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 REPORT 2023

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Shi *(Chairman)*
Mr. Wang Rui

Non-executive Directors

Mr. Tian Mu *(resigned on 22 November 2022)*
Mr. Pan Ping *(appointed on 25 April 2023)*
Mr. Zhang Wenzao *(appointed on 25 April 2023)*

Independent Non-executive Directors

Mr. Liu Kai Yu Kenneth
Mr. Yang Dong
Mr. Cheng Yiqun

BOARD COMMITTEES

Audit Committee

Mr. Liu Kai Yu Kenneth *(Chairman)*
Mr. Cheng Yiqun
Mr. Yang Dong

Remuneration Committee

Mr. Cheng Yiqun *(Chairman)*
Mr. Wang Rui
Mr. Yang Dong

Nomination Committee

Mr. Luo Shi *(Chairman)*
Mr. Cheng Yiqun
Mr. Liu Kai Yu Kenneth

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

JOINT COMPANY SECRETARIES

Mr. Wang Rui
Ms. Zhang Xiao *ACG, HKACG*

AUTHORISED REPRESENTATIVES

Mr. Wang Rui
Ms. Zhang Xiao

LEGAL ADVISOR AS TO HONG KONG LAW

Jingtian & Gongcheng LLP
Suites 3203-3207, Edinburgh Tower
The Landmark
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REGISTERED OFFICE IN CAYMAN ISLANDS

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HEADQUARTER IN THE PRC

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Qingyang Industrial Zone
Chengdu
Sichuan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

Agricultural Bank of China
China Citic Bank

STOCK CODE

1773

COMPANY WEBSITE

http://www.tianlieducation.com

Corporate Profile

We are 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, the number of high school students enrolled in the Group's school network was 25,524. At the beginning of the fall semester of 2023, the number of high school students enrolled in the Group's school network increased to 36,708, representing an increase of 43.8%. 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.

We have over 20 years of extensive experience in providing educational services that focus on the development of each child's strengths and potential and promotion of life-long learning and growth. We design and develop our educational programs to reflect the core of our educational philosophy, "Six Establishments and One Accomplishment (六立一達)", emphasizing the importance of solid academic performance in core subject areas while at the same time encouraging our students to explore individual interests and enhance physical fitness, and nurturing students' creativity, communication skills, independent thinking and sense of social responsibility.

Since our inception, our students have consistently achieved outstanding results in various academic examinations and contests, as well as in extra-curricular activities. Despite the expansion of our school network and the increasing number of high school students, our high school entrance examination rate has maintained a high level. In the 2023 Gaokao, approximately 83.5% of our students exceeded the admission scores for undergraduates of universities in the PRC, and approximately 50.3% exceeded the admission scores of first-tier universities in the PRC.

We established a centralized and standardized management system which we believe is essential to the success of our business as it enables us to integrate our resources, enhance our operating efficiency and ensure the quality of our educational services. With our management system, we have been able to quickly expand our school network into new geographic locations and at the same time implement our quality standards across our school network. Looking forward, we will continue with our strategic expansion nationwide through making mainly for-profit high schools bigger and more prosperous, providing students with diversified education services. We are committed to strengthening our teaching quality and optimizing our "Six Establishments and One Accomplishment" education system. We strive for better services to our students and parents through excellence in school management and professionalism among our teaching staff. As a leading comprehensive education service operator, the Group serves as a complement of public education and contribute to the future pillars of our society.

Financial Highlights

	For the year ended 31 August 2023 *RMB'000*	For the year ended 31 August 2022 *RMB'000*	Change *RMB'000*	Percentage Change
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.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Tianli International Holdings Limited, I am pleased to present the consolidated annual results of the Group for the year ended 31 August 2023.

Results

With the dedication and joint efforts of our staff, our Group has continuously expanded its presence, and has become a leading comprehensive education service operator in the western region of the PRC. 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. These results are the outcomes of the hard work of every single employee of the Group.

Key Developments

Having entered the sixth year after the listing on the Stock Exchange, we have provided comprehensive education service to 50 schools across Sichuan, Inner Mongolia, Shandong, Henan, Guizhou, Jiangxi, Zhejiang, Yunnan, Gansu, Anhui, Guangxi, Guangdong, Shaanxi, Shanghai, Chongqing and Hubei. At presence, our school network spans 36 cities nationwide.

As expanding our presence nationwide would enhance our brand influence and strengthen our position to become one of the leading comprehensive education service operators in Western region of the PRC, we continue to seek cooperation with the local governments.

Our Mission and Education Quality

We uphold the vision of "Creating excellent Tianli Education and fostering fruitful lives for students and teachers (締造卓越天立教育，成就師生幸福人生)" and the core educational philosophy of "Six Establishments and One Accomplishment (六立一達)", and devote ourselves to provide quality private education services to students. In 2023, approximately 83.5% of our high school students exceeded the admission scores for undergraduates of universities in the PRC, and approximately 50.3% exceeded the admission scores of first-tier universities in the PRC, 127 of our high school graduates were enrolled into the world's top 50 universities such as Tsinghua University and Peking University.

We are committed to providing our students with all-round development. During 2022/2023 academic year, our students and graduates received wide spectrum of accolades in academy, arts, language skills and scientific innovation. For instance, our students achieved outstanding results in national competitions in the five subjects of physics, chemistry, mathematics, biology and informatics, accomplishing material breakthrough in competition results, reflecting the extensive recognition of our achievements in education.

Outlook

Our brand awareness has been significantly increasing since our listing in 2018, smoothing our paths in school expansion.

Looking ahead, we will adhere to strategic expansion nationwide through expansion of optimization with a focus of for-profit high schools, providing guidance for further diversified education to students. We will improve education quality in all aspects and provide better services to students and parents through strengthening the teaching and research capabilities of all subjects and perfecting construction system of the Lida Program continuously to improve school management standard and professionalism among our teaching staff.

Acknowledgement

Last but not the least, on behalf of the Board, I would like to share our appreciation to all students, parents, government authorities and our Shareholders for the continuous support for and trust in our Group. I also would like to express my gratitude to our staff for the dedication which contributes to our Group's promising performance in all aspects.

Luo Shi
Chairman

23 November 2023

Financial Summary

RESULTS OF OPERATIONS

	Year ended 31 August 2023 RMB'000	Year ended 31 August 2022 RMB'000	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (restated)	Year ended 31 December 2019 RMB'000
Revenue	**2,302,540**	884,372	345,184	426,564	917,355
Cost of sales	**(1,523,693)**	(590,833)	(284,695)	(353,339)	(541,040)
Gross profit	**778,847**	293,539	60,489	73,225	376,315
Other income and gains	**22,860**	16,966	21,436	39,019	29,869
Selling and distribution expenses	**(36,227)**	(12,197)	(4,764)	(4,108)	(23,428)
Administrative expenses	**(240,061)**	(132,822)	(98,278)	(68,792)	(90,836)
Impairment losses on non-current assets	**–**	–	(1,085,236)	–	–
Other expenses	**(17,294)**	(13,586)	(13,138)	(18,387)	(4,489)
Finance costs	**(62,529)**	(27,502)	(17,007)	(8,328)	(12,604)
Share of profits/(loss) of:					
A joint venture	**(549)**	1,222	(103,071)	–	–
Associates	**(1,104)**	(271)	(27,529)	678	1,514
PROFIT/(LOSS) BEFORE TAX	**443,943**	125,349	(1,267,098)	13,307	276,341
Income tax (expense)/credit	**(112,870)**	(29,189)	157,986	(1,812)	(6,881)
Profit/(loss) for the year/period from discontinued operations, net of tax	**–**	–	(222,627)	368,140	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**331,073**	96,160	(1,331,739)	379,635	269,460

ASSETS AND LIABILITIES

	As at 31 August 2023 RMB'000	As at 31 August 2022 RMB'000	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000	2019 RMB'000
Total non-current assets	**7,180,588**	5,925,078	5,177,850	5,639,891	4,013,171
Total current assets	**2,371,130**	2,206,033	2,615,533	1,786,192	709,842
Total current liabilities	**4,569,481**	3,814,580	4,778,789	2,253,953	1,377,215
NET CURRENT LIABILITIES	**(2,198,351)**	(1,608,547)	(2,163,256)	(467,761)	(667,373)
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,982,237**	4,316,531	3,014,594	5,172,130	3,345,798
Total non-current liabilities	**2,886,769**	2,437,616	1,226,727	1,818,996	864,391
Net assets	**2,095,468**	1,878,915	1,787,867	3,353,134	2,481,407
EQUITY					
Equity attributable to owners of the Company					
Issued capital	**183,022**	183,022	184,042	184,042	176,375
Treasury shares	**(31,663)**	–	–	–	–
Reserves	**1,914,107**	1,668,774	1,579,934	3,128,053	2,262,608
	2,065,466	1,851,796	1,763,976	3,312,095	2,438,983
Non-controlling interests	**30,002**	27,119	23,891	41,039	42,424
Total equity	**2,095,468**	1,878,915	1,787,867	3,353,134	2,481,407

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 report, 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 report, 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%).

CHARGE OVER ASSETS AND RIGHTS

Save as disclosed in note 28 to the consolidated financial statements, the Group did not have assets or rights pledged as at 31 August 2023.

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, associates and joint ventures 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 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 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**

OTHER FUND RAISING ACTIVITIES

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

PLAN TO COMPLY WITH THE QUALIFICATION REQUIREMENT

We have adopted a specific plan and have commenced taking concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the relevant qualification and high quality of education held by a foreign investor of Sino-foreign joint venture private school for PRC students under the Regulations on Sino-foreign Cooperation in Operating Schools of the PRC《中華人民共和國中外合作辦學條例》(“**Qualification Requirement**”). These include (i) entering into cooperation agreements with reputable international education institutions; and (ii) communicating or negotiating with certain experienced and reputable overseas education service providers exploring potential opportunities of further cooperation.

In anticipation of potential overseas expansion of our business, we are negotiating for cooperation opportunities with educational institutions in the United Kingdom, Hong Kong, and other overseas regions. The existing management team of the target educational institution will be retained to take the lead in the daily operation and management with the participation of our representatives so that we can gain the relevant overseas experience.

We expect to acquire schools or to cooperate with well-known schools in the top 20 local schools in the United Kingdom, Hong Kong and other overseas regions, which will be financed by our internal resources and/or external financing, depending on the cash flow position and the size of the acquisition(s). It is our acquisition and cooperation strategy that the acquisition and cooperation should not be of such size which may have any material adverse impact on our Group’s normal business, financial condition, results of operations and specifically our cost structure, whether we are obtaining a controlling stake in the schools or not.

The Company is of the view that the steps taken by our Group, that is, the overseas expansion plan is reasonable and appropriate to demonstrate compliance with the Qualification Requirement.

OVERALL PERFORMANCE AND COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted certain measures to ensure the effective operation of our Group with the implementation of the Structured Contracts which we obtain control over and derive the economic benefits from our operating entities in PRC as the laws, regulations and regulatory practice generally prohibit or restrict foreign ownership in the private education. Except for Affected Business as mentioned in the section headed “Regulatory Updates” in Management Discussion and Analysis, economic benefits arising from other business activities of our PRC Operating Entities are transferred to the Group via the Structured Contracts. Apart from above, the Company is not aware of any non-performance of the Structured Contracts or non-compliance with such aforementioned measures as at the date of this report.

Directors and Senior Management

THE BOARD OF DIRECTORS

As the date of this report, the Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening Shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed in these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of share capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

Executive Directors

Mr. LUO Shi (羅實), aged 50, is the founder of the Group. He was appointed as a Director of the Company on 24 January 2017, appointed as an executive Director of the Company on 31 January 2018, designated as the chairman of the Board and the chief executive officer of the Company on 24 June 2018 and has been appointed as the chairman of the Nomination Committee of the Company on 26 January 2022. Meanwhile, Mr. Luo is also director of certain subsidiaries or schools of the Group. Mr. Luo has been the chief executive officer and chairman of Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司) since September 2013. Mr. Luo has over 20 years of experience in the education industry. He has been the chairman of the board of Shenzhou Tianli Holdings Group Limited (神州天立控股集團有限公司) since March 2004. Prior to that, he was the founder, chairman of the board and president of Sichuan Tianli Properties Development Co., Ltd. (四川天立房地產開發有限公司) from April 1994 and March 2004, responsible for strategic development, overall operational management and major decision making.

Mr. Luo obtained a master's degree in business administration from University of Electronic Science and Technology of China (電子科技大學) in June 2005. Mr. Luo completed the CEO Program of Cheung Kong Graduate School of Business in November 2015 and completed studying the doctoral program in management jointly offered by University of Electronic Science and Technology of China and ISCTE – University Institute of Lisbon in May 2022. Mr. Luo obtained a professional title of Economist granted by Luzhou Municipal Professional Titles Reform Leading Group (瀘州市職稱改革工作領導小組) in September 2000. Mr. Luo was elected as a vice president of the Sichuan Alumni Association of Cheung Kong Graduate School of Business (長江商學院四川校友會) in August 2023 and a vice president and executive director of the Alumni Association of the School of Economics and Management of University of Electronic Science and Technology of China (電子科技大學經濟與管理學院校友會) in September 2023.

Mr. WANG Rui (王銳), aged 42, has been the chief financial officer, an executive Director and a joint company secretary of the Company since 31 January 2018. Mr. Wang is also a member of the remuneration committee of the Company. Meanwhile, Mr. Wang is also director of certain subsidiaries or schools of the Group. Prior to joining our Group, Mr. Wang worked for Xi'an Titan Holdings Co., Ltd. (西安天朗控股有限公司) as the general manager of the finance department from June 2014 to February 2015 responsible for financial operation, and Longfor Properties Co., Ltd. (龍湖地產有限公司) as project financial manager of Chongqing branch company and Beijing branch company, risk and audit manager of the group and chief financial officer of Dalian branch company from June 2008 to April 2014, responsible for financial, risk control and audit work. From June 2007 to June 2008, he served as a senior financial manager of New Hope Properties Development Co., Ltd. (新希望房地產開發有限公司) to oversee matters relating to the financial accounting of the company. He acted as an accountant of China Vanke Co., Ltd. (萬科企業股份有限公司) from July 2004 to April 2007.

Mr. Wang obtained his bachelor's degree in accounting from Southwest University of Finance and Economics (西南財經大學) in July 2004.

Non-executive Directors

Mr. Pan Ping (潘平), aged 67, has extensive experience in business administration and development. Mr. Pan has been a director of Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司) since December 2015. He served as president of Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) from May 2017 to October 2022. He also served as vice general manager of Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), the H shares of which were listed on the Main Board of the Stock Exchange (stock code: 1528) on 26 June 2015 and the A shares of which were listed on the Shanghai Stock Exchange (stock code: 601828) on 17 January 2018, from December 2010 to December 2016. He was the vice chief director of Chongan District, Wuxi City, Jiangsu Province from May 1996 to April 2003.

Mr. Pan graduated from the Junior College of the Party School of the Central Committee of the Communist Party of China in September 1985. He has been studying the Business Scholar Program (DBA) at Cheung Kong Graduate School of Business since 2018. Mr. Pan became a senior economist in August 1990. Mr. Pan was named as an outstanding entrepreneur in Wuxi in 1990 and 1991, respectively.

Mr. Zhang Wenzao (章文藻), aged 65, has extensive experience in banking and finance. Mr. Zhang has served as the chairman of the board of directors of Shenzhen Hirisun Technology Inc (深圳海聯訊科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300277) from June 2015 to July 2018. He has also served as the chief financial officer of Shenzhen Suozhida Industrial Co., Ltd.* (深圳市索智達實業有限公司) from December 2002 to May 2015. Mr. Zhang was the corporate section chief of the Shenzhen branch of Bank of China from January 1997 to May 2001, the credit section chief of the Shekou/Shenzhen Nanshan sub-branch of China Construction Bank from December 1993 to December 1996, and the assistant to the president of the Shekou sub-branch of China Merchants Bank from December 1992 to December 1993.

Mr. Zhang graduated from Beijing Jiaotong University in 1982 and from the graduate school of management, State University of New York in 1986. Mr. Zhang became a senior economist in 1995.

Independent non-executive Directors

Mr. LIU Kai Yu Kenneth (廖啟宇), aged 53, was appointed as an independent non-executive Director of the Company on 24 June 2018. Mr. Liu is also the chairman of the audit committee of the Company and a member of the nomination committee of the Company. Mr. Liu has been an independent non-executive director of Sisram Medical Ltd. (stock code: 1696.HK) since 30 August 2017, Hangzhou Tigermed Consulting Co., Ltd. (stock code: 300347.SZ and 3347.HK) since 1 April 2020, and Fourace Industries Group Holdings Limited (stock code: 1455. HK) since 21 August 2020. He worked at Hong Kong Exchanges and Clearing Limited (stock code: 388. HK) from June 2004 to October 2016, with his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he worked at VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, with his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant at Ernst & Young from August 1994 to May 1996, and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994.

Mr. Liu obtained a bachelor's degree in mechanical engineering from the Imperial College of Science, Technology and Medicine of the University of London in August 1991 and a master of business administration degree in international banking and finance from the University of Birmingham in December 1998. Mr. Liu has been a member of the Hong Kong Institute of Certified Public Accountants since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

Mr. YANG Dong (楊東), aged 60, was appointed as an independent non-executive Director of the Company on 24 June 2018. Mr. Yang is also a member of each of the audit committee and the remuneration committee of the Company. Mr. Yang has over 30 years' experience in the education industry in Sichuan. He has been a teacher in Chengdu Normal University since May 2012, and the Vice President, the General Secretary and the Legal Representative of Sichuan Society for Taoxingzhi Studies since May 2021. Prior to that, he was a teacher at the Elementary Teachers Tutoring Center of Sichuan Province from June 1997 to May 2012, and a chief editor of a magazine for vocational school students from June 1994 to May 1996. He also worked with Educational Science and Research Institute of Leshan from January 1992 to May 1997 and with Education Committee of Dazhu Country, Dazhou of Sichuan Province from August 1984 to December 1991, and was a middle school teacher in Dazhu County, Dazhou of Sichuan Province from August 1983 to July 1984.

Mr. Yang graduated from Normal Academy of Da County (達縣師範專科學校) (currently Sichuan University of Arts and Science (四川文理學院)) with an undergraduate degree majoring in Chinese language and literature in July 1983. He was qualified as a higher education teacher in June 2012.

Mr. CHENG Yiqun (程益群), aged 53, was appointed as an independent non-executive Director of the Company on 24 June 2018. Mr. Cheng is also a member of the audit committee and nomination committee and the chairman of the remuneration committee of the Company. Mr. Cheng has been an independent non-executive director of Golden Throat Holdings Group Co., Ltd. (stock code: 6896.HK) since 10 February 2015; an independent director of Shanghai Bolex Food Technology Co., Ltd. (603170.SH) and Wuhan Zhongke Ruihua Ecological Technology Co., Ltd. (武漢中科瑞華生態科技股份有限公司), respectively, since September 2020; and an independent director of Guangdong Faith Long Crystal Technology Co., Ltd (廣東惠倫晶體科技股份有限公司) (stock code: 300460.SZ) since 2 July 2021. Mr. Cheng has over 20 years' experience in providing legal services. He joined Commerce & Finance Law Offices in 2001 and has been a partner since 2009.

Mr. Cheng obtained a bachelor's degree in laws from Wuhan University in Wuhan, Hubei Province, the PRC in July 1997. Mr. Cheng is a PRC practicing lawyer recognized by the Ministry of Justice of the PRC in August 2009.

SENIOR MANAGEMENT

Mr. LUO Shi (羅實), aged 50, was appointed as a Director on 24 January 2017, appointed as an executive Director on 31 January 2018 and was designated as the chairman of the Board and the chief executive officer of the Company on 26 June 2018. Please refer to “Directors and Senior Management – The Board of Directors” for details of his biography.

Mr. WANG Rui (王銳), aged 42, has been the chief financial officer, an executive Director and a joint company secretary of the Company since 31 January 2018. Please refer to “Directors and Senior Management – The Board of Directors” for details of his biography.

Report of Directors

The Board presents their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 August 2023.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 24 January 2017. The principal place of business of the Company in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

The Company's Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 July 2018.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is a leading comprehensive education service provider in Western region of the PRC. We primarily offer comprehensive education management and diversified services to our customers.

BUSINESS REVIEW

Under the section "Management Discussion and Analysis", we conduct a review on the business of the Group, analysis of the Group's financial performance, future development of our business and events affecting the Company that have occurred since the end of the financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

In our business, we are subject to the following principal risks and uncertainties:

1. Our business and results of operations mainly depend on the level of comprehensive education service fees we are able to charge and our ability to maintain and raise comprehensive education service fees.

2. We face intense competition in the PRC education sector, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified teachers and increasing capital expenditure.

3. Our business is heavily dependent on the market recognition of our "Tianli" brand and the reputation of our school network.

4. Our business relies on our ability to attract and retain our senior management, dedicated and qualified teachers and other personnel.

5. We may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities.

6. Depreciation charge and interest expense incurred over the construction period of new self-owned schools and the expansion of our existing schools may result in a decrease in our net profit margin.

7. Our education business depends on our ability to promptly and adequately respond to changes in admission requirements for higher-level education and testing materials.

8. Our school students' academic performance may fall and satisfaction with our educational services may decline.

9. We are subject to various approvals, licenses, permits, registrations and filings for our education and other services in the PRC.

10. We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises.

11. Capacity constraints of our school facilities could limit our ability to grow and we are subject to regulatory guidance relating to the ratios between school site area/building area and the number of enrolled students.

12. New legislation or changes in the PRC regulatory requirements regarding private education may affect our business operations and prospects.

13. Our business may be subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter to quarter.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to improving environmental sustainability and will closely monitor the performance. In accordance with Rule 13.91 of and Appendix 27 to the Listing Rules, details of environmental policies and performance of the Company are set out in "Environmental, Social and Governance Report" on pages 178 to 207 of this report. We have complied with the "comply or explain" provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 August 2023, the Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Company.

In relation to non-compliance of all the relevant requirements with the contributions to the social insurance plans and the housing provident fund for the employees of the Company as disclosed in the Prospectus, we have committed to taking correction measures. As at 31 August 2023, our Company has established sufficient provision on contributions to the social insurance plans and the housing provident fund.

In relation to the compliance with the Qualification Requirement, we have adopted a specific plan and have commenced taking concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the requirement. For details, please refer to the section headed "Financial Review" on pages 15 to 23 of this report.

RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company maintains a good relationship with its employees, customers and suppliers in order to ensure smooth business operation.

FINANCIAL RESULTS

The results of the Group for the year ended 31 August 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 86 of this report.

DIVIDEND POLICY

In considering the payment of dividends, the Company takes various factors into account, including but not limited to the Company's financial performance, the business conditions and strategies, the capital requirements, statutory and regulatory restrictions and any other factors which the Company may deem relevant.

The declaration and payment of future dividends will depend upon, among other things, financial condition, future earnings, cash flow, liquidity level, business prospects and other relevant factors. Our Company endeavours to enhance shareholders return by way of dividend distribution. However, any dividend payment to shareholders is not guaranteed.

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.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Company for the most recent five financial years is set out in the section headed "Financial Summary" on pages 8 to 9 of this report.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 August 2023, construction in progress amounted to approximately RMB333.6 million was recognised as buildings and structures, furniture and fixtures, and devices and equipments, respectively. Such total amount involves mainly 8 projects for the construction of schools under the school construction framework agreement entered into between the Company and Sichuan Nanyuan Construction Co., Ltd. on 9 September 2021. For details, please refer to the announcement and circular of the Company dated 9 September 2021 and 20 September 2021, respectively.

Details of movements in property, plant and equipment during the year are set out in note 13 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 August 2023 are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 August 2023 are set out in the section headed “Consolidated Statement of Changes in Equity” on pages 89 to 90 of this report. The distributable reserves of the Company as at 31 August 2023 were RMB1,220 million.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company’s securities.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group’s five largest customers in aggregate accounted for less than 10% of the total sales for the year ended 31 August 2023.

Purchases from the Group’s five largest suppliers in aggregate accounted for less than 15% of the total purchases for the year ended 31 August 2023.

PERMITTED INDEMNITY

In accordance with article 33.1 of the Company’s Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Except for the foregoing, the Company has no valid permitted indemnity provisions (as defined in Companies (Directors’ Report) Regulation of the Chapter 622D of Hong Kong Laws) during the year ended 31 August 2023 and up to the date of this report.

DIRECTORS

The Directors during the year ended 31 August 2023 and up to the date of this report were as follows:

Executive Directors:

Mr. Luo Shi
Mr. Wang Rui

Non-executive Directors:

Mr. Tian Mu *(resigned on 22 November 2022)*
Mr. Pan Ping *(appointed on 25 April 2023)*
Mr. Zhang Wenzao *(appointed on 25 April 2023)*

Independent Non-executive Directors:

Mr. Liu Kai Yu Kenneth
Mr. Yang Dong
Mr. Cheng Yiqun

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has signed a service contract with us. The term of office of our Directors will end on 11 July 2024 (for Mr. Luo Shi, Mr. Wang Rui, Mr. Liu Kai Yu Kenneth, Mr. Yang Dong and Mr. Cheng Yiqun) and 24 April 2026 (for Mr. Pan Ping and Mr. Zhang Wenzao), respectively.

Under their respective service contracts, each of the Directors is entitled to a fixed fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and the applicable Listing Rules.

None of our Directors has or is proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2023 are set out in notes 8 and 9 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

The remuneration of Directors is determined by taking into account of the relevant Director's experience, responsibilities and time commitment to the Company, and the operating results of the Company. The remuneration of the Directors is subject to review of the Remuneration Committee and approval by the Board.

During the year ended 31 August 2023, no Director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

The Group did not pay consideration to any third parties for making available directors' services during the year ended 31 August 2023.

Save as disclosed in this report, no loans, quasi-loans and other dealings were made available in favour of Directors, bodies corporate controlled by and entities connected with Directors subsisted at the end of the year or at any time during the year ended 31 August 2023.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 35 to the consolidated financial statements headed "Related Party Transactions and Balances" and the section headed "Continuing Connected Transactions" of this report below, no Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 August 2023 or at any time during the year ended 31 August 2023.

During the year ended 31 August 2023, neither our Controlling Shareholders (as defined in the Listing Rules) nor any of our Directors were interested in the business of operating private education for primary, middle and high schools, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

Our Controlling Shareholders executed the deed of non-competition (the "**Deed of Non-Competition**") in favour of the Company to the effect that each of them will not, and will procure each of their respective close associates (other than members of our Group) to not directly or indirectly, carry on, engage, invest, participate, or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any member of our Group (the "**Restricted Business**").

Each of the Controlling Shareholders has made a declaration (the "**Declaration**") as to the compliance with the terms of the Deed of Non-Competition for the year ended 31 August 2023 (the "**Relevant Period**"). In determining whether the Controlling Shareholders had fully complied with the Deed of Non-Competition during the Relevant Period, the independent non-executive Directors of the Company (the "**INEDs**") noted that: (i) each of the Controlling Shareholders has made the Declaration; (ii) no Restricted Business was reported to be undertaken by the Controlling Shareholders (other than, for the avoidance of doubt, through the Group) during the Relevant Period; and (iii) there was no particular situation rendering the compliance with, and enforcement of, the Deed of Non-Competition being questionable. The INEDs were satisfied with the Controlling Shareholders' compliance with the Deed of Non-Competition during the Relevant Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this report, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their associates during the year ended 31 August 2023.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted non-exempt continuing connected transactions for the Group for year ended 31 August 2023.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of non-exempt continuing connected transactions for the Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. All capitalized terms used in this section shall have the same meaning defined in the Prospectus, unless otherwise specified.

(1) New Agreement

On 19 June 2018, the Company entered into a school construction cooperation framework agreement with Nanyuan Construction (the "**School Construction Framework Agreement**"), pursuant to which Nanyuan Construction will, if engaged by our PRC Operating Entities, provide construction services, including construction, rectification and maintenance, for schools sponsored/owned by our PRC Operating Entities. The term of the School Construction Framework Agreement is three years commencing on 1 January 2018. In light of the business needs of the Company and the benefits of continuing the existing transactions with Nanyuan Construction, the Company proposed to increase the annual caps for the procurement of construction services by setting new annual caps for the three years ended 31 December 2021 under a new framework agreement dated 16 April 2019 (the "**New School Construction Framework Agreement**"). The New School Construction Framework Agreement and the proposed annual caps for New School Construction Framework Agreement were approved at the extraordinary general meeting on 10 July 2019. Pursuant to the New School Construction Framework Agreement, if our PRC Operating Entities and schools sponsored by us, at their option, select and engage Nanyuan Construction to provide school construction services, a separate agreement will be entered into in respect of each school construction project between the relevant entities of both parties which will set out the scope of services for such project and the specific terms and conditions pursuant to the principles stipulated in the New School Construction Framework Agreement.

