



# 2018

Interim Report



天立教育国际控股有限公司  
Tianli Education International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 1773

## Contents

	<i>Page</i>
Corporate Information	2
Financial Highlights	3
Report on Review of Interim Condensed Financial Information	4
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Interim Consolidated Statement of Financial Position	6
Interim Consolidated Statement of Changes in Equity	8
Interim Consolidated Statement of Cash Flows	9
Notes to Interim Condensed Financial Information	11
Management Discussion and Analysis	31
Other Information	47

## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Luo Shi (*Chairman*)  
Ms. Yang Zhaotao  
Mr. Wang Rui

#### Non-executive Director

Mr. Tian Mu

#### 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. Luo Shi  
Mr. Yang Dong

#### Nomination Committee

Mr. Cheng Yiqun (*Chairman*)  
Mr. Wang Rui  
Mr. Liu Kai Yu Kenneth

### AUDITOR

Ernst & Young  
Certified Public Accountants  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, 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  
Mr. Wong Yu Kit

### AUTHORISED REPRESENTATIVES

Mr. Wang Rui  
Mr. Wong Yu Kit

### COMPLIANCE ADVISER

Red Solar Capital Limited  
11th Floor, Kwong Fat Hong Building  
1 Rumsey Street  
Sheung Wan  
Hong Kong

### REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 309, Umland House  
Grand Cayman, KY1-1104  
Cayman Islands

### HEADQUARTER IN THE PRC

Tower T25  
Qinyang Industrial Zone  
Chengdu  
Sichuan Province  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL BANKS

Industrial and Commercial Bank of China  
Agricultural Bank of China  
Baoshang Bank

### STOCK CODE

1773

### COMPANY WEBSITE

[www.sztljyjt.com](http://www.sztljyjt.com)

## Financial Highlights

	For the six months ended 30 June			Percentage Change
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	Change RMB'000	
Revenue	<b>308,504</b>	229,280	+79,224	+34.6%
Gross Profit	<b>155,363</b>	107,018	+48,345	+45.2%
Profit for the period	<b>107,349</b>	79,496	+27,853	+35.0%
Adjusted Net Profit (Note)	<b>116,341</b>	81,161	+35,180	+43.3%
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>				
	<b>RMB</b>	RMB	RMB	
Basic and diluted	<b>6.93 cents</b>	5.12 cents	+1.81 cents	+35.4%

Note: The Company defined its adjusted net profit as its profit for the period after adjusting for those items which were not indicative of the Company's operating performances, mainly including the listing expense recorded in Administrative Expenses amounted to RMB9.0 million and RMB1.7 million for the six months ended 30 June 2018 and the six months ended 30 June 2017, respectively.

# Report on Review of Interim Condensed Financial Information

To the board of directors of Tianli Education International Holdings Limited

*(Incorporated in Cayman Islands with limited liability)*

## Introduction

We have reviewed the interim condensed financial information set out on pages 5 to 30, which comprises the consolidated statement of financial position of Tianli Education International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2018 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young  
Certified Public Accountants  
Hong Kong

29 August 2018

## Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Revenue</b>	3	<b>308,504</b>	229,280
Cost of sales		(153,141)	(122,262)
<b>Gross profit</b>		<b>155,363</b>	107,018
Other income and gains	3	6,381	3,142
Selling and distribution expenses		(5,882)	(4,664)
Administrative expenses		(36,688)	(23,402)
Other expenses		(733)	(423)
Interest expenses	4	(10,917)	(2,417)
Share of profit of an associate		1,260	845
<b>Profit before tax</b>	5	<b>108,784</b>	80,099
Income tax expense	6	(1,435)	(603)
<b>Profit for the period</b>		<b>107,349</b>	79,496
<b>Other comprehensive income for the period</b>		<b>–</b>	–
<b>Total comprehensive income for the period</b>		<b>107,349</b>	79,496
Profit and total comprehensive income attributable to:			
Owners of the Company		103,904	76,564
Non-controlling interests		3,445	2,932
		<b>107,349</b>	79,496
<b>Earnings per share attributable to ordinary equity holders of the Company</b>			
Basic and diluted	7	<b>RMB6.93 cents</b>	RMB5.12 cents

## Interim Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	1,484,632	1,296,309
Prepaid land lease payments	8	203,996	206,283
Goodwill	9	7,572	7,572
Intangible assets		–	9
Investment in an associate		5,146	3,886
Prepayments, deposits and other receivables	10	162,643	3,265
<b>Total non-current assets</b>		<b>1,863,989</b>	<b>1,517,324</b>
<b>Current assets</b>			
Inventories		3,642	3,613
Trade receivables	11	919	903
Prepayments, deposits and other receivables	10	45,240	22,216
Amounts due from related parties	22(b)	8,238	6,275
Financial assets at fair value through profit or loss/ Available-for-sale investments	12	13,050	14,240
Pledged deposits		27,855	27,855
Cash and cash equivalents		331,570	313,539
<b>Total current assets</b>		<b>430,514</b>	<b>388,641</b>
<b>Current liabilities</b>			
Trade and bills payables	13	19,340	16,191
Other payables and accruals	14	177,029	166,524
Contract liabilities/Deferred revenue	15	439,417	242,092
Interest-bearing bank loans	17	154,534	137,300
Amounts due to related parties	22(b)	55,781	31,723
Tax payable		3,470	2,899
Deferred income	16	30,556	57,241
<b>Total current liabilities</b>		<b>880,127</b>	<b>653,970</b>

Continued/...

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<b>Net current liabilities</b>	2.1	<b>(449,613)</b>	(265,329)
<b>Total assets less current liabilities</b>		<b>1,414,376</b>	1,251,995
<b>Non-current liabilities</b>			
Contract liabilities/Deferred revenue	15	53,349	54,474
Deferred income	16	37,269	35,903
Interest-bearing bank loans	17	377,060	325,000
Total non-current liabilities		467,678	415,377
Net assets		946,698	836,618
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	18	308	–
Reserves		916,244	812,340
Non-controlling interests		916,552	812,340
		30,146	24,278
Total equity		946,698	836,618



## Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company							Total equity RMB'000 (Unaudited)
	Issued capital RMB'000 (Unaudited) (note 18)	Capital reserve RMB'000 (Unaudited)	Difference arising from acquisition of non-controlling interests RMB'000 (Unaudited)	Statutory surplus reserves RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	
As at 1 January 2018	-	563,558*	(824)*	51,989*	197,617*	812,340	24,278	836,618
Profit and total comprehensive income for the period	-	-	-	-	103,904	103,904	3,445	107,349
Transfer from retained profits	-	-	-	14,635	(14,635)	-	-	-
Issue of shares	308	-	-	-	-	308	-	308
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	2,423	2,423
As at 30 June 2018	308	563,558*	(824)*	66,624*	286,886*	916,552	30,146	946,698
As at 1 January 2017	-	421,289	(824)	26,664	91,724	538,853	18,047	556,900
Profit and total comprehensive income for the period	-	-	-	-	76,564	76,564	2,932	79,496
Transfer from retained profits	-	-	-	15,157	(15,157)	-	-	-
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	653	653
As at 30 June 2017	-	421,289	(824)	41,821	153,131	615,417	21,632	637,049

\* These reserve accounts comprise the reserves of RMB916,244,000 (31 December 2017: RMB812,340,000) in the consolidated statement of financial position.

## Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before tax		108,784	80,099
Adjustments for:			
Depreciation	5	22,001	15,593
Recognition of prepaid land lease payments	5	2,287	2,081
Amortisation of intangible assets	5	9	18
Share of profit of an associate		(1,260)	(845)
Gain on disposal of financial assets at fair value through profit or loss/available-for-sale investments	5	(1,672)	(135)
Interest income	5	(2,017)	(347)
Deferred income released to profit or loss	16	(40,784)	(29,739)
Interest expenses	4	10,917	2,417
		98,265	69,142
Increase in inventories		(29)	(141)
Increase in trade receivables		(16)	(548)
Increase in prepayments, deposits and other receivables		(17,289)	(22,333)
Decrease/(increase) in amounts due from related parties		(8,479)	8,229
Increase/(decrease) in trade and bills payables		3,148	(466)
Increase in contract liabilities/deferred revenue		196,200	156,796
Receipt of government grants		465	44,187
Increase in other payables and accruals		14,543	19,150
Cash generated from operations		286,808	274,016
Income tax paid		(863)	(508)
Net cash flows from operating activities		285,945	273,508

Continued/...

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Cash flows from investing activities</b>		
Purchases of items of property, plant and equipment	(185,586)	(170,655)
Prepaid land lease payments	(140,722)	(19,341)
Proceeds from disposal of items of property, plant and equipment	–	113
Purchase of financial assets at fair value through profit or loss/ available-for-sale investments	(517,580)	(96,800)
Proceeds from disposal of financial assets at fair value through profit or loss/available-for-sale investments	518,770	141,040
Interest received	3,689	482
<b>Net cash flows used in investing activities</b>	<b>(321,429)</b>	<b>(145,161)</b>
<b>Cash flows from financing activities</b>		
Capital contribution from the non-controlling shareholders	2,423	653
Proceeds from bank loans	91,566	13,000
Repayment of bank loans	(22,272)	(42,800)
Interest paid	(18,202)	(15,908)
<b>Net cash flows from/(used in) financing activities</b>	<b>53,515</b>	<b>(45,055)</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,031</b>	<b>83,292</b>
Cash and cash equivalents at beginning of period	313,539	325,651
<b>Cash and cash equivalents at end of period</b>	<b>331,570</b>	<b>408,943</b>

# Notes to Interim Condensed Financial Information

30 June 2018

## 1. CORPORATE INFORMATION

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 PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. During the period ended 30 June 2018 (the “**Period**”), the principal place of business of the Company is located at 18/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong and has been changed to 40th Floor, Sunlight Tower, No. 248 Queen’s Road East, Wanchai, Hong Kong with effect from 29 August 2018.

