



Interim Report **2019**



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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Tian Mu
 Mr. Shen Jinzhou

Independent non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUDITOR

Ernst & Young
 Certified Public Accountants
 22/F, CITIC Tower
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 Central, Hong Kong

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Maples Fund Services (Cayman) Limited
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 Grand Cayman KY1-1102
 Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716
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 183 Queen's Road East
 Wanchai, Hong Kong

JOINT COMPANY SECRETARIES

Mr. Wang Rui
 Ms. Zhang Xiao

AUTHORISED REPRESENTATIVES

Mr. Wang Rui
 Ms. Zhang Xiao

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 PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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 Wanchai
 Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China
 Agricultural Bank of China
 China Citic Bank

STOCK CODE

1773

COMPANY WEBSITE

www.sztljyjt.com

Financial Highlights

	For the six months ended 30 June			Percentage Change
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	Change RMB'000	
Revenue	438,093	308,504	129,589	42.01%
Gross Profit	190,302	155,363	34,939	22.49%
Profit for the period	146,375	107,349	39,026	36.35%
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
	RMB	RMB	RMB	
Basic and diluted	7.01 cents	6.93 cents	0.08 cents	1.15%

Independent Review Report

To the board of directors of Tianli Education International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed financial information set out on pages 5 to 33, which comprises the condensed consolidated statement of financial position of Tianli Education International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2019 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”) issued by the International Accounting Standards Board. 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 2019

Interim Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
REVENUE	3	438,093	308,504
Cost of sales		(247,791)	(153,141)
Gross profit		190,302	155,363
Other income and gains	3	12,420	6,381
Selling and distribution expenses		(6,687)	(5,882)
Administrative expenses		(42,711)	(36,688)
Other expenses		(3,429)	(733)
Interest expenses	4	(3,500)	(10,917)
Share of profit of an associate		729	1,260
PROFIT BEFORE TAX	5	147,124	108,784
Income tax expense	6	(749)	(1,435)
PROFIT FOR THE PERIOD		146,375	107,349
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:			
Exchange differences related to translation of foreign operation		126	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		146,501	107,349
Profit attributable to:			
Owners of the Company		143,738	103,904
Non-controlling interests		2,637	3,445
		146,375	107,349
Total comprehensive income attributable to:			
Owners of the Company		143,864	103,904
Non-controlling interests		2,637	3,445
		146,501	107,349
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	7	RMB7.01 cents	RMB6.93 cents

Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,538,115	1,898,602
Right-of-use assets	8	679,385	–
Prepaid land lease payments		–	217,207
Goodwill	9	7,572	7,572
Intangible assets		1,116	460
Investment in an associate		5,836	5,107
Prepayments, deposits and other receivables	11	265,922	365,524
Total non-current assets		3,497,946	2,494,472
CURRENT ASSETS			
Inventories		4,222	3,982
Trade receivables	10	4,188	1,037
Prepayments, deposits and other receivables	11	58,390	42,943
Amounts due from related parties	23(b)	2,192	4,557
Financial assets at fair value through profit or loss	12	58,682	15,799
Cash and cash equivalents	13	1,011,645	1,232,997
Total current assets		1,139,319	1,301,315
CURRENT LIABILITIES			
Trade payables	14	12,995	13,212
Other payables and accruals	15	214,179	165,800
Contract liabilities	16	614,595	340,875
Interest-bearing bank loans	18	88,201	87,851
Amounts due to related parties	23(b)	376,376	300,577
Tax payable		2,593	2,490
Lease liabilities	19	5,626	–
Deferred income	17	125,559	109,112
Total current liabilities		1,440,124	1,019,917

Continued/...

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
NET CURRENT ASSETS/(LIABILITIES)	2.1	(300,805)	281,398
TOTAL ASSETS LESS CURRENT LIABILITIES		3,197,141	2,775,870
NON-CURRENT LIABILITIES			
Contract liabilities	16	51,437	52,449
Lease liabilities	19	87,359	–
Deferred income	17	345,766	60,682
Interest-bearing bank loans	18	355,860	370,777
Total non-current liabilities		840,422	483,908
Net assets		2,356,719	2,291,962
EQUITY			
Equity attributable to owners of the Company			
Issued capital	20	176,375	176,375
Reserves		2,140,735	2,082,163
		2,317,110	2,258,538
Non-controlling interests		39,609	33,424
Total equity		2,356,719	2,291,962