As the New School Construction Framework Agreement expired on 31 December 2021, Tianli Education entered into a new agreement with Nanyuan Construction on 9 September 2021 (the "**2021 School Construction Framework Agreement**") pursuant to which the New School Construction Framework Agreement is renewed for a term of three years from 1 September 2021 to 31 August 2024. The 2021 School Construction Framework Agreement and the proposed annual caps for the 2021 School Construction Framework Agreement were approved at the extraordinary general meeting held on 13 October 2021. The annual caps under the 2021 School Construction Framework Agreement for the three years ending 31 August 2024 are as follows:

	For the year ending 31 August 2022 (RMB'000)	**For the year ending 31 August 2023** (RMB'000)	**For the year ending 31 August 2024** (RMB'000)
Annual Caps	1,500,000	750,000	600,000

During the year ended 31 August 2023, the transaction amount between the Company and Nanyuan Construction under the 2021 School Construction Framework Agreement paid/payable by the Company was approximately RMB84,861,000.

Nanyuan Construction is wholly-owned by Tianli Holding, and Mr. Luo Shi, a Controlling Shareholder, controls an aggregate 75.80% of Tianli Holding's voting rights. Pursuant to Rule 14A.07(1), as Mr. Luo Shi, a Controlling Shareholder, is a connected person of our Company, Nanyuan Construction is therefore a 30%-controlled company (as defined in Rule 14A.13(3)) indirectly held by a connected person as described in Rule 14A.07(1), and hence an associate of Mr. Luo Shi and a connected person of our Company.

(2) Structured Contracts

Background

As disclosed in the section headed "Structured Contracts – Operation of the Structured Contracts – Background of the Structured Contracts" in the Prospectus, PRC laws and regulations currently prohibit foreign ownership of primary and middle school in the PRC and restrict the operation of preschools, high schools and tutorial centers to Sino-foreign ownership, in addition to imposing a qualification requirement on foreign owners. Further, government approval in respect of Sino-foreign ownership has been withheld. As a result, our Group, through the wholly-owned subsidiary of our Company, Tibet Yongsi, has entered into the Structured Contracts so that we can conduct our business operations indirectly in the PRC through our PRC Operating Entities while complying with applicable PRC laws and regulations. The Structured Contracts are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Entities and, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Operating Entities after the Listing through Tibet Yongsi. As we operate our K-12 and tutorial center education business through our PRC Operating Entities, which are controlled by Tianli Education, and we do not hold any direct equity interest in our PRC Operating Entities, the Structured Contracts were entered into pursuant to which all material business activities of our PRC Operating Entities are instructed and supervised by our Group, through Tibet Yongsi. Except for Affected Business as mentioned in the section headed "Regulatory Updates" in Management Discussion and Analysis, economic benefits arising from other business activities of our PRC Operating Entities are transferred to our Group.

Risks relating to our Structured Contracts

The Company believes the following risks are associated with the Structured Contacts. Further details are set out in on pages 49 to 57 of the Prospectus.

- The PRC government may determine that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject to severe penalties, and our business may be materially and adversely affected.

- Structured Contracts may not be as effective in providing control over schools which may be acquired by the Company in the future through direct ownership.

- The owners of the PRC Operating Entities may have conflicts of interest with the Company, which may materially and adversely affect the business and financial condition of our Company.

- The school sponsor interests in the PRC Operating Schools held by the registered shareholders are not capable of being pledged in favor of our wholly foreign-owned enterprise, Tibet Yongsi, under PRC laws. The Structured Contracts with respect to the PRC Operating Schools contain alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements with equity pledge arrangements.

- The exercise of the option by the Company to acquire the sponsor interests or equity interests of the PRC Operating Entities may be subject to certain limitations and may incur substantial costs.

- Structured Contracts may be subject to scrutiny by PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the results of operation and the value of the investment of our investors.

- Certain terms of the Structured Contracts may not be enforceable under PRC laws.

- The Company relies on dividend and other payments from Tibet Yongsi to pay dividends and other cash distributions to our shareholders and any limitation on the ability of Tibet Yongsi to pay dividends to the Company would materially and adversely limit our ability to pay dividends to our shareholders.

- The PRC Operating Entities may be subject to limitations on their ability to operate private education business or make payments to related parties.

- If any of the PRC Operating Entities becomes subject to winding up or liquidation proceedings, the Company may lose the ability to use certain important assets, which could negatively impact the business and materially and adversely affect the ability to generate revenue.

- If the Company is not able to execute or manage its overseas expansion strategies effectively, the ability to capitalize on new business opportunities would be hindered.

Impact of the Implementation Regulations on the Structured Contracts

As disclosed in the section headed "Regulatory Updates" in Management Discussion and Analysis, the legal enforceability of the Structured Contracts against the Affected Business is in substantial uncertainty from 1 September 2021, the effective date of the Implementation Regulations. Taking into account the advice from the Group's PRC legal advisors, the Board is of the opinion that the Group's ability to acquire variable returns through Exclusive Business Cooperation Agreement from Affected Business has been terminated since 1 September 2021.

As at the date of this report, 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.

Below is a summary of the Structured Contracts. For details, please refer to the section headed "Structured Contracts" of the Prospectus.

(1) Exclusive Business Cooperation Agreement

Pursuant to the Exclusive Business Cooperation Agreement, Tibet Yongsi shall provide technical services, management support and consulting services necessary for the private education business, and in return, our PRC Operating Entities shall make payments accordingly.

(2) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders and Tianli Education have irrevocably granted Tibet Yongsi or its designated purchaser the right to purchase all or part of the school sponsor interests or equity interests in the PRC Operating Entities owned by the Registered Shareholders and the relevant PRC Operating Entities ("**Call Option**"). The purchase price payable by Tibet Yongsi in respect of the transfer of such school sponsor interests or equity interests upon exercise of the Call Option shall be the lowest price permitted under the PRC laws and regulations. Tibet Yongsi or its designated purchaser shall have the right to purchase such proportion of the school sponsor interests or equity interests of related PRC Operating Entities as it decides at any time.

(3) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, our PRC Operating Entities have irrevocably authorized and entrusted Tibet Yongsi to exercise all their rights as school sponsor to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors of the schools; (b) the right to appoint and/or elect supervisors of the schools; (c) the right to understand the operation and financial situation of the schools; (d) the right to review the resolutions and records of the Board and financial statements and reports of the schools; (e) the right to obtain reasonable returns as school sponsor of the schools in accordance with the laws and the articles of association of each school; (f) the right to acquire residual assets upon liquidation of the schools in accordance with the laws and the articles of association of each school; (g) the right to transfer school sponsor interest in accordance with the laws; (h) the right to choose for the school to be a for-profit school or not-for-profit school pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time; and (i) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time.

(4) School Sponsor's Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by the relevant PRC Operating Entities who are school sponsors for our PRC Operating Schools in favor of Tibet Yongsi, each of the relevant PRC Operating Entities authorized and appointed Tibet Yongsi as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our PRC Operating Schools. For details of the rights granted, see the paragraph headed "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) School Sponsor's and Directors' Rights Entrustment Agreement" of the Prospectus.

(5) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Tibet Yongsi, each of the Appointees authorized and appointed Tibet Yongsi as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our PRC Operating Schools. For details of the rights granted, see the paragraph headed "Structured Contract – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) School Sponsor's and Directors' Rights Entrustment Agreement" of the Prospectus.

(6) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, the Registered Shareholders and our PRC Operating Entities has irrevocably authorized and entrusted Tibet Yongsi to exercise all of his/its respective rights as shareholders of the relevant PRC Operating Entities to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting; (c) the right to appoint directors or legal representative; (d) the right to propose to convene interim shareholders' meetings; (e) the right to sign all shareholders' resolutions and other legal documents; (f) the right to instruct the directors and legal representative to act in accordance with the instruction of Tibet Yongsi; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of the relevant PRC Operating Entities as amended from time to time, including the right to declare any dividends, or sell, transfer, pledge or dispose of all or part of the equity interests of the relevant PRC Operating Entities; (h) the right to handle the legal procedures of registration, approval and licensing at the education department, the department of civil affairs or other government regulatory departments; (i) the right to exercise the voting rights in cases of bankruptcy, liquidation or termination of the relevant PRC Operating Entities, and to acquire the residual assets in any of such event; and (j) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of the relevant PRC Operating Entities as amended from time to time.

In addition, the Registered Shareholders and our PRC Operating Entities have irrevocably agreed that (i) Tibet Yongsi may delegate its rights under the Shareholders' Rights Entrustment Agreement to its designated person, without prior notice to or approval by the Registered Shareholders; and (ii) any person as successor of civil rights of Tibet Yongsi or liquidator by reason of subdivision, merger, liquidation of Tibet Yongsi or other circumstances shall have authority to replace Tibet Yongsi to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(7) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by the Registered Shareholders and our PRC Operating Entities who are shareholders of our PRC Operating Companies in favor of Tibet Yongsi, each of the Registered Shareholders and the relevant PRC Operating Entities authorized and appointed Tibet Yongsi, as his or its agent to act on his or its behalf to exercise or delegate the exercise of all his or its rights as shareholders of the relevant PRC Operating Companies. For details of the rights granted, see the paragraph headed "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (6) Shareholders' Rights Entrustment Agreement" of the Prospectus.

(8) Spouse Undertakings

Pursuant to the Spouse Undertakings, the respective spouse of the Registered Shareholders has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in Tianli Education, pledge or transfer the direct or indirect equity interest in Tianli Education, or the disposal of the direct or indirect equity interest in Tianli Education in any other forms;

(b) the spouse authorizes the respective Registered Shareholders or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Tianli Education (direct or indirect) in order to safeguard the interest of Tibet Yongsi under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(c) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in Tianli Education;

(d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and

(e) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tibet Yongsi and the spouses of the respective Registered Shareholders in writing.

The Spouse Undertakings shall have the same term as and incorporate the terms of the Exclusive Business Cooperation Agreement.

(9) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interest in Tianli Education together with all related rights thereto to Tibet Yongsi as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Tibet Yongsi as a result of any event of default on the part of the Registered Shareholders or our PRC Operating Entities and all expenses incurred by Tibet Yongsi as a result of enforcement of the obligations of the Registered Shareholders or our PRC Operating Entities under the Structured Contracts.

(10) Loan Agreement

Pursuant to the Loan Agreement, Tibet Yongsi agreed to provide interest-free loans to Tianli Education in accordance with the PRC laws and regulations and Tianli Education agreed to utilize the proceeds of such loans to contribute as capital to our PRC Operating Schools directly or through the relevant PRC Operating Entity in its capacity as school sponsor of our PRC Operating Schools in accordance with our instructions. Both parties agree that all such capital contribution will be directly settled by Tibet Yongsi on behalf of Tianli Education.

Listing Rules Implication

Mr. Luo Shi is and will continue to be a Director and a Controlling Shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Tianli Education is owned as to 99% by Mr. Luo Shi, and hence an associate of Mr. Luo Shi. Considering the above, Tianli Education is therefore a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules.

Our Directors (including the independent non-executive Directors) were of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, and that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, are fair and reasonable and are in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewals of existing agreements to be entered into between any of our PRC Operating Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent Shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire, all or part of the school sponsors' interests/equity interests in our PRC Operating Entities at the lowest possible amount permissible under the applicable PRC laws and regulations; (ii) the business structure under which the net profit generated by our PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Tibet Yongsi by our PRC Operating Entities under the Exclusive Business Cooperation Agreement; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights in our PRC Operating Entities.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries, on one hand, and our PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including any branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including any branch company), and engaging in the same business as that of our Group (which our Group may establish) will, upon renewal and, or reproduction of the Structured Contracts, however be treated as connected persons of our Company, and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) *Ongoing reporting and approvals*

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report as per the section headed "Connected Transactions – Non-exempt Continuing Connected Transaction – Structured Contracts – Application for Waiver" of the Prospectus.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts as per the section headed "Connected Transactions – Non-exempt Continuing Connected Transaction – Structured Contracts – Application for Waiver" of the Prospectus.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating Entities will be treated as our Company's wholly-owned subsidiary, and at the same time, the directors, chief executives or substantial shareholders of each of our PRC Operating Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Operating Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

Our independent non-executive Directors have reviewed transactions under the 2021 School Construction Framework Agreement and the Structured Contracts for the year ended 31 August 2023 (the "**CCTs**"), and confirmed that:

1. the CCTs have been entered in the ordinary course of business of the Company and its subsidiaries;

2. the CCTs have been carried out under normal commercial terms or better;

3. the CCTs have been entered into in accordance with the terms of the agreements which are fair and reasonable and in the interests of our Shareholders as a whole;

4. the transactions under the Structured Contracts for the year ended 31 August 2023 have been entered into and executed in accordance with the relevant provisions under the Structured Contracts, to ensure that the profits generated by the consolidated operating entities within the Group for the year ended 31 August 2023 have been retained by the Group;

5. no dividends or other distributions were paid by the consolidated operating entities within the Group to the sponsors of the schools or the interests/equities holders of the schools, where such dividends or distributions are not transferred to the Group; and

6. the Structured Contracts and, any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Entities during the year ended 31 August 2023 are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

CONFIRMATIONS FROM THE COMPANY'S INDEPENDENT AUDITORS

The auditors of the Company has confirmed in a letter to the Board that, with respect to the transactions entered into under the 2021 School Construction Framework Agreement and the Structured Contracts in the year ended 31 August 2023:

1. nothing has come to their attention that causes the auditors to believe that the transactions under the 2021 School Construction Framework Agreement and the Structured Contracts have not been approved by the Board;

2. nothing has come to their attention that causes the auditors to believe that the transactions under the 2021 School Construction Framework Agreement and the Structured Contracts were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

3. nothing has come to their attention that causes the auditors to believe that the transactions under the 2021 School Construction Framework Agreement have exceeded the annual caps as set by the Company; and

4. nothing has come to their attention that causes the auditors to believe that dividends or other distributions have been made by the PRC Operating Entities and newly established schools subsequently, to the holders of the school sponsor's interest/equity interest which are not otherwise subsequently assigned or transferred to the Group.

RELATED PARTY TRANSACTIONS

The related party transactions undertaken during the year ended 31 August 2023 are set out in note 35 to the consolidated financial statements, among which, item (c) (1) also constituted continuing connected transaction as defined in Chapter 14A of the Listing Rules, while items (c)(3) and (c)(4) do not constitute connected transactions under Chapter 14A of the Listing Rules. The Company has complied with all disclosure requirements as set out in Chapter 14A of the Listing Rules. For details of the continuing connected transaction, please refer to the announcement and circular of the Company dated 9 September 2021 and 20 September 2021, respectively.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 August 2023, the interest and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required pursuant to the Model Code to be notified to the Company and the Stock Exchange are set out as follows:

Long position in shares of the Company

Name	Capacity/Nature of Interest	Number of Shares held/ interested	Approximate percentage of interest
Mr. Luo Shi *(Note 1)*	Beneficial interest	30,000,000	
	Interest of a controlled corporation	892,245,316	
	Interest of spouse	1,956,520	
	Beneficiary of a trust	6,521,733	
		930,723,569	43.21%
Mr. Wang Rui *(Note 2)*	Beneficial interest	7,000,000	
	Beneficiary of a trust	1,956,520	
		8,956,520	0.42%
Mr. Zhang Wenzao	Beneficial interest	1,702,000	0.08%
Mr. Pan Ping *(Note 3)*	Interest of spouse	13,043,289	0.61%

Notes:

(1) Mr. Luo Shi is an executive Director, the chairman and the chief executive officer of the Company and holds 100% of the issued share capital of Sky Elite Limited, which in turn holds 892,245,316 Shares. In addition, Ms. Tu Mengxuan has been granted 1,956,520 Shares under the Pre-IPO Restricted Share Award Scheme, 1,565,216 Shares of which have been vested as at 31 August 2023. Ms. Tu Mengxuan is the spouse of Mr. Luo Shi. By virtue of the SFO, Mr. Luo Shi is deemed or taken to be interested in the Shares in which Sky Elite Limited and Ms. Tu Mengxuan are interested. Furthermore, Mr. Luo Shi has been granted 6,521,733 Shares under the Pre-IPO Restricted Share Award Scheme, all of which have been vested as at 31 August 2023. Mr. Luo Shi has also been granted 30,000,000 share options under the Share Option Scheme which entitle him to subscribe for 30,000,000 Shares, none of which has been exercised as at 31 August 2023.

(2) Mr. Wang Rui is an executive Director and has been granted 1,956,520 Shares under the Pre-IPO Restricted Share Award Scheme, all of which have been vested as at 31 August 2023. In addition, Mr. Wang Rui has been granted 7,000,000 share options under the Share Option Scheme which entitle him to subscribe for 7,000,000 Shares, none of which has been exercised as at 31 August 2023.

(3) Shang Long Limited, which was owned as to 66.67% by Ms. Wu Caixia, Mr. Pan Ping's spouse, directly held and was interested in 13,043,289 Shares. By virtue of the SFO, Mr. Pan Ping is deemed or taken to be interested in the Shares in which Ms. Wu Caixia is interested in.

Save as disclosed above, as at 31 August 2023, none of the Directors and chief executive of the Company has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 August 2023, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares

Name	Capacity/Nature of Interest	Number of Shares held/ interested	Approximate percentage of interest
Sky Elite Limited *(Note 1)*	Beneficial interest	892,245,316	41.42%
Ms. Tu Mengxuan *(Note 2)*	Beneficiary of a trust	1,956,520	
	Interest of spouse	928,767,049	
		930,723,569	43.21%
First Beijing Investment Limited	Investment manager	172,430,000	8.01%

Save as disclosed above, as at 31 August 2023, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interest are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Notes:

(1) Mr. Luo Shi holds 100% of the issued share capital of Sky Elite Limited and therefore Mr. Luo Shi is deemed or taken to be interested in the Shares held by Sky Elite Limited under Part XV of the SFO.

(2) Ms. Tu Mengxuan has been granted 1,956,520 Shares under the Pre-IPO Restricted Share Award Scheme, 1,565,216 Shares of which have been vested as at 31 August 2023. Ms. Tu Mengxuan is the spouse of Mr. Luo Shi. Under the SFO, Ms. Tu Mengxuan is deemed to be interested in the same number of Shares in which Mr. Luo Shi is interested.

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.

In accordance with the relevant PRC laws and regulations, the Group contributes to the PRC social security fund (including pension insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance) and housing provident fund for its PRC employees. The Group's full-time employees in the PRC participate in a number of government-sponsored defined contribution retirement schemes under which employees are entitled to a monthly pension calculated according to certain formulas. The relevant government agencies assume the responsibility of pension payments to these retired employees. The Group makes monthly contributions to these pension schemes. Under these schemes, the Group has no obligation for post-retirement benefits other than the contributions made. Contributions to these schemes are expensed as incurred and contributions made to these defined contribution pension schemes on behalf of an employee cannot be used to reduce the Group's future obligations under these defined contribution pension schemes even if the employee leaves the Group.

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

PRE-IPO RESTRICTED SHARE AWARD SCHEME

Summary of the Pre-IPO Restricted Share Award Scheme

The following is a summary of the rules of the Pre-IPO Restricted Share Award Scheme adopted by the Company on 26 January 2018.

(a) *Purpose*

The Company has adopted the Pre-IPO Restricted Share Award Scheme to align the interests of eligible persons with those of the Group through ownership of Shares, to support value creation oriented performance culture and, in part, to replace those certain interests of certain eligible persons in Tianli Education transferred in connection with the reorganization transaction.

(b) *Term of the Pre-IPO Restricted Share Award Scheme*

The Pre-IPO Restricted Share Award Scheme shall be valid and effective for a period of 10 years, commencing on 26 January 2018, or until the Pre-IPO Restricted Share Award Scheme is terminated by the Board, whichever is earlier, after which period no further share awards shall be granted or accepted, but the provisions of the Pre-IPO Restricted Share Award Scheme shall remain in full force and effect in order to give effect to the vesting of share awards granted and accepted prior to the expiration or termination of the Pre-IPO Restricted Share Award Scheme.

(c) *Maximum number of share awards*

The maximum number of share awards that may be granted under the Pre-IPO Restricted Share Award Scheme in aggregate (excluding share awards that have lapsed or been cancelled in accordance with the rules of the Pre-IPO Restricted Share Award Scheme) shall be such number of Shares held or to be held by the Trustee for the purpose of the Pre-IPO Restricted Share Award Scheme from time to time, and which shall in any event, be no more than 107,178,158 Shares (the number of Shares is based on the completion of the capitalization issue and the global offering), representing approximately 4.98% of the issued share capital of the Company as at the date of this report. Our Company will not further grant share awards under the Pre-IPO Restricted Share Award Scheme.

(d) *Administration of the Pre-IPO Restricted Share Award Scheme*

The Pre-IPO Restricted Share Award Scheme shall be subject to the administration of the Board, and the decision of the Board shall be final and binding on all parties. The Board may delegate the authority to administer the Pre-IPO Restricted Share Award Scheme to any committee thereof or any third party duly appointed thereby, including without limitation third-party service providers and professional trustees (collectively, the "**Authorized Administrators**"). The powers of the Board include and are not limited to:

(i) construe and interpret the Pre-IPO Restricted Share Award Scheme, make factual determinations with respect to the administration of the Pre-IPO Restricted Share Award Scheme, further define the terms used in the Pre-IPO Restricted Share Award Scheme; and prescribe, amend and rescind rules and regulations relating to the administration of the Pre-IPO Restricted Share Award Scheme or the share awards;

(ii) determine the persons who will be awarded share awards, eligibility requirements, the number and price of share awards, and restrictions applicable to such share awards;

(iii) make such appropriate and equitable adjustments to the terms of share awards as it deems necessary; and

(iv) amend, add to and/or delete any of the provisions of the Pre-IPO Restricted Share Award Scheme.

(e) *Grant of share awards*

All the 107,178,158 Shares under the Pre-IPO Restricted Share Award Scheme have been granted before the listing of the Company in July 2018. The Board or Authorized Administrators also imposed certain the time-based or other restrictions and/or other criteria and conditions (collectively, the "**Restrictions**") and the time period and schedule (the "**Restricted Period**") when the share awards will vest, and the Restrictions and the Restricted Period were stated in the grant letter.

(f) *Restrictions on share awards*

Each share award shall be subject to a restricted period starting from the date of grant of each such share award and ending upon the date when the Shares become listed on the Stock Exchange and the date upon which the relevant participant completes the relevant approval and filing procedures in respect of his/her share awards/shares in accordance with the Huifa [2012] No. 7 Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Domestic Individuals' Participation in the Exchange Administration of Equity Incentive Plans of Overseas Listed Companies (if applicable) and other applicable laws and regulations (whichever is later) (the "**Lockup Restricted Period**").

The share awards and any interest therein may not be enjoyed, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by the participants, except by will or the laws of descent and distribution, during the Restricted Period (including the Lockup Restricted Period).

(g) *Obtaining of share awards*

A participant may not exercise voting rights nor have any rights in respect of the shares underlying the share awards, including but not limited to, any dividends or other distributions, prior to the participant's receipt of an unlock notice.

Share awards held by a participant that are vested as evidenced by the unlock notice may be obtained (in whole or in part) by the participants upon the expiry of restricted period and lapse of all restrictions (if any). The Board may decide at its absolute discretion to direct and procure the Trustee to, within a reasonable time, transfer the shares underlying the share awards (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the participant which the Company has allotted and issued to the Trustee subject to the Participant paying all tax, stamp duty, levies and charges applicable to such transfer.

The Pre-IPO Restricted Share Award Scheme does not stipulate: (i) the maximum entitlement of each participant under the scheme; (ii) the amount (if any) on application or acceptance of the award Shares and the period within which payments or calls must or may be made or loans for such purposes must be repaid; and (iii) the basis of determining the purchase price of Shares awarded (if any). The Board would consider, resolve for and approve the relevant particulars in accordance with the terms of the Pre-IPO Restricted Share Award Scheme.

(h) *Lapse of share awards*

Any unvested share award will automatically under the scenarios set out below:

(i) the participant's employment with or service for the Group terminates for any reason except retirement, early retirement due to heath problem, permanent disablement, death during employment or redundancy;

(ii) the participant is involved in businesses that are competing with or similar to the Group during his employment period without prior approval from the Company;

(iii) the company employing the participant ceases to be a subsidiary or an affiliate of the Company;

(iv) the participant makes any attempt or takes any action to sell, transfer, charge, encumber, hedge or create any interest in favour of any other person over or in relation to any unvested share awards or any interests or benefits pursuant to the unvested share awards;

(v) the participant violates relevant rules under his/her respective local labour laws, or breaches the employment agreement or non-disclosure agreement with the Group; or

(vi) merger, bankruptcy, insolvency, liquidation and winding up and any other similar events of the Company.

Once share awards have lapsed and after the Shares of the Company are listed on the Stock Exchange, the Company instructed the Trustee to sell that certain portion of the Shares underlying such share awards that remain unvested on the open market. If the sale proceeds are less than the sum of the purchase price that was paid by the participant to acquire the corresponding interests in Tianli Education as specified in the grant letter and such additional amount so as to provide the participant with a rate of return of fifteen percent (15%) per annum as expected proceeds, (1) the Trustee will continue to sell the Shares which are assets of the Trust to be used for the operation and maintenance of the Trust and pay the proceeds to the relevant Participant until the expected proceeds are fully paid; and (2) if the sale proceeds and all the assets of the Trust to be used for the operation and maintenance of the Trust are still not enough to pay the expected proceeds, such shortage shall be paid by Mr. Luo Shi to such Participant. In the event that the sale proceeds are more than expected proceeds, the surplus amount will become assets of the Trust to be used by the Trustee for the administration and operation of the trust.

As at 31 August 2023, a total of 107,178,158 shares, representing approximately 4.98% of the total issued shares of the Company, were granted to selected persons under the Pre-IPO Restricted Share Award Scheme. During the Reporting Year, no shares were granted under the Pre-IPO Restricted Share Award Scheme. Details of the interests of the selected persons under the Pre-IPO Restricted Share Award Scheme are as follows:

Grantees	Date of award	Number of Shares	Vesting period	Grant Price *(RMB)*	Unvested as at 1 September 2022	Vested during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Unvested as at 31 August 2023	Closing price or weighted average closing price of the Shares immediately before the relevant vesting date(s) during the Reporting Year *(HK$)*
Directors										
Luo Shi	26 January 2018	6,521,733	12 July 2018 to 1 March 2022	0.77	0	0	0	0	0	N/A
Wang Rui	26 January 2018	1,956,520	12 July 2018 to 1 March 2022	0.77	0	0	0	0	0	N/A
5 highest paid individuals during the Reporting Year (excluding any Directors) in aggregate	26 January 2018	1,956,520	1 September 2018: 10% 1 September 2019: 10% 1 September 2020: 20% 1 September 2021: 20% 1 September 2022: 20% 1 September 2023: 20%	0.77	782,608	391,304	0	0	391,304	1.45
Other grantees										
Group A in aggregate	26 January 2018	85,265,137	12 July 2018 to 1 March 2022	0.77	0	0	0	0	0	N/A
Group B in aggregate	26 January 2018	7,043,470	1 September 2018: 10% 1 September 2019: 10% 1 September 2020: 20% 1 September 2021: 20% 1 September 2022: 20% 1 September 2023: 20%	0.77	1,565,228	782,604	0	0	782,624	1.45
Group C in aggregate	26 January 2018	4,434,778	1 December 2018: 10% 1 December 2019: 10% 1 December 2020: 20% 1 December 2021: 20% 1 December 2022: 20% 1 December 2023: 20%	0.77	1,617,398	808,692	0	0	808,706	1.73

The remaining life of the Pre-IPO Restricted Share Award Scheme is approximately 4 years and 1 month as at the date of this report.

SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on 24 June 2018 and adopted by a resolution of the Board on the same date.

1. Purpose

The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above.

3. **Maximum number of Shares**

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the listing date (such 10% limit representing 200,000,000 Shares excluding Shares which may fall to issued upon the exercise of the over-allotment option granted by our Company) (the "**Scheme Mandate Limit**"), representing 9.29% of the issued Shares as at the date of this report, provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the eligible person specified by our Company before such approval is obtained. Our Company should issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company (or the subsidiary) shall not exceed 30% of our Company's (or the subsidiary's) issued share capital from time to time. No options may be granted under the Share Option Scheme and any other schemes of our Company (or the subsidiary) if this will result in such limit being exceeded.