During the Period, the Group were principally engaged in the provision of education and related management 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 Period.

In the opinion of 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. The ultimate controlling shareholder of the Company is Mr. Luo Shi (“**Mr. Luo**”).

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 July 2018 (the “**Listing Date**”).

## 2.1 BASIS OF PRESENTATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements (“**Historical Financial Information**”) included in the Accountants’ Report set forth in Appendix I to the Company’s prospectus dated 28 June 2018 (the “**Prospectus**”).

### Going concern

The Group recorded net current liabilities of RMB449,613,000 (31 December 2017: RMB265,329,000) as at 30 June 2018. After excluding the current portion of contract liabilities and deferred income, the Group’s net current assets in total amounted to RMB20,360,000 (31 December 2017: After excluding the current portion of deferred revenue and deferred income, the Group’s net current assets in total amounted to RMB34,004,000) as at 30 June 2018.

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. In addition, as disclosed in notes 24(b)&(c), the Company received net proceeds amounting to RMB1,093,130,000 and RMB166,975,000 from the initial public offering of the Company’s shares on the Listing Date and over-allotment exercise on 25 July 2018, respectively. Having considered the cash flows from operations and the positive operating results, the Directors are of the opinion the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the interim condensed financial information of the Group for the six months ended 30 June 2018 on a going concern basis.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's Historical Financial Information that contained in Appendix I to the Prospectus, except for the adoption of the following new standards, interpretation and amendments to a number of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board for the first time for the financial year beginning 1 January 2018.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to IFRS 1 and IAS 28

The adoption of these new standards, interpretation and amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group except for the adoption of IFRS 9 and IFRS 15, as explained below.

The Group applies, for the first time, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* using the modified retrospective method for adoption. For the adoption of IFRS 9, the Group has not restated comparative information and has not recognised any transition adjustments against the opening balance of equity at 1 January 2018. For the adoption of IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

### **IFRS 15 Revenue from Contracts with Customers**

The Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised. However, as the presentation and disclosure requirements in IFRS 15 are more detailed than those under IAS 18, as required for the interim condensed financial information, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. In addition, upon adoption of IFRS 15 since 1 January 2018, the Group recognised revenue-related contracts liabilities for the unsatisfied performance obligation which were previously recognised as deferred revenue.

### **IFRS 9 Financial Instruments**

The Group has performed an assessment and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised. In addition, for equity investments previously held as available for sale measured at fair value with unrealised gains or losses recognised through other comprehensive income, the Group applied the option to present fair value changes in profit or loss upon the adoption of IFRS 9 since 1 January 2018.

### 3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the values of services rendered after deducting scholarships and refunds during the Period and six months ended 30 June 2017.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Revenue</b>		
Tuition fees	215,860	159,445
Boarding fees	29,757	22,870
School canteen operations	61,891	46,410
Management and franchise fees	996	555
<b>Total revenue</b>	<b>308,504</b>	<b>229,280</b>
<b>Other income and gains</b>		
Bank interest income	2,017	347
Other service income	2,003	2,015
Gain on disposal of: financial assets at fair value through profit or loss/available-for-sale investments	1,672	135
Rental income	420	388
Others	269	257
<b>Total other income and gains</b>	<b>6,381</b>	<b>3,142</b>

### 4. INTEREST EXPENSES

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

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on bank loans	18,171	14,431
Less: Interest capitalised (note 8(a))	(7,254)	(12,014)
	10,917	2,417
Interest rate of borrowing costs capitalised	7.00%	8.01%

## 5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold		33,631	25,985
Cost of services provided		119,510	96,277
		<b>153,141</b>	122,262
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		114,206	91,925
Pension scheme contributions (defined contribution scheme)		15,405	12,867
Welfare		9,858	7,327
Housing fund (defined contribution scheme)		5,728	4,258
Less: Government grants released	16	(40,784)	(29,739)
Subsidies received		(1,767)	(4,423)
		<b>102,646</b>	82,215
Depreciation	8	22,001	15,593
Recognition of prepaid land lease payments*	8	2,287	2,081
Amortisation of intangible assets		9	18
Minimum lease payments under operating leases		708	571
Bank interest income		(2,017)	(347)
Listing expenses		8,992	1,665
Gain on disposal of: financial assets at fair value through profit or loss/available-for-sale investments		(1,672)	(135)
Rental income		(420)	(388)

\* The recognition of prepaid land lease payments during the Period and the six months ended 30 June 2017 was recorded in "Cost of sales" in profit or loss.

## 6. INCOME TAX EXPENSE

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Period and six months ended 30 June 2017:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current – Mainland China Charge for the period	1,435	603

Notes:

- Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in Cayman Islands and British Virgin Islands.
- No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period and the six months ended 30 June 2017.
- Pursuant to the PRC Income Tax Law and the respective regulations, all of the Group's non-school subsidiaries that provide non-academic educational services established in the PRC were subject to the PRC Corporate Income Tax of 25% during the Period and the six months ended 30 June 2017.

During the Period and the six months ended 30 June 2017, in accordance with the historical tax returns filed with the relevant tax authorities and the confirmations obtained therefrom, except for the tutoring schools and certain kindergartens, there was no corporate income tax imposed on the Group's schools in respect of the education services provided since their establishment.

Based on the confirmations from the in-charge local tax bureau and the local office of State Administration of Taxation of the PRC operating entities, there was no corporate income tax imposed on the income from provision of formal educational services. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the Period and the six months ended 30 June 2017.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the Company for six months ended 30 June 2018 of RMB103,904,000 (six months ended 30 June 2017: RMB76,564,000), and the number of shares assumed to be issued and issuable of 1,499,472,222, comprising weighted average number of 3,272,222 ordinary shares issued during the Period and 1,496,200,000 ordinary shares to be issued pursuant to the capitalisation issue after the reporting period (note 24(a)) (Six months ended 30 June 2017: 1,496,200,000 ordinary shares, which were deemed to have been issued by way of capitalisation throughout the six months ended 30 June 2017).

No adjustment has been made to the basic earnings per share amounts presented for the Period and the six months ended 30 June 2017 in respect of a dilution as the Group had no potential dilutive ordinary share in issue during the Period and the six months ended 30 June 2017.



## 8. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment and prepaid land lease payments during the Period are as follows:

	Property, plant and equipment RMB'000 (Unaudited) (note a)	Prepaid land lease payments RMB'000 (Unaudited)
Carrying amounts at 1 January 2018	1,296,309	210,923
Additions	210,324	–
Depreciation/amortisation charged for the Period (note 5)	(22,001)	(2,287)
Carrying amounts at 30 June 2018	1,484,632	208,636
Less: Current portion included in prepayments, deposits and other receivables (note 10)		(4,640)
Non-current portion		203,996

Note:

- (a) As at 30 June 2018, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with a net carrying amount of approximately RMB925,091,000 (31 December 2017: RMB931,516,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.

Interest expenses capitalised as part of property, plant and equipment by the Group during the Period amounted to RMB7,254,000 (six months ended 30 June 2017: RMB12,014,000) (note 4).

## 9. GOODWILL

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, the management did not identify any significant adverse changes in the operating results and macro environment in the six months ended 30 June 2018, and the Company's management has concluded there was no impairment indicator of goodwill as at 30 June 2018. Accordingly, the Company's management did not perform impairment testing on goodwill as at 30 June 2018.

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<i>Current portion:</i>		
Prepayments	5,919	2,495
Other deposits	5,182	6,041
Advance to third parties	2,704	2,021
Advances to staff	3,304	3,686
Deferred listing expenses	4,342	2,348
Prepaid land lease payments to be amortised within one year (note 8)	4,640	4,640
Government grant receivable	15,000	–
Receivables from the issue of shares	308	–
Other receivables	3,841	985
	<b>45,240</b>	22,216
<i>Non-current portion:</i>		
Prepayment for property, plant and equipment	12,354	3,265
Security deposit*	9,567	–
Prepayment for the purchase of land use rights	140,722	–
	<b>162,643</b>	3,265
<b>Total</b>	<b>207,883</b>	25,481

\* The amount represents the refundable deposit made by Yibin Cuiping District Tianli School (“Yibin Tianli School”) amounting to RMB9,567,000 which has been pledged for a long-term bank loan of RMB28,195,000 as at 30 June 2018 (note 17(a)).

The above amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 11. TRADE RECEIVABLES

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Tutoring fees receivable	<b>919</b>	903

Trade receivables represented amounts due from certain of the Group's schools students. 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 were aged within 3 months based on the transaction date 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.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENT

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Wealth management products issued by licensed banks, at fair value	<b>13,050</b>	14,240

The above wealth management products have maturity within 28 days and coupon rates ranging from 1.0% to 4.3% per annum.

## 13. TRADE AND BILLS PAYABLES

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Within 3 months	<b>19,028</b>	8,510
Over 3 months and within 6 months	<b>298</b>	7,667
Over 6 months	<b>14</b>	14
	<b>19,340</b>	16,191

The trade payables are non-interest-bearing and are normally settled on 30-day terms. As at 30 June 2018, the bills payable amounting to RMB10,000,000 had a maturity period of 47 days and were secured by the pledged bank deposits (31 December 2017: RMB7,400,000).