Luo Shi
Director

Wang Rui
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	Issued capital	Share premium	Share repurchased for share award scheme [#]	Capital reserve	Difference arising from acquisition of non-controlling interests	Statutory surplus reserves	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 January 2019	176,375	1,075,090*	-	563,558*	(824)*	74,171*	-	370,168*	2,258,538	33,424	2,291,962
Profit for the period	-	-	-	-	-	-	-	143,738	143,738	2,637	146,375
Other comprehensive income for the period:											
Exchange differences related to translation of foreign operation	-	-	-	-	-	-	126	-	126	-	126
Total comprehensive income for the period	-	-	-	-	-	-	126	143,738	143,864	2,637	146,501
Transfer from retained profits	-	-	-	-	-	13,051	-	(13,051)	-	-	-
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(340)	(340)
Final 2018 dividend declared	-	-	-	-	-	-	-	(59,313)	(59,313)	-	(59,313)
Increase in capital reserve of a subsidiary	-	-	-	17,150	-	-	-	-	17,150	-	17,150
Shares repurchased for share award plan	-	-	(43,129)	-	-	-	-	-	(43,129)	-	(43,129)
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	3,888	3,888
As at 30 June 2019	176,375	1,075,090*	(43,129)*	580,708*	(824)*	87,222*	126*	441,542*	2,317,110	39,609	2,356,719
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

* These reserve accounts comprise the reserves of RMB2,140,735,000 (31 December 2018: RMB2,082,163,000) in the interim condensed consolidated statement of financial position.

The Company adopted a restricted share award scheme on 17 December 2018 for the purpose to recognise and motivate the contribution of its eligible employees who contribute to the success of the Group's operations. During the six months ended 30 June 2019, the Group has set up a trust specifically for the management of the share award plan and through the trust, a total of 29,958,000 shares of the Company have been purchased by the trustee. As at 30 June 2019, no share of the Company was granted to employees of the Group.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		147,124	108,784
Adjustments for:			
Depreciation of property, plant and equipment	5	31,390	22,001
Depreciation of right-of-use assets	5	8,585	–
Recognition of prepaid land lease payments	5	–	2,287
Amortisation of intangible assets	5	46	9
Share of profit of an associate		(729)	(1,260)
Gain on disposal of financial assets at fair value through profit or loss	5	(1,605)	(1,672)
Unrealised foreign exchange gains, net		(1,683)	–
Bank interest income	5	(7,081)	(2,017)
Deferred income released to profit or loss	17	(53,555)	(40,784)
Interest expenses	4	3,500	10,917
		125,992	98,265
Increase in inventories		(240)	(29)
Increase in trade receivables		(3,151)	(16)
Increase in prepayments, deposits and other receivables		(24,711)	(17,289)
Decrease/(increase) in amounts due from related parties		2,365	(8,479)
Increase/(decrease) in trade payables		(217)	3,148
Increase in contract liabilities		272,708	196,200
Receipt of government grants		236,925	465
Increase in other payables and accruals		57,880	14,543
Cash generated from operations		667,551	286,808
Income tax paid		(646)	(863)
Net cash flows from operating activities		666,905	285,945

Continued/...

	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(599,559)	(185,586)
Purchase of intangible assets	(2,513)	–
Prepaid land lease payments	(144,899)	(140,722)
Proceeds from disposal of items of property, plant and equipment	205	–
Purchase of financial assets at fair value through profit or loss	(347,533)	(517,580)
Proceeds from disposal of financial assets at fair value through profit or loss	304,650	518,770
Gains on disposal of financial assets at fair value through profit or loss	1,605	1,672
Increase in time deposits with original maturity of over three months	418,290	–
Bank Interest received	11,384	2,017
Net cash flows used in investing activities	(358,370)	(321,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares held for share award plan	(43,129)	–
Capital contribution from the non-controlling shareholders	21,038	2,423
Proceeds from bank loans	–	91,566
Repayment of bank loans	(14,567)	(22,272)
Dividends paid to controlling shareholders	(59,313)	–
Dividends paid to non-controlling shareholders of subsidiaries	(340)	–
Principal portion of lease payments	(1,360)	–
Interest portion of the lease liability	(649)	–
Interest paid	(15,085)	(18,202)
Net cash flows from/(used in) financing activities	(113,405)	53,515
NET INCREASE IN CASH AND CASH EQUIVALENTS	195,130	18,031
Effect of foreign exchange rate changes, net	1,808	–
Cash and cash equivalents at beginning of period	707,277	313,539
CASH AND CASH EQUIVALENTS AT END OF PERIOD	904,215	331,570
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as stated in the consolidated statement of financial position	1,011,645	331,570
Time deposits with original maturity of over three months	(107,430)	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	904,215	331,570

Notes to Interim Condensed Financial Information

30 June 2019

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 24 January 2017 as an exempted company under the laws of the Cayman Islands. The registered office address of the Company is PO Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

During the period ended 30 June 2019 (the "**Period**"), the Company and its subsidiaries (collectively referred to as 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 of the Company (the "**Directors**"), the parent company and the ultimate holding company of the Company is Sky Elite Limited, a company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Company is Mr. Luo Shi ("**Mr. Luo**").

2.1 BASIS OF PRESENTATION

The interim condensed financial information for the Period has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

Going concern

The Group recorded net current liabilities of RMB300,805,000 as at 30 June 2019. Included therein, the Group recorded a current portion of contract liabilities and deferred income of RMB614,595,000 and RMB125,559,000 respectively, as of 30 June 2019.