4. **Maximum entitlement of each participant**

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of options to such an eligible person would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such eligible person and his close associates (or his associates if such eligible person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the eligible person, the number and terms of the options to be granted (and options previously granted) to such eligible person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such eligible person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those options.

5. **Offer and grant of options**

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the adoption date to offer the grant of an option to any eligible person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. **Granting options to connected persons**

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an option is proposed to be made to a Director, chief executive or a substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an option).

Where any grant of options to a substantial Shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HKD5.0 million, such further grant of options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of options granted to a participant who is a substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favor at such general meeting.

7. **Restriction on the time of grant of options**

The Board shall not grant any option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

9. Amount payable for options and offer period

An offer of the grant of an option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted and accepted by the eligible person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favor of our Company of HKD1.0 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an option must be accepted by the relevant eligible person, being a date no later than 28 days after the offer date. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the option. To the extent that the offer of the grant of an option is not accepted by 28 days after the offer date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the option was granted, an option may be exercised by the grantee at any time during the option period, provided that:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the option up to the grantee’s entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(ii) in the event that the grantee ceases to be an executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

(1) the option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her option.

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects.

All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the option;

(c) subject to the terms of the period mentioned in the paragraph headed "– 11. Exercise of Option" in this section, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the option;

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the option so far as unexercised; and/or

(c) the subscription price of each outstanding option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the eligible persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any option in whole or in part by giving notice in writing to the grantee stating that such option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of option or any terms or conditions attached to the grant of the option;

(b) the grantee makes a written request to the Board for the option to be cancelled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the reopening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the scheme; and

(d) any alteration to the aforesaid alternation provisions,

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

Since the adoption date to 31 August 2023, an aggregate of 61,000,000 share options had been granted to eligible participants (i.e. 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), none of which had been exercised, expired or lapsed. Save as disclosed, no share option was granted exercised, expired or lapsed during the year ended 31 August 2023. As at 31 August 2023, the number of outstanding share options is 61,000,000.

The number of share options available for grant under the Share Option Scheme mandate at the beginning and the end of the Reporting Year were 200,000,000 and 139,000,000, respectively.

Details of the interests of the grantees under the Share Option Scheme are as follows:

		Number of Shares						
	Date of Grant	Number of share options	Outstanding as at 1 September 2022	Exercised during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Outstanding as at 31 August 2023	Closing price or weighted average closing price (as applicable) of the Shares immediately before the relevant exercise date(s) during the Reporting Year *(HK$)*
Directors								
Luo Shi	10 March 2023[Note 6]	30,000,000	N/A	0	0	0	30,000,000	N/A
Wang Rui	10 March 2023[Note 6]	7,000,000	N/A	0	0	0	7,000,000	N/A
5 highest paid individuals during the Reporting Year (excluding any Directors) in aggregate	10 March 2023[Note 6]	4,000,000	N/A	0	0	0	4,000,000	N/A
Service providers	10 March 2023[Note 6]	2,000,000	N/A	0	0	0	2,000,000	N/A
Other grantees in aggregate	10 March 2023[Note 6]	18,000,000	N/A	0	0	0	18,000,000	N/A

Notes:

1. Exercise Period of share options: the share options shall be valid for 10 years from the date of grant and lapse at the expiry of such period.

2. Vesting Period of share options: 40% of the share options granted shall be vested after the first anniversary of the date of grant; another 30% of the share options granted shall be vested after the second anniversary of the date of grant; and the remaining 30% of the share options granted shall be vested after the third anniversary of the date of grant.

3. The exercise price of the share options shall be HK$2.48 per Share.

4. The Share Options shall not be subject to any performance target.

5. The fair value of (i) 31,000,000 share options as at 10 March 2023, being the date of grant, was HK$1.5933 per Share and (ii) 30,000,000 share options as at 26 April 2023, being the date of the Shareholders' approval, was HK$1.4657 per Share. For details of the option pricing model, the significant assumptions and inputs used in that pricing model and how such significant assumptions and inputs were determined, please refer to note 31 to the consolidated financial statements.

6. The closing price of the Shares immediately before the date on which the Share Options were granted during the Reporting Year was HK$2.35.

The remaining life of the Share Option Scheme is approximately 4 years and 6 months as the date of this report.

RESTRICTED SHARE AWARD SCHEME

The following is a summary of the rules of the Restricted Share Award Scheme adopted by the Company on 17 December 2018.

(1) Purpose and objective

The Directors believe that the future success of the Company is closely tied to the commitment and efforts of the Group's key management personnel including Directors and senior management. The purpose and objective of the Restricted Share Award Scheme is (i) to recognize and motivate the contribution of the key management personnel and core employees of the Group; (ii) to help the Group retain and attract the selected participants in attaining the long term business objectives of the Company; and (iii) to further align the interests of the Selected Participants directly to the Shareholders of the Company through ownership of Shares.

(2) Term of the scheme

The Restricted Share Award Scheme shall be effective from 17 December 2018 and shall continue in full force and effect for a term of 10 years or until such date of early termination as determined by the Board, whichever is the earlier, after which period no further award Shares shall be granted or accepted, but the provisions of the Restricted Share Award Scheme shall remain in full force and effect in order to give effect to the vesting of award Shares granted and accepted prior to the expiration or termination of the Restricted Share Award Scheme.

(3) Eligible participants for the scheme

Pursuant to the Restricted Share Award Scheme, the Board may, from time to time, in its absolute discretion, decide the selected participants after taking into various factors as they deem appropriate and determine the number of award Shares to be granted to each of the selected participants. The eligible participants include Directors, senior management, managerial staff, school district principals (學區校長), school sector principals (學段校長) and school reserve senior executive (學校後備高管) of the Group.

(4) Maximum number of award Shares and Maximum entitlement of each participant

The maximum number of award Shares that may be granted under the Restricted Share Award Scheme in aggregate shall be no more than 75,000,000 Shares, representing approximately 3.48% of the issued share capital of the Company as at the date of this report.

Pursuant to the Restricted Share Award Scheme, the maximum number of award Shares to be granted to each category of the selected participants is as follows:

Position of selected participant	Maximum number of award Shares granted
Group Vice President	4,000,000
General Manager	2,000,000
School District Principal, Senior Manager, Deputy Manger	1,300,000
School Section Principal	650,000
School Backup Senior Management	400,000

(5) Administration of the scheme

The Restricted Share Award Scheme shall be subject to the administration of the Board and the Trustee in accordance with the scheme rules and the trust deed. The Board may act through its authorized representative and has duly authorised the chief executive officer of the Company to give instructions or notices to the Trustee on matters in connection with the operation and administration of the scheme and the trust. The Trustee shall hold the Shares and the income derived therefrom in accordance with the scheme rules and the terms of the trust deed. The power of the Board includes and is not limited to:

i. construe and interpret the scheme, make factual determinations with respect to the administration of the scheme, further define the terms used in the scheme; and prescribe, amend and rescind rules and regulations relating to the administration of the scheme or the award of award Shares;

ii. determine the persons who will be granted award Shares, eligibility requirements, the number and grant price of the award Shares, and restrictions applicable to such award shares;

iii. make such appropriate and equitable adjustments to the terms of award Shares as it deems necessary; and

iv. amend, add to and/or delete any of the provisions of the scheme rules.

(6) Operation

The Board may, from time to time, in its absolute discretion select the selected participants after taking into consideration various factors as they deem appropriate and determine the number and the grant price of award Shares to be granted to each of the selected participants. In determining the grant price for each selected participant, the Board shall take into consideration matters, including but not limited to, the selected participant's position, experience, years of service, performance and contribution to the Group and the market price of the Shares.

Pursuant to the Restricted Share Award Scheme rules, the Board shall cause to pay the Trustee the purchase price and the related expenses from the Group's resources for the award Shares and the Trustee shall apply the purchase price to purchase from the market all of the award Shares to be awarded under the Restricted Share Award Scheme and shall hold such Shares until they are vested with the selected participants in accordance with the Restricted Share Award Scheme rules and the trust deed. For the avoidance of doubt, all Shares purchased as aforesaid shall only be used for allocation to the selected participants in accordance with the Restricted Share Award Scheme rules.

(7) Restrictions on award Shares

The award Shares and any rights and interests (including voting rights) therein may not be enjoyed, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by the selected participants before the award Shares are vested. The Board may also imposed additional restrictions as it deems appropriate and set out the same in the award notice.

(8) Vesting and lapse of award Shares

A selected participant shall be entitled to receive the award Shares held by the Trustee in accordance with the following vesting schedule and the selected participants shall be responsible for all the taxes, stamp duty, levies and charges applicable to the grant and vesting of the award Shares:

i. 10% of a selected participant's award Shares shall become vested upon each of the first anniversary, the second anniversary, the third anniversary, the fourth anniversary and the fifth anniversary after the grant of the award Shares; and

ii. 50% of a selected participant's award Shares shall become vested upon the sixth anniversary after the grant of the award Shares.

Vesting of the award Shares will be conditional on the selected participant remaining as an employee of the Group until and on each of the relevant vesting date and his/her execution of the relevant documents to effect the transfer from the Trustee. In the event that the selected participant ceases to be an employee of the Group before all award Shares are vested, the Trustee shall repurchase the unvested award Shares at the repurchase price from the resources contributed by the Group. The repurchased Shares shall be held under the Trust and be granted to other selected participant(s) as instructed by the Board.

If there occurs any special circumstances which may affect the eligibility of the selected participant or the vesting of award Shares, the award Shares shall be dealt with in accordance with the scheme rules. However, for those which are not currently covered therein, the Board shall, from time to time, have sole discretion to determine how such award Shares should be handled.

(9) Voting rights

The Trustee shall not exercise the voting rights in respect of any Shares held under the trust including but not limited to the award Shares.

(10) Termination

Upon the termination of the scheme, the Trustee shall continue to hold the unvested award Shares on trust for the selected participant(s). After all the granted award Shares are vested or repurchased in accordance with the scheme rules, all remaining Shares held by the Trustee will be sold and all net proceeds (after deducting all fees, costs and expenses of the Trustee) will be transferred back to the Company. For the avoidance of doubt, the Trustee shall not transfer any Shares to the Company and the Company shall not hold any Shares in any other way whatsoever.

(11) Alteration of the scheme

The scheme may be altered in any respect from time to time by a resolution of the Board.

The Restricted Share Award Scheme does not stipulate: (i) the amount (if any) on application or acceptance of the award Shares and the period within which payments or calls must or may be made or loans for such purposes must be repaid; and (ii) the basis of determining the purchase price of Shares awarded (if any). The Board will consider, resolve for and approve the relevant particulars in accordance with the terms of the Restricted Share Award Scheme.

As at 31 August 2023, under the Restricted Share Award Scheme, the Trustee purchased a total of 56,548,000 shares, representing approximately 2.63% of the total issued shares of the Company. A total of 14,864,000 shares, representing approximately 0.69% of the total issued shares of the Company, were granted to Selected Participants under the scheme. Details of the interests of the Selected Participants under the Restricted Share Award Scheme are as follows:

Grantees	Date of award	Number of Shares	Vesting period	Grant Price *(RMB)*	Unvested as at 1 September 2022	Vested during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Unvested as at 31 August 2023	Closing price or weighted average closing price of the Shares immediately before the relevant vesting date(s) during the Reporting Year *(HK$)*
Group A in aggregate	15 December 2019	7,724,000	1 September 2020: 10% 1 September 2021: 10% 1 September 2022: 10% 1 September 2023: 10% 1 September 2024: 10% 1 September 2025: 50%	1.6	4,709,600	588,700	0	0	4,120,900	1.45
Group B in aggregate	31 January 2021	7,140,000	1 September 2021: 10% 1 September 2022: 10% 1 September 2023: 10% 1 September 2024: 10% 1 September 2025: 10% 1 September 2026: 50%	2.4	4,914,000	546,000	0	0	4,368,000	1.45

Note:

1. The grantees under The Restricted Share Award Scheme do not include any Director or any of the 5 highest paid individuals during the Reporting Year.

The remaining life of the Restricted Share Award Scheme is approximately 5 years as the date of this report.

The number of Shares that may be issued in respect of options and awards granted under all the share schemes of the Company (i.e. 61,000,000 Shares) (Shares may only be issued in respect of options granted under the Share Option Scheme) during the Reporting Year divided by the weighted average number of Shares in issue for the Reporting Year (i.e. 2,154,000,000 Shares) is 0.03.

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.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Restricted Share Award Scheme, Share Option Scheme and Restricted Share Award Scheme, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 August 2023.

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 required standard as set out in the Model Code during the year ended 31 August 2023.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

CHARITABLE DONATIONS

During the Reporting Year, the Group made charitable donations of RMB222,000.

LITIGATION

The Group did not have any material litigation outstanding as at 31 August 2023.

CONTINUING DISCLOSURE PURSUANT TO LISTING RULES

The Company did not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules as at 31 August 2023.

CHANGES IN INFORMATION OF DIRECTORS

The biographies of the Directors are set out under the section headed "Directors and Senior Management" in this report. Save as disclosed, no change in information of Directors and chief executive is required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Reporting Year.

EVENTS AFTER THE REPORTING YEAR

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

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2023 and has met with the independent auditor, Ernst & Young. 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.

AUDITOR

The consolidated financial statements for the year ended 31 August 2023 have been audited by Ernst & Young. A resolution for the re-appointment of Ernst & Young as the Company's auditor is to be proposed at the forthcoming AGM.

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

The PRC, 23 November 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value, transparency and accountability of the Group. The Company has adopted the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as its own code of 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 code provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should not be performed by the same individual.

Please refer to the sub-section headed "Chairman and Chief Executive Officer" for details.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors the Group's business and performance, and supervises the work of the senior management of the Group. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group (including, without limitation, the implementation of the Board's resolutions) to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

BOARD COMPOSITION

During the year ended 31 August 2023 and up to the date of this report, the composition of the Board is as follows:

Executive Directors:

Mr. Luo Shi *(chairman)*
Mr. Wang Rui

Non-executive Directors:

Mr. Tian Mu *(resigned on 22 November 2022)*
Mr. Pan Ping *(appointed on 25 April 2023)*
Mr. Zhang Wenzao *(appointed on 25 April 2023)*

Independent Non-executive Directors:

Mr. Liu Kai Yu Kenneth
Mr. Yang Dong
Mr. Cheng Yiqun

The biographies of the Directors are set out under the section headed "Directors and Senior Management" in this report. During the year ended 31 August 2023, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possesses appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the non-executive Directors (including the independent non-executive Directors) was engaged on a service contract or letter of appointment for a fixed term and shall be subject to retirement by rotation once every three years. The specific terms of service of each non-executive Director are as follows:

Name of Director	Term of Service
Non-executive Directors	
Mr. Pan Ping	From 25 April 2023 to 24 April 2026
Mr. Zhang Wenzao	From 25 April 2023 to 24 April 2026
Independent Non-executive Directors	
Mr. Liu Kai Yu Kenneth	From 12 July 2021 to 11 July 2024
Mr. Yang Dong	From 12 July 2021 to 11 July 2024
Mr. Cheng Yiqun	From 12 July 2021 to 11 July 2024

As each of the independent non-executive Directors has made his/her annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent in accordance with the guidelines set out in the Listing Rules.

The Board currently has 3 independent non-executive Directors who have years of experience in law, education, corporate finance, internal audit and accounting. The independent non-executive Directors are able to provide independent and appropriate opinions to the Board so as to ensure that the Board can obtain independent views and opinions that it requires when exercising its powers and making major decisions. The independent non-executive Directors (as other Directors) are entitled to seek further information and documentation from the senior management on the matters to be discussed at Board meetings. They can also seek assistance from the Company's company secretary and, where necessary, independent advice from external professional advisers at the Company's expense. They shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which he/her or any of his/her close associates has a material interest. Such mechanisms are to ensure that a strong independent element on, and independent views and input are available to, the Board. During the Reporting Year, the 3 independent non-executive Directors attended the Board meetings regularly and actively participated in the decision-making process of the Board, and provided independent views and opinions to the Board when it performed its duties. In view of the above, and after review, the Board believes that its mechanism for obtaining independent opinions has been fully implemented and continues to be effective.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" and otherwise disclosed in this report, none of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and/or the chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

DIVERSITY POLICY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, having due regard for the benefits of diversity of the Board.

As at the date of this report, the Board comprises 7 Directors (Mr. Tian Mu resigned on 22 November 2022, and Mr. Pan Ping and Mr. Zhang Wenzao were appointed 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. We will consider searching for female Directors who best meet the needs of the Company through multiple means such as internal selection and external recommendations. The Company will endeavour to promote gender diversity when recruiting middle and senior-level employees and reserve a pool of female executives and potential successors of its Directors for the future. The Board will also seize opportunities to increase the proportion of female members when suitable candidates are identified.

During the Reporting Year, the Nomination Committee has reviewed the following measurable objectives and the progress towards these objectives:

	Measurable objectives	Progress
1.	The Board has at least one Director of a different gender.	The Board will appoint a female Director by 31 December 2024. The goal is yet to be achieved.
2.	To consider the appointment of new Director(s) from a wide range of candidates (including backgrounds, skills, experience and perspectives that would complement the existing Board) and preferably add gender diversity.	The goal of the Reporting Year has been largely achieved, and the Company will continue to look for diverse (in particular, gender diverse) and suitable candidates for recommendation and appointment as Director(s).
3.	To evaluate the composition and structure of the Board annually, as well as the diversity of the Board.	The goal of the Reporting Year has been achieved, and the Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness.
4.	To establish a pipeline of potential Director successors which can reach gender diversity.	The goal of the Reporting Year has been partially achieved, and the Board shall seize the opportunity to appoint and gradually increase the proportion of female members over time when selecting suitable Director candidates and making recommendations accordingly. The Company shall also continue to promote gender diversity when recruiting middle and senior staff, and reserve a group of female executives and potential Director successors for the future.

There are no mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant. As of 31 August 2023, the total number of employees (including senior management) of the Group is 5,029, among which the number of female employees is 3,122 (62.1%), and the number of male employees is 1,907 (37.9%). The Company expects that in consideration of the business development, the gender ratio of all employees will be maintained at the current level in the medium term.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with C.1.4 of the CG Code with regards to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses or reading relevant materials, in order to keep themselves abreast of the statutory and regulatory development and changes in the business and the market so as to facilitate the discharge of their responsibilities. The individual training record of each Director received for the year ended 31 August 2023 is summarised below:

Name of Director		Training
Executive Directors		
Mr. Luo Shi	Reading materials	✓
Mr. Wang Rui	Reading materials, attending the training for company secretary	✓
Non-executive Directors		
Mr. Tian Mu *(resigned on 22 November 2022)*	N/A	✓
Mr. Pan Ping *(appointed on 25 April 2023)*	Reading materials, and attending the induction training for Directors	
Mr. Zhang Wenzao *(appointed on 25 April 2023)*	Reading materials, and attending the induction training for Directors	
Independent Non-executive Directors		
Mr. Liu Kai Yu Kenneth	Reading materials, and attending an institutional training	✓
Mr. Yang Dong	Reading materials	✓
Mr. Cheng Yiqun	Reading materials	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 our 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with Article 16.18 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. YANG Dong and Mr. CHENG Yiqun will retire from office by rotation at the AGM, and being eligible, offer themselves for re-election.

In accordance with Article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company after his appointment and shall then be eligible for re-election. Accordingly, Mr. PAN Ping and Mr. ZHANG Wenzao will retire from office at the AGM and, being eligible, offer themselves for re-election.

BOARD MEETINGS AND GENERAL MEETINGS

For the year ended 31 August 2023, details of Directors' attendance of the Board meetings and general meetings are as follows:

	Attendance/Number of meetings	
Name of Director	**Board meetings**	**General Meetings**
Executive Directors		
Mr. Luo Shi	4/4	1/2
Mr. Wang Rui	4/4	2/2
Non-executive Directors		
Mr. Tian Mu *(resigned on 22 November 2022)*	0/1	0/0
Mr. Pan Ping *(appointed on 25 April 2023)*	1/1	1/1
Mr. Zhang Wenzao *(appointed on 25 April 2023)*	1/1	1/1
Independent Non-executive Directors		
Mr. Liu Kai Yu Kenneth	4/4	2/2
Mr. Yang Dong	4/4	2/2
Mr. Cheng Yiqun	4/4	2/2

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 August 2023, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during the year ended 31 August 2023.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the performance of the functions of corporate governance. For the year ended 31 August 2023, the Board has performed the functions set out in code provision A.2.1 of the CG Code, including reviewing the Company's implementation of corporate governance and ensuring compliance with the CG Code (in particular, the principles of good corporate governance) and disclosure requirements in the corporate governance report.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs.

Each of these committees was established with defined written terms of reference. The terms of reference of the Board Committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request. The majority of the members of each Board committee are independent non-executive Directors.

AUDIT COMMITTEE

The Company has established the Audit Committee comprising three members who are all independent non-executive Directors, 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 include, among others, (i) assisting the Board in providing an independent review of the financial controls, risk management and internal control systems of the Group; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by the Board.

For the year ended 31 August 2023, the Audit Committee held 2 meetings.

The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Liu Kai Yu Kenneth	2/2
Mr. Yang Dong	2/2
Mr. Cheng Yiqun	2/2

During the meetings, the Audit Committee reviewed the results and report for the year ended 31 August 2022, the interim results and report for the six months ended 28 February 2023, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, continuing connected transactions, and scope of work and appointment of external auditors.

For the year ended 31 August 2023, the Audit Committee also met with the external auditors without the presence of the executive Directors.

NOMINATION COMMITTEE

The Company has established the Nomination Committee comprising three members, namely, Mr. Luo Shi (executive Director), Mr. Cheng Yiqun and Mr. Liu Kai Yu Kenneth (independent non-executive Directors). Mr. Luo Shi is the chairman of the Nomination Committee.

The Nomination Committee has its written terms of reference in compliance with paragraph B.3.1 of the CG Code. The primary responsibilities of the Nomination Committee include, among others, (i) reviewing the structure, size, composition and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy of our Group; (ii) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and (iii) assessing the independence of independent non-executive Directors.

For the policy of nomination of directors, the Nomination Committee shall consider the experience, knowledge and professionalism of which one could bring to the Board for its efficient and effective functioning. During the Reporting Year, the Nomination Committee identified individuals who were suitably qualified to become Board members and made recommendations to the Board on the selection of individuals nominated for directorship, having due regard to the Company's Board diversity policy, the requirements in the Company's Articles of Association, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity. The Nomination Committee also assessed the independence of the independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and other factors it deemed appropriate.

For the year ended 31 August 2023, the Nomination Committee held 2 meetings.

The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Luo Shi	2/2
Mr. Liu Kai Yu Kenneth	2/2
Mr. Cheng Yiqun	2/2

During the relevant meetings, the Nomination Committee assessed the independence of the independent non-executive Directors, considered the re-election of Directors, proposed the appointment of new non-executive Directors, and reviewed the structure, size, composition and diversity of the Board.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee comprising three members, namely, Mr. Wang Rui (executive Director), Mr. Cheng Yiqun and Mr. Yang Dong (independent non-executive Directors). Mr. Cheng Yiqun is the chairman of Remuneration Committee.

The Remuneration Committee has its written terms of reference in compliance with paragraph E.1.2 of the CG Code. The primary duties of the Remuneration Committee include, among others, (i) making recommendations to the Board on our Group's policy and structure for remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

For the year ended 31 August 2023, the Remuneration Committee held 3 meetings.

The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Cheng Yiqun	3/3
Mr. Wang Rui	3/3
Mr. Yang Dong	3/3

During the relevant meetings, the Remuneration Committee considered and reviewed the remuneration policy and structure of the Company, the remuneration policy and packages of the executive Directors and senior management, the proposed adjustment of the remuneration packages of the executive Directors and other related matters of the Company. The Remuneration Committee also assessed the performance of executive Directors, reviewed and approved the terms of the service contracts of the newly appointed Directors, and reviewed/ approved the matters relating to the Share Option Scheme (including the grant of an aggregate of 61,000,000 share options to eligible participants pursuant to the Share Option Scheme on 10 March 2023).

REMUNERATION OF SENIOR MANAGEMENT

The senior management's total remuneration paid/payable for the year ended 31 August 2023 by band expressed in RMB is as follows:

Band	Number of senior management For the year ended 31 August 2023
Nil to RMB1,000,000	1
Over RMB1,000,001	1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2023.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 81 to 85 in this report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board would review the Group's risk management and internal control systems at least once a year. The Board acknowledges that it has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Audit Committee looks into matters in relation to, and arising from, risk management and internal controls and reports to the Board for consideration. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has an internal audit and control department which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board.

During the year ended 31 August 2023, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The Audit Committee and the internal audit and control department of the Company, respectively, also performed regular reviews of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such reviews by the Board, the Audit Committee and the internal audit and control department of the Company did not reveal any major issues and the Board considers the risk management and internal control systems as well as the internal audit function of the Group are effective and adequate.

The Group's procedures involved in reviewing its risk management and internal control and internal audit function mainly included:

(1) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.

(2) Risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.

(3) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.

(4) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

For the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorised use of inside information and has communicated to all staff. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

AUDITOR'S REMUNERATION

The Company appointed Ernst & Young as the independent auditor for the year ended 31 August 2023. The fees charged for the services provided by the independent auditor to the Group for the Reporting Year include the fees for (i) the audit services to the Group for the year ended 31 August 2023 amounted to RMB4.2 million and (ii) the review of the unaudited interim financial information of the Group for the six months ended 28 February 2023 amounted to RMB1.6 million. During the Reporting Year, the remuneration in respect of non-audit services provided by the external professional firm engaged by the Company included the fees of RMB0.3 million for reviewing internal control system and risk management, and the fees of HKD0.1357 million for preparing the Environmental, Social and Governance Report.

JOINT COMPANY SECRETARIES

Mr. Wang Rui and Ms. Zhang Xiao were appointed as joint company secretaries of the Company on 24 June 2018 and 29 August 2019 respectively. Mr. Wang Rui is an executive Director the Company. For details of his biography, please refer to the section headed "Directors and Senior Management" of this report. Ms. Zhang Xiao is the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. They are responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, applicable laws, rules and regulations are followed. Mr. Wang, an executive Director, is the primary point of contact at the Company for Ms. Zhang.

Mr. Wang Rui and Ms. Zhang Xiao have confirmed that they had taken not less than 15 hours of relevant professional training during the year ended 31 August 2023.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 August 2023, the Company has made certain amendments (the "**Proposed Amendments**") to the amended and restated memorandum and articles of association of the Company (the "**Existing M&A**") in order to bring them in line with the amendments made to the applicable laws of the Cayman Islands and the Listing Rules, in particular Appendix 3 to the Listing Rules regarding the core shareholder protection standards which became effective on 1 January 2022. The second amended and restated memorandum and articles of association of the Company (the "**Amended M&A**") incorporating and consolidating all the Proposed Amendments, in substitution for, and to the exclusion of, the Existing M&A were approved and adopted by a special resolution passed by the Shareholders on 30 December 2022. For details of the Proposed Amendments to the Existing M&A and the adoption of the Amended M&A, please refer to the circular of the Company dated 8 December 2022. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

There are no provisions in the Articles of Association or the Companies Law of the Cayman Islands for Shareholders to propose new resolutions at general meetings. Shareholders who wish to propose a resolution may request the Company to convene a general meeting in accordance with the procedures set out above.

SHAREHOLDERS' COMMUNICATION POLICY AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and investors is essential for enhancing investor relations and investors' understanding of the Group's business, performance and strategies, thereby establishing investors' confidence and attracting new investors. The Company also recognizes the importance of transparency and timely disclosure of corporate information which enables investors to make the best investment decision.

The Company endeavors to maintain an ongoing dialogue with the Shareholders and has a shareholders' communication policy in place to ensure that the Shareholders' views and concerns are heard and addressed appropriately. Such policy aims to maintain continuous, timely and effective communication with the Shareholders (including potential investors and analysts, where applicable) to ensure that the stakeholders can obtain timely, consistent and comprehensive information about the Company as and when appropriate. The applicable communication channels include (i) disclosure through the Company's financial reports (i.e. annual reports and interim reports); (ii) announcements, circulars and other regulatory disclosure information submitted to the Stock Exchange in accordance with the continuous disclosure requirements under the Listing Rules, which will also be immediately published on the website of the Stock Exchange; (iii) all up-to-date and key information of the Company is available on the Company's website at www.tianlieducation.com; (iv) the general meetings of the Company; and (v) other communication activities with investment markets, including roadshows, industry forums, etc.