#### 14. OTHER PAYABLES AND ACCRUALS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Payables for purchase of property, plant and equipment	50,498	54,500
Miscellaneous advances from students*	53,239	29,577
Accrued bonuses and other employee benefits	57,589	67,374
Deposits	7,645	6,843
Interest payable	199	230
Other payables and accrued expenses	7,859	8,000
	<b>177,029</b>	166,524

\* Balances mainly represented miscellaneous advances received from students for purchasing of uniforms and textbooks on their behalf.

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

#### 15. CONTRACT LIABILITIES/DEFERRED REVENUE

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Tuition fees	458,089	277,935
Boarding fees	16,075	7,245
Canteen operation fees	15,650	10,913
Others	2,952	473
	<b>492,766</b>	296,566
Current portion	439,417	242,092
Non-current portion (note)	53,349	54,474
	<b>492,766</b>	296,566

Note: The amounts represent tuition fees received in advance from Xichang City Government as consideration to enrol a certain number of students designated by Xichang City Government within 30 years since the operation of Xichang Tianli International School ("Xichang Tianli School").

## 15. CONTRACT LIABILITIES/DEFERRED REVENUE (CONTINUED)

Changes in contract liabilities during the Period are as follows:

	For the six months ended 30 June 2018 RMB'000 (Unaudited)
At the beginning of the Period (previously recorded under deferred revenue)	296,566
Revenue recognised that was included in the contract liabilities at the beginning of the Period	(243,217)
Increase due to cash received, excluding amounts recognised as revenue during the Period	439,417
At the end of the Period	492,766

There were no contract assets at 30 June 2018 recognised in the consolidated statement of financial position.

## 16. DEFERRED INCOME

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<i>Government grants related to expense items</i>		
At the beginning of period/year	93,144	83,047
Government grants received	15,465	80,407
Released to profit or loss (note 5)	(40,784)	(70,310)
At the end of period/year	67,825	93,144
Current	30,556	57,241
Non-current	37,269	35,903
Total	67,825	93,144

Various government grants have been 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.

## 17. INTEREST-BEARING BANK LOANS

	30 June 2018 (Unaudited)			31 December 2017		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	5.22	2018	100,000	5.22	2018	100,000
Current portion of long-term bank loans – secured	4.75-9.00	2018	54,534	6.65-9.00	2018	37,300
			<b>154,534</b>			<b>137,300</b>
<b>Non-current</b>						
Bank loans – secured	4.75-9.00	2019-2023	377,060	6.65-9.00	2019-2021	325,000
			<b>531,594</b>			<b>462,300</b>
Bank loans repayable:						
Within one year			154,534			137,300
In the second year			103,200			96,000
In the third to fifth years, inclusive			273,860			229,000
			<b>531,594</b>			<b>462,300</b>

All of the Group's bank loans are denominated in RMB.

Notes:

The Group's bank loans are secured by:

- (a) Mortgages over the following assets:

*The Group's assets:*

- (i) time deposits of Shenzhou Tianli Education Investment Company Limited (“**Tianli Education**”) amounting to RMB15,000,000 have been pledged for a bank loan of RMB100,000,000 as at 30 June 2018 and 31 December 2017; and
- (ii) security deposit of Yibin Tianli School amounting to RMB9,567,000 which has been pledged for a bank loan of RMB28,195,000 as at 30 June 2018.

*Related parties' assets (note 22(c)(4)):*

- (i) the land owned by Guangyuan Tianjiao Property Development Co., Ltd. (“**Guangyuan Tianjiao**”) has been pledged to secure the Group's bank loans of RMB83,400,000 and RMB94,300,000 as at 30 June 2018 and 31 December 2017, respectively; and
- (ii) the building owned by Yibin Tianrui Real Estate Development Co., Ltd. (“**Yibin Tianrui**”) has been pledged to secure the Group's bank loans of RMB100,000,000 as at 30 June 2018 and 31 December 2017.

## 17. INTEREST-BEARING BANK LOANS (CONTINUED)

Notes: (Continued)

- (b) Pledges of equity interests in the following subsidiaries of the Group:
- (i) 54.625% equity interest in Tianli Education has been pledged for bank loans of RMB90,000,000 and RMB100,000,000 as at 30 June 2018 and 31 December 2017, respectively;
  - (ii) 100% equity interest in Yibin Shenzhou Tianli Education Development Limited has been pledged for a bank loan of RMB100,000,000 as at 30 June 2018 and 31 December 2017;
  - (iii) 100% equity interest in Neijiang Shenzhou Tianli Education Development Limited and 100% sponsor right of Neijiang Tianli (International) School (“**Neijiang Tianli School**”) have been pledged for bank loans of RMB83,400,000 and RMB94,300,000 as at 30 June 2018 and 31 December 2017, respectively;
  - (iv) 100% equity interest in Xichang Shenzhou Tianli Education Development Limited has been pledged for bank loans of RMB90,000,000 and RMB100,000,000 as at 30 June 2018 and 31 December 2017, respectively; and
  - (v) 100% equity interest in Ya’an Shenzhou Tianli Education Development Limited has been pledged for a bank loan of RMB100,000,000 as at 30 June 2018 and 31 December 2017.
- (c) Rights over tuition or boarding fees of the following schools:
- (i) Rights over tuition fees of Guangyuan Tianli International School have been pledged for bank loans of RMB85,000,000 as at 31 December 2017;
  - (ii) Rights over boarding fees of Yibin Tianli School have been pledged for a bank loan of RMB100,000,000 as at 30 June 2018 and 31 December 2017;
  - (iii) Rights over tuition and boarding fees of Neijiang Tianli School have been pledged for bank loans of RMB83,400,000 and RMB94,300,000 as at 30 June 2018 and 31 December 2017, respectively;
  - (iv) Rights over tuition fees of Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School have been pledged for aggregate bank loans of RMB130,000,000 and RMB68,000,000 as at 30 June 2018 and 31 December 2017, respectively;
  - (v) Rights over tuition fees of Xichang Tianli School have been pledged for bank loans of RMB90,000,000 and RMB100,000,000 as at 30 June 2018 and 31 December 2017, respectively; and
  - (vi) Rights over tuition fees of Ya’an Tianli School have been pledged for bank loans of RMB100,000,000 as at 30 June 2018 and 31 December 2017.
- (d) In addition, the following related parties have guaranteed certain of the Group’s bank loans, details of which are as follows (note 22(c)(4)):
- (i) Shenzhou Tianli Investment Group Company Limited (“**Tianli Holding**”) has guaranteed the Group’s bank loans of RMB373,400,000 and RMB394,300,000 as at 30 June 2018 and 31 December 2017, respectively; and
  - (ii) Mr. Luo has guaranteed the Group’s bank loans of RMB273,400,000 and RMB294,300,000 as at 30 June 2018 and 31 December 2017, respectively.

## 18. SHARE CAPITAL

### Shares

	<b>30 June 2018 HK\$ (Unaudited)</b>	31 December 2017 HK\$
<b>Authorised:</b>		
2,000,000,000 (31 December 2017: 3,800,000) ordinary shares of HK\$0.1 each (note (a))	<b>200,000,000</b>	380,000
<b>Issued and fully paid:</b>		
1 (31 December 2017: 1) ordinary share of HK\$0.1	<b>0.10</b>	0.10
<b>Issued but not fully paid:</b>		
3,799,999 (31 December 2017: nil) ordinary shares of HK\$0.1 each (note (b))	<b>379,999.90</b>	–
	<b>380,000.00</b>	0.10
Equivalent to approximately (in RMB)	<b>RMB308,000</b>	RMB0.10

#### Notes:

- (a) Pursuant to the resolutions passed by the shareholders of the Company on 24 June 2018, the authorised capital of the Company increased from HK\$380,000 divided into 3,800,000 shares of par value of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 shares of par value of HK\$0.1 each.
- (b) On 26 January 2018, the Company issued a total number of 3,799,999 shares at par value of HK\$0.1 each.

## 19. DIVIDEND

At the meeting of the Directors held on 29 August 2018, the Directors resolved not pay an interim dividend for the Period (six months ended 30 June 2017: nil).



## 20. OPERATING LEASE COMMITMENTS

### (a) As lessor

The Group leased its buildings under operating lease arrangements, with leases negotiated for terms ranging from one to five years. 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.

As at 30 June 2018 and 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Within one year	650	767
After one year but within five years	1,430	1,430
	<b>2,080</b>	2,197

### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties and office equipment are negotiated for original terms ranging from 6 months to 20 years.

As at 30 June 2018 and 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000
Within one year	3,560	2,911
After one year but within five years	6,966	8,062
After five years	7,250	7,852
	<b>17,776</b>	18,825

## 21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital commitments as at 30 June 2018 and 31 December 2017:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Contracted but not provided for:		
Property, plant and equipment	134,582	111,094

## 22. RELATED PARTY TRANSACTIONS AND BALANCES

The Directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Period.

