 February 2024 and up to the date of this announcement.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of HKEXnews at www.hkexnews.hk and the website of the Company at www.tianlieducation.com. The interim report of the Group for the six months ended 29 February 2024 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.

(2) FURTHER INFORMATION IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 AUGUST 2023

Reference is made to the annual report of the Company for the year ended 31 August 2023 published on 21 December 2023 (the “**2023 Annual Report**”).

The Board wishes to provide further information regarding the table on page 61 of the 2023 Annual Report setting out the details of the interests of the grantees under the Share Option Scheme as follows:

- (i) the items titled “5 highest paid individuals during the Reporting Year (excluding any Directors) in aggregate” and “Other grantees in aggregate”, respectively, in the table represented the interests of other employee participants under the Share Option Scheme;
- (ii) the item titled “Service providers” represented the interests of service providers under the Share Option Scheme; and
- (iii) there were no related entity participants under the Share Option Scheme.

DEFINITIONS

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

“Audit Committee”	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company
“Board”	the board of Directors of the Company
“Company”	Tianli International Holdings Limited (天立國際控股有限公司), a company incorporated in the Cayman Islands with limited liability on 24 January 2017, the Shares of which are listed on the Main Board of the Stock Exchange
“CG Code”	Corporate Governance Code as set out in part 2 of Appendix C1 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 announcement, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pre-IPO Restricted Share Award Scheme”	the pre-IPO restricted share award scheme for the award of Shares to eligible participants, adopted by the Company on 26 January 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Restricted Share Award Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company dated 28 June 2018 issued by the Company in relation to the listing of its Shares on the Main Board of the Stock Exchange
“Reporting Period”	the period for the six months ended 29 February 2024
“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, 26 April 2024

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.