In particular, the Company is of the view that the annual general meetings and other general meetings of the Company provide an important channel for communications between the Board and the Shareholders. The chairman of the Board, as well as the chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committee and where appropriate, the chairman of the independent Board committee, will make themselves available at the general meetings to meet Shareholders and answer their enquiries.

During the Reporting Year, the Company has reviewed the implementation and effectiveness of the shareholders' communication policy and confirmed that the Company has disclosed all necessary information to the Shareholders in compliance with the Listing Rules, and has included channels for the Shareholders to communicate their views on various matters affecting the Company and that the Company has taken appropriate and sufficient steps to solicit and understand the views of the Shareholders and stakeholders. The Board is satisfied with the implementation and effectiveness of such policy.

ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 4309, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong

Email: ir@tianlieducation.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Independent Auditor's Report

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Tel : +852 2846 9888
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To the shareholders of Tianli International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Tianli International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 86 to 177 which comprise the consolidated statement of financial position as at 31 August 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matters (Continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment of property, plant and equipment and right-of-use assets occupied by the Affected Business	
At 31 August 2023, the Affected Business (as defined in Note 1 to the financial statements), over which the Group ceased to have control due to the 2021 Implementation Regulations for Private Education Laws, free-occupied the Group's property, plant and equipment and right-of-use assets. As set out in the Group's accounting policy, the Group is required to evaluate annually whether indicators for potential impairment or reversal of impairment previously recorded exist, and if they exist, a formal estimate of the recoverable amount is performed based on the value in use or fair value less costs of disposal. The assessment of the recoverability of the carrying amounts of property, plant and equipment and right-of-use assets requires judgement in assessing whether there are any indications that assets should be impaired or previously recorded impairment losses recognised should be reversed, and in measuring any such impairment or reversal, as described in Note 2.4 Impairment of non-financial assets to the financial statements. During the year, management continued to monitor the implementation of the 2021 Implementation Regulations and assessed its impact on the Group's operations. The evaluation of management's impairment or reversal of impairment assessment of such assets involved significant judgements and such judgements may be significantly affected by changes in future market or economic conditions and the regulations affected the industry where the Group operates as described in Note 3 to the financial statements.	During the year, in conjunction with analysis of the regulatory circumstances, we observed and analysed the Group's operations and cash flows, as well as the operations of the Affected Business, and evaluated if there were significant deviations from management's plan and estimates which may trigger impairment provision or reversal of impairment provision. We enquired the management and also obtained opinions from the Group's external legal counsel to confirm if the current operations were in compliance with the relevant regulation and if no significant issues have arisen since the implementation of the 2021 Implementation Regulations. We also evaluated both the external and internal factors to ensure if there were no other indicators for further impairment provision or reversal of impairment provision during the year.

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Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

EY 安永

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

EY 安永

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

23 November 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**2,302,540**	884,372
Cost of sales		**(1,523,693)**	(590,833)
Gross profit		**778,847**	293,539
Other income and gains	5	**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	6	**(62,529)**	(27,502)
Share of (losses)/profits of:			
A joint venture		**(549)**	1,222
Associates		**(1,104)**	(271)
PROFIT BEFORE TAX	7	**443,943**	125,349
Income tax expense	10	**(112,870)**	(29,189)
PROFIT FOR THE YEAR		**331,073**	96,160
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of a foreign operation		**(58)**	206
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**331,015**	96,366
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	12		
Basic		**RMB15.90 cents**	RMB4.58 cents
Diluted		**RMB15.90 cents**	RMB4.56 cents

Consolidated Statement of Financial Position

31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,454,733**	3,640,254
Right-of-use assets	14(a)	**2,044,905**	1,655,213
Goodwill	15	**16,413**	7,572
Other intangible assets	16	**34,490**	24,091
Investment in a joint venture	17	**162,493**	163,042
Investments in associates	18	**68,695**	69,499
Prepayments, deposits and other receivables	21	**123,917**	95,387
Deferred tax assets	10	**274,942**	270,020
Total non-current assets		**7,180,588**	5,925,078
CURRENT ASSETS			
Inventories	19	**27,283**	18,817
Trade receivables	20	**17,448**	10,953
Prepayments, deposits and other receivables	21	**72,846**	59,111
Amounts due from related parties	35(b)	**651,520**	1,085,667
Financial assets at fair value through profit or loss	23	**100,309**	100,010
Restricted deposits	22	**–**	1,573
Cash and cash equivalents	22	**1,501,724**	929,902
Total current assets		**2,371,130**	2,206,033
CURRENT LIABILITIES			
Trade payables	24	**47,066**	46,571
Other payables and accruals	25	**512,010**	222,041
Contract liabilities	26	**1,315,089**	842,940
Interest-bearing bank and other borrowings	28	**553,935**	240,450
Amounts due to related parties	35(b)	**1,743,099**	2,138,962
Tax payable		**146,320**	120,755
Lease liabilities	14(b)	**20,221**	11,612
Deferred income	27	**231,741**	191,249
Total current liabilities		**4,569,481**	3,814,580
NET CURRENT LIABILITIES	2.1	**(2,198,351)**	(1,608,547)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,982,237**	4,316,531

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	**219,389**	178,931
Deferred tax liabilities	10	**54,416**	–
Deferred income	27	**342,913**	368,729
Interest-bearing bank and other borrowings	28	**1,118,474**	891,375
Amounts due to related parties	35(b)	**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	29	**183,022**	183,022
Treasury shares		**(31,663)**	–
Reserves	30	**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

Luo Shi
Director

Wang Rui
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 August 2023

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 29)	Share premium RMB'000 (note 30)	Shares repurchased for the share award scheme RMB'000 (note 31)	Share award scheme reserve RMB'000	Capital reserve RMB'000 (note 30)	Difference arising from acquisition of non-controlling interests RMB'000	Statutory surplus reserves RMB'000 (note 30)	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 September 2021	184,042	1,322,455	(67,678)	9,441	563,558	(1,122)	86,065	(432)	(332,353)	1,763,976	23,891	1,787,867
Profit for the year	–	–	–	–	–	–	–	–	96,539	96,539	(379)	96,160
Other comprehensive income for the year:	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of a foreign operation	–	–	–	–	–	–	–	206	–	206	–	206
Total comprehensive income for the year	–	–	–	–	–	–	–	206	96,539	96,745	(379)	96,366
Transfer from retained profits	–	–	–	–	–	–	4,248	–	(4,248)	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	5,000	5,000
Share repurchased and cancelled during the year	(1,020)	(7,591)	–	–	–	–	–	–	–	(8,611)	–	(8,611)
Shares repurchased for the share award scheme	–	–	(6,093)	–	–	–	–	–	–	(6,093)	–	(6,093)
Vested shares under the share award scheme	–	4,295	(708)	(3,587)	–	–	–	–	–	–	–	–
Equity-settled share award scheme expenses	–	–	–	5,779	–	–	–	–	–	5,779	–	5,779
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,393)	(1,393)
At 31 August 2022	183,022	1,319,159*	(74,479)*	11,633*	563,558*	(1,122)*	90,313*	(226)*	(240,062)*	1,851,796	27,119	1,878,915

	Attributable to owners of the Company													
	Issued capital RMB'000 (note 29)	Treasury shares RMB'000 (note 29)	Share premium RMB'000 (note 30)	Shares repurchased for the share award scheme RMB'000 (note 31)	Share award scheme reserve RMB'000	Share option scheme reserve RMB'000	Capital reserve RMB'000 (note 30)	Difference arising from acquisition of non-controlling interests RMB'000	Statutory surplus reserves RMB'000 (note 30)	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 September 2022	183,022	–	1,319,159	(74,479)	11,633	–	563,558	(1,122)	90,313	(226)	(240,062)	1,851,796	27,119	1,878,915
Profit for the year	–	–	–	–	–	–	–	–	–	–	333,829	333,829	(2,756)	331,073
Other comprehensive income for the year:	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of a foreign operation	–	–	–	–	–	–	–	–	–	(58)	–	(58)	–	(58)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	(58)	333,829	333,771	(2,756)	331,015
Transfer from retained profits	–	–	–	–	–	–	–	–	10,514	–	(10,514)	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	–	200	200
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	5,439	5,439
Vested shares under the share award scheme	–	–	2,774	408	(3,182)	–	–	–	–	–	–	–	–	–
Equity-settled share award scheme expenses	–	–	–	–	4,501	–	–	–	–	–	–	4,501	–	4,501
Equity-settled share option scheme expenses	–	–	–	–	–	23,297	–	–	–	–	–	23,297	–	23,297
Unvested shares under the share award scheme	–	–	–	(17,076)	–	–	–	–	–	–	–	(17,076)	–	(17,076)
Offsetting with dividends	–	–	–	2,503	–	–	–	–	–	–	–	2,503	–	2,503
Shares repurchased	–	(31,663)	–	–	–	–	–	–	–	–	–	(31,663)	–	(31,663)
Final 2022 dividend declared	–	–	(43,439)	–	–	–	–	–	–	–	–	(43,439)	–	(43,439)
Interim 2023 dividend declared	–	–	(58,224)	–	–	–	–	–	–	–	–	(58,224)	–	(58,224)
At 31 August 2023	183,022	(31,663)	1,220,270*	(88,644)*	12,952*	23,297*	563,558*	(1,122)*	100,827*	(284)*	83,253*	2,065,466	30,002	2,095,468

* These reserve accounts comprise the reserves of RMB1,914,107,000 in the consolidated statement of financial position as at 31 August 2023 (2022: RMB1,668,774,000).

Consolidated Statement of Cash Flows

For the Year Ended 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**443,943**	125,349
Adjustments for:			
Depreciation of property, plant and equipment	7	**131,568**	79,996
Depreciation of right-of-use assets	7	**66,205**	51,102
Amortisation of intangible assets	7	**4,630**	1,709
Share of losses/(profits) of a joint venture and associates		**1,653**	(951)
Gain on disposal of financial assets at fair value through profit or loss	5	**(3,015)**	(6,779)
Fair value gains on financial assets at fair value through profit or loss	5	**(299)**	–
Gains on disposal of subsidiaries	7	**–**	(46)
Unrealised foreign exchange (losses)/gains, net		**(2,927)**	2,884
Equity-settled share award scheme expenses	7	**4,501**	5,779
Equity-settled share option scheme expenses	7	**23,297**	–
Bank interest income	7	**(3,418)**	(1,924)
Deferred income released to profit or loss	7	**(125,780)**	(101,164)
Finance costs	6	**62,529**	27,502
(Losses)/gains on cancellation of operating leases as a lessee		**(2,444)**	38
Loss on disposal of items of property, plant and equipment, net	7	**1,250**	556
		601,693	184,051
Increase in inventories		**(8,395)**	(14,984)
Increase in trade receivables		**(6,373)**	(7,403)
(Increase)/decrease in prepayments, deposits and other receivables		**(6,875)**	1,860
Increase in amounts due from relate parties		**(191)**	–
Increase in trade payables		**418**	33,243
Increase in contract liabilities		**269,620**	404,961
Receipt of deferred income		**87,066**	193,357
Increase/(decrease) in other payables and accruals		**133,055**	(35,490)
Cash generated from operations		**1,070,018**	759,595
Income tax paid		**(94,350)**	(23,068)
Net cash flows from operating activities		**975,668**	736,527

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(575,435)**	(776,965)
Purchases of other intangible assets		**(5,683)**	(17,874)
Purchases of leasehold land		**(18,698)**	(102,526)
Prepaid buildings lease payment		**–**	(3,181)
Proceeds from disposal of items of property, plant and equipment		**1,088**	222
Purchase of financial assets at fair value through profit or loss		**(862,500)**	(1,207,221)
Proceeds from disposal of financial assets at fair value through profit or loss		**865,515**	1,319,080
Disposal of subsidiaries		**–**	(2,327)
Prepayments for acquisition of subsidiaries		**(24,688)**	–
Acquisition of subsidiaries		**(6,351)**	–
Investment in an associate		**(300)**	–
Redemption/(deposit) of restricted deposits		**1,573**	(1,573)
Repayment of advances given to related parties	35(c)	**367,737**	262,568
Advances given to related parties	35(c)	**(121,550)**	(258,621)
Redemption of time deposits with original maturity over three months		**10,000**	–
Increase in time deposits with original maturity over three months		**(69,355)**	(10,000)
Bank interest received		**3,418**	1,924
Net cash flows used in investing activities		**(435,229)**	(796,494)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend received from shares held for the share award scheme		**2,503**	2,027
Repurchase of shares held for the share award scheme		**(1,078)**	(4,403)
Shares repurchased and cancelled during the year		**–**	(8,611)
Repurchase of shares in treasury		**(31,663)**	–
Capital contribution from a non-controlling shareholder of a subsidiary		**200**	5,000
Proceeds from bank and other borrowings		**822,370**	398,500
Repayment of bank and other borrowings		**(281,786)**	(500,396)
Advances received from related parties	35(c)	**1,457,077**	1,666,698
Repayment of advances from related parties	35(c)	**(1,780,265)**	(1,690,058)
Dividends paid		**(101,663)**	(82,091)
Principal portion of lease payments		**(22,956)**	(2,721)
Interest portion of lease liabilities		**(10,630)**	(3,207)
Interest paid		**(82,950)**	(71,449)
Net cash flows used in financing activities		**(30,841)**	(290,711)

	Notes	2023 RMB'000	2022 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**509,598**	(350,678)
Effect of foreign exchange rate changes, net		**2,869**	(2,678)
Cash and cash equivalents at beginning of year		**919,902**	1,273,258
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,432,369**	919,902
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		**1,432,369**	919,902
Cash and cash equivalents as stated in the consolidated statement of financial position	22	**1,501,724**	929,902
Time deposits with original maturity over three months		**(69,355)**	(10,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,432,369**	919,902

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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tianli Education Holdings Limited 天立教育控股有限公司	BVI 20 February 2017	–	100	–	Investment holding
Tianli Education (HK) Limited 天立教育(香港)有限公司	Hong Kong 6 March 2017	US$1	–	100	Investment holding
Tibet Yongsi Technology Co., Ltd. ("Tibet Yongsi")[c] 西藏永思科技有限公司	The PRC/ Mainland China 4 September 2017	US$45,000,000	–	100	Provision of management service
Shenzhou Tianli Education Investment Company Limited ("Shenzhou Tianli Education")[a],[b] 神州天立教育投資有限責任公司	The PRC/ Mainland China 19 April 2013	RMB182,592,643	–	100	Investment holding and provision of management service
Luzhou Tianli School[a] 瀘州市天立學校	The PRC/ Mainland China 15 January 2002	RMB50 million	–	83.34	Provision of education service
Chengdu Wuhou Kinderworld International Kindergarten ("Kinderworld Kindergarten")[a] 成都市武侯區凱星幼兒園	The PRC/ Mainland China 20 December 2013	RMB100,000	–	100	Provision of kindergarten service
Baoshan Shenzhou Tianli Senior High School Company Limited[a],[b] 保山市神州天立高級中學有限責任公司	The PRC/ Mainland China 4 June 2019	RMB5 million	–	100	Provision of high school education service
Zhaotong Shenzhou Tianli Senior High School Company Limited[a], [b] 昭通市神州天立高級中學有限公司	The PRC/ Mainland China 2 July 2019	RMB2 million	–	100	Provision of high school education service
Zunyi Shenzhou Tianli Senior High School Company Limited[a], [b] 遵義神州天立高級中學有限公司	The PRC/ Mainland China 12 September 2019	RMB1 million	–	100	Provision of high school education service

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhoukou Tianli Senior High School Company Limited[(a),(b)] 周口市天立高級中學有限公司	The PRC/ Mainland China 16 April 2020	RMB5 million	–	100	Provision of high school education service
Shenzhou Hongyu (Zhuhai Hengqin) Management Consulting Co., Ltd. ("Shenzhou Hongyu")[(b)] 神州鴻羽(珠海橫琴)管理諮詢有限責任公司	The PRC/ Mainland China 15 May 2020	HK$2 million	–	100	Management consulting
Qiming Daren (Zhuhai Hengqin) Education Technology Co., Ltd. ("Qiming Daren")[(a), (b)] 啟鳴達人(珠海橫琴)教育科技有限責任公司	The PRC/ Mainland China 15 May 2020	RMB2 million	–	100	Management consulting
Dayan Zhiguang (Zhuhai Hengqin) Education Consulting Co., Ltd. ("Dayan Zhiguang")[(b)] 大雁之光(珠海橫琴)教育諮詢有限責任公司	The PRC/ Mainland China 15 May 2020	HK$2 million	–	100	Education consulting
Sichuan Lixing Yanxue Travel Co., Ltd. ("Lixing Yanxue")[(a), (b)] 四川立行研學旅行有限公司	The PRC/ Mainland China 29 May 2020	RMB10 million	–	100	Study tour service
Rizhao Shenzhou Tianli Senior High School Company Limited[(a), (b)] 日照神州天立高級中學有限責任公司	The PRC/ Mainland China 14 July 2020	RMB5 million	–	100	Provision of high school education service
Dongying Shenzhou Tianli Senior High School Company Limited[(a), (b)] 東營神州天立高級中學有限公司	The PRC/ Mainland China 5 August 2020	RMB1 million	–	100	Provision of high school education service
Yichun Shenzhou Tianli Senior High School Company Limited[(a), (b)] 宜春神州天立高級中學有限責任公司	The PRC/ Mainland China 19 August 2020	RMB2 million	–	100	Provision of high school education service
Guangyuan Jiange Shenzhou Tianli Senior High School Company Limited[(a), (b)] 廣元市劍閣縣神州天立高級中學有限公司	The PRC/ Mainland China 17 September 2020	RMB1 million	–	100	Provision of high school education service

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Baise Shenzhou Tianli Senior High School Company Limited[(a), (b)] 百色神州天立高級中學有限責任公司	The PRC/ Mainland China 15 December 2020	RMB1 million	–	100	Provision of high school education service
Jining Tianli Senior High School[(a),(b)] 濟寧天立高級中學	The PRC/ Mainland China 19 March 2021	RMB300,000	–	100	Provision of high school education service
Ulanqab Jining District Tianli Senior High School Company Limited[(a), (b)] 烏蘭察布市集寧區神州天立高級中學有限公司	The PRC/ Mainland China 19 May 2021	RMB500,000	–	100	Provision of high school education service
Lanzhou Shenzhou Tianli Senior High School Company Limited[(a), (b)] 蘭州神州天立高級中學有限責任公司	The PRC/ Mainland China 26 July 2021	RMB100,000	–	100	Provision of high school education service
Honghu Shenzhou Tianli Senior High School Company Limited[(a), (b)] 洪湖神州天立高級中學有限責任公司	The PRC/ Mainland China 28 July 2021	RMB1 million	–	100	Provision of high school education service
Laian Tianli Senior High School Company Limited[(a), (b)] 來安天立高級中學有限責任公司	The PRC/ Mainland China 13 August 2021	RMB5 million	–	100	Provision of high school education service
Sichuan Tianyi Dream Building Culture and Art Co., Ltd. ("Tianyi Dream")[(a), (b)] 四川天藝築夢文化藝術有限公司	The PRC/ Mainland China 15 October 2021	RMB10 million	–	60	Provision of comprehensive service
Sichuan Jiaozi Youpin E-commercel Co., Ltd. ("Jiaozi Youpin")[(a), (b)] 四川驕子優品電子商務有限公司	The PRC/ Mainland China 21 November 2021	RMB2 million	–	100	Retail business

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Cangxi Shenzhou Tianli Senior High School Company Limited[(a), (b)] 蒼溪神州天立高級中學有限公司	The PRC/ Mainland China 22 March 2022	RMB5 million	–	100	Provision of high school education service
Ya'an Tianli High School Co., Ltd. ("Ya'an High School")[(a), (b)] 雅安神州天立高級中學有限公司	The PRC/ Mainland China 27 June 2022	RMB48 million	–	100	Provision of high school education service
Guangyuan Tianli Jiaojiao Kindergarten Co., Ltd. ("Guangyuan Kindergarten")[(a), (b)] 廣元天立驕驕幼兒園有限責任公司	The PRC/ Mainland China 29 July 2022	RMB1 million	–	100	Provision of kindergarten education service
Chengdu Daren Sports Culture Development Co., Ltd. ("Chengdu Daren Sports")[(a), (b)] 成都達人體育文化發展有限公司	The PRC/ Mainland China 10 August 2022	RMB1 million	–	100	Provision of sports service
Sichuan Fengming Niepan Education Management Co., Ltd. ("Sichuan Fengming Niepan")[(b)] 四川鳳鳴涅盤教育管理有限責任公司	The PRC/ Mainland China 16 August 2022	RMB500,000	–	60	Provision of Gaokao repetition education service
Guangyuan Tianli Boda High School Co., Ltd. ("Guangyuan High School")[(a), (b)] 廣元天立博達高級中學有限責任公司	The PRC/ Mainland China 31 August 2022	RMB47 million	–	100	Provision of high school education service
Sichuan Tianfu New Area Xinlong Legao Technology Training School Co., Ltd. ("Xinlong Legao")[(a), (b)] 四川天府新區鑫龍樂高科技培訓學校有限公司	The PRC/ Mainland China 27 September 2022	RMB500,000	–	100	Provision of comprehensive service
Chengdu Pidu District Xingbei Art Training School Co., Ltd.("Xingbei Art")[(a), (b)] 成都市郫都區星貝藝術培訓學校有限公司	The PRC/ Mainland China 29 September 2022	RMB300,000	–	100	Provision of comprehensive service
Yibin Tianli High School Co., Ltd. ("Yibin High School")[(a), (b)] 宜賓天立高級中學有限公司	The PRC/ Mainland China 18 November 2022	RMB25 million	–	100	Provision of high school education service

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Yibin Tianli Kindergarten Co., Ltd. ("Yibin Kindergarten")[(a), (b)] 宜賓天立幼兒園有限公司	The PRC/ Mainland China 21 November 2022	RMB5 million	–	100	Provision of kindergarten education service
Neijiang Tianli High School Co., Ltd. ("Neijiang High School")[(a), (b)] 內江市市中區神州天立高級中學有限公司	The PRC/ Mainland China 27 February 2023	RMB34 million	–	100	Provision of high school education service

None of the subsidiaries has material non-controlling interests.

The above table lists the major subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The English names of certain companies or schools established in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names of these companies or schools as they do not register any official English names.

(a) These entities are controlled through contractual arrangements and they are collectively referred to as the "Consolidated Affiliated Entities".

(b) These subsidiaries are registered as domestic enterprises with limited liability under PRC law.

(c) This subsidiary is registered as a wholly-foreign-owned enterprise under PRC law.

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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(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]

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

[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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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

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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 August. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and structures	1.9-2.4%
Furniture and fixtures	19%
Leasehold improvements	10%-20%
Devices and equipment	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased computer software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 10 years.

Copyright

Copyright is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Trademark

Trademark is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research expenses are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30-50 years
Buildings and other premises	2-20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(b) *Lease liabilities (Continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in the which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as "Other income" in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to related parties, lease liabilities and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of the Group's financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, the Group's financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expenses in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, a joint venture and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, a joint venture and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised on a systematic basis over the periods as deduction from the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Comprehensive educational services

Educational services fees, boarding fees and comprehensive quality services fees are generally paid in advance prior to the beginning of each academic year or academic term, and are initially recorded as contract liabilities and are reflected as current liabilities as such amounts represent revenue that the Group expects to earn within one year. Fees are recognised proportionately over the relevant period of the applicable program. The academic year of the Group's schools is generally from September to August of the following year. Educational services fees from kindergartens and boarding fees are generally received in advance at the beginning of every term and on a lump-sum basis. Revenue is recognised over time over the scheduled period of a straight-line basis because students simultaneously receive and consume the benefits provided by the Group.

Revenue from study tour services is generated from short study visits and summer and winter camps for students. Each contract of study tour service contains a single performance obligation. Study tour service fees are generally received in advance and are initially recorded as contract liabilities. Revenue from study tour services is recognised over time on a straight-line basis over the period of the study tour services, as students simultaneously receive and consume the benefits of these services throughout the service period.

Comprehensive training services include Gaokao repetition education services, art training services, and management training services, etc. Comprehensive training services fees are generally received in advance and are initially recorded as contract liabilities. Revenue from comprehensive training services is recognised on a straight-line basis over the period of the training, as the students simultaneously receive and consume the benefits provided by schools.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) *Sales of products*

Revenue from the sales of student necessities and agricultural and sideline products is recognised at a point in time when control of the goods has been transferred to the customer, generally on delivery of the goods to the customer. The risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contracts, the acceptance provision has lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(c) *Canteen operations*

Revenue from canteen services provided at the on-school canteens involve two revenue recognition methods: (i) students with option to choose their meals from the canteen menus and make payments using their prepaid on-school identity cards ("Menu-ordering Canteen Operations"): revenue recognised at the point in time when control of goods has been transferred, being the time when the goods are accepted by the customers; (ii) students are offered with set meals and pay for their set meals in advance of each semester: revenue recognised over time on a straight-line basis over the period of these services.

(d) *Management and franchise fees*

Revenue from the supply chain management and consulting services provided to suppliers of canteen material consumptions, teaching utensils, and daily necessities. Each contract of management services contains a single performance obligation. Revenue from management services is recognised over time on a straight-line basis over the period of these services, as customers simultaneously receive and consume the benefits of these services throughout the service period.

Franchise and entrustment fees are generated from the entrusted schools in connection with the Group's educational consulting and management services. Revenues from the provision of franchise and entrustment services are recognised over time upon the delivery of the relevant services because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share award scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of the share award scheme is measured at the market value of the shares (less subscription price, if any), adjusted for the exclusion of expected dividends to be received in the vesting period, and the fair value of the share option scheme is determined by an external valuer using a binomial model, further details of which are given in Note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding non-vested ordinary shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

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

Housing fund

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Structured Contracts

The Consolidated Affiliated Entities are engaged in the provision of high school education services. Under the scope of the "Special Administration Measures (Negative List) for Access of Foreign Investment (2021 version)", foreign investors are prohibited or restricted to invest in such business. The wholly-owned subsidiary of the Company, Tibet Yongsi, has entered into structured contracts with, among others, the Consolidated Affiliated Entities and their respective equity holders ("Structured Contracts"). The Structured Contracts enable Tibet Yongsi to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries for the purpose of the consolidated financial statements and the Consolidated Affiliated Entities are consolidated in the consolidated financial statements continuously.

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Structured Contracts, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over these entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the financial statements during the year.

Nevertheless, the Structured Contracts may not be as effective as direct legal ownership in providing the Group with control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights over the results, assets and liabilities of the Consolidated Affiliated Entities. During the year, the Directors, based on the advice of the Group's legal counsel, considered that the structured contracts among the Consolidated Affiliated Entities and their equity shareholders were in compliance with the relevant PRC laws and regulations and are legally enforceable.

Income tax

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group's education and ancillary services income from the not-for-profit schools are subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such determination is made. Further details of income tax are set out in Note 10 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Assessment of the recoverability of the carrying amount of property, plant and equipment and right-of-use assets

Significant judgement is required in assessing whether there are any indications that assets should be impaired or previously recorded impairment loss recognised should be reversed and in measuring any such impairment or reversal. Such judgement may be significantly affected by changes in future market or economic conditions and regulations affected the industry in the locations where the Group operates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of non-financial assets (other than goodwill)

For all non-financial assets (including the right-of-use assets), the Group is required to evaluate annually, whether indicators for potential impairment or reversal of impairment previously recorded exist and if they exist, a formal estimate of the recoverable amount is performed based on the value in use or fair value less costs of disposal. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. No impairment loss or reversal of impairment was recognised for the year ended 31 August 2023 (2022: Nil).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 August 2023 was RMB16,413,000 (2022: RMB7,572,000). Further details are given in Note 15 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and the provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances. The carrying amount of property, plant and equipment at 31 August 2023 was RMB4,454,733,000 (2022: RMB3,640,254,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences at 31 August 2023 was RMB274,942,000 (2022: RMB270,020,000). The amount of unrecognised tax losses at 31 August 2023 was RMB530,781,000 (2022: RMB468,402,000). Further details are contained in Note 10 to the financial statements.

4. 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).