### (a) Name and relationships of related parties

Name	Relationships
Mr. Luo	Ultimate controlling shareholder of the Company
Tianli Holding Shengzhong Industry Co., Ltd. (" <b>Gulin Shengzhong</b> ")	A company controlled by Mr. Luo
Luzhou Nanyuan Construction Engineering Co., Ltd. (" <b>Nanyuan Construction</b> ")	A company controlled by Mr. Luo
Sichuan Jinchen Construction Engineering Co., Ltd. (" <b>Sichuan Jinchen</b> ")	A company controlled by Mr. Luo
Sichuan Shenzhou Tianyu Technology Co., Ltd. (" <b>Shenzhou Tianyu</b> ")	A company controlled by Mr. Luo
Sichuan Shengzhong Energy Saving Technology Co., Ltd. (" <b>Sichuan Shengzhong</b> ")	A company controlled by Mr. Luo
Sichuan Tianli Real Estate Development Co., Ltd. (" <b>Tianli Real Estate</b> ")	A company controlled by Mr. Luo
Sichuan Tianyu Zhiyuan Technology Co., Ltd. (" <b>Sichuan Tianyu Zhiyuan</b> ")	A company controlled by Mr. Luo
Yibin Tianrui	A company controlled by Mr. Luo
Guangyuan Tianjiao	A company controlled by Mr. Luo
Luzhou Tianli Property Management Co., Ltd. (" <b>Luzhou Tianli Property</b> ")	A company controlled by Mr. Luo
Affiliated Kindergarten of Luzhou Tianli School (" <b>Luzhou Tianli Kindergarten</b> ")	An associate of the Company

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

## 22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (b) Outstanding balances with related parties

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<b>Amounts due from related parties</b>			
<b><u>Trade in nature</u></b>			
Luzhou Tianli Kindergarten	(i)	583	580
<b><u>Non-trade in nature</u></b>			
Nanyuan Construction		7,655	–
Luzhou Tianli Property		–	20
Luzhou Tianli Kindergarten	(i)	–	4,665
Sichuan Jinchen		–	584
Shenzhou Tianyu		–	426
		7,655	5,695
Total		8,238	6,275
<b>Due to related parties</b>			
<b><u>Trade in nature</u></b>			
Gulin Shengzhong		128	–
<b><u>Non-trade in nature</u></b>			
Nanyuan Construction		55,653	23,489
Sichuan Jinchen		–	5,694
Shenzhou Tianyu		–	1,116
Sichuan Shengzhong		–	584
Sichuan Tianyu Zhiyuan		–	840
		55,653	31,723
Total		55,781	31,723

## 22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (b) Outstanding balances with related parties (Continued)

Notes:

- (i) The trade in nature balance due from Luzhou Tianli Kindergarten represented management fees receivable for the provision of kindergarten management service provided by the Group. The non-trade nature balance as at 31 December 2017 represented interest-free advances granted to Luzhou Tianli Kindergarten.
- (ii) All related parties' balances were unsecured, interest-free and had no fixed terms of repayments.

### (c) Transactions with related parties

#### (1) Construction of property, plant and equipment

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Nanyuan Construction	148,919	23,057
Sichuan Jinchen	–	19,627
	<b>148,919</b>	<b>42,684</b>

The considerations for the construction of property, plant and equipment were determined at prices mutually agreed between the Group and its related parties with reference to the benchmarking studies for similar transactions.

#### (2) Rental of properties

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Gulin Shengzhong	96	–
Tianli Real Estate	128	162
	<b>224</b>	<b>162</b>

The Group rented certain properties from Gulin Shengzhong and Tianli Real Estate. Rental was charged based on prices mutually agreed between the Group and its related parties.

## 22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (c) Transactions with related parties (Continued)

#### (3) Provision of management services and sale of goods

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Luzhou Tianli Kindergarten	560	637

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

#### (4) Others

During the Period, certain bank loans of the Group were secured by the assets or guaranteed by certain related parties of the Group. Details of these securities and guarantees are disclosed in note 17.

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

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	541	486
Pension scheme contributions	40	45
	581	531

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments with carrying amounts that require recurring fair value measurement are as follows:

	Carrying amounts	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss/available-for-sale investments	13,050	14,240

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair values	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss/available-for-sale investments	13,050	14,240

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

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

The fair values of the non-current interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in the Group's own non-performance risk for interest-bearing bank loans as at 30 June 2018 were assessed to be insignificant.

The fair values of financial assets at fair value through profit or loss/available-for-sale investment included in other current financial assets are measured using expectation return published by licensed banks.

### 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			Total RMB'000
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	
Financial assets at fair value through profit or loss/available-for-sale investments				
<b>30 June 2018</b>	–	13,050	–	13,050
31 December 2017	–	14,240	–	14,240

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total RMB'000	
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000		
	Interest-bearing bank loans, non-current portion				
	30 June 2018	–	–		377,060
31 December 2017	–	–	325,000		

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

Except as disclosed above, the Group did not have any other financial assets and liabilities measured at fair value as at 30 June 2018.

## 24. EVENTS AFTER THE REPORTING PERIOD

In addition to the event detailed elsewhere in this report, the Group had the following events after the reporting period:

- As a result of the issue of the offer shares by the Company pursuant to the Global Offering (as defined in the Prospectus), the Directors were authorized to issue a total of 1,496,200,000 shares credited as fully paid at par to the persons whose names appeared on the register of members of the Company at the close of business on 24 June 2018 by way of capitalisation of such sum standing to the credit of the share premium account of the Company, and the shares to be allotted and issued shall rank pari passu in all respects with the existing issued shares.
- On 12 July 2018, 500,000,000 ordinary shares of par value HK\$0.1 each were issued at a price of HK\$2.66 per share in connection with the Company's Global Offering. The proceeds of HK\$50,000,000 (equivalent to approximately RMB42,510,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK\$1,235,733,000 (equivalent to approximately RMB1,050,620,000) before issuing expenses were credited to the share premium account.
- On 25 July 2018, 75,000,000 over-allotment ordinary shares of par value HK\$0.1 each were issued at a price of HK\$2.66 per share. The proceeds at HK\$7,500,000 (equivalent to approximately RMB6,492,000) representing the par value, were credited to the Company's share capital. The remaining over-allotment proceeds of approximately HK\$185,401,000 (equivalent to approximately RMB160,483,000) before issuing expenses were credited to the share premium account.

## 25. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the board of directors on 29 August 2018.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Overview

Established in 2002, we are a leading private education service provider in Western China. We primarily offer K-12 educational services, supplemented by tutoring services for K-12 students and pre-kindergarten children. In terms of student enrollment in 2017, we are the second largest private K-12 school operator in Western China, according to the Frost and Sullivan Report as disclosed in the prospectus issued by the Company on 28 June 2018 (the “Prospectus”). As at 30 June 2018, we have approximately 21,944 students enrolled in the K-12 schools in our school network, representing an increase of 31.3% comparing with approximately 16,710 students enrolled as at 30 June 2017.

### Our Schools and Education Curriculum

We have established a school network consisting of (i) self-owned schools and a self-owned early childhood education center which are owned and operated by us, (ii) entrusted schools to which we provide management services, and (iii) franchised early childhood education centers to which we have licensed the right to use our brand. As of 30 June 2018, our school network consisted of 13 K-12 schools in operation, which administered four high school programs, six middle school programs, eight elementary school programs and six kindergarten programs, 11 tutorial centers and four early childhood education centers across eight cities in China. All of our self-owned K-12 schools and tutorial centers in operation are not-for-profit private schools, except for Gulin Tianli Jiaozi Culture and Arts Tutoring School Co., Ltd. and Xichang Tianli Jiaozi Culture and Arts Tutoring Co., Ltd..

### 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 design and develop our educational programs to reflect this concept, emphasizing the importance of solid academic performance in core subject areas such as Mathematics, Science, Language and History, at the same time encouraging our students to explore individual interests and enhance physical fitness, and nurturing students’ creativity, communication skills, independent thinking and social responsibility.

### Student Placement and Education Quality

Since our inception, our students have consistently achieved outstanding results in various academic examinations and contests, as well as in extra-curricular activities. For the financial year ended 31 December 2017, approximately 95.6% of the graduating high school students of our schools with high school programs which have graduating classes who participated in the Gaokao in the cities in which the relevant schools are located were admitted to universities in China, and approximately 71.6% were admitted to first-tier universities in China. In addition, during the past three financial years ended as at 31 December 2017, 16 of our middle school students won second-grade prizes and 19 won third-grade prizes in national academic contests, and our elementary school students have received various prizes in arts, language skills and scientific innovation contests.



## **Centralized management**

We have established a centralized and standardized management system which we believe is essential to the success of our business as it enables us to integrate our resources, enhance our operating efficiency and ensure the quality of our educational services. Leveraging 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.

## **Expansion strategy and recent development**

With an increasing demand for quality K-12 education in the PRC, we plan to explore opportunities in new geographic locations and gradually expand our school network to more second- and third-tier cities in and outside Sichuan Province. We expect to open new K-12 schools in Chengdu, Dazhou, Hejiang, Deyang and Ziyang in Sichuan Province, Ulanqab in Inner Mongolia, Xiangtan in Hunan Province and Dongying in Shandong Province in the next three years. Please refer to the section headed “Business – Our K-12 Schools under Development and Planning” in the Prospectus for more information.

We opened one new K-12 school during the six months ended 30 June 2018, namely Affiliated Green Rhyme Kindergarten of Luzhou Tianli School (瀘州天立綠韻幼兒園), and we are actively exploring opportunities in other second- and third-tier cities for our future expansion. As of the date of this report, we had entered into agreements to open six K-12 schools in 2018 and five K-12 schools in 2019. We believe our deep understanding of the K-12 education market in second- and third-tier cities in Sichuan Province, support for private K-12 education from the local governments, our position as a market leader and the potential of our target markets are highly favorable to our continued successful expansion both in and outside of Sichuan Province.

Of the K-12 schools stated as “under planning” and “under development” in the Prospectus<sup>1</sup>, we have signed agreements during the six months ended 30 June 2018, pursuant to which the land use rights for the construction of Chengdu West District Tianli School (成都西區天立學校) and Chengdu Tianli Elementary School (成都天立小學) have been transferred to us. As at the date of this report, the procedures in relation to the land transfer have been completed for Dazhou Tianli International School (達州天立國際學校) and Dongying Tianli School (東營天立學校).