5. 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 RMB'000	2022 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 RMB'000	2022 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.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	2023 **RMB'000**	2022 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

6. FINANCE COSTS

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

	2023 **RMB'000**	2022 RMB'000
Interest on bank and other borrowings	**82,586**	68,044
Less: Interest capitalised (note 13(b))	**(32,612)**	(51,141)
	49,974	16,903
Interest on lease liabilities (note 14(b))	**12,555**	10,599
	62,529	27,502
Interest rate of borrowing costs capitalised (%)	**5.38-7.15**	5.39-7.35

7. 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 (note 8))			
Wages and salaries		**591,460**	252,709
Equity-settled share award scheme expenses	31	**4,501**	5,779
Equity-settled share option scheme expenses	31	**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*	27	**(125,780)**	(101,164)
Subsidies received*		**(112)**	(178)
		550,763	196,222
Depreciation of items of property, plant and equipment**	13	**131,568**	79,996
Depreciation of right-of-use assets**	14(a)	**66,205**	51,102
Amortisation of other intangible assets	16	**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**	14(c)	**3,378**	1,318
Research expenses		**10,626**	14,238
Equity-settled share option scheme expenses	31	**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.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKSE") (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	RMB'000	RMB'000
Fees	**1,443**	1,443
Other emoluments:		
Equity-settled share option scheme expenses	**12,805**	–
Salaries, allowances and benefits in kind	**1,298**	829
Pension scheme contributions	**67**	65
	14,170	894
	15,613	2,337

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023	2022
	RMB'000	RMB'000
Mr. Liu Kai Yu Kenneth	**240**	237
Mr. Yang Dong	**180**	178
Mr. Cheng Yiqun	**180**	178
	600	593

There were no other emoluments payable to the independent non-executive directors during the year.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option scheme expenses RMB'000	Total RMB'000
2023					
Executive directors:					
Mr. Luo Shi*	**435**	**854**	**40**	**9,745**	**11,074**
Mr. Wang Rui	**315**	**444**	**27**	**3,060**	**3,846**
	750	**1,298**	**67**	**12,805**	**14,920**
Non-executive directors:					
Mr. Zhang Wenzao**	**35**	**–**	**–**	**–**	**35**
Mr. Pan Ping**	**35**	**–**	**–**	**–**	**35**
Mr. Tian Mu***	**23**	**–**	**–**	**–**	**23**
	93	**–**	**–**	**–**	**93**
2022					
Executive directors:					
Mr. Luo Shi*	435	452	38	–	925
Mr. Wang Rui	315	377	27	–	719
	750	829	65	–	1,644
Non-executive director:					
Mr. Tian Mu***	100	–	–	–	100
	100	–	–	–	100

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* Mr. Luo Shi is also the chief executive of the Company.

** Mr. Zhang Wenzao and Mr. Pan Ping were appointed as non-executive directors on 25 April 2023.

*** Mr. Tian Mu resigned as a non-executive director on 22 November 2022.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive (2022: one director and the chief executive), details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining 3 (2022: 3) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	3,686	1,982
Equity-settled share award scheme expenses	–	699
Equity-settled share option scheme expenses	1,749	–
Pension scheme contributions	54	32
	5,489	2,713

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
Nil to HK$1,000,000	–	3
HK$1,000,001 to HK$2,000,000	2	–
Above HK$2,000,000	1	–
	3	3

10. 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 RMB'000	2022 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

10. INCOME TAX (CONTINUED)

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:

	Notes	**2023** **RMB'000**	2022 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%.

10. 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 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 (note 32)	(56,539)
Deferred tax credited to profit or loss during the year	2,123
At 31 August 2023	**(54,416)**

10. INCOME TAX (CONTINUED)

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.

11. DIVIDENDS

	2023 **RMB'000**	2022 RMB'000
Proposed final – RMB2.34 cents (2022: HK$2.49 cents) per ordinary share	**50,404**	49,327
Interim – RMB2.43 cents (2022: Nil) per ordinary share	**58,224**	–
	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.

12. 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 **RMB'000**	2022 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

13. 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 7)	(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

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 7)	(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 6).

(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).

14. 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 7)	(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 (note 32)	32,453	374,719	407,172
Depreciation charge (note 7)	(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 RMB'000	2022 RMB'000
Carrying amount at beginning of the year	**190,543**	171,024
New leases	**55,609**	15,646
Acquisition of subsidiaries (note 32)	**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

The maturity analysis of lease liabilities is disclosed in Note 38 to the financial statements.

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

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

	2023 RMB'000	2022 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 7)	**1,518**	1,318
Variable lease payments not included in the measurement of lease liabilities (included in cost of services provided) (note 7)	**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.

(e) The total cash outflow for leases is disclosed in Note 33(c) to the financial statements.

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 5 to the financial statements.

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 RMB'000	2022 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

15. GOODWILL

	RMB'000
At 1 September 2022	7,572
Acquisition of subsidiaries (note 32)	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 RMB'000	2022 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 certain 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.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Copyright RMB'000	Trademark RMB'000	Total RMB'000
2023				
At 1 September 2022				
Cost	19,761	7,075	–	26,836
Accumulated amortisation	(2,309)	(436)	–	(2,745)
Net carrying amount	17,452	6,639	–	24,091
Cost at 1 September 2022, net of accumulated amortisation	17,452	6,639	–	24,091
Additions	4,514	935	–	5,449
Acquisition of subsidiaries (note 32)	–	–	9,580	9,580
Amortisation provided during the year (note 7)	(2,551)	(642)	(1,437)	(4,630)
At 31 August 2023	19,415	6,932	8,143	34,490
At 31 August 2023				
Cost	24,275	8,010	9,580	41,865
Accumulated amortisation	(4,860)	(1,078)	(1,437)	(7,375)
Net carrying amount	19,415	6,932	8,143	34,490

16. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software RMB'000	Copyright RMB'000	Total RMB'000
2022			
At 1 September 2021:			
Cost	8,696	–	8,696
Accumulated amortisation	(1,036)	–	(1,036)
Net carrying amount	7,660	–	7,660
Cost at 1 September 2021, net of accumulated amortisation	7,660	–	7,660
Additions	11,065	7,075	18,140
Amortisation provided during the year (note 7)	(1,273)	(436)	(1,709)
At 31 August 2022	17,452	6,639	24,091
At 31 August 2022 and at 1 September 2022:			
Cost	19,761	7,075	26,836
Accumulated amortisation	(2,309)	(436)	(2,745)
Net carrying amount	17,452	6,639	24,091

17. INVESTMENT IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Share of net assets	**159,428**	159,977
Goodwill on acquisition	**3,065**	3,065
	162,493	163,042

Particulars of the Company's indirectly held joint venture are as follows:

Name	Place and date of establishment and place of business	Registered capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chengdu Shenzhou Tianli Education Consulting Company Limited ("**Chengdu Shenzhou Tianli**")	The PRC/ Mainland China 8 September 2017	RMB20 million	49	49	49	Provision of education service

17. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The financial year end date of Chengdu Shenzhou Tianli is 31 December which is the statutory financial year end for companies established in the PRC.

In the opinion of the Directors, according to the articles of association of Chengdu Shenzhou Tianli, neither the Group nor other investors have the power to control the relevant activities of Chengdu Shenzhou Tianli so as to obtain benefits from its activities. All decisions about the relevant activities require the unanimous consent of the shareholders with sharing control. Accordingly, Chengdu Shenzhou Tianli is accounted for as a joint venture.

The Group's balances with the joint venture as at 31 August 2023 and 31 August 2022 are disclosed in Note 35(b) to the financial statements.

Chengdu Shenzhou Tianli, which is considered a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarised consolidated financial information in respect of Chengdu Shenzhou Tianli and its subsidiaries, reconciled to the carrying amount in the financial statements:

	2023 **RMB'000**	2022 RMB'000
Cash and cash equivalents	**5,339**	17,577
Other current assets	**322,657**	240,197
Current assets	**327,996**	257,774
Non-current assets	**530,747**	519,900
Current financial liabilities	**(410,883)**	(159,309)
Non-current financial liabilities	**(120,000)**	(290,000)
Net assets	**327,860**	328,365
Non-controlling interests	**(2,495)**	(1,880)
Equity attributable to the equity shareholders of the joint venture	**325,365**	326,485
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**49%**	49%
The Group's share of net assets of the joint venture	**159,428**	159,977
Goodwill on acquisition of the joint venture	**3,065**	3,065
Carrying amount of the investment	**162,493**	163,042

17. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Financial information of the joint venture for the year:

	2023 RMB'000	2022 RMB'000
Revenue	**61,214**	33,294
Interest income	**101**	25
Depreciation and amortisation	**(12,062)**	(8,780)
Interest expenses	**(18,386)**	(154)
Income tax expense	**(1,754)**	(1,754)
(Loss)/profit for the year	**(505)**	2,648
Total comprehensive (loss)/income for the year	**(505)**	2,648

18. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	**68,695**	69,499

Particulars of the Company's indirectly held associates are as follows:

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity ownership attributable to the Group 2023	Percentage of equity ownership attributable to the Group 2022	Principal activities
Affiliated Kindergarten of Luzhou Tianli School ("Luzhou Tianli Kindergarten")	The PRC/ Mainland China 10 October 2012	RMB6 million	33.5	33.5	Provision of kindergarten service
Chengdu Tianxing Equity Investment Fund Enterprise (Limited Partnership) ("Chengdu Tianxing") [(a)]	The PRC/ Mainland China 30 October 2019	RMB500 million	18	18	Provision of investment service
Ziyang Yantou Qihang Education Consulting Co., Ltd ("Ziyang Yantou")	The PRC/ Mainland China 10 February 2023	RMB1 million	30	–	Provision of consulting service

The financial year end date of the associates is 31 December which is the statutory financial year end for companies established in the PRC.

Investments in associates are accounted for using the equity method.

The Group's receivable balances with associates are disclosed in Note 35(b) to the financial statements.

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note (a):

On 16 October 2020, the Group entered into a limited partnership agreement with Shenzhen Xingrun Asset Management Co., Ltd., Chengdu Xingrun Zhonghe Enterprise Management Center (Limited Partnership), ICBC Wealth Management Co., Ltd. and six individuals in relation to the investment in Chengdu Tianxing. The purpose of the investment in Chengdu Tianxing was to seek investment returns by investing in Chengdu Shenzhou Tianli, a joint venture of the Group, to achieve capital growth. Chengdu Tianxing has an initial capital commitment of RMB500 million. The Group has contributed RMB90 million up to 31 August 2023, representing 18% of the initial capital commitment and 18% of the equity interest in Chengdu Tianxing. Chengdu Tianxing established an investment committee which shall consist of three voting members, one of which was appointed by the Group. Except for the disposal of shares, interests or other assets held by Chengdu Tianxing which must be approved by all members of the investment committee, all affairs must be approved by two of the three voting members. In this regard, the Group is in the position to exercise significant influence over Chengdu Tianxing and has accounted for Chengdu Tianxing as an associate.

As at 31 August 2023, the Group had no material associates.

The following table illustrates the aggregate financial information of the Groups' associates that are not individually material:

	2023 **RMB'000**	2022 RMB'000
Share of the associates' loss and total comprehensive loss for the year	**(1,104)**	(271)
Aggregate carrying amount of the Group's investments in associates	**68,695**	69,499

19. INVENTORIES

	2023 **RMB'000**	2022 RMB'000
Raw materials	**6,083**	5,161
Products	**21,200**	13,656
	27,283	18,817

20. TRADE RECEIVABLES

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

20. TRADE RECEIVABLES (CONTINUED)

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.

21. 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.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**1,395,754**	886,061
Time deposits with original maturity of:		
– less than three months	**36,615**	35,414
– more than three months	**69,355**	10,000
	1,501,724	931,475
Less: Restricted deposits	**–**	1,573
Cash and cash equivalents	**1,501,724**	929,902

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

	2023 RMB'000	2022 RMB'000
RMB	**1,420,034**	887,796
HK$	**81,555**	43,549
US$	**135**	130
	1,501,724	931,475

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Wealth management products at fair value	**100,309**	100,010

The above unlisted investments were wealth management products issued by banks and non-bank financial institutions in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The coupon rates of the above wealth management products ranged from 1.84% to 3.1% (2022: 2.45% to 4%) per annum.

24. 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 **RMB'000**	2022 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.

25. OTHER PAYABLES AND ACCRUALS

	2023 **RMB'000**	2022 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.

26. CONTRACT LIABILITIES

	2023 **RMB'000**	2022 RMB'000
Advances received from customers		
Comprehensive educational services	**1,043,507**	681,064
Canteen operations	**206,259**	151,371
Sales of products	**30,127**	3,829
Others	**35,196**	6,676
	1,315,089	842,940

26. CONTRACT LIABILITIES (CONTINUED)

Changes in contract liabilities during the year are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**842,940**	395,737
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(842,940)**	(395,737)
Increase due to cash received, excluding amounts recognised as revenue during the year	**1,196,483**	833,554
Acquisition of subsidiaries (note 32)	**118,606**	11,820
Disposal of subsidiaries	**–**	(2,434)
At end of year	**1,315,089**	842,940

Contract liabilities mainly include educational services and canteen operation fees received in advance from students and sales of products received in advance from dealers, which both will be recognised as revenue within one year. The increase in contract liabilities was mainly due to the increase in the student enrollments.

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

27. DEFERRED INCOME

	2023 RMB'000
Government grants related to assets	
At beginning of year	**–**
Government grants received	**53,390**
Released to profit or loss (note 7)	**(611)**
At end of year	**52,779**
Current	**1,077**
Non-current	**51,702**
Total	**52,779**

27. DEFERRED INCOME (CONTINUED)

	2023 RMB'000	2022 RMB'000
Government grants related to expense items		
At beginning of year	**559,978**	467,785
Government grants received	**87,066**	193,357
Released to profit or loss (note 7)	**(125,169)**	(101,164)
At end of year	**521,875**	559,978
Current	**230,664**	191,249
Non-current	**291,211**	368,729
Total	**521,875**	559,978

Deferred income related to assets mainly represents the government grants received for subsidies relating to the construction of certain buildings. These grants related to assets are released to profit or loss as other income over the expected useful lives of the relevant assets.

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

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2023			2022		
	Notes	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans – secured	(a)	4.9-6.15	2023-2024	180,000	5	2023	50,000
Bank loans – unsecured		6	2023	80,000	–	–	–
Current portion of long-term bank loans – secured	(a)	5-7.2	2023-2024	221,925	5.39-7.35	2023	190,450
Current portion of long-term bank loans – unsecured		4.2	2023-2024	7,500	–	–	–
Current portion of long-term other borrowing – secured	(a), (b)	6.1	2023-2024	64,510	–	–	–
				553,935			240,450
Non-current							
Bank loans – secured	(a)	5-7.2	2024-2030	994,450	5.39-7.35	2024-2030	891,375
Bank loans – unsecured		4.2	2024-2025	19,500	–	–	–
Other borrowing – secured	(a), (b)	6.1	2024-2026	104,524	–	–	–
				1,118,474			891,375
				1,672,409			1,131,825

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	489,425	240,450
In the second year	320,225	191,925
In the third to fifth years, inclusive	595,225	569,250
Over five years	98,500	130,200
	1,503,375	1,131,825
Other borrowing repayable:		
Within one year	64,510	–
In the second year	68,617	–
In the third to fifth years, inclusive	35,907	–
	169,034	–
	1,672,409	1,131,825

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

As at 31 August 2023 and 31 August 2022, all bank and other borrowings of the Group are denominated in RMB.

Notes:

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

	Loan amounts	
	2023	2022
	RMB'000	RMB'000
Secured by:		
Rights over educational services fees of certain schools	**70,000**	45,000
Both equity interests in certain subsidiaries and rights over educational services fees	**1,495,409**	1,086,825
Total	**1,565,409**	1,131,825

(b) It represented other borrowing borrowed from an independent third party leasing company by the Group, with the principal of RMB169,034,000, which bears interest at an effective rate of 6.10% per annum with annual instalment payments up to the maturity dates on 23 February 2026.

29. SHARE CAPITAL

Shares

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

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Issued capital equivalent to approximately**	
		HK$'000	**RMB'000**
At 1 September 2021	2,166,000,000	216,600	184,042
Cancellation of issued capital	(12,000,000)	(1,200)	(1,020)
At 31 August 2022 and 1 September 2022	2,154,000,000	215,400	183,022
At 31 August 2023	**2,154,000,000**	**215,400**	**183,022**

29. SHARE CAPITAL (CONTINUED)

Note:

(a) During the year, the Company has repurchased 13,407,000 of its shares at a par value of HKD0.1 each on the Hong Kong Stock Exchange with a payment of HKD35,527,000 (equivalent to approximately RMB31,663,000). As at 31 August 2023, these repurchased shares have not yet been completed for cancellation.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 89 and 90 of the consolidated financial statements.

(a) Capital reserve

The capital reserve of the Group represents the capital contributions from the then investors or school sponsors of the PRC operating subsidiaries, after elimination of investments in subsidiaries.

(b) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(c) Statutory surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries and schools in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries and schools in the PRC. These reserves include (i) the general reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, private schools are required to appropriate to the development fund not less than 10% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

31. SHARE-BASED PAYMENT

The Group operates two schemes, including the Restricted Share Award Scheme adopted on 17 December 2018, and the Share Option Scheme adopted on 24 June 2018.

Restricted Share Award Scheme

The purpose of the Restricted Share Award Scheme is (i) to recognise and motivate the contribution of the key management personnel and core employees of the Group (the "Selected Participants"); (ii) to help the Group retain and attract the selected participants in attaining the long term business objectives of the Company; and (iii) to further align the interests of the Selected Participants directly to the Shareholders of the Company through ownership of Shares.

The Restricted Share Award Scheme became effective from 17 December 2018 and shall continue in full force and effect for 10 years or until such date of early termination as determined by the Company's board of directors (the "Board"), whichever is earlier. The maximum number of shares that may be granted under the Restricted Share Award Scheme in aggregate shall be no more than 75,000,000 shares.

The Restricted Share Award Scheme shall be subject to the administration of the Board and a trustee (the "Trustee") in accordance with the rules governing the Restricted Share Award Scheme and the trust deed.

A selected participant shall be entitled to receive the award shares held by the Trustee in accordance with the following vesting schedule and the selected participants shall be responsible for all the taxes, stamp duty, levies and charges applicable to the grant and vesting of the award shares:

i. 10% of a selected participant's award shares shall become vested upon each of the first anniversary, the second anniversary, the third anniversary, the fourth anniversary and the fifth anniversary after the grant date; and

ii. 50% of a selected participant's award shares shall become vested upon the sixth anniversary after the grant date.

Vesting of the award shares will be conditional on the selected participant remaining as an employee of the Group until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee. In the event that the selected participant ceases to be an employee of the Group before all award shares are vested, the Trustee shall repurchase the unvested award shares at the repurchase price from the resources contributed by the Group. The repurchased shares shall be held under the trust and be granted to other selected participant(s) as instructed by the Board.

The Trustee shall not exercise the voting rights in respect of any shares held under the trust including, but not limited to, the award shares.

The Group has set up a trust specifically for the management of the share award plan and through the trust.

Pursuant to share award notices issued on 15 December 2019 to those selected participants, an aggregate of 7,724,000 shares (the "**2019 Awarded Shares**") of the Company of HK$0.10 each were granted at RMB1.60 (equivalent to approximately HK$1.78) per 2019 Awarded Share and the earliest vesting date of the 2019 Awarded Shares is 1 September 2020. There is no other performance target required except that the eligible participant remains as an employee of the Group.

31. SHARE-BASED PAYMENT (CONTINUED)

Restricted Share Award Scheme (Continued)

Pursuant to share award notices issued on 31 January 2021 to those selected participants, an aggregate of 7,140,000 shares (the "2021 Awarded Shares") of the Company of HK$0.10 each were granted at RMB2.40 (equivalent to approximately HK$2.88) per 2021 Awarded Share and the earliest vesting date of the 2021 Awarded Shares is 1 September 2021. There is no other performance target required except that the eligible participant remains as an employee of the Group.

During the year, no share was forfeited due to the resignation of employees under the Restricted Share Award Scheme (2022: 1,194,600 shares).

The fair value of services received in return for shares granted is measured by reference to the fair value of the shares granted. The fair value of the shares granted is based on the difference between the market price of the shares and the subscription price paid by the selected participants at the grant date, adjusted for the exclusion of expected dividends to be received in the vesting period.

During the year, the total share award scheme expenses of RMB4,501,000 (note 7) were charged to profit or loss (2022: RMB5,779,000).

The following awarded shares were outstanding under the Restricted Share Award Scheme during the year:

	Number of shares purchased for the Restricted Share Award Scheme	Number of awarded shares
At 1 September 2021	55,775,600	12,089,100
Vested	(1,270,900)	(1,270,900)
Forfeited	–	(1,194,600)
At 31 August 2022 and 1 September 2022	54,504,700	9,623,600
Vested	**(1,134,700)**	**(1,134,700)**
At 31 August 2023	**53,370,000**	**8,488,900**

31. SHARE-BASED PAYMENT (CONTINUED)

Share Option Scheme

The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Group and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible participants of the Share Option Scheme include: (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or an entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (f) above. The Share Option Scheme was adopted on 24 June 2018, and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the listing date (such 10% limit representing 200,000,000 Shares excluding Shares which may fall to issue upon the exercise of the over-allotment option granted by the Group) (the "**Scheme Mandate Limit**"), representing 9.29% of the issued Shares as at the date of this report.

On 10 March 2023, the Group granted a total of 31,000,000 equity-settled share options (the "**March 2023 Share Option Scheme**") to the eligible participants, and on 26 April 2023, the Group granted a total of 30,000,000 equity-settled share options (the "**April 2023 Share Option Scheme**") to Mr. Luo, under the Share Option Scheme at a nominal consideration of HK$0.1 in total by each of the grantee. The exercise price of the share options was fixed at HK$2.48 per share.

The following share options were outstanding under the Share Option Scheme during the year:

	Weighted average exercise price HK$ per share	Number of options
Granted during the year	2.48	61,000,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31. SHARE-BASED PAYMENT (CONTINUED)

Share Option Scheme (Continued)

	Number of options	Exercise price HK$ per share	Exercise period
March 2023 Share Option Scheme	**31,000,000**	**2.48**	**10 March 2023 to 10 March 2033**
April 2023 Share Option Scheme	**30,000,000**	**2.48**	**26 April 2023 to 10 March 2033**
	61,000,000		

The fair value of the share options of the March 2023 Share Option Scheme granted under the Share Option Scheme during the year ended 31 August 2023 was RMB43,828,000 (HKD49,392,000, HKD1.5933 each), of which the Group recognised a share option expense of RMB13,552,000 during the year ended 31 August 2023 (2022: Nil) (note 7).

The fair value of the share options of the April 2023 Share Option Scheme granted under the Share Option Scheme during the year ended 31 August 2023 was RMB38,784,000 (HKD43,971,000, HKD1.4657 each), of which the Group recognised a share option expense of RMB9,745,000 during the year ended 31 August 2023 (2022: Nil) (note 7).

The fair value of equity-settled share options granted during the year, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2023	
	March 2023 Share Option Scheme	April 2023 Share Option Scheme
Dividend yield (%)	**1.09%**	**1.33%**
Expected volatility (%)	**104.36%**	**104.54%**
Risk-free interest rate (%)	**3.65%**	**3.04%**
Expected life of options (year)	**10**	**10**
Weighted average share price (HK$ per share)	**1.5933**	**1.4657**

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 61,000,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 61,000,000 additional ordinary shares of the Company and additional share capital of HK$6,100,000 (equivalent to approximately RMB5,548,000) and share premium of HK$145,180,000 (equivalent to approximately RMB132,895,000) (before issue expenses).

31. SHARE-BASED PAYMENT (CONTINUED)

Share Option Scheme (Continued)

At the date of approval of these financial statements, the Company had 61,000,000 share options outstanding under the Share Option Scheme, which represented approximately 2.83% of the Company's shares in issue as at that date.

32. BUSINESS COMBINATION

(a) Sichuan Fengming Niepan

On 25 November 2022, the Group acquired a National College Entrance Examination ("**Gaokao**") repetition education business in the PRC through the acquisition of 60% of the equity interests of Sichuan Fengming Niepan by way of capital injection into Sichuan Fengming Niepan. This acquisition was made with the aims to expand the Group's existing scale of operations and entered into the Gaokao repetition education business.

The fair values of the identifiable assets and liabilities of Sichuan Fengming Niepan as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	5,233
Other intangible assets – trademark	9,580
Right-of-use assets	32,453
Cash and bank balances	3,559
Trade receivables	122
Prepayments and other receivables	2,395
Amounts due from related parties	7,000
Inventories	18
Trade payables	(10)
Other payables and accruals	(1,694)
Contract liabilities	(10,210)
Deferred tax liabilities	(2,395)
Lease liabilities	(32,453)
Total identifiable net assets at fair value	13,598
Non-controlling interests	(5,439)
Goodwill on acquisition	8,841
Satisfied by:	
Cash	10,000
Amounts due to related parties	7,000

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

Cash consideration paid	(10,000)
Cash and bank balances acquired	3,559
Net outflow of cash and cash equivalents included in cash flows from investing activities	(6,441)

32. BUSINESS COMBINATION (CONTINUED)

(a) Sichuan Fengming Niepan (Continued)

The fair values and gross contractual amounts of trade receivables and other receivables as at the date of acquisition amounted to RMB122,000 and RMB2,395,000, respectively. All trade receivables and other receivables are expected to be recoverable.

The Group incurred transaction costs of RMB50,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss.

The goodwill of RMB8,841,000, which was not deductible for tax purposes, comprised the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group's High Schools.

Since the acquisition, Sichuan Fengming Niepan contributed RMB25,644,000 to the Group's revenue and caused losses of RMB13,559,000 to the consolidated profit for the year.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB2,307,551,000 and RMB329,568,000, respectively.

(b) For-profit schools separated from the Affected Business

During the year, the Group obtained the respective individual operating licenses of Ya'an High School, Guangyuan High School and Guangyuan Kindergarten, Yibin High School and Yibin Kindergarten and Neijiang High School. These for-profit schools have been successfully separated and were acquired by the Group from the Affected Business, and have been consolidated in the consolidated financial statements since 1 September 2022, 1 September 2022, 1 December 2022 and 1 March 2023, respectively.

32. BUSINESS COMBINATION (CONTINUED)

(b) For-profit schools separated from the Affected Business (Continued)

The fair values of the identifiable assets and liabilities of the aforesaid schools as at the respective dates of acquisition were as follows:

	Neijiang High School RMB'000	Yibin High School RMB'000	Yibin Kindergarten RMB'000	Ya'an High School RMB'000	Guangyuan High School RMB'000	Guangyuan Kindergarten RMB'000	Total RMB'000
Property, plant, and equipment	196,040	149,277	23,090	67,754	136,433	20,601	593,195
Right-of-use assets	117,215	108,141	7,595	34,844	98,717	8,207	374,719
Cash and bank balances	–	–	–	90	–	–	90
Prepayments and other receivables	532	–	–	–	1,139	143	1,814
Amounts due from Affected Business	–	–	–	12,188	–	–	12,188
Inventories	–	–	–	–	53	–	53
Trade payables	–	–	–	(32)	(35)	–	(67)
Other payables and accruals	(1,501)	(1,361)	(462)	(2,324)	(21,263)	(68)	(26,979)
Amounts due to Affected Business	(257,250)	(91,001)	(11,004)	–	(89,499)	(21,187)	(469,941)
Contract liabilities	(15,501)	(29,167)	(2,193)	(26,234)	(34,382)	(919)	(108,396)
Deferred tax liabilities	(1,384)	(27,722)	(3,007)	(9,572)	(11,015)	(1,444)	(54,144)
Total identifiable net assets at fair value	38,151	108,167	14,019	76,714	80,148	5,333	322,532
Satisfied by:							
Amounts due from Affected Business	38,151	45,000	5,000	62,188	49,000	1,000	200,339
Amounts due to Affected Business	–	63,167	9,019	14,526	31,148	4,333	122,193

An analysis of the cash flows in respect of the acquisition of schools is as follows:

	Neijiang High School RMB'000	Yibin High School RMB'000	Yibin Kindergarten RMB'000	Ya'an High School RMB'000	Guangyuan High School RMB'000	Guangyuan Kindergarten RMB'000	Total RMB'000
Cash consideration	–	–	–	–	–	–	–
Cash and bank balances acquired	–	–	–	90	–	–	90
Net outflow of cash and cash equivalents included in cash flows from investing activities	–	–	–	90	–	–	90

32. BUSINESS COMBINATION (CONTINUED)

(b) For-profit schools separated from the Affected Business (Continued)

The fair values and gross contractual amounts of other receivables as at the date of acquisition amounted to RMB1,814,000. All other receivables are expected to be recoverable.

Since the acquisition, the revenue and profit contributed to the Group's revenue and the consolidated profit for the year were as follows:

	Neijiang High School RMB'000	Yibin High School RMB'000	Yibin Kindergarten RMB'000	Ya'an High School RMB'000	Guangyuan High School RMB'000	Guangyuan Kindergarten RMB'000	Total RMB'000
Revenue	15,317	31,306	5,911	20,274	37,672	2,431	112,911
Consolidated profit	(8,019)	7,595	(411)	2,364	5,323	(1,111)	5,741

Had the combination of Neijiang High School, Yibin High School and Yibin Kindergarten taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB2,328,151,000 and RMB329,625,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group has non-cash transactions as follows:

(i) the additions to right-of-use assets and lease liabilities of RMB88,062,000, respectively, in respect of lease arrangements for plant and equipment (2022: RMB15,646,000).

(ii) the decrease of amounts due to related parties and increase of contract liabilities of RMB83,923,000, respectively, in respect of boarding fees collected by the Affected Business (2022: RMB32,856,000).

(iii) the decrease of amounts due to related parties of RMB592,134,000 and increase of amounts due from related parties of RMB188,151,000, in respect of for-profit schools separated from the Affected Business (2022: RMB500,000).

(iv) the decrease of amounts due to related parties and amounts due from related parties of RMB7,000,000, respectively, in respect of capital injection into Sichuan Fengming Niepan after the Group's acquisition.

(v) asset-related government grants received through the payment of the Group's construction payables by the related government, resulting in the decrease of other payables and increase of deferred income of RMB53,390,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

31 August 2023

	Interest-bearing bank and other borrowings RMB'000	Interest payables included in other payables and accruals RMB'000	Lease liabilities RMB'000	Advances from related parties RMB'000	Total RMB'000
At 31 August 2022	1,131,825	8,509	190,543	2,609,084	3,939,961
Changes from financing cash flows	540,584	(82,950)	(33,586)	(323,188)	100,860
Changes from non-cash transactions				(83,923)	(83,923)
New leases	–	–	55,609	–	55,609
Acquisition of subsidiaries	–	–	32,453	592,134	624,587
Cancellation	–	–	(17,964)	–	(17,964)
Interest expense charged to profit or loss	–	49,974	12,555	–	62,529
Interest capitalised	–	32,612	–	–	32,612
At 31 August 2023	1,672,409	8,145	239,610	2,794,107	4,714,271

31 August 2022

	Interest-bearing bank loans RMB'000	Interest payables included in other payables and accruals RMB'000	Lease liabilities RMB'000	Advances from related parties RMB'000	Total RMB'000
At 31 August 2021	1,233,721	11,914	171,024	2,665,300	4,081,959
Changes from financing cash flows	(101,896)	(71,449)	(5,928)	(56,216)	(235,489)
New leases	–	–	15,646	–	15,646
Cancellation	–	–	(798)	–	(798)
Interest expense charged to profit or loss	–	16,903	10,599	–	27,502
Interest capitalised	–	51,141	–	–	51,141
At 31 August 2022	1,131,825	8,509	190,543	2,609,084	3,939,961

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023	2022
	RMB'000	RMB'000
Within operating activities	**3,378**	1,318
Within investing activities	**18,698**	105,707
Within financing activities	**33,586**	5,928
	55,662	112,953

34. COMMITMENTS

The Group had the following capital commitments as at the end of the year:

	2023	2022
	RMB'000	RMB'000
Contracted but not provided for:		
Property, plant and equipment	**81,478**	263,444

35. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Name and relationships of related parties

Name	**Relationships**
Mr. Luo	Ultimate controlling shareholder of the Company
Nanyuan Construction	A company controlled by Mr. Luo
Luzhou Tianli Property Management ("**Luzhou Tianli Property**")	A company controlled by Mr. Luo
Chengdu Shenzhou Tianli	A joint venture of the Company
Luzhou Tianli Kindergarten	An associate of the Company
Affected Business	Legally owned by the affiliated entities of the Group

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

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Outstanding balances with related parties

Amounts due from related parties

	Notes	2023 RMB'000	2022 RMB'000
Trade in nature			
Luzhou Tianli Kindergarten	(i)	**206**	15
Non-trade in nature			
Luzhou Tianli Property		**20**	20
Affected Business	(ii)	**651,294**	1,085,632
		651,314	1,085,652
		651,520	1,085,667

		2023 RMB'000	2022 RMB'000
Amounts due to related parties	(iii)		
Non-trade in nature			
Nanyuan Construction		**100,569**	528,459
Chengdu Shenzhou Tianli		**227,173**	183,294
Luzhou Tianli Kindergarten	(i)	**673**	670
Affected Business		**2,566,261**	2,425,120
		2,894,676	3,137,543
Less: Non-current portion			
Chengdu Shenzhou Tianli		**120,000**	183,294
Affected Business		**1,031,577**	815,287
		1,743,099	2,138,962

Notes:

(i) Included in the amounts due from Luzhou Tianli Kindergarten were management fees receivable for the provision of kindergarten management service provided by the Group amounting to RMB206,000 as at 31 August 2023 (2022: RMB15,000). Besides, included in the amounts due to Luzhou Tianli Kindergarten were advances received amounting to RMB673,000 as at 31 August 2023 (2022: RMB670,000).

(ii) The amounts due from related parties (including the amounts due from the Affected Business) were unsecured, interest-free and to be repaid in 1 to 4 years.

(iii) The amounts due to related parties (including the amounts due to the Affected Business) were unsecured, interest-free and to be repaid in 1 to 4 years.

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Outstanding balances with related parties (Continued)

The above amounts due to/from the Affected Business represent balances between the Group and the Affected Business. Prior to 31 August 2021, these balances were eliminated upon consolidation of the Affected Business by the Group. The Group deconsolidated the Affected Business on 31 August 2021, and these balances were no longer eliminated and shown as amounts due to/from the Affected Business.

(c) Transactions with related parties

(1) Construction of property, plant and equipment

	2023	2022
	RMB'000	RMB'000
Nanyuan Construction	**84,861**	618,468

The considerations for the construction of property, plant and equipment were determined based on prices of actual costs plus a premium in the range from 9% to 11% of the actual costs, depending on the prevailing market circumstances.

(2) Provision of management services and sale of products

	2023	2022
	RMB'000	RMB'000
Luzhou Tianli Kindergarten	**191**	264

The amount represented fees charged for the provision of management services to Luzhou Tianli Kindergarten at prices mutually agreed between the Group and its related party based on 5% of the educational services fees.

(3) Advances given and repayment of advances

	2023	2022
	RMB'000	RMB'000
Advances given to:		
Luzhou Tianli Kindergarten	**–**	666
Affected Business	**121,550**	257,955
	121,550	258,621
Repayment of advances from:		
Luzhou Tianli Kindergarten	**–**	2,513
Affected Business	**555,888**	265,055
	555,888	267,568

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Transactions with related parties (Continued)

(4) Advances received and repayment of advances

	2023 RMB'000	2022 RMB'000
Advances received from:		
Chengdu Shenzhou Tianli	**234,280**	21,384
Luzhou Tianli Kindergarten	**3**	2,317
Affected Business	**1,731,005**	1,642,997
	1,965,288	1,666,698
Repayment of advances to:		
Chengdu Shenzhou Tianli	**190,401**	84,811
Luzhou Tianli Kindergarten	**–**	1,647
Affected Business	**1,589,864**	1,636,456
	1,780,265	1,722,914

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Transactions with related parties (Continued)

(5) Other transactions with related parties

The Group provides financial guarantees for the Affected Business and Chengdu Shenzhou Tianli. The principal terms of the guarantees are set out as follows:

Borrower	Lender and beneficiary of the guarantee	Guarantor	Guaranteed amount 2023 RMB'000	Guaranteed amount 2022 RMB'000
Chengdu Shenzhou Tianli	Bank of Dalian Co., Ltd., Chengdu Branch	The Company, Shenzhou Tianli Education and Tibet Yongsi	**290,000**	340,000
Xichang Tianli School	China Zheshang Bank Co., Ltd., Liangshan Branch	Shenzhou Tianli Education, Tibet Yongsi and Xichang Shenzhou Tianli Education Development Co., Ltd.	**90,000**	100,000
Deyang Tianli School	Agricultural Bank of China, Chengdu Jincheng Branch	Shenzhou Tianli Education and Tibet Yongsi	**117,500**	132,500
Ya'an Tianli School	Sichuan Tianfu Bank Co., Ltd., Chengdu Branch	Shenzhou Tianli Education, Tibet Yongsi and Ya'an Shenzhou Tianli Education Development Co., Ltd.	**40,000**	45,000
Luzhou Longmatan Tianli Primary School	China Minsheng Bank Co., Ltd., Chengdu Branch	Shenzhou Tianli Education, Tibet Yongsi and Luzhou Longmatan District Tianli Primary School	**–**	15,000
Guangyuan Tianli School	Haier Financial Leasing Co., Ltd.	Shenzhou Tianli Education, Tibet Yongsi and Luzhou Longmatan District Tianli Primary School	**26,333**	47,978
			563,833	680,478

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Compensation of key management personnel of the Group

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and benefits in kind	**2,741**	2,113
Equity-settled share award scheme expenses	**–**	392
Equity-settled share option scheme expenses	**12,805**	–
Pension scheme contributions	**67**	60
	15,613	2,565

The related party transaction in respect of item (c)(1) above also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at fair value through profit or loss RMB'000	**Financial assets at amortised cost RMB'000**	**Total RMB'000**
Debt investments at fair value through profit or loss	**100,309**	**–**	**100,309**
Trade receivables	**–**	**17,448**	**17,448**
Financial assets included in prepayments, deposits and other receivables	**–**	**51,458**	**51,458**
Cash and cash equivalents	**–**	**1,501,724**	**1,501,724**
Amounts due from related parties	**–**	**651,520**	**651,520**
	100,309	**2,222,150**	**2,322,459**

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to related parties	**2,894,676**
Trade payables	**47,066**
Lease liabilities	**239,610**
Interest-bearing bank and other borrowings	**1,672,409**
Financial liabilities included in other payables and accruals	**238,022**
	5,091,783

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2022

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Debt investments at fair value through profit or loss	100,010	–	100,010
Trade receivables	–	10,953	10,953
Financial assets included in prepayments, deposits and other receivables	–	39,780	39,780
Cash and cash equivalents	–	929,902	929,902
Restricted deposits	–	1,573	1,573
Amounts due from related parties	–	1,085,667	1,085,667
	100,010	2,067,875	2,167,885

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to related parties	3,137,543
Trade payables	46,571
Lease liabilities	190,543
Interest-bearing bank and other borrowings	1,131,825
Financial liabilities included in other payables and accruals	149,867
	4,656,349

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		**Fair values**	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Financial assets at fair value through profit or loss	**100,309**	100,010	**100,309**	100,010
Interest-bearing bank and other borrowings – non-current	**1,118,474**	891,375	**1,118,474**	891,375
Amounts due to related parties – non-current	**1,151,577**	998,581	**1,113,173**	926,898
	2,370,360	1,989,966	**2,331,956**	1,918,283

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The fair values of the non-current portion of amounts due to related parties and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in the Group's own non-performance risk for amounts due to related parties and interest-bearing bank and other borrowings as at 31 August 2023 were assessed to be insignificant.

The fair values of financial assets at fair value through profit or loss are measured using the expected return published by licensed banks and a non-bank financial institution.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
31 August 2023	**–**	**100,309**	**–**	**100,309**
31 August 2022	–	100,010	–	100,010

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

31 August 2023

	Fair value measurement using			
	Quoted price in active market (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings, non-current portion	**–**	**–**	**1,118,474**	**1,118,474**
Amounts due to related parties – non-current	**–**	**–**	**1,113,173**	**1,113,173**
	–	**–**	**2,231,647**	**2,231,647**

31 August 2022

	Fair value measurement using			
	Quoted price in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank loans, non-current portion	–	–	891,375	891,375
Amounts due to related parties – non-current	–	–	926,898	926,898
	–	–	1,818,273	1,818,273

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

The Company did not have any financial liabilities measured at fair value as at 31 August 2023 (2022: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other payables and accruals, interest-bearing bank and other borrowings, trade payables, amounts due from/to related parties and cash and cash equivalents which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks which are summarised below.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank and other borrowings. The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in Note 28 to the financial statements. The Group does not have any significant exposure to the risk of change in market interest rates as the Group does not have any bank and other borrowings which are subject to floating interest rates.

Foreign currency risk

The Group has currency exposures from its bank balances. The Group has not used any foreign currency swap contracts to reduce the exposure to USD and HKD arising from bank balances.

The following table demonstrates the sensitivity to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair values of bank balances.

2023	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit after tax RMB'000**
United States dollar	**(5)**	**(7)**
United States dollar	**5**	**7**
Hong Kong dollar	**(5)**	**(3,674)**
Hong Kong dollar	**5**	**3,674**

2022	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
United States dollar	(5)	(6)
United States dollar	5	6
Hong Kong dollar	(5)	(1,884)
Hong Kong dollar	5	1,884

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors. The carrying amounts of cash and cash equivalents, amounts due from related parties, trade receivables, and deposits and other receivables in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and fiscal year-end staging classification as at 31 August 2023 and 31 August 2022. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
31 August 2023					
Trade receivables*	–	–	–	17,448	17,448
Financial assets included in prepayments, deposits and other receivables					
– Normal**	51,458	–	–	–	51,458
– Doubtful**	–	–	–	–	–
Cash and cash equivalents	1,501,724	–	–	–	1,501,724
Guarantees given to banks in connection with facilities granted to related parties					
– Facilities not yet drawn	–	–	–	–	–
– Facilities drawn – not past due	563,833	–	–	–	563,833
Amounts due from related parties	651,520	–	–	–	651,520
	2,768,535	–	–	17,448	2,785,983

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
31 August 2022					
Trade receivables*	–	–	–	10,953	10,953
Financial assets included in prepayments, deposits and other receivables					
– Normal**	39,780	–	–	–	39,780
– Doubtful**	–	–	–	–	–
Cash and cash equivalents	929,902	–	–	–	929,902
Restricted deposits	1,573	–	–	–	1,573
Guarantees given to banks in connection with facilities granted to related parties					
– Facilities not yet drawn	–	–	–	–	–
– Facilities drawn – not past due	680,478	–	–	–	680,478
Amounts due from related parties	1,085,667	–	–	–	1,085,667
	2,737,400	–	–	10,953	2,748,353

* For trade receivables to which the Group applies the simplified approach for impairment, the expected loss allowance for these balances was not material during the reporting period.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Management also regularly reviews the recoverability of these receivables and follows up on the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available reasonable and supportive forward-looking information.

As at 31 August 2023, the credit assessment of other receivables was performed. The Group assessed that the expected credit losses for these receivables are not material under the 12-month expected credit loss method. Therefore, no loss allowance was made during the reporting period.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	2023					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**182,327**	**473,236**	**1,113,111**	**103,612**	**1,872,286**
Lease liabilities	**–**	**6,653**	**20,397**	**114,628**	**115,372**	**257,050**
Financial liabilities included in other payables and accruals	**238,022**	**–**	**–**	**–**	**–**	**238,022**
Trade payables	**47,066**	**–**	**–**	**–**	**–**	**47,066**
Amounts due to related parties	**1,743,099**	**–**	**–**	**1,151,577**	**–**	**2,894,676**
	2,028,187	**188,980**	**493,633**	**2,379,316**	**218,984**	**5,309,100**

	2022					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	104,600	273,669	793,521	132,208	1,303,998
Lease liabilities	–	5,326	15,742	66,484	181,235	268,787
Financial liabilities included in other payables and accruals	149,867	–	–	–	–	149,867
Trade payables	46,571	–	–	–	–	46,571
Amounts due to related parties	2,138,962	–	–	998,581	–	3,137,543
	2,335,400	109,926	289,411	1,858,586	313,443	4,906,766

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The debt-to-asset ratio as at the end of the reporting year was as follows:

	2023 **RMB'000**	2022 RMB'000
Total liabilities	**7,456,250**	6,252,196
Total assets	**9,551,718**	8,131,111
Debt-to-asset ratio	**78%**	77%

39. FINANCIAL GUARANTEE CONTRACTS

The financial guarantee contracts represent guarantees given to banks and financial services institutions in connection with facilities granted to the Affected Business and Chengdu Shenzhou Tianli. At 31 August 2023, the total banking facilities granted, which were fully utilised by the Affected Business and Chengdu Shenzhou Tianli by the banks were RMB273,833,000 (2022: RMB340,478,000) and RMB290,000,000 (2022: RMB340,000,000), respectively. The Group does not hold any collateral or other credit enhancements over the guarantees.

The Group does not provide financial guarantees except for the Affected Business and Chengdu Shenzhou Tianli.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of the income earned. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the associate). The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant. At 31 August 2023, the Group did not recognise any ECL allowance as a result of bank and other borrowings utilised by the Affected Business and Chengdu Shenzhou Tianli.

The credit exposure of the financial guarantee contracts is classified as Stage 1. During the year, there were no transfers between stages (2022: Nil).

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023	2022
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**323**	323
CURRENT ASSETS		
Prepayments, deposits and other receivables	**139**	–
Amounts due from subsidiaries	**1,414,641**	1,452,485
Cash and cash equivalents	**32,724**	8,139
Total current assets	**1,447,504**	1,460,624
CURRENT LIABILITIES		
Amounts due to subsidiaries	**154,887**	19,816
Total current liabilities	**154,887**	19,816
NET CURRENT ASSETS	**1,292,617**	1,440,808
NET ASSETS	**1,292,940**	1,441,131
EQUITY		
Issued capital	**183,022**	183,022
Treasury shares	**(31,663)**	–
Reserves (note)	**1,141,581**	1,258,109
Total equity	**1,292,940**	1,441,131

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

	Share premium RMB'000	Shares repurchased for the share award scheme RMB'000	Share award scheme reserve RMB'000	Share option reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
As at 1 September 2021	1,322,455	(67,678)	9,441	–	(65,411)	1,198,807
Profit and total comprehensive income for the year	–	–	–	–	67,207	67,207
Shares repurchased for the share award scheme	–	(6,093)	–	–	–	(6,093)
Shares awarded becoming vested	4,295	(708)	(3,587)	–	–	–
Equity-settled share award scheme expenses	–	–	5,779	–	–	5,779
Cancellation of issued capital	(7,591)	–	–	–	–	(7,591)
At 31 August 2022 and 1 September 2022	1,319,159	(74,479)	11,633	–	1,796	1,258,109
Loss and total comprehensive income for the year	–	–	–	–	(28,090)	(28,090)
Vested shares under share award scheme	2,774	408	(3,182)	–	–	–
Equity-settled share option scheme expenses	–	–	–	23,297	–	23,297
Equity-settled share award scheme expenses	–	–	4,501	–	–	4,501
Final 2022 dividend declared	(43,439)	–	–	–	–	(43,439)
Interim 2023 dividend declared	(58,224)	–	–	–	–	(58,224)
Offsetting with dividends	–	2,503	–	–	–	2,503
Unvested shares under the share award scheme	–	(17,076)	–	–	–	(17,076)
At 31 August 2023	**1,220,270**	**(88,644)**	**12,952**	**23,297**	**(26,294)**	**1,141,581**

41. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, the Group had no events after the year end that need to be disclosed.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 November 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the sixth Environmental, Social and Governance (ESG) Report issued by the Company, prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The preparation of this report is in line with the reporting principles of materiality, quantitative, balance and consistency.

The Company has applied these reporting principles in the aforementioned Environmental, Social and Governance Reporting Guide as the following:

Materiality: Materiality assessment was conducted to diagnose material ESG issues during the Reporting Year, thereby adopting the confirmed material issues as the focus of the ESG Report. The materiality of ESG issues was reviewed and confirmed by the Board.

Quantitative: The standards and methodologies used in the calculation of relevant data, as well as the applicable assumptions , are set out in the ESG report. The KPIs were supplemented by explanatory notes to establish benchmarks where feasible.

Balance: This ESG Report was prepared in an objective and impartial manner to unbiasedly present the Company's overall performance in ESG management during the Reporting Year, and avoid the choices, omissions or presentation formats which may have inappropriate impact on the decision or judgment of readers.

Consistency: The statistical data disclosed in this ESG Report was compiled in accordance with the unified information collection process and working mechanism established by the Company and illustrated the changes in the calculation method so that the data can be meaningfully compared in the future. The 2023 statistical areas have been adjusted to be consistent with those of the Annual Report.

Reporting Period

The time range for this report covers the period from 1 September 2022 to 31 August 2023. Part of its contents may be dated back to previous years, so as to enhance the comparability and completeness of this report.

Reporting Boundary

This report thoroughly discloses the information and key performance of the Company and its schools in official operation in the field of ESG, and the statistical scope of part of key performances will be detailed in this report.

Sources of Data and Reliability Assurance

All the information and data used in this report were derived from the internal official documents and statistical reports of the Company and its schools, or public information. The Company warrants that there are no false or misleading statements in this report, and is responsible for the authenticity, accuracy and completeness of the contents herein. Upon confirmation of the management, this report was considered and approved by the Board on 23 November 2023.

The electronic version of this report will be available at the websites of the Company (http://www.tianlieducation.com) and The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk).

DIRECTORS' STATEMENT

Tianli International Holdings is well aware of and understands the importance of good corporate governance and risk management processes. We believe that the management of ESG issues is critical to the sustainable development of the Company.

The Board of Tianli International Holdings, being the Company's operating decision-making body, assumes overall responsibility for the Company's ESG issues. The Board is also responsible for making decisions on the overall ESG strategy and related risks of the Company and establishing an effective ESG management system to regularly review the Company's ESG performance against the set targets. Tianli International Holdings established an ESG working group with the participation of senior management, Risk Control and Internal Audit Center, Education Management Center, Brand Management Center, Human Resources Administration Center and the subordinate schools. The working group regularly coordinates and collates the updating of ESG-related policies and systems every year, collects and integrates the ESG practice results, reviews the Company's annual ESG performance, and provides recommendations and ESG decisions to the Board. The Risk Control and Internal Audit Center regularly submits ESG reports to the Board, and the reports are disclosed after consideration by the Board.

Looking ahead, the Board will continue to review and monitor the ESG performance of the Company and deepen the integration of our ESG responsibility philosophy and business strategy, improve the ESG management system and continuously provide various stakeholders with reliable, consistent and comparable key ESG information, so as to support the sustainable development of society in a joint effort.

This report also discloses the ESG issues of Tianli International Holdings in detail during the Reporting Year, which were approved by the Board on 23 November 2023.

ABOUT THE COMPANY

About Tianli International Holdings

Tianli International Holdings is a leading comprehensive service operator in the western region of the PRC, and provides customers with comprehensive education management and diversified services. Based on its strong presence in Sichuan Province where the Company is located, Tianli International Holdings further expanded its campuses to 36 cities which spread across Inner Mongolia, Shandong, Henan, Guizhou, Jiangxi, Zhejiang, Yunnan, Gansu, Anhui, Guangxi, Guangdong, Shaanxi, Shanghai, Chongqing and Hubei. During the Reporting Year, the Group provided comprehensive education services for 25,524 high school students. In 2023, the average first-tier university admission rate and the average university admission rate of our high school graduates were 50.3% and 83.5%, respectively.

Tianli International Holdings is committed to improving its teaching quality and optimizing its education system, striving to provide better services to students and parents through excellent school management and professionalism of teachers and contribute to social development.

- Our Mission:

  Becoming an innovator and leader in the PRC's private fundamental education sector

- Our Vision:

  Striving for Excellence in Tianli Education and Inspiring Confidence and Happiness of Students and Teachers

- Our School Motto:

  Nurturing descendants of the heaven, helping students accomplish themselves and benefit others

- Our Core Value:

  Geese spirit, being proactive, student-oriented, teachers' happiness, education at both schools and communities, heritage and integration, sustainable development

- Our Moral Education Goal:

  Sound health, morality, wisdom, behavior, mind and creativity and a positive influence on society in addition to self-realization

Recognition and Awards

Name of Awards	Awarding Units
The "2023 Top Ten Influential Brands in the Education Industry"	The 7th China Brand Boao Summit in 2023 (2023 年第七屆中國品牌博鼇峰會)
The "2022 Benchmark Education Group"	The "Voice Through China" Education Annual Summit of CNR News in 2022 (2022 央廣網"聲徹中國"教育年度峰會)
The "2021 Outstanding Education Group in terms of Comprehensive Strength"	The 12th Xinhua Net Education Forum
The "2021 Industry Benchmark Education Group"	Tencent Education
The "2021 Influential Education Brand"	The 13th NetEase Education Golden Wing Award ceremony

ESG MANAGEMENT

Tianli International Holdings is always committed to establishing an efficient and stable ESG management structure and infiltrating the ESG philosophy into its corporate culture. Through internal risk control, anti-corruption management and stakeholder communication, the Company continued to improve its ESG management to achieve high-quality, stable and sustainable long-term development.

Corporate Responsibilities

In adhering to the concept of "education-oriented, quality-prioritized", Tianli International Holdings actively implements the education guidelines and policies of the Party and the State, and sticks to the fundamental belief of cultivating talents with good morality. The Company continued to promote the integration of ESG concepts, fulfill its corporate social responsibility and risk management, and achieve sustainable operation of education through high-quality development.

Corporate Governance

In accordance with the Company Law of the PRC, the Guidelines for Governance of Listed Companies and other laws and regulations, Tianli International Holdings has built a governance structure with complete functions and checks and balances, clarified the scope of powers and responsibilities of each management level, and established a clear management hierarchy and division of powers and responsibilities, thereby forming a top-down management system. We continued to standardize our operation mechanism, improve our internal control and risk prevention and control systems, and optimize the ESG management, so as to form an efficient, professional and stable management system and ensure the integrity and compliance of the Company's operations and attract more investors.

We continued to build the Board into a diversified and professional one. The appointment of the Board members was based on the principle of "Employment of Talents", taking into account various factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge, so as to ensure the comprehensiveness and scientific nature of the Board's resolutions. As of the end of the Reporting Year, the Board consisted of seven Directors, i.e. two executive Directors, two non-executive Director and three independent non-executive Directors. The number and composition of the Board were in compliance with the requirements of relevant laws and regulations. Tianli International Holdings has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, of which the Nomination Committee was responsible for reviewing the structure and composition of the Board, as well as the Company's board diversity-related objectives and the effectiveness of its implementation on an annual basis, so as to promote the performance of the Company in terms of diversity.

ESG Management

Tianli International Holdings integrates the ESG concept into its daily operations, and the sustainable development into its long-term goals. It continuously improves the ESG management structure, regulates its top-down ESG management and operation in an orderly manner, and conducts information disclosure in compliance with laws and regulations.

Tianli International Holdings actively responds to the requirements of the regulatory authorities. In accordance with the Rules Governing the Listing of Securities on the Stock Exchange, it is clearly specified that the Board is the highest decision-making body for the ESG issues, and is responsible for supervising and approving the ESG strategies, policies, objectives, risks and related matters of the Company, so as to ensure that the Company's ESG management is consistent with its development direction. Under the centralized management of the Board, the Company has established an ESG management system, which is led by the senior management and the Risk Control and Internal Audit Center of the Company as a core team, and participated by the Education Management Center, Brand Promotion Center, Human Resources Administration Center as well as its subordinate schools. It specifies the ESG systems in various aspects and the collation, aggregation and disclosure of various information, so as to continuously optimize the ESG management model of the Company.

Communication with Stakeholders

Tianli International Holdings regards the concerns and demands of stakeholders as one of the important driving forces of ESG management. The Company has improved the communication mechanism among stakeholders such as investors, employees, students, parents and suppliers, actively adopted the opinions and suggestions of all stakeholders and incorporated them into the Company's ESG management strategy, and worked with all parties to contribute to the high-quality development of environment and society.