## **Business Collaborations**

Historically, we developed and expanded our school network mainly through the establishment of our own schools. As the reputation of our “Tianli” brand continues to grow, we have been able to leverage our reputation and experience as a premium school operator to expand our school network by partnering with local governments and other third parties. We set out below details of such recent arrangements:

### *Management agreement with Luzhou Huixing Investment Company Limited*

In June 2018, we entered into a school management agreement with Luzhou Huixing Investment Company Limited, the school sponsor of Luxian Tianli Primary School (瀘縣天立小學) for a term of 20 years from 1 September 2019. Pursuant to the agreement, we will be responsible for managing the school and the school sponsor is responsible for the construction of the school. We are entitled to a management fee equal to a fixed percentage of the profit earned by the school calculated pursuant to the terms of the agreement. It is expected that, subject to the conditions stated in the agreement, the school will commence its operation by September 2019 with 1,845 kindergarten students and elementary school students.

<sup>1</sup> For details, please refer to the section headed “Business – Overview of our School Network – Our K-12 Schools” in the Prospectus.

#### *Investment agreement with the government of Luzhou Longma Tan District*

In July 2018, through Shenzhou Tianli, we entered into an investment agreement with the government of Luzhou Longma Tan District for the construction of a school to be located at Luzhou City, Longma Tan District, Sichuan Province and to be called Luzhou Tianli Flagship School. It is expected that the school will accommodate 5,000 of kindergarten students, elementary school students and middle school students. We will be responsible for the development and operation of the school. The total planned target investment for this school amounted to RMB586 million. The government of Luzhou Longma Tan District agreed to sell the piece of land to us for the construction of the school through listing sale and will be responsible for the coordination of the relevant governmental authorities to accomplish this project. It is expected that, subject to the conditions stated in the agreement, the school will commence its operation by September 2019.

#### *Investment agreement with Zunyi Puxin New District Management Committee*

In July 2018, through Shenzhou Tianli, we entered into an investment agreement with Zunyi Puxin New District Management Committee for the construction of a school to be located at Zunyi City, Puxin New District, Guizhou Province and to be called Zunyi Tianli International School. It is expected that the school will accommodate 5,000 of kindergarten students, elementary school students, middle school students and high school students. We will be responsible for the development and operation of the school. The total planned target investment for this school amounted to RMB500 million. Zunyi Puxin New District Management Committee agreed to sell the piece of land to us for the construction of the school through listing sale and will be responsible for the coordination of the relevant governmental authorities to accomplish this project. It is expected that, subject to the conditions stated in the agreement, the school will commence its operation by September 2019.

#### **Other Development**

##### *Termination of the school management agreement regarding a kindergarten in Ulanqab*

We entered into a school management agreement with the school sponsor of a kindergarten in Ulanqab in March 2017. The term of this management agreement is 20 years, we will be managing this school and in exchange we are entitled to a management fee equal to a fixed percentage of the profit earned by the kindergarten every year. Since the school sponsor failed to deliver the kindergarten properties and obtain the relevant government permits and approvals in a timely manner according to the school management agreement, the parties have agreed to terminate the agreement in August 2018. We have not started to manage the kindergarten and therefore no substantial costs have been incurred. Since the projected revenue under the school management agreement is not significant, we are of the view that the termination of the said school management agreement does not have material adverse impact on the operation or the financial position of the Group.

## BUSINESS OPERATION AND GROWTH

### Revenue

The following table sets forth information about the revenue of our self-owned K-12 schools, which were in operation as of 30 June 2018, and the average revenue per student during the six months ended 30 June 2017 and 2018.

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
<b>Revenue</b>		
Chengdu Wuhou District Kinderworld Kindergarten (成都市武侯區凱星幼兒園)	6,490	N/A
Guangyuan Tianli International School (廣元天立國際學校)	43,189	29,888
Cangxi Tianli School (蒼溪天立學校)	2,354	N/A
Luzhou Tianli School (瀘州天立學校)	52,216	44,898
Luzhou Longmatan Tianli Elementary School (瀘州市龍馬潭區天立小學)	18,037	18,548
Tianli Kindergarten of Gulin County (古蘭縣天立幼兒園)	1,228	684
Neijiang Tianli (International) School (內江天立(國際)學校)	41,564	29,449
Xichang Tianli (International) School (西昌天立(國際)學校)	40,732	22,853
Ya'an Tianli (School) (雅安天立學校)	16,849	N/A
Yibin Cuiping District Tianli School (宜賓市翠屏區天立學校)	71,125	65,683
<b>Total</b>	<b>293,784</b>	<b>212,003</b>
<b>Average revenue per student</b>	<b>14.5</b>	<b>14.0</b>

### Average tuition fees and boarding fees per student of our K-12 schools

The following table illustrates the information on average tuition fees and boarding fees per student by school programs during the six months ended 30 June 2018:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
<b>Average tuition and boarding fees per student of our self-owned K-12 school<sup>1</sup></b>		
High schools	9.71	9.21
Middle schools	11.64	10.45
Elementary schools	11.36	12.15
Kindergartens	14.44	11.74

<sup>1</sup> The average revenue per student of our self-owned K-12 schools is equal to the total revenue of our self-owned K-12 schools during January to June of that year, divided by the number of students of the spring term of that year.

### Information about our tutorial centers and early childhood education centers

Our self-owned and entrusted tutorial centers offer tutoring services to K-12 students, and our franchised early childhood education centers offer tutoring services to pre-kindergarten children. The following table sets forth information about our tutorial centers and early childhood education centers in operation as of 30 June 2018:

Location	Tutorial Centers	Early Childhood Education Center	Types of tutoring services offered	Commencement of operation/ (no. of centers)	Nature/ (no. of centers)
Chongqing	–	1	Early childhood tutoring services	2017 (1)	Franchised (1)
Guangyuan	1	–	After-school tutoring services; Music, art and sports tutoring services	2017 (1)	Self-owned (1)
Luzhou	5	3	After-school tutoring services; Music, art and sports tutoring services;	2011 (1)	Self-owned (4)
			Early childhood education;	2013 (1)	Entrusted (2)
			English tutoring services	2014 (2)	Franchised (2)
				2017 (4)	
Neijiang	1	–	After-school tutoring services; Music, art and sports tutoring services	2017 (1)	Self-owned (1)
Xichang	1	–	After-school tutoring services; Music, art and sports tutoring services	2017 (1)	Self-owned (1)
Yibin	3	–	After-school tutoring services; Music, art and sports tutoring services	2014 (1)	Self-owned (3)
				2015 (1)	
				2017 (1)	

We evaluate the market demand and offer different courses with different class sizes in our self-owned tutorial centers and early childhood education center from time to time to satisfy various needs of students, and the tuition fees we charge vary according to (i) different categories of courses, (ii) class size (we generally charge a higher tuition fee rate for a course with a specific term if the class size is smaller), and (iii) the term of courses (the tuition fee rate of a course with a certain class size is usually higher if the course consists of more sessions). As a result, a change in the mix of courses of different tuition fee rates and the proportion of student enrollment in courses of different tuition fee rates will lead to a change in the average tuition per enrollment.

### Teachers

PRC-certified teachers are crucial to our business, allowing us to maintain the quality of our educational services while undergoing expansion. The table below sets forth a breakdown of the number of full-time teachers employed by us as of the dates indicated:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
Self-owned K-12 schools	<b>1,735</b>	1,280
Self-owned tutorial centers	<b>92</b>	35
<b>Total</b>	<b>1,827</b>	1,315

We recruit teachers through different channels and methods, including campus recruitment, general public recruitment, assessment of candidates who apply through our recruitment procedures and the use of online recruiting websites. We offer internships to undergraduate students who major in education or related fields and who show promising potential during our recruiting process. We also actively seek experienced teachers from public and other private schools to expand our talent pool.

## MARKET REVIEW AND OUTLOOK

### Outlook for private education in China

Private education in China was first allowed under PRC law in early 1980s to bridge the shortage of public resources. Private education has since experienced rapid growth and become an important segment in the PRC education system. Private education is expected to develop further, mainly driven by strong policy support from the PRC government and the increasing demand from parents.

Development of China's private fundamental education market is driven primarily by the following factors:

- **Chinese families' focus on children's education:** In China, children's education has always been highly valued by parents. Parents are willing to incur high costs in order for their children to receive high-quality education. In addition, an increasing number of Chinese parents would like their children to receive differentiated education that is not exam-oriented, which is usually provided by premium private schools.
- **Government support:** Since the 1980s, the PRC government, both at the central and the local levels, has launched a series of policies to encourage the development of private education institutions. The PRC government also encourages private investment to invest in the education sector. In some regions, local governments have implemented favorable policies, such as providing free land or financial support for campus building, to attract renowned private school operators.
- **Increase in private investment:** With the continuous development of the PRC education sector and support from the PRC government, China's private fundamental education market has attracted increasing attention from private investors, and significant investments have been made by them in the form of private investment and initial public offering. We expect that private investors will continue to enter this sector and become an important funding channel for China's private fundamental education market.
- **Increase in income and wealth:** As China's economy grows, Chinese households' income and wealth have increased significantly. As such, Chinese parents are likely to increase their spending on education as most Chinese families highly value children's education.
- **Relaxation of One-Child Policy:** In previous years, student enrollment of China's private fundamental education market was negatively affected by the decreasing school-age population caused by low birth rate. The Two-Child Policy is expected to keep China's birth rate at a stable level, thus supporting the development of China's fundamental education market. The policy is likely to affect China's population starting from the end of 2016, and school-age population from 2019.