Table: Stakeholders' Communication

Stakeholders	Expectations for the Group	Communication Measures
Investors/Shareholders	Operation compliance Protecting shareholders' interests Open and transparent information	General meetings Announcements and press releases Annual reports SEHK/group website
Corporate Employees	Good platform for professional development Competitive remuneration packages Healthy and safe working environment	Conferences/teaching and research activities Internal staff training/assessments Employee satisfaction survey
Students	Comfortable learning environment Organizing diversified activities	Students satisfaction survey Themed class meetings/lectures School principal's mailboxes
Parents	Excellent teaching quality Positive atmosphere at schools Dietary assurance and campus life assurance for students	Parents meetings Education expos School principal's mailboxes
Environment	Rational use of resources Efficient use of water and electricity Compliant waste disposal Pleasant campus environment Green teaching	Green campus Green office Dissemination of green ideas
Suppliers/partners	Long-term and win-win cooperation Fair competition Product quality assurance	Suppliers evaluation On-site visits to suppliers Exchange meetings for suppliers Strategic cooperation
Governmental and regulatory agencies	Operation compliance Safe teaching environment Social practice and contribution Ensuring information security for students and parents	Compliance report On-site inspections Participation in conferences/seminars
Communities/public	Public charity projects Social activities of students	Activities for public charity Social practice

MATERIAL ISSUES

Identification and Assessment

In accordance with the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited and other relevant requirements as well as the requirements of the stakeholders taken into consideration, the Company identified 25 issues in total based on a review of the relevant ESG issues for the previous year with the latest development of the Company and industry movements of the year taken into account, so as to better follow up on the issues of concern to the stakeholders and to respond to the evaluation and expectations of the stakeholders on the sustainable performance of Tianli International Holdings. Such issues included 6 highly important issues, 13 moderately important issues and 6 generally important issues. The results were mapped into a matrix for ESG importance issues according to the order of their importance to the internal and external stakeholders. The issues identified will be elaborated in details by the Company in the subsequent sections of this report.

Matrix and List

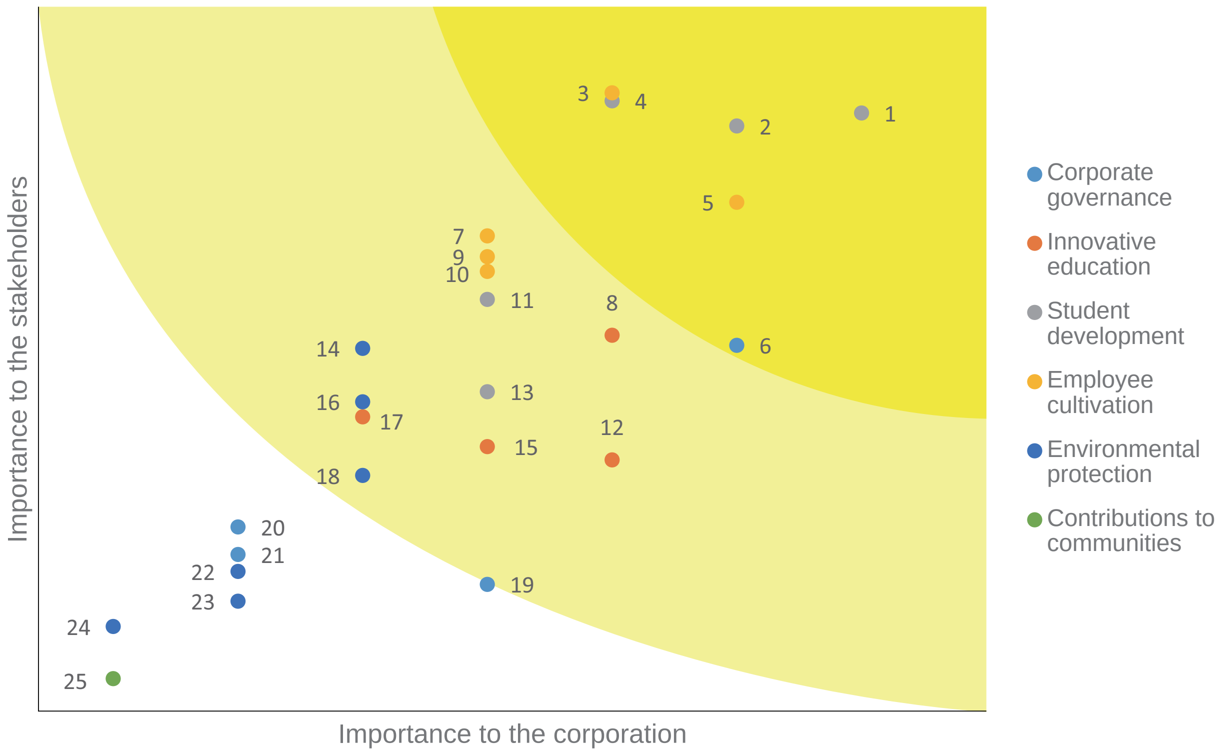

Figure: Tianli International Holdings's Matrix of Material Issues

Table: ESG Material Issues

IMPORTANCE	SEQUENCE	ISSUES
Highly important issues	1	Development of Students' Comprehensive Quality
	2	Safety and Health Assurance for Students
	3	Professional Ethics and Morality Construction for Teachers
	4	Dietary Assurance for Students
	5	Faculty Management and Structure
	6	Protecting Privacy and Ensuring Information Security for Students and Parents
Moderately important issues	7	Employee Training and Career Development
	8	Teaching Quality Assessment and Improvement
	9	Ensuring Safety and Occupational Health for Employees
	10	Employee Remuneration and Welfare
	11	Communication between Teachers and Parents
	12	Innovation in Curriculum Development and Diversification of Education Models
	13	Student/Parent Satisfaction
	14	Green Teaching and Office Environment
	15	Educational Products and Intellectual Property Protection
	16	Environmental Education
	17	Integration and Enhancement of Educational Resources
	18	Water Resource Utilization and Water Conservation
	19	Sustainability Management across Supply Chain
Generally important issues	20	Compliance Operation and Anti-corruption
	21	Complaint Processing Procedures and Service Improvement
	22	Climate Change Risks and Opportunities
	23	Waste Management
	24	Energy Consumption Management
	25	Participation in Community Development and Social and Charity Activities

STUDENT-ORIENTED APPROACH

In the ever-changing trend of the times, Tianli International Holdings adheres to its original aspiration and is committed to shaping itself as a benchmark for private education in China. As a pathfinder and navigator in the education field, we continued to explore the infinite possibilities of teaching, gathering together outstanding professional teachers on campus to help students develop comprehensively through knowledge transfer and character cultivation.

During the Reporting Year, the number of high school students of Tianli International Holdings was 25,524.

Optimizing Teaching Quality

Excellent teaching quality is the consistent pursuit of Tianli International Holdings, as well as our commitment to the society. Therefore, we continued to improve the education system, conduct in-depth research on teaching methods, and help students consolidate their knowledge base and empower their diversified development by strictly controlling the quality of teaching, to enable our students to embrace their bright future with more confidence and competitive edge.

Project No. 1

“Project No. 1” of Tianli International Holdings is a long-term, comprehensive and strategic education reform project. It includes the integration and optimization of educational resources, the improvement and application of management strategies, and the testing and refinement of teaching models. The Company has designed the indicators and requirements for “Project No. 1”, and formulated a clear and feasible implementation path for each target, and implemented comprehensive guidance, inspection and assessment. In 2023, all schools actively carried out the work, and continued to use the ABC three-tier teaching methods of nine high school subjects to teach students based on their aptitude, and continuously improved the teaching processes and teaching quality of our schools.

During the Reporting Year, a total of 13 students from 8 campuses including Luzhou, Deyang, Yibin and Dazhou were admitted to Central Academy of Fine Arts, Central Conservatory of Music, Central Academy of Drama and Communication University of China. A total of 2 students from Xichang and Yibin campuses were admitted to Nanyang Technological University in Singapore. 2 students from Hejiang and Guangyuan campuses were admitted to the University of Hong Kong; and 12 students from Xichang, Zhoukou, Dazhou and Guangyuan Deyang campuses were admitted by the University of Melbourne, the University of Sydney and the University of Toronto, respectively. A total of 127 students were admitted to the top 50 universities in the world, such as Tsinghua University and Peking University, representing an increase of 48 students from 2022.

Teaching and Research

In adherence to the school motto of “Nurturing descendants of the heaven, helping students accomplish themselves and benefit others (天之驕子, 立己達人)” and with the mission of “Cultivating elites for the future and creating centuryold competitive brand (育未來精英, 創百年精品)”, the Company, through in-depth research, created a scientific, standardized and systematic teaching method and curriculum system. In the teaching and research system, the Company actively carried out external communication to promote the in-depth integration of internal and external educational resources, providing teachers and students with broad academic vision and diversified learning opportunities. At the same time, each school carried out activities such as research on teaching optimization, study of education theories, research on education practice, optimization of curriculum standards and textbook adjustments, etc., so as to improve teachers’ professional standards and further improve teaching research. During the Reporting Year, the Company required all schools to actively participate in various teaching research training activities organized by the municipal and county-level education bureaus, teaching research institutes (offices) and the Company, and regularly carried out subject teaching research activities in our schools to serialize and specialize teaching research activities.

- **Case: Teaching research activities conducted by Rizhao Tianli High School**

In 2023, Rizhao Tianli High School formulated the system of collective lesson preparation, collective class attendance and collective lesson assessment. It is required that the teaching plans of all grades and all lesson preparation groups are the result of collective collaboration, that the teaching research group of each subject organizes a large-group open class every two weeks, and that each lesson preparation group of all grades organizes an open class of lesson preparation group every two weeks. All open classes are subject to collective lesson assessment, such that everyone can learn from each other’s strengths and jointly discuss measures to improve teaching research.

Teacher Cultivation

In the journey of education, it is the unremitting goal of Tianli International Holdings to achieve the professional growth of teachers. We encourage teachers to give full play to their professional skills in teaching and teaching management, and cultivate their teaching flexibility and creativity. To this end, each school organized various teacher training and teaching research to encourage teachers to continuously improve their teaching capabilities in professional subjects and fields. Each school has established and continuously expanded their chief-teacher team to promote the progress and high-level development of the overall teaching team.

In 2023, the teachers from Tianli Education Flagship School (天立教育旗艦校) were granted the national honor of the “7th Holistic Education Nominated Teachers (第七屆全人教育提名教師)” and were commended by the National Library of China (北京國家圖書館).

Ensuring Campus Safety

Tianli International Holdings strictly abides by the relevant laws and regulations such as the Law of the People’s Republic of China on the Protection of Minors, the Law of the People’s Republic of China on Work Safety, the Law of the People’s Republic of China on Emergency Response, the Law of the People’s Republic of China on the Prevention and Control of Infectious Diseases, the Law of the People’s Republic of China on Fire Fighting and the Law of the People’s Republic of China on Food Safety. It constantly optimized the internal safety management system and improved the safe operation mechanism to ensure the safety and stability of each campus and the safety of the lives and properties of teachers and students. The Company strictly managed the campus safety-related issues and carefully investigated various potential safety hazards. At the same time, the Company and each school attached great importance to the management and education of teachers and students in terms of safety, fire prevention and food, so as to raise teachers and students’ safety awareness and take precautions. During the Reporting Year, no major campus safety accidents occurred in any of the campuses of Tianli International Holdings.

Safety Management

The Company adheres to the "People-oriented" concept, and complies with laws and regulations such as the Interim Provisions on Campus Environment Management for Primary and Secondary Schools issued by the Ministry of Education and the Measures for Handling Student Injury Accidents issued by the Ministry of Education. It has formulated a series of internal management systems for campus safety such as the Regulations for the Implementation of Campus Safety Management and was highly concerned about the personal and property safety of teachers and students.

We continued to optimize the management system, implemented a strict safety inspection system and improved the scientific assessment, reward and punishment mechanism, thus establishing the effective and efficient work system for campus safety. Our schools have set up a special safety work committee to take full responsibility for school safety affairs. Some of our schools have also established the work-leading group for public health emergencies so that our schools can quickly take effective measures for unexpected hazards to ensure the safety and stability of our campuses. We regularly organized relevant security personnel of each school to conduct safety training and carried out explosion-proof emergency drills to continuously improve the campus safety management and make every effort to ensure the safety of teachers and students.

Education on Safety

The Company has formulated relevant internal rules and regulations such as the Regulations on School Safety Education and Management and the Regulations on Safety Promotion and Education, and regularly carried out campus safety education activities. Through safety education assessment, publicity of public health event prevention and control knowledge, campus broadcasting and publicity and special education activities and other methods, the Company continuously improved the safety awareness of its students and teachers and enhanced their emergency response capabilities.

- **Safety education assessment**

In 2023, Tianli International Holdings Logistics Center guided all schools under the Company to formulate a yearly "Safety Education and Drill Work Plan" and supervised the schools to carry out safety education work in strict accordance with the plan. In this school year, all schools completed safety education courses and more than 2 safety drills with satisfied quality and quantity, and the passing rate of safety education assessment was 100%.

- **Popularization of public health event prevention and control knowledge**

The Company actively carried out health education courses to impart the knowledge on prevention and treatment of public health emergencies, so as to strengthen the safety and protection awareness of all students and teachers and improve the level of public health on campus.

- **Campus publicity**

The Company attached great importance to daily and special safety education for students. Each school increased its students' safety awareness in all aspects through various channels such as safety lectures, safety themed class meetings, safety publicity windows, and safety themed broadcasts.

- **Special education**

On the National Disaster Reduction and Prevention Day (全國減災防災日), a number of campuses carried out themed publicity activities and invited fire fighting experts to give lectures to popularize disaster prevention knowledge for our teachers and students. A demonstration area for disaster emergency treatment was set up on campus, which demonstrated practical skills such as those for firefighting and offering first aid for the wounded, and enhanced the safety awareness and self-rescue capability of our teachers and students. Through the safety education putting theories into practice, the solid foundation for ensuring campus safety was laid while improving the capabilities of teachers and students in emergency response, self-rescue and mutual rescue.

- **Mental health counseling**

Each school maintained active communication with students' parents, exchanged students' psychological state with them in a timely manner, and organically combined mental health education with daily teaching. We also set up a psychological counseling room or psychological hotline in schools to provide daily psychological counseling and unblocking for students to help them establish a positive and optimistic life attitude.

Food Safety

The Company attaches great importance to the health of each student and adheres to the important bottom line of food safety to ensure the safety and quality of campus catering. We strictly comply with the Food Safety Law of the People's Republic of China, the Regulations on the Management of Food Safety and Nutritional Health in Schools, the Code of Practice for Food Safety in Food Service, and other relevant regulations. The Company has internally formulated a series of management systems such as the Food Safety Management System for School Canteens and the Food Hygiene Safety Emergency Plan and established a comprehensive and reliable food safety management system. In 2023, the Company implemented the principal-accountability catering system based on the existing food safety management system. At the same time, the principals were required to sign the Food Safety Responsibility Letter (《食品安全工作責任書》) as the first responsible person for food safety to ensure the food safety of all students. During the Reporting Year, no food safety incidents occurred in the school cafeterias of the Company.

- Food safety management system: We have established the school food safety responsibility system with the school principal as the first responsible person, and improved the three-level food safety management system covering school, logistics management department and cafeterias. In addition, the corresponding full-time (part-time) food safety supervisors were also put in place, with the food safety responsibility letter signed by all relevant parties to take responsibility for food safety.

- Cafeteria staff management: Cafeteria staff must follow the Health Examination System for Cafeteria Staff of their respective campuses and go to the local health and epidemic prevention department once a year for a health checkup and receive a qualified health certificate before they are allowed to work. The cafeteria manager and school administrators conduct daily morning checkups and health observations of cafeteria workers to keep track of their health status. During work, staff members are required to maintain personal hygiene and wear work clothes and hats as required. In addition, the general cafeteria staff were required to receive no less than 20 hours of food safety training per semester and establish training records. The cafeteria shall be equipped with a full-time (part-time) food safety administrator who shall have more than two years of food safety work experience. The food safety administrator shall receive no less than 40 hours of food safety training each year, and can only take up his/her post after obtaining the certificate of safety management training.

- Food procurement: The Company comprehensively regulates the food procurement process and strictly examines the qualification documents of suppliers as well as food safety certificates such as health licenses, food inspection certificates or lab test reports to ensure the freshness and safety of food ingredients; and improves the process management of food ingredients by establishing certificate files and storage management.

- Storage management: The warehouse where food is stored is required to be kept dry and ventilated, and the containers must be safe and harmless to prevent food contamination. Canteens need to conduct regular inspections of stored raw materials to avoid overdue spoilage and pest bites.

- Sample retention management: Each meal and each kind of food provided by the cafeteria is kept in strict accordance with the requirements by a person in charge of keeping samples, and the Food Sample Record Form is established for traceability.

- Complaint management: Each school sets up a suggestion box in the dining hall, and a designated person is responsible for collecting, analyzing, studying, processing, giving feedback on and supervising the rectification of problems related to canteen hygiene.

- Food safety accident emergency plan: The Company has formed the contents of the campus emergency plan management including emergency plan training, emergency plan drill, emergency plan record, and emergency plan implementation. In the management of unexpected food safety accidents, we take the form of graded management and develop response measures taking into account the severity of the actual unexpected food safety accidents in schools to strictly take care of the health of teachers and students.

Fire Safety

The Company stresses on fire prevention and puts a defense line in place. Tianli International Holdings abides by the national laws and regulations such as the Law of the People's Republic of China on Fire Fighting, developed internal fire management systems such as the Regulations on Management of Safe Evacuation Facilities in Teaching Areas, the Fire Safety Management Manual and the Regulations on Fire Prevention in Dormitories. Our schools regularly convey fire safety knowledge to teachers and students through various means such as publicity and education and on-site drills, so as to strengthen teachers and students' safety awareness and self-rescue ability. During the Reporting Year, the Company and its various schools continued to strengthen fire safety education and organized several fire drills to ensure that teachers and students are familiar with emergency escape routes and have general fire safety knowledge.

Case: Fire Safety Drill in Kinderworld Kindergarten

At 8:30 a.m. on 14 March 2023, Kinderworld Kindergarten conducted a fire escape drill for all the teachers and students. The whole drill was fast, safe and orderly. Through this drill, the teachers and students of Kinderworld Kindergarten gained a common sense of escape and got familiar with the evacuation route, which enhanced the psychological quality of the teachers and administrative staff to keep calm in an unexpected accident, strengthened the safety and fire prevention awareness of all the teachers and children, and improved children's protection and self-rescue ability in responding to unexpected natural disasters.

TEACHERS' HAPPINESS

Excellent talents are the driving force for Tianli International Holdings' sustainable development and advancement. Adhering to the talent concept of "loyalty, filial piety, integrity, trust, practicality, courage, learning and love", we have attracted and cultivated a group of talents full of passion and creativity, thanks to the fair and equitable recruitment principles, as well as a sound talent training concept and incentive system.

Open Development Road

Equal-Employment

Tianli International Holdings complies with the Company Law of the People's Republic of China, the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and other national laws and regulations, so as to ensure that our employees are not treated differently due to factors such as gender, age, ethnicity, religious beliefs, etc., and that everyone has an equal opportunity and diversified development paths in our recruitment and employment systems. In 2023, we continued to utilize various recruitment channels to recruit talents in different industries, create a more inclusive and diversified working environment, and stimulate the potential of our employees to achieve better development of the Company.

As of the end of the Reporting Year, the total number of employees of the Company was 5,029, of which 3,122 (i.e. 62.07%) are females. All our employees have signed employment contracts with the Company, and the employee turnover ratio was 12.54%.

Remuneration and Welfare

Tianli International Holdings believes that compensation and welfare are crucial for corporate development as they reflect how the employees' hard work is recognized. The Company complies with the Labor Contract Law of the People's Republic of China and other relevant regulations. It has formulated a sound compensation and welfare system and, on the basis of ensuring the paid leave, five social insurances and one housing fund and other legal rights enjoyed by our employees, established a competitive additional welfare plans, such as subsidies for purchase of houses and automobiles, preferential education policies and bonuses, thus continuously improving our employees' satisfaction.

In order to continuously optimize its remuneration system, Tianli International Holdings has formulated and continuously optimized the Remuneration and Performance Plan for the Staff of Tianli Education Group Headquarters (Operation Line) (《天立教育集團總部員工薪酬績效方案(運營線)》), the Remuneration and Performance Plan for the Head of Personnel, Finance and Logistics Departments of Tianli Education Group (《天立教育集團人事、財務、後勤部長薪酬績效方案》) and the Remuneration and Performance Plan for the School Executives of Tianli Education Group (《天立教育集團學校高管薪酬績效方案》). In 2023, the Company based the remuneration of school principals on their respective school's operating results, which greatly enhanced the working enthusiasm of senior management of our schools and promoted the high-quality development of our schools. At the same time, we continued to implement a monthly performance-based salary structure to base employees' remuneration on monthly work targets, which also stimulated employees' own potential and created an equal and progressive working atmosphere for them. In addition, the Company regularly evaluated the performance of employees, and proposed recommendations and optimization measures for them based on their evaluation results, so as to help them achieve their performance goals and career breakthroughs, as well as promote the mutual and sustainable development of the Company and its employees.

Promotion Channels

Tianli International Holdings adheres to the core value of "gaining respect with teacher's morality, developing with self-cultivation, loving students as the way of education, learning as the way of life, research as the way of work, and enjoying a happy and meaningful educational life", focuses on talent training and management, and adopts the diversified talent development strategy. The Company cares about the growth and development of each employee and provides them with targeted career development channels. This means that no matter if it is the improvement of teaching skills, the deepening of academic research or the expansion of education management, every teacher can find his own way of promotion.

During the Reporting Year, the Company established a promotion channel featuring an order of "New elite –Backbone – Outstanding – Master – Chief" for teachers, and further enhanced our management staff promotion system with an order of "Junior teacher – middle-level cadre – section principal/five department heads – district principal", aiming to create opportunities for each of Tianliers to challenge himself/herself and to continuously learn and develop.

Physical and Mental Health

Tianli International Holdings complies with the Occupational Disease Prevention and Control Law of the People's Republic of China, the Administrative Measures for Preventive Health Examinations and other laws and regulations on occupational health. It provides psychological counseling services to all its employees in the Company and its schools to help them relieve work stress and create a safe, healthy and happy cultural atmosphere and working environment.

During the Reporting Year, the Company offered free annual physical checkups for all its employees, and bought commercial insurances including those for major diseases and accidents for our teachers and administrative staff, aiming to guarantee their health.

Focus on Talent Cultivation

Tianli International Holdings firmly upholds the talent cultivation concept of "Learning is an important way to improve one's personal cultivation" and developed the Training Management System of Basic Education Division of Tianli Education Group (《天立教育集團基礎教育事業部培訓管理制度》) and other talent training management system. In 2023, the Company implemented a "dual-oriented (雙化)" talent buildup plan to comprehensively improve the professional capability and vocational level of all the cadre, teachers and administrative staff. Through a variety of training methods such as school principal-led training, certification training, backbone teacher training and general knowledge training, the professional capability and vocational level of teachers and administrative staff have been improved to meet the needs of the Company's development.

As of the end of the Reporting Year, the average number of training hours for each employee of the Company was up to 28.29 hours, with a training coverage rate of 57%.

Teachers Cultivation

Tianli International Holdings provides a comprehensive training plan for its employees at all levels, including grade heads, class heads, backbone teachers. We strive to build a teacher team "having common vision to be a leading geese with lofty ambition and pursuit of excellence, and team spirit of sharing weal and woe and innovation", so that every teacher can realize his/her own value and contribute to the cause of education.

In 2023, the Company closely followed the strategy of rejuvenating the country through science and education, and continuously devoted resources to curriculum innovation. It organized a team of teachers to hold conversaziones and seminars with renowned education experts and scholars to discuss the ways of achieving "discipline integration" in education and the ways and paths for the "personality development in science and technology education of students".

Talents Training

The Company has established a scientific and diversified talent selection management system, and cultivated outstanding talents with both academic quality and practical capabilities, providing an impetus for corporate development. We are committed to building a learning organization and encouraging employees to keep on learning and innovation. During the Reporting Year, we continued to deepen the mentor-apprentice twinning activities of the "Up-and-coming Elites Project (青藍工程)" to provide every new teacher with an opportunity for improvement.

The implementation for the "Up-and-coming Elites Project":

(I) Mentor-apprentice twinning. New and senior teachers form a mentoring relationship in which senior teachers impart, help and lead new ones on the professional and teaching skills, so as to help new teachers grow into backbone teachers as soon as possible and improve teaching quality. During the Reporting Year, each school organized its new and senior teachers to sign the twinning contract to clarify the responsibilities and obligations of mentors and apprentices.

(II) Carrying out the "Five One Project (五個一工程)". Young teachers were encouraged to read a book on basic education theory and submit reading notes every semester, submit a completed pen calligraphy copybook and a chalk calligraphy copybook once a month, participate in a lesson preparation competition and take a qualifying class (入格課) or open class every semester, and write a high-quality teaching summary or paper each semester.

(III) Carrying out a variety of activities. During the Reporting Year, the school has established various communication platforms, including course-sharing platform (曬課平台), teaching forum, class-head forum, etc. At the same time, the Company organized competitive competitions and provided higher-level development opportunities, such as participating in national, provincial and municipal academic seminars and publishing monographs to promote the professional development of teachers in a variety of ways.

Enjoying the Life in Education

The Company and its schools are not only a workplace, but also a warm family. We actively created a corporate culture of caring for our employees and were committed to providing a healthy and comfortable office and living environment to enable our employees to gain a sense of belonging, identity and happiness. The Company held a number of events such as personnel symposium, quality promotion symposium, New Year review and refinement meeting and doctoral exchange meeting to build a platform for employees to communicate and grow. We also held appraisal meetings regularly to commend outstanding employees and stimulate their enthusiasm. In addition, the school also held various employee activities such as the Dragon Boat Festival, the Teachers' Day and the Mid-Autumn Festival to give more opportunities for communication between departments and promote the harmonious development of employee relationship. We hope that every employee can not only achieve career development at work, but also experience the beauty of balancing life and work.

SUSTAINABLE DEVELOPMENT

Ensuring Operation Compliance

Compliance management is the basic guarantee for the long-term stable development of an enterprise. As a responsible education management and diversified service enterprise, Tianli International Holdings complies with the national laws and regulations as well as the regulatory rules such as the Listing Rules of the Hong Kong Stock Exchange and, is committed to establishing and improving the compliance system. By carrying out supervision and inspection, compliance review, special audit, accountability and other work, we followed up on regulatory developments to prevent and mitigate compliance risk, thus ensuring that the Company can achieve stable and high-quality development.

Risk Control

In compliance with the Company Law of the People's Republic of China, the Basic Standards for Enterprise Internal Control and other laws and regulations, Tianli International Holdings continued to internally revise the management policies such as the Risk Control System and the Quality Promotion Management System of Tianli Education Group, and established the risk control and internal audit center system consisting of the Auditing inspection Department, the Internal Control Department and the Legal Department, which aims to integrate risk management into the Company's operations and promote the continuous improvement of risk management at all levels of the Company by strengthening risk management. During the Reporting Year, the Internal Control Department of the Risk Control and Internal Audit Center completed various audit projects, mainly including internal control audit, project audit and tender audit. Through internal audit, we sorted out and improved the systems and procedures with loopholes, formulated corresponding rectification plans, continuously enhanced risk prevention awareness, improved the Company's risk management and control capabilities, and implemented compliance operations.

We attach great importance to risk prevention and control, continued to conduct the annual comprehensive inspection of internal control, make horizontal comparative analysis of various risks, and propose significant risk management measures and improvement strategies. During the year, we engaged a third party to carry out annual audit work on internal control, strictly identified various risk points, and comprehensively and effectively controlled potential hazards. We carefully sorted out all the problems found in the audit, formulated practical rectification plans, and strictly implemented rectification measures. In our daily audit work, we updated our internal risk map based on the real-time or expected changes of various high-risk points, and promoted the transformation of risk management from passive treatment to active prevention, so as to ensure the effective operation of the risk management system.

We integrated compliance awareness into the whole process of corporate culture construction, consistently required the employees of each project to make monthly summary and reflection on risk topics, and conduct training and learning through external online institutional platforms, so as to help employees firmly establish risk prevention and control awareness. During the Reporting Year, we conducted trainings covering compliance operations and anti-corruption for our management team and business backbones. The trainees are the management staff of the Company and its schools, including senior management, middle-level leaders and key persons, and the attendance at the trainings was a approximately 400 person-times in total. The courses were conducted through interactive cases such as case analysis, which focused on strengthening the awareness of risk management and compliance, and effectively improved the Company's ability to regulate operations.

Integrity Construction

Tianli International Holdings adheres to business ethics, attaches importance to the construction of anti-corruption, and strictly complies with the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Preventing Commercial Bribery and other relevant laws and regulations. It has revised and improved its internal management systems, such as the Monitoring Management System, the Administrative Measures for Corruption-free Business Talks, the Administrative Measures for Invited Supervisors and the Internal Audit System, improved the anti-corruption responsibility system and realized the joint implementation of anti-corruption and business work, so as to ensure the integrity and efficiency of the Company's operations.