The expected revenue growth in the private fundamental education industry in Western China is mainly driven by the growth in both student enrollment and average tuition and miscellaneous fees. With the increasing number of school-age population and the enhancing preference and demand for private education, the total student enrollment of private fundamental education market in Western China is expected to increase continuously.

Owing to its large population, Sichuan Province is one of the largest private fundamental education markets in China in terms of student enrollment. In Western China, Sichuan Province also has the highest penetration rate of private fundamental education. The private fundamental education market in Sichuan Province has shown a steady growth from 2012 to 2016, and such increasing trend is expected to continue. The expected revenue growth in the private fundamental education industry in Sichuan province is mainly driven by the growth in both student enrollment and average tuition and miscellaneous fees. With the increasing number of school-age population and the enhancing preference and demand for private education, total student enrollment in private fundamental education market in Sichuan province is expected to increase continuously.

### **Outlook for private tutoring market**

Private tutoring market can be divided into after-school tutoring, extra-curricular tutoring, and early childhood education centers. The total revenue of the private tutoring market in China has grown from RMB431.4 billion in 2012 to RMB747.2 billion in 2016, representing a CAGR of 14.7%. With increasing disposable income and growing emphasis on children's all-around development, more parents have decided to have their children learn at least one type of art, such as a musical instrument, painting and calligraphy. As higher education resources are very limited in China, it has become common for children in China to attend tutorial centers from a young age.

### **Regulatory Update**

On 10 August 2018, the Ministry of Justice of the People's Republic of China issued Draft Amendments on the Implementation Rules for the Law for Promoting Private Education (the "**Amendment Law**") (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) to seek views and comments on the proposed changes. After consulting the Company's PRC legal advisor, the Board is of the view that the Company is not yet in the position to assess the impact of the Amendment Law on its operation due to the ambiguity in the draft Amendment Law and the uncertainty in the legislative timetable of the Amendment Law. As at the date of this report, the draft Amendment Law is not a final draft and has not been approved or has not taken effect yet. There are uncertainties involved in the final version of the Amendment Law and its implementation. As at the date of this report, the Company's operation remained unaffected by the draft Amendment Law. The Company will closely monitor the development of the Amendment Law and will make further announcement as and when appropriate.

## FINANCIAL REVIEW

### Revenue

Our revenue includes tuition fees, boarding fees, canteen operation fees and management and franchise fees.

Our revenue increased by 34.5% from RMB229.3 million for the six months ended 30 June 2017 to RMB308.5 million for the six months ended 30 June 2018, primarily driven by an increase in student enrolment.

Revenue from tuition fees increased by 35.4% from RMB159.4 million for the six months ended 30 June 2017 to RMB215.9 million for the six months ended 30 June 2018, primarily as a result of an increase in the number of students enrolled in our existing self-owned K-12 schools as we increased the overall utilization rate of our self-owned K-12 schools and the opening of two new self-owned K-12 schools, Cangxi Tianli School and Ya'an Tianli International School, both of which commenced operations in 2017. The increase in revenue from tuition fees is also attributable to an increase in tuition fee rates for some of our self-owned K-12 schools. In the 2017/2018 school year, we raised the tuition fee rates for high schools, middle schools and elementary schools at our Luzhou campus by approximately 13.6%, 10.0% and 9.1%, respectively. We also raised tuition fee rates for high schools and middle schools in our Yibin campus by approximately 10.0% in the 2017/2018 school year.

Revenue from boarding fees increased by 30.1% from RMB22.9 million for the six months ended 30 June 2017 to RMB29.8 million for the six months ended 30 June 2018, primarily driven by an increase in student enrolment.

Revenue from school canteen and convenience store operations increased by 33.4% from RMB46.4 million for the six months ended 30 June 2017 to RMB61.9 million for the six months ended 30 June 2018, primarily as a result of increased student enrollment.

Revenue from management fees increased by 79.5% from approximately RMB555 thousand for the six months ended 30 June 2017 to approximately RMB996 thousand for the six months ended 30 June 2018, primarily because of an increase in management service fees received from Luzhou Tianli Talent Foreign Language School, Longmatan Tianli Talent Culture and Art Tutoring School and Affiliated Kindergarten of Luzhou Tianli School, which are based on an agreed fixed percentage of its revenue every year.

### Costs of Principal Activities

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Labor costs	79,614	65,665
Teaching related costs	7,964	7,690
Depreciation and amortization	22,778	17,051
Material consumption	33,631	25,985
Utilities	6,029	4,488
Others	3,125	1,383
Total	153,141	122,262



Cost of sales increased by 25.2% from RMB122.3 million for the six months ended 30 June 2017 to RMB153.1 million for the six months ended 30 June 2018, primarily due to increases in material consumption costs, depreciation and amortization costs, and labor costs.

Labor costs increased by 21.2% from RMB65.7 million for the six months ended 30 June 2017 to RMB79.6 million for the six months ended 30 June 2018, primarily because we hired new teachers as a result of the increased student enrollment and the expansion of our school network while raising the salaries and wages of our teachers to attract and retain well-qualified teaching staff, partially offset by additional government grants related to operating costs from local government authorities for the six months ended 30 June 2018, most of which was applied against our labor costs for the six months ended 30 June 2018.

Teaching related costs increased by 3.9% from RMB7.7 million for the six months ended 30 June 2017 to RMB8.0 million for the six months ended 30 June 2018, primarily because of an increase in our teachers' teaching activities resulting from the increased student enrollment.

Depreciation and amortization costs increased by 33.3% from RMB17.1 million for the six months ended 30 June 2017 to RMB22.8 million for the six months ended 30 June 2018, primarily because we opened two self-owned K-12 schools in September 2017, and there was an increase in depreciation costs in Xichang Tianli (International) School during the six months ended 30 June 2018.

Material consumption costs increased by 29.2% from RMB26.0 million for the six months ended 30 June 2017 to RMB33.6 million for the six months ended 30 June 2018, primarily because of the increased student enrollment.

Utilities increased by 33.3% from RMB4.5 million for the six months ended 30 June 2017 to RMB6.0 million for the six months ended 30 June 2018, primarily because we incurred additional utility costs for our self-owned tutorial centers, which commenced operations in 2017, and the opening of two self-owned K-12 schools.

Other costs increased by 121.4% from approximately RMB1.4 million for the six months ended 30 June 2017 to approximately RMB3.1 million for the six months ended 30 June 2018, primarily because we incurred additional maintenance and rental costs for our self-owned tutorial centers, which commenced operations in 2017.

#### **Other Income and Gains**

Other income and gains primarily consist of interest income from bank deposits, other service income, gain on disposal of available-for-sale investments and rental income.

Other income and gains sharply increased from RMB3.1 million for the six months ended 30 June 2017 to RMB6.4 million for the six months ended 30 June 2018, primarily because of an increase in interest income from bank deposits.

#### **Gross Profit and Gross Profit Margin**

The Group's gross profit for the six months ended 30 June 2018 were approximately RMB155.4 million, representing an increase of 45.2% from approximately RMB107.0 million for the six months ended 30 June 2017. The Group's gross profit margin for the six months ended 30 June 2018 was approximately 50.4%, representing an increase of approximately 3.7 percentage points as compared to approximately 46.7% for the six months ended 30 June 2017.

## Administrative Expenses

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

Administrative expenses increased by 56.8% from RMB23.4 million for the six months ended 30 June 2017 to RMB36.7 million for the six months ended 30 June 2018, primarily as a result of an increase in administrative staff costs and non-recurring listing expenses.

Administrative staff costs increased by 37.0% from RMB15.4 million for the six months ended 30 June 2017 to RMB21.1 million for the six months ended 30 June 2018, primarily because we recruited additional administrative staff and management personnel for the two self-owned K-12 schools we opened in 2017.

Listing expenses increased by 429.4% from RMB1.7 million for the six months ended 30 June 2017 to RMB9.0 million for the six months ended 30 June 2018.

## Interest Expenses

Interest expenses sharply increased from RMB2.4 million for the six months ended 30 June 2017 to RMB10.9 million for the six months ended 30 June 2018, primarily because of an increase in our outstanding loan from daily operating activities between January to June in 2018.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares of the Company were successfully listed on Main Board of the Stock Exchange on 12 July 2018. There has been no change in the capital structure of the Group since then. The capital of the Company only comprises of ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB331.6 million (31 December 2017: approximately RMB313.5 million).

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash flows from operating activities	285,945	273,508
Net cash flows used in investing activities	(321,429)	(145,161)
Net cash flows from/(used in) financing activities	53,515	(45,055)
Net increase in cash and cash equivalents	18,031	83,292
Cash and cash equivalents at beginning of period	313,539	325,651
Cash and cash equivalents at end of the period	331,570	408,943

## Operating Activities

Our cash inflow from operating activities primarily comprises tuition fees, boarding fees and canteen operation fees. Our cash outflow from operating activities primarily comprises payments for labor costs, material consumption and administrative expenses.

For the six months ended 30 June 2018, our net cash inflow from operating activities was RMB285.9 million, consisting of RMB98.3 million of cash generated from operating activities before working capital adjustments and RMB187.6 million of positive net working capital adjustments. Our positive net working capital adjustments for the six months ended 30 June 2018 were primarily attributable to (i) a RMB196.2 million increase in contract liabilities/deferred revenue, primarily attributable to increased student enrollment, and (ii) which was partly offset by RMB17.3 million increase in cash outflow from prepayments, deposits and other receivables paid.