In order to further ensure the Company's compliant operation, we regularly supervised the anti-corruption work and set up a management mechanism for the investigation and punishment of violations with clear structure and division of responsibilities to ensure the effective implementation of the Company's anti-corruption, anti-fraud and anti-malpractice work. The Company proactively established and optimized whistle-blowing channels, set up a public whistle-blowing mailbox, and had the designated person from the special department to handle whistle-blowing complaints. The Company verified the information reported with a real name and formed a closed loop of investigation. It also proposed the deadline for corresponding investigation and reporting in respect of the cases of different severity, with no toleration for any violation of laws and regulations.

Tianli International Holdings conducted a comprehensive contract review in accordance with the system, and reviewed more than ten types of contracts, including investment contracts, project construction contracts, financing contracts and lease contracts. The contract performance passing rate during the Reporting Year exceeded 90%.

Intellectual Property Rights

Tianli International Holdings has formulated the Intellectual Property Management System, the Legal Consultation Management Measures, the Case Management Measures and other internal management rules and regulations with reference to the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Copyright Law of the People's Republic of China, aiming to regulate the whole-process management of the application registration, licensing and protection of the trademark rights, patent rights, copyrights and other intellectual property rights of the Company. We constantly improved our intellectual property management system to provide standardized guidelines for solving related issues in the future.

Tianli International Holdings encouraged its employees to actively develop intellectual property rights. The Legal Department of the Risk Control and Internal Audit Center of the Company continued to carry out intellectual property work throughout the year to respect and protect all intellectual property rights related to the Company's businesses. At the same time, the Company carried out trainings on the concept and risk of intellectual property rights, as well as basic knowledge of trademark use, copyrights and brand promotion for the intellectual property right management department and relevant persons, so as to comprehensively enhance the risk awareness and the cognition level of intellectual property rights of our employees. During the Reporting Year, no cases related to intellectual property rights occurred in the Company.

Case: Tianli International Holdings held annual special training session on intellectual property rights

On 24 August 2023, in order to actively promote the protection of intellectual property rights, avoid the infringement disputes over intellectual property rights, and improve the management quality of intellectual property rights, Tianli International Holdings held the special training sessions on intellectual property rights for the education management center, brand promotion center, various subsidiaries and the persons related with intellectual property rights of the Group. The training contents cover the standardized use of trademarks, precautions for brand promotion, self-protection of copyrights and the infringement risk of related intellectual property rights, which greatly improved the work of the Company's core employees to protect our intellectual property rights and laid a solid foundation for future work.

Information Security

Tianli International Holdings attaches great importance to information security management. In accordance with relevant laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights, the Data Security Law of the People's Republic of China and the Cybersecurity Law of the People's Republic of China, it continued to establish and improve the information security management system, and actively implemented the social responsibility of keeping information confidentiality in data environment security and system security, so as to ensure business security and stable operation. The Company has established a top-down information security management system, strictly managed the authority of information access, restricted the employees of the Group and each campus to obtain student or parent information by signing confidentiality agreements, and monitored information security by means of information technology and handled the problems occurred in a timely manner. At the same time, we stressed on the importance of information security in various trainings to ensure the confidentiality, integrity and reliability of information throughout the Company. During the Reporting Year, there was no incident which may endanger the information security of the Company.

Responsible Procurement

Comprehensive supply chain management is a prerequisite for the smooth operation of the Company and its schools. Tianli International Holdings strictly complies with the Labor Law of the People's Republic of China, the Bidding Law of the People's Republic of China and other relevant national laws and regulations, and has formulated normative documents such as the Management System for Procurement and Bidding and the Measures for Supplier Performance Evaluation and Management. Adhering to the procurement principle of "openness, fairness and justice", we continued to improve the supplier management system and evaluated the ESG risks of our suppliers in all aspects to reduce the environmental and social risks of our supply chain. During the Reporting Year, the Company had a total of 281 suppliers.

Responsible procurement: Tianli International Holdings has formulated the Management System for Procurement and Bidding, conducted hierarchical and differentiated management over suppliers in supplier entry, daily management, improvement, performance and optimization, and established a sound lifecycle quality management system for procurement and supply. By entering into the Supplier Quality Assurance Agreement and the Supplier Integrity Agreement, the responsibilities and obligations of the suppliers are clearly specified to achieve the goal of common development between our schools and suppliers. For food procurement for the canteens in our campuses, we required suppliers to provide valid business licenses, sanitation permits and inspection reports to ensure the safety of food and the health of students, teachers and administrative staff.

Inspection and evaluation: The Company has formulated a comprehensive supplier rating system, which includes seven aspects, namely, corporate qualification, financial indicators, warehousing and distribution capabilities, possibility of cooperation, strategic development, execution capability and operating conditions. The rating results are divided into five levels: AA, A, B, C and blacklist. Based on the rating results, we have formulated corresponding punishment and reward measures and management measures to implement differentiated management, so as to ensure the quality of products and services and mitigate operational risks.

Tianli International Holdings adheres to the principle of synergy and win-win, and fully integrates the concept of sustainable development into the supply chain by strengthening the management of suppliers. We gave full consideration to environmental protection, resource conservation, safety and health, and recycling and low-carbon operations, and gave priority to the procurement and use of raw materials, products and services which are environmentally friendly. We strengthened communication with suppliers to ensure product quality and stable production and operation, and promote healthy and sustainable development with suppliers.

Protecting the Environment

Tianli International Holdings, as a comprehensive education management and diversified service provider, always firmly believe that good health is closely related to a good environment. We comply with the relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Prevention and Control of Environmental Pollution of Solid Waste of the People's Republic of China. In response to the call of achieving the "carbon peaking and carbon neutrality" goal, and by adhering to the concept of "protecting human health and the earth", we are committed to creating a green future by building green campuses, conducting green education and actively responding to climate change.

Green Campus

We vigorously promote green operation. On the basis of complying with national environmental protection laws and regulations, we have formulated and revised a series of internal environmental protection systems such as the Green School Office System, the Regulations on the Use of Air-Conditioning and the Management of Safe Electricity, the Notice of Water Supply by Time, the Vehicle Management System and the Water and Electricity Conservation Management System. We continued to strengthen the environmental protection management of each of our campuses, and strove to reduce the waste of resources in production and operation, and advocated green commuting and green office, in an effort to integrate low-carbon concepts into every aspect of the operations of the Company and its schools. During the year, we increased our investments in solar and air energy equipment, applied the rainwater collection system and the "Sponge City" initiative to improve the utilization efficiency of rainwater resources, thereby reducing our reliance on and consumption of traditional energy sources.

Use electricity efficiently: We give priority to the use of environment-friendly and energy-saving office supplies and equipment, make sure that unnecessary electrical appliances are turned off, and reduce standby energy consumption. For major energy consumers such as air conditioners, the Company has set up strict and scientific management system, requiring schools use air conditioners only in appropriate temperature, and turn off the air purifier when the air index of the day is forecast below 80 (good);

Use water efficiently: We help teachers, administrative staff and students to develop the water conservation awareness and behavior. And we encourage them not to run too much water and turn off water faucets whenever necessary. We have corresponding management responsibilities for different teaching and administrative departments. For example, the cleaning staff is responsible for managing the setting switch of the toilet faucets, and the supporting staff should regularly check and timely repair the water facilities;

Green commuting: We carry out unified bus dispatching according to the principle of "safety, economy and standardization". We charge fuel consumption and traffic fees beyond the original dispatching range, controlling the greenhouse gas emissions caused by the uncontrolled use of buses.

Environmental improvement: We breed plants to beautify the indoor environment and purify the air at the same time. We also maintain outdoor greening. By donating money and planting trees, we provide a good outdoor environment for teachers and students. With both efforts in indoor and outdoor, we aim to improve the work and learning experience and efficiency while improving the environment.

We standardize the collection, storage and disposal of solid wastes in our daily operations. Hazardous wastes generated during the operation of the Company mainly include printer cartridges, waste lamps, hazardous wastes from laboratories, etc., and non-hazardous wastes are household wastes such as office paper. Each of our campuses has formulated its own Waste Management System and implemented standardized management to ensure that all kinds of wastes are properly disposed of, and avoid negative impacts on our schools and their surrounding environment.

Hazardous Wastes: The Human Resources and Administration Department keeps a record of hazardous waste account of schools that detail the type, quantity, destination and use of waste. For this waste, schools have fixed-point management, and regularly handed over to professional qualified third parties for reasonable and legitimate recycling;

Non-hazardous Wastes: We set up waste reduction programs, such as suggesting to reduce the waste of paper by double-sided printing, using recyclable office items, carrying water cups to reduce the use of paper cups, etc. In addition, we use special recycling boxes to collect discarded office paper, newspapers, etc. and give them to the garbage collection station for recycle.

Case: Yiliang Tianli School launched the “gas-to-electricity conversion” pilot project for canteen stoves In the summer vacation of 2023, we launched the “gas-to-electricity conversion” pilot project for canteen stoves at Yiliang Tianli School. According to the data, assuming that they are used for approximately 2,600 students, the project can save approximately RMB30,000 in gas costs per month, which means that each student can save RMB11.5 in energy consumption per month. This initiative not only reduced school operating costs, but also effectively decreased greenhouse gas emissions. In view of the success of this pilot project, we plan to carry out the “gas-to-electricity conversion” in more schools to promote the green and low-carbon development of our schools.

Green Education

Tianli International Holdings is fully aware of the importance of environmental education to the future development of our country. We conveyed the concept of environmental protection to students through campus teaching, and added the knowledge of environmental protection and sustainable development to the curriculum, so as to cultivate students’ awareness of environmental protection and enhance their cognition of environmental protection. We also enriched extracurricular activities, organized students to carry out environmental protection and public welfare practices, and let the green concept take root among the young generation through continuous education courses and practical exploration.

Green Teaching System: The Company advocates the integration of environmental education into traditional systems, such as the development of a system of division of responsibility for environmental education in schools under the leadership of the principal’s office, and the development of annual environmental education work goals according to the relevant functions of each department. The Company advocates teachers to infuse environmental knowledge among students while teaching according to the characteristics of the subject;

Curriculum Reform: Schools include environmental education as part of its teaching mission in its textbooks and extensive programs each semester, combining curriculum study with environmental awareness so that students will implicitly develop the mindset and habit of caring for the environment;

Activities carried out: The schools’ teaching office and teachers take various forms of environmental protection activities as one of the important contents of students’ moral education. And they use festivals to carry out colorful extracurricular group activities, including speech contests, social practice, volunteer activities and so on. In addition, schools also conduct green education or regular environmental education lectures to build an environmentally conscious campus culture through a variety of methods.

Case: Waste Sorting Activity in the Campus of Ya'an Tianli School

In June 2023, Ya'an Tianli School carried out a waste sorting activity in order to build a green campus. This activity was led by school leaders, which mobilized the participation of all students, teachers and administrative staff. The purpose was to improve the environmental hygiene of the school and establish a long-term waste disposal mechanism.

During the activity, we actively educated students on environmental protection, formulated a waste disposal model of "recycling, separation and centralization (一回收、二分散、三集中)", and encouraged everyone to sort out wastes and put them into appropriate trash bins. At the same time, the school has set up a hygiene team to evaluate the hygiene conditions of each class and region, which enhanced our students' awareness and enthusiasm of environmental protection. This not only optimized the learning and living environment, but also provided a guarantee for the construction of the school's ecological civilization, thus making the concept of building a green school well received and providing valuable experience for the sustainable development of our schools.

Responding to Climate Change

Climate change has become a serious global challenge. Tianli International Holdings actively responded to the national goal of "carbon peaking and carbon neutrality", and took the response to climate change-related risks as an important agenda of the Company's operations. We improved our climate risk management mechanism and formulated practical response plans. Starting from the source of management, we strictly controlled the energy consumption of our schools, supported green commuting, and increased green vegetation coverage. Meanwhile, each school actively reduced carbon emissions through resources recycling or other ways. Tianli International Holdings regarded climate change as a significant issue for the sustainable development of education, and actively implemented the concept of green and low-carbon in the process of operation, and took practical actions to promote the green transformation of education.

In order to ensure the orderly conduct of emergency work in schools when emergencies occur and to exercise the self-rescue ability of the teachers, administrative staff and students in adverse weather conditions, various schools under the Company regularly conducted fire drills, and the teachers, administrative staff and students involved were required to make a summary and reflection of their experience at the end of the activity, so as to continuously improve the emergency plan and ensure adequate preparation for major disasters.

SCHOOL-COMMUNITY COOPERATION

Society is the fertile soil for the growth of schools, and schools are the seeds of social progress. The integration and cooperation of the two are of great significance to the growth of students and social development. We always believe that school-community cooperation is an effective way to achieve high-quality education. We continued to promote system innovation in the concept of running schools and built a new pattern of “education everywhere”. We effectively integrated social resources into the education system to enable students to grow up in an open environment. We worked with families and society to build a mutually beneficial education community, provide a resourceful learning platform, and expanded students’ horizons in life. Simultaneously, we encouraged and organized employees to participate in social welfare undertakings, and worked together with the public to continuously improve people’s livelihood and welfare.

Families and Schools Join Together

Family education and school education complement each other. We continued to optimize the family-school communication mechanism, and actively built a new model of “family-school co-education” in order to better carry out the family-school cooperation, so that the role of parents can be fully played in campus education. Teachers in each school are able to communicate timely with parents through with a parent WeChat group in place, in which our teachers can regularly inform the parents of how their children study and live at school, and the parents can also give feedback on the students’ performance at home at any time. Family-school cooperation is the key to promoting the growth of students. In the process of family-school communication and cooperation, we strove to promote the all-round development of students focusing on the healthy growth of students.

Our schools conducted anonymous questionnaire surveys on all students and parents to fully understand the level of their satisfaction with our schools, and improve the level of education and management of our schools. For high school students, our teachers carried out home visits during the vacation, and accompanied and guided the students’ continuous progress together with their parents according to their personal wishes and family background. For kindergarten pupils, we carried out fun sports games and various parent-child activities based on the family-school service principle of “empathy, consensus and co-education”. At the same time, we actively held activities such as the “Arbor Day”, the “Spring Ball” and the “May Day Activity”, inviting parents to participate in them to cultivate the students’ awareness of environmental protection and collaboration through family-school cooperation.

Enthusiastic in Public Welfare

We are fully aware that it is the responsibility of an enterprise to give back to the society. Over the years, we have actively organized public welfare activities to share the development results with the society. With the strong support from Tianli Love Charity Foundation, we regard public welfare as an important part of our corporate culture. During the Reporting Year, we put more efforts in public welfare in the field of education, carried out various projects such as donation, education assistance and poverty alleviation, and invested a total of RMB222,000 to bring warmth to underprivileged groups. Looking forward to the future, we will adhere to our original aspiration for public welfare, and continue to innovate the participation model of social forces and create a public welfare ecosystem by means of professional and project-oriented operations. We look forward to taking practical actions to promote the development of education and join hands with all walks of life to build a better home.

Case: Tianli International Holdings pioneered a new model of integrating sports and education to assist the development and growth of young football players in Daliang Mountain.

Tianli International Holdings actively implemented the national concept of integrating sports and education. Luzhou Tianli Chunyu School gave full play to its advantages in running a school. With regards to training, it provided advanced facilities and equipment and formulated scientific training programs. In terms of daily life, it provided meticulous care by taking account of students’ cultural habits. In the respect of learning, the teachers provided targeted learning guidance to students based on their aptitude, offering strong support for the growth of athletes from minority areas.

APPENDIX I ESG DATA LIST

ESG Indicator		Unit	2023	2022	2021
A	**Environment**				
A1	**Emissions**				
A1.2	**Greenhouse gas emissions[1] in total and intensity**				
	Direct GHG emissions (scope I)	Ton (CO2 equivalent)	**4,227.51**	2,584.52	8,790.39
	Indirect GHG emissions (scope II)	Ton (CO2 equivalent)	**8,871.92**	6,707.95	21,582.65
	Total GHG emissions	Ton (CO2 equivalent)	**13,099.43**	9,292.47	30,373.04
	GHG intensity	Ton (CO2 equivalent)/ million operating revenue	**5.69**	10.51	33
A1.3	**Hazardous waste generated**				
	Total amount of hazardous wastes	Kilogram	**6,829.08**	2,283.59	5,727.98
	Intensity of hazardous wastes	Kilogram/million operating revenue	**2.97**	2.58	6.20
A1.4	**Non-hazardous waste generated**				
	Total amount of non-hazardous wastes	Ton	**3,627.55**	5,237.91	7,568.68
	Intensity of non-hazardous wastes	Ton/million operating revenue	**1.58**	5.92	8.20
	Daily life garbage	Ton	**2,188.30**	1,232.66	3,883.50
	Kitchen garbage	Ton	**1,439.25**	4,005.26	3,685.19
	Wasted paper	Ton	**/**	/	/
A2	**Use of Resources**				
A2.1	**Total energy consumption and intensity**				
	Total energy consumption[2]	Ton standard coal	**4,449.44**	2,986.81	8,052.90
	Energy consumption intensity	Ton standard coal/million operating revenue	**1.93**	3.38	8.80
	Gasoline consumption	Liter	**76,642.59**	63,139.27	296,865.50
	Diesel consumption	Liter	**13,629.81**	9,027.58	10,188.60
	Natural gas consumption	Cubic meter	**1,838,031.13**	1,115,708.94	3,483,678.70
	Pipeline gas consumption	Cubic meter	**22,424.38**	4,237.16	206,633.00
	Outsourced electricity	kWh	**15,270,087.37**	11,545,527.42	30,678,958.70

1 Note: Direct GHG emissions (scope I) are calculated based on the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of 24 Industries in China issued by the Development and Reform Commission of the State Council, and are calculated based on the consumption of gasoline, diesel, natural gas and pipeline gas, which are the main energy consumption categories in the operation; while indirect GHG emissions (scope II) are calculated based on the Notice on the Key Work of Enterprise Greenhouse Gas Emissions Reporting Management in 2022, which is derived from the conversion of outsourced electricity.

2 Note: The total energy consumption is calculated based on the GBT2589-2020 General Rules for Comprehensive Energy Consumption Calculation.

ESG Indicator		Unit	2023	2022	2021
A2.2	**Water resource consumption and intensity**				
	Water used in offices and life	Ton	**1,088,044.56**	737,375.42	2,090,400.70
	Water use intensity	Ton/million operating revenue	**472.54**	833.78	2,273.70
B	**Society**				
B1	**Employment**				
B1.1	**Number of employees by gender, employment type, age group and geographical region**				
	Total workforce[3]	Person	**5,029**	3,018	8,828
Gender	Male	Person	**1,907**	1,150	2,776
	Female	Person	**3,122**	1,868	6,052
Employee type	Administrative and managerial employees	Person	**191**	407	216
	Teacher	Person	**2,090**	1,124	4,813
	Staff	Person	**2,748**	1,487	3,799
Age	Under 30 years old	Person	**1,627**	646	2,907
	30 to 50 years old	Person	**2,561**	1,733	4,757
	Above 50 years old	Person	**841**	639	1,164
Geographical region	Sichuan Province	Person	**2,900**	1,451	5,610
	Mainland China (excluding Sichuan Province)	Person	**2,118**	1,566	3,217
	Overseas	Person	**11**	1	1
B1.2	**Employee turnover rate by gender, employment type, age group and geographical region**				
	Total employee turnover rate	%	**12.54**	11.03	10.61
Gender	Male employee turnover rate	%	**13.55**	8.70	8.44
	Female employee turnover rate	%	**11.91**	12.47	11.12
Age	Turnover rate of employees aged under 30	%	**13.41**	10.84	8.38
	Turnover rate of employees aged 30 to 50	%	**11.05**	9.92	11.97
	Turnover rate of employees aged above 50	%	**15.22**	14.24	8.51
Geographical region	Turnover rate of employees in Sichuan Province	%	**12.55**	8.89	8.96
	Turnover rate of employees in Mainland China (excluding Sichuan Province)	%	**12.48**	12.84	13.34

3 Note: The number of teaching and administrative staff related to compulsory education is not included in the statistics of the 2022 and 2023 ESG reports as a result of the change in the statistical calibre of the Company's annual report.

ESG Indicator		Unit	2023	2022	2021
	Overseas	%	**21.43**	0	0
B2	**Health and Safety**				
B2.1	**Number of work-related fatalities**				
	Number of work-related fatalities	Person	**0**	0	2
B3	**Development and Training**				
B3.1	**Number of employees trained by gender and employee category**				
	Total number of employees trained[4]	Person	**2,862**	1,358	2,592
Gender	Male	Person	**1,617**	625	1,251
	Female	Person	**1,245**	733	1,341
Employee type	Administrative and managerial employees	Person	**163**	136	216
	Teacher	Person	**1,340**	882	1,684
	Staff	Person	**1,359**	340	692
B3.2	**Training hours completed per employee by gender and employee category**				
	Average training hours	Hour	**28.29**	38.00	34.57
Gender	Male	Hour	**23.29**	30.06	27.35
	Female	Hour	**34.79**	42.89	41.31
Employee type	Managerial and administrative employees	Hour	**87.52**	38.65	50.56
	Teacher	Hour	**30.01**	34.64	22.12
	Staff	Hour	**19.50**	40.36	36.72
B5	**Supply Chain Management**				
B5.1	**Number of suppliers by geographical region**				
	Number of suppliers in Sichuan Province	Supplier	**136**	332	484
	Number of suppliers in Mainland China (excluding Sichuan Province but including Hong Kong, Macao and Taiwan)	Supplier	**145**	159	191
	Number of overseas suppliers	Supplier	**0**	12	3

4 Note: The number of teaching and administrative staff related to compulsory education is not included in the statistics of the 2022 and 2023 ESG reports as a result of the change in the statistical calibre of the Company's annual report.

ESG Indicator		Unit	2023	2022	2021
B6	**Product Liability**				
B6.2	**Number of product and service-related complaints received**				
	Handling rate of service-related complaints	%	**100**	100	100
B7	**Anti-corruption**				
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period**				
	Number of proposed or concluded corruption litigation cases	Case	**0**	0	0
B8	**Community Investment**				
B8.2	**Resources contributed to the focus area**				
	Charitable donations	Ten thousand	**22.2**	26	80

APPENDIX II ESG KPI INDEX

ESG KPI	Guide Requirements	Reporting Chapter/Statement
A. Environment		
A1: Emissions	General disclosure Information relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Sustainable Development – Protecting the Environment
A1.1	The types of emissions and respective emissions data.	Sustainable Development – Protecting the Environment
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and (where appropriate) intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A1.3	Total hazardous waste produced (in tonnes) and (where appropriate) intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A1.4	Total non-hazardous waste produced (in tonnes) and (where appropriate) intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A1.5	Description of emission target (s) set and steps taken to achieve them.	Sustainable Development – Protecting the Environment
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Sustainable Development – Protecting the Environment
A2: Use of Resources	General disclosure Policies on the efficient use of resources (including energy, water, and other raw materials).	Sustainable Development – Protecting the Environment
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A2.3	Description of energy use efficiency target(s) and steps taken to achieve them.	Sustainable Development – Protecting the Environment
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Sustainable Development – Protecting the Environment This is no such issue in sourcing water that is fit for purpose during the Company's operation.
A2.5	Total packaging materials used for finished products (in tonnes) and (if applicable) with reference to per unit produced.	Not applicable. The Company does not produce actual finished products during its operation.

ESG KPI	Guide Requirements	Reporting Chapter/Statement
A3: Environment and Natural Resources	General disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Sustainable Development – Protecting the Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Sustainable Development – Protecting the Environment
A4: Climate Change	General disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Sustainable Development – Protecting the Environment
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Sustainable Development – Protecting the Environment
B. Social		
B1: Employment	General disclosure Information relating to remuneration, dismissal, recruitment, promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Teachers Happiness – Open Development Road
B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	Appendix I ESG Data List
B1.2	Employee turnover rate by gender, age group and geographical region.	Teachers Happiness – Appendix I ESG Data List
B2: Safety and Health	General disclosure Information relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Teachers Happiness – Open Development Road Student-oriented Approach – Ensuring Campus Safety
B2.1	Number and rate of work-related fatalities in each of the past three years (including the reporting year).	Appendix I ESG Data List
B2.2	Lost days due to work injury.	/
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Teachers Happiness – Open Development Road Student-oriented Approach – Ensuring Campus Safety

ESG KPI	Guide Requirements	Reporting Chapter/Statement
B3: Development and Training	General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Teachers Happiness – Open Development Road Teachers Happiness – Focus on Talent Cultivation
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I ESG Data List
B3.2	The average training hours completed per employee by gender and employee category.	Appendix I ESG Data List
B4: Labor Standards	General disclosure Information relating to preventing child labor and forced labor: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Teachers Happiness – Open Development Road
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Teachers Happiness – Open Development Road
B4.2	Description of steps taken to eliminate such practices when discovered.	Teachers Happiness – Open Development Road
B5: Supply Chain Management	General disclosure Policies on managing environmental and social risks of the supply chain.	Sustainable Development – Ensuring Operation Compliance
B5.1	Number of suppliers by geographical region.	Appendix I ESG Data List
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance

ESG KPI	Guide Requirements	Reporting Chapter/Statement
B6: Product Liability	General disclosure Information relating to health and safety, advertising, labeling, and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Student-oriented Approach
B6.1	Percentage of total products sold or shipped subjects to recalls for safety and health reasons.	Not applicable. The Company does not involve product quality assurances and recalls during its operation.
B6.2	Number of products and service-related complaints received and how they are dealt with.	School-Community Cooperation – Families and Schools Join Together Appendix I ESG Data List
B6.3	Description of practices relating to maintaining and protecting intellectual property rights.	Sustainable Development – Ensuring Operation Compliance
B6.4	Description of quality assurance process and recall procedures.	Not applicable. The Company does not involve product quality assurances and recalls during its operation.
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance
B7: Anti-corruption	General disclosure Information relating to bribery, extortion, fraud and money laundry: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Sustainable Development – Ensuring Operation Compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Sustainable Development – Ensuring Operation Compliance Appendix I ESG Data List
B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance
B7.3	Description of anti-corruption training provided to directors and staff.	Sustainable Development – Ensuring Operation Compliance
B8: Community Investment	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	School-Community Cooperation – Enthusiastic in Public Welfare
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	School-Community Cooperation – Enthusiastic in Public Welfare
B8.2	Resources contributed (e.g. money or time) to the focus area.	School-Community Cooperation – Enthusiastic in Public Welfare Appendix I ESG Data List

Definitions

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

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AGM"	annual general meeting
"Articles" or "Articles of Association"	the articles of association of the Company adopted on 24 June 2018, and as amended from time to time
"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
"BVI"	the British Virgin Islands
"Company" or "Tianli International Holdings"	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
"Controlling Shareholder(s)"	has the meaning given to it under the Listing Rules
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"ESG"	Environmental, Social and Governance
"Foreign Investment Law"	Foreign Investment Law of the PRC (中華人民共和國外商投資法)
"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
"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
"Nanyuan Construction"	Sichuan Nanyuan Construction Co., Ltd. (四川南苑建設有限公司), a limited liability company established in the PRC on 30 June 2000 and is wholly-owned by Tianli Holding, a connected person (as defined in the Listing Rules) of the Company, it was formerly known as Luzhou Nanyuan Construction Engineering Co., Ltd. (瀘州市南苑建築工程有限公司)

Definitions (Continued)

"Nomination Committee"	a committee of the Board established by the Board to assist, identify, screen and recommend to the Board appropriate candidates to serve as Directors of the Company, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company
"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
"PRC Operating Entities"	the schools and entities which we control through the contractual arrangements
"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
"Qualification Requirement"	The relevant qualification and high quality of education held by a foreign investor of Sino-foreign joint venture private school for PRC students under the Sino-Foreign Regulations
"Remuneration Committee"	a committee of the Board established by the Board to assist the Board to develop and administer a formal and transparent procedure for setting policy on executive Directors' remuneration and all Directors' and senior management's remuneration packages
"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

Definitions (Continued)

"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"/"SEHK"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the School Sponsors' and Directors' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney, the Spouse Undertakings, the Equity Pledge Agreements, and the Loan Agreement, and any subsequent amendments and supplements to such agreements, further details of which are set out in "Structured Contracts" in the Prospectus
"Tianli Education"	Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), a limited liability company established in the PRC on 19 April 2013 and our principal operating subsidiary, it was formerly known as Sichuan Shenzhou Tianli Education Investment Co., Ltd. (四川神州天立教育投資有限公司)
"Tianli Holding"	Shenzhou Tianli Holdings Group Limited (神州天立控股集團有限公司), formerly Shenzhou Tianli Investment Group Limited (神州天立投資集團有限公司), a limited liability company established in the PRC on 13 April 2006
"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)