For the six months ended 30 June 2017, our net cash inflow from operating activities was RMB273.5 million, consisting of RMB69.1 million of cash generated from operating activities before working capital adjustments and RMB204.4 million of positive net working capital adjustments. Our positive net working capital adjustments for the six months ended 30 June 2017 were primarily attributable to (i) a RMB156.8 million increase in contract liabilities/deferred revenue, primarily attributable to increased student enrollment, and (ii) receipt of RMB44.2 million of government grants.

## Investing Activities

Our cash flows from and used in investing activities were primarily related to purchases of property, plant and equipment, purchase of land use rights, and purchase and sale of available-for-sale investments.

For the six months ended 30 June 2018, our net cash used in investing activities was RMB321.4 million, primarily attributable to (i) payments of RMB517.6 million for the purchase of financial assets at fair value through profit or loss/available-for-sale investments, and (ii) payments of RMB185.6 million and RMB140.7 million for the purchase of property, plant and equipment and land use rights, respectively, primarily in connection with the construction of our new self-owned K-12 schools, partially offset by proceeds of RMB518.8 million from the disposal of financial assets at fair value through profit or loss/available-for-sale investments and proceeds of RMB3.7 million from the interest received of bank deposits.

For the six months ended 30 June 2017, our net cash used in investing activities was RMB145.2 million, primarily attributable to (i) payments of RMB96.8 million for the purchase of financial assets at fair value through profit or loss/available-for-sale investments, and (ii) payments of RMB170.7 million for the purchase of property, plant and equipment, primarily in connection with the construction of our new self-owned K-12 schools, partially offset by proceeds of RMB141.0 million from the disposal of financial assets at fair value through profit or loss/available-for-sale investments.

## Financing Activities

Our cash flows from and used in financing activities were primarily related to proceeds from, repayment of, and interests paid on bank loans and capital contribution from shareholders.

For the six months ended 30 June 2018, our net cash from financing activities was RMB53.5 million, primarily attributable to RMB91.6 million of proceeds from bank loans to fund our expansion and our working capital, partially offset by (i) repayment of RMB22.3 million of bank loans, and (ii) RMB18.2 million of interest paid, primarily in connection with our bank loans.

For the six months ended 30 June 2017, our net cash used in financing activities was RMB45.1 million, primarily attributable to (i) repayment of RMB42.8 million of bank loans, (ii) RMB15.9 million of interest paid, primarily in connection with our bank loans, and (iii) partially offset by RMB13.0 million of proceeds from bank loans to fund our expansion and our working capital.

As at 30 June 2018, the Group's total equity amounted to approximately RMB946.7 million (31 December 2017: approximately RMB836.6 million). As of the same date, the Group's total debt, includes all interest-bearing bank loans, amounted to approximately RMB531.6 million (31 December 2017: approximately RMB462.3 million).

The Directors believe that with the new capital from the Global Offering, the Group is in a healthy financial position to expand its business and achieve its business objectives.

### **BORROWINGS AND GEARING RATIO**

As at 30 June 2018, the Group had borrowings of approximately RMB531.6 million which was denominated in Renminbi (31 December 2017: approximately RMB462.3 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations and school constructions.

As at 30 June 2018, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 56.2% (31 December 2017: approximately 55.3%).

### **CHARGE OVER ASSETS AND RIGHTS**

Save as disclosed in note 17 under the section of "notes to interim condensed financial information", the Group did not have additional assets or rights pledged as at 30 June 2018 and 31 December 2017.

### **FOREIGN CURRENCY RISK**

The Group has no significant exposure to foreign currency risk because almost all of the Group's transactions are denominated in Renminbi ("RMB"). The Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

### **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**

Save as disclosed in the Interim Condensed Financial Information, there was no significant investment held, material acquisition and disposal of subsidiaries and associates by the Company during the six months ended 30 June 2018. There was no future plan for material investments or capitals assets as at 30 June 2018.

### **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 following table sets forth a breakdown of the capital expenditures for the period indicated.

	Six months ended 30 June 2018 RMB'000
Property, plant and equipment	210,324
Prepaid land lease payments	–
<b>Total</b>	<b>210,324</b>

We expect to incur approximately RMB984.4 million in capital expenditures in 2018 primarily for the construction of schools, which we expect to fund primarily through cash generated from operations, bank facilities, and net proceeds to be received from the Global Offering. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

#### **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

#### **CAPITAL COMMITMENTS**

As at 30 June 2018, the Group had capital commitments contracted but not provided for property, plant and equipment amounting to RMB134.6 million (31 December 2017: RMB111.1 million).

#### **SEGMENT INFORMATION**

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

#### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2018, the Group employed a total of 3,427 employees (30 June 2017: 2,546). The staff costs, including Directors' emoluments, net of government grant released and subsidies received, of the Group were approximately RMB102.6 million for the six months ended 30 June 2018 (30 June 2017: approximately RMB82.2 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.

#### **USE OF PROCEEDS FROM LISTING**

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$1,285.73 million which will be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Since the Listing Date and up to the date of this report, approximately HK\$131.88 million was used for repayment of bank loans and working capital and general corporate purposes.

## BACKGROUND OF THE STRUCTURED CONTRACTS

The following summarized generally the status of the structured contracts (the “**Structured Contracts**”) adopted by the Group given the PRC legal restriction imposed on the shareholding structure over the business the Group is engaging. For further details of the Structured Contracts, please refer to the section headed “Structured Contracts” in the Prospectus. Capitalized terms used in this sub-section follow the meaning of those defined in the Prospectus, unless otherwise stated.

We currently conduct our private education business primarily through our PRC operating entities (“**PRC Operating Entities**”) in the PRC where PRC laws, regulations and regulatory practice generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently prohibit foreign ownership of elementary and middle schools in the PRC and restrict the operation of kindergartens, high schools and tutorial centers to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Operating Entities. The structured contracts, through which we obtain control over and derive the economic benefits from our PRC Operating Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We had entered into the Structured Contracts for the existing PRC Operating Schools and expect to enter into structured contracts for schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

### Unwinding of the Structured Contracts

Tibet Yongsi has made an undertaking in the Structured Contracts that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the Call Option in full to hold all of the interest in the PRC Operating Entities and unwind the Structured Contracts accordingly. As of the date of this report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed.

### 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 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 have established a UK subsidiary, Tianli Education (UK) Limited, which will serve as the main operating hub of our overseas business and the acquisition of well-established local K-12 education groups or schools in the UK. 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. It is our acquisition strategy that the acquisition 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 acquiring a controlling stake in the K-12 school or not. We expect to incur up to US\$6 million for the acquisition of K-12 school(s) in the UK, 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).

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. In order to carry out the steps mentioned above, we have budgeted approximately US\$1.7 million for the year ending 31 December 2018.

## Draft Foreign Investment Law

On 19 January 2015, MOFCOM released the draft Foreign Investment Law (the “**Draft FIL**”) and the Explanatory Notes to the Draft FIL (the “**Explanatory Notes**”) for public consultation. The major changes that the Draft FIL introduces to the foreign investment regime in the PRC are set out in the Prospectus. Among other things, the Draft FIL introduces the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or a foreign invested entity (“**FIE**”). Pursuant to the Draft FIL, variable interest entities that are controlled via contractual arrangements may also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. For companies with a VIE structure in an industry category that is in the “restricted category” on the “negative list”, it is possible that the existing Structured Contracts may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Therefore, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

Mr. Luo, who is of Chinese nationality, is by far the single largest Shareholder and is able to exercise decisive influence over the management of the Company, and will indirectly control an aggregate of approximately 41.98% as at the date of this report. Given that Mr. Luo was the single largest Shareholder of the Company and no other Shareholders owned 10% or more of the Company’s issued share as at the date of this report, we are of the view that Mr. Luo is, and will be, capable of exerting significant influence on the matters to be discussed at the meetings of the Shareholders of the Company. Such voting powers and influence are sufficient to constitute “control” for the purpose of the Draft FIL, and the Company will be considered to be ultimately “controlled” by a PRC investor (i.e. Mr. Luo) under the Draft FIL. Given the uncertainties as to what the definition of control may be under the ultimate version of the Draft FIL to be enacted in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our understanding, we will take reasonable steps in good faith to seek to comply with the enacted version of the Draft FIL, if and when it comes into force.

Given the uncertainty surrounding the implementation of the Draft FIL, Mr. Luo has given an undertaking (the “**Undertaking**”) to our Company, and our Company agreed to enforce the Undertaking, that during the subsistence of the Structured Contracts, Mr. Luo will use his voting rights to procure our Company to take such steps as necessary to give effect to the Structured Contracts and/or to enable the continuation of business operations of our PRC Operating Entities as a result of any impact due to the promulgation and implementation of the Foreign Investment Law and other future laws and regulations relating to foreign investment. Based on the view of our PRC Legal Adviser and the undertaking given by Mr. Luo, the Directors are of the view that (i) the VIE structure under the Structured Contracts are likely to be deemed as a domestic investment and be permitted to continue; and (ii) our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities. Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefits from our PRC Operating Entities alone may not be effective in ensuring compliance with the Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). We will disclose, as soon as possible, updates of changes to the Draft Foreign Investment Law that will materially and adversely affect us as and when they occur.

## 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 and compliance with the Structured Contracts as detailed in the Prospectus. Our Group has implemented measures before the Structured Contracts are unwound, with an aim to further enhance its control over our PRC Operating Entities. Each of our Directors has confirmed that he/she, and his/her associates, do not have any interest in any business or interests that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group. The Company is not aware of any non-performance of the Structured Contracts or non-compliance with such aforementioned measures as at the date of this report.

## INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2018. (for the six months ended 30 June 2017: Nil).

## EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to 30 June 2018:

- As a result of the issue of the offer shares by the Company pursuant to the Global Offering (as defined in the Prospectus), the Directors were authorized to issue a total of 1,496,200,000 shares credited as fully paid at par to the persons whose names appeared on the register of members of the Company at the close of business on 24 June 2018 by way of capitalisation of such sum standing to the credit of the share premium account of the Company, and the shares to be allotted and issued shall rank pari passu in all respects with the existing issued shares.
- On 12 July 2018, 500,000,000 ordinary shares of par value HK\$0.1 each were issued at a price of HK\$2.66 per share in connection with the Company's Global Offering. The proceeds of HK\$50,000,000 (equivalent to approximately RMB42,510,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK\$1,235,733,000 (equivalent to approximately RMB1,050,620,000) before issuing expenses were credited to the share premium account.
- On 25 July 2018, 75,000,000 over-allotment ordinary shares of par value HK\$0.1 each were issued at a price of HK\$2.66 per share. The proceeds of HK\$7,500,000 (equivalent to RMB6,492,000), representing the par value, were credited to the Company's share capital. The remaining over-allotment proceeds of approximately HK\$185,401,000 (equivalent to approximately RMB160,483,000) before issuing expenses were credited to the share premium account.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The shares of the Company were only listed on the Main Board of the Stock Exchange on 12 July 2018 and therefore, the respective Division 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"), Section 352 of the SFO and Model Code were not applicable as at 30 June 2018.



As at the date of this report, 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	Approximately percentage of interest
Mr. Luo Shi (Note 1)	Interest of a controlled corporation/ Interest of spouse/Beneficiary of a trust	871,119,569	41.98%
Ms. Yang Zhaotao (Note 2)	Beneficiary of a trust	1,956,520	0.10%
Mr. Wang Rui (Note 3)	Beneficiary of a trust	1,956,520	0.10%
Mr. Tian Mu (Note 4)	Interest of a controlled corporation	7,744,737	0.39%

Notes:

- 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. In addition, Ms. Tu Mengxuan has been granted 1,956,520 shares under the Restricted Share Award Scheme, 195,652 shares of which have been vested as at the date of this report. Ms. Tu Mengxuan is the spouse of Mr. Luo Shi. By virtue of the SFO, Mr. Luo is deemed or taken to be interested in the shares in which Sky Elite Limited and Ms. Tu Mengxuan are interested. Furthermore, Mr. Luo has been granted 6,521,733 shares under the Restricted Share Award Scheme, 1,304,346 shares of which have been vested as at the date of this report.
- Ms. Yang Zhaotao is an executive Director and has been granted 1,956,520 shares under the Restricted Share Award Scheme, 391,304 shares of which have been vested as at the date of this report.
- Mr. Wang Rui is an executive Director and has been granted 1,956,520 shares under the Restricted Share Award Scheme, 391,304 shares of which have been vested as at the date of this report.
- Mr. Tian Mu is a non-executive Director and wholly-owns 100% of the issued share capital of Healthy and Peaceful Limited, and therefore he is deemed or taken to be interested in the issued share capital of the Company in which Healthy and Peaceful Limited has shareholding interests.

Save as disclosed above, as at the date of this report, 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 SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the shares of the Company were not listed on the Main Board of the Stock Exchange. The respective Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

As at the date of this report, 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	862,641,316	41.57%
Ms. Tu Mengxuan (Note 2)	Beneficiary of a trust/Interest of spouse	871,119,569	41.98%
Sky Vista Limited (Note 3)	Nominee for another person (other than a bare trustee)	107,178,158	5.16%
TCT (BVI) Limited (Note 3)	Other	107,178,158	5.16%
The Core Trust Company Limited (Note 3)	Trustee	107,178,158	5.16%

#### Notes:

- (1) Mr. Luo holds 100% of the issued share capital of Sky Elite Limited and therefore Mr. Luo 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 Restricted Share Award Scheme, 195,652 shares of which have been vested as at the date of this report. Ms. Tu Mengxuan is the spouse of Mr. Luo. Under the SFO, Ms. Tu Mengxuan is deemed to be interested in the same number of shares in which Mr. Luo is interested.
- (3) Sky Vista Limited was established by the trustee as a special purpose vehicle for holding Shares of the Company granted under the Restricted Share Award Scheme on behalf of the eligible employees. TCT (BVI) Limited controlled Sky Vista Limited as to 100% and hence was deemed to be interested in the shares or interests held by Sky Vista Limited in the Company. The Core Trust Company Limited controlled TCT (BVI) Limited as to 100% and hence was deemed to be interested in the shares or interests held by TCT (BVI) Limited in the Company.

Save as disclosed above, as at the date of this report, 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 "Other information – Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company" 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.

## COMPETITION AND CONFLICT OF INTEREST

None of the Directors or the controlling shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company (the “**Controlling Shareholders**”) or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group during the six months ended 30 June 2018.

## RESTRICTED SHARE AWARD SCHEME AND SHARE OPTION SCHEME

### Summary of the Restricted Share Award Scheme

The following is a summary of the Rules of the Restricted Share Award Scheme adopted by the Company on January 15, 2018. The Restricted Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

#### (a) *Purpose*

The Company has adopted the 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 Tian Li Education transferred in connection with the Reorganization Transaction.

#### (b) *Term of the Scheme*

The Scheme shall be valid and effective for a period of 10 years, commencing on January 15, 2018, or until the 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 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 Scheme.

#### (c) *Maximum number of Share Awards*

The maximum number of Share Awards that may be granted under the Scheme in aggregate (excluding Share Awards that have lapsed or been cancelled in accordance with the Rules of the Scheme) shall be such number of Shares held or to be held by the Trustee for the purpose of the Scheme from time to time, and which shall in any event, be no more than 271,518 Shares. Our Company will not make further grants of share awards under the Scheme.

#### (d) *Administration of the Scheme*

The 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 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 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 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 Scheme.

**(e) Basis of Eligibility for Share Awards**

The basis of eligibility of any Selected Person for the grant of Share Awards shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group or such other factors as the Board may deem appropriate and in particular the Reorganization Transaction.

**(f) Grant of Share Awards**

Subject to the limitations and conditions of the Scheme, the Board or Authorized Administrators may, at its absolute discretion, grant Share Awards to any Selected Person on such terms and conditions as the Board or Authorized Administrators thinks fit. The Board or Authorized Administrators may determine 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 shall be stated in the Grant Letter.

In the Grant Letters issued to all Selected Persons, the Board has imposed a Restriction Period under which Share Awards shall vest in six (6) years from June 26, 2016 in accordance with the following schedule:

- (i) 10% of a Participant’s applicable Share Awards shall become unlocked upon each of the first anniversary and the second anniversary; and
- (ii) 20% of a Participant’s applicable Share Awards shall become unlocked upon each of the third anniversary, the fourth anniversary, the fifth anniversary and the sixth anniversary.

**(g) 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).

**(h) 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 or which the Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any shareholder of the Company, as the case may be, subject to the Participant paying all tax, stamp duty, levies and charges applicable to such transfer.

**(i) 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 health 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 will instruct the Trustee to sell that certain portion of the Shares underlying such Share Awards that remain unvested on the open market (the "**Subject Share Awards**"). 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 (the "**Minimum Rate of Return**") of fifteen percent (15%) per annum (such sum the "**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 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.

## 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 June 24, 2018 and adopted by a resolution of the Board on June 24, 2018 (the “**Adoption Date**”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

### 1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) 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 (as defined below), 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 (“**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 (“**Executive**”), 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 (“**Employee**”);
- (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 (the person referred above are the “**Eligible Persons**”).

### 3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other 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 be issued upon the exercise of the Over-allotment Option granted by our Company) (the “**Scheme Mandate Limit**”) 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 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 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 share option scheme 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 HK\$5.0 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 HK\$1.00 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 (the “**Acceptance 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 the Acceptance 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 permanent 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 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 re-opening 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 alteration provisions.

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

## 20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) the approval of our Shareholders for the adoption of the Share Option Scheme;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, any Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;
- (c) the commencement of dealing in our Shares on the Stock Exchange; and
- (d) the obligations of the underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith terminate;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of and permission to deal in 200,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

For the six months ended 30 June 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

## **CORPORATE GOVERNANCE**

The Directors are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange. In the opinion of the Board, the Company has complied with the CG Code since the Listing Date up to the date of this report, except for the deviation from provision A.2.1 of the CG Code which is explained below:

According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Luo is the chairman of the Board and chief executive officer of the Company, responsible for strategic development, overall operational management and major decision making of the Group.

Mr. Luo is the founder of the Group and has been managing the Group's business and overall strategic planning since its establishment, the Directors thereby consider that the vesting of the roles of chairman and chief executive officer in Mr. Luo is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group, aligning the directions and approaches on the board level and execution level and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of its chairman and chief executive officer. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the period from the Listing Date up to the date of this report.

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

As shares of the Company were not yet listed on the Stock Exchange for the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period.



## **REVIEW OF INTERIM RESULTS**

The independent auditors of the Company, namely, Ernst & Young, have carried out a review of the interim condensed financial information in accordance with the Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended 30 June 2018) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement and the interim report are published on the website of the Stock Exchange at ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website at (<http://www.sztljyt.com>). The interim report of the Company for the six months ended 30 June 2018 will be dispatched to the shareholders of the Company.

Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed interim report, free of charge, at any time by writing to the Company or the Company's Registrar, Computershare Hong Kong Investor Services Limited.

By order of the Board

**Tianli Education International Holdings Limited**  
**Luo Shi**

*Chairman, Executive Director and Chief Executive Officer*

The PRC, 29 August 2018