In view of the net current liability position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and 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 2019 on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new standards, new interpretations and amendments to a number of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board effective as 1 January 2019.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements</i> <i>2015-2017 Cycle</i>	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>

The adoption of these new standards, new interpretations and amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group except IFRS 16. The nature and impact of IFRS 16 are described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings and office. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases that, at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/(Decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	278,960
Decrease in prepaid land lease payments	(217,207)
Decrease in prepayments, deposits and other receivables	(4,961)
Increase in total assets	56,792
Liabilities	
Increase in lease liabilities	56,792

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	98,550
Weighted average incremental borrowing rate as at 1 January 2019	6.57%
Discounted operating lease commitments as at 1 January 2019	56,792
Lease liabilities as at 1 January 2019	56,792

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Summary of new accounting policies (continued)

Amounts recognised in the interim consolidated statement of financial position and profit or loss

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

	Right-of-use assets			Lease
	Land RMB'000	Buildings RMB'000	Sub total RMB'000	liabilities RMB'000
As at 1 January 2019	222,168	56,792	278,960	56,792
Additions	255,665	35,184	290,849	35,184
Government grant transferred out	118,161	–	118,161	–
Depreciation charge	(5,169)	(3,416)	(8,585)	–
Interest expense	–	–	–	3,018
Payments	–	–	–	(2,009)
As at 30 June 2019	590,825	88,560	679,385	92,985

The Group recognised rental expenses from short-term leases of RMB539,000 (note 5) for the six months ended 30 June 2019.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the values of services rendered after deducting scholarships and refunds during the Period and the six months ended 30 June 2018.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<i>Revenue from contracts with customers</i>		
Tuition fees	306,959	215,860
Boarding fees	38,930	29,757
School canteen operations	89,162	61,891
Management and franchise fees	3,042	996
Total revenue	438,093	308,504

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	For the period ended 30 June 2019 RMB'000 (unaudited)
<hr/>	
Timing of revenue recognition	
Goods transferred at a point in time	89,162
Services transferred over time	348,931
<hr/>	
Total revenue from contracts with customers	438,093
<hr/>	

(ii) *Performance obligations*

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

Goods transferred at a point in time

The performance obligation of the school canteen operations is satisfied at a point in time when the control of goods is transferred, being the time when the goods are accepted by the customers.

Services transferred over time

Other than the canteen operations, the performance obligations for services are satisfied over time because a customer simultaneously receives and consumes the benefits provided by the Group.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 are as follows:

	RMB'000 (unaudited)
<hr/>	
Within one year	614,595
More than one year	51,437
<hr/>	
	666,032
<hr/>	

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) **Performance obligations** (continued)

Services transferred over time (continued)

The performance obligations expected to be recognised in more than one year relate to teaching services that are to be satisfied within 27.5 years from 30 June 2019. All the other remaining performance obligations are expected to be recognised within one year.

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Other income and gains		
Bank interest income	7,081	2,017
Other service income	3,044	2,003
Gain on disposal of financial assets at fair value through profit or loss	1,605	1,672
Rental income	507	420
Others	183	269
Total other income and gains	12,420	6,381

4. INTEREST EXPENSES

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

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest on bank loans	14,805	18,171
Less: Interest capitalised (note 8(b))	(14,323)	(7,254)
Interest on lease liabilities	482	10,917
	3,018	–
	3,500	10,917
Interest rate of borrowing costs capitalised (%)	6.18-7.13	6.18-7.13

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Cost of inventories sold		46,906	33,631
Cost of services provided		200,885	119,510
		247,791	153,141
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		181,400	114,206
Pension scheme contributions (defined contribution scheme)		20,788	15,405
Welfare		21,617	9,858
Housing fund (defined contribution scheme)		7,078	5,728
Less: Government grants released	17	(53,555)	(40,784)
Subsidies received		(3,043)	(1,767)
		174,285	102,646
Depreciation of items of property, plant and equipment*	8	31,390	22,001
Depreciation of right-of-use assets*	8	8,585	–
Recognition of prepaid land lease payments*		–	2,287
Amortisation of intangible assets		46	9
Auditor's remuneration		1,000	–
Minimum lease payments under operating leases		539	708
Bank interest income		(7,081)	(2,017)
Listing expenses		–	8,992
Gain on disposal of financial assets at fair value through profit or loss		(1,605)	(1,672)
Foreign exchange losses		1,884	–
Rental income		(507)	(420)

* The depreciation of items of property, plant and equipment and depreciation of right-of-use assets of RMB29,259,000 and RMB7,918,000 respectively (Six months ended 30 June 2018: the depreciation of items of property, plant and equipment and recognition of prepaid land lease payments of RMB20,455,000 and RMB2,287,000 respectively) are recorded in "Cost of sales" in profit or loss.

6. INCOME TAX

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

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current – Mainland China Charge for the period	749	1,435

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (b) 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 2018.
- (c) 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 rate of 25% during the Period and the six months ended 30 June 2018.

Based on the confirmations from the in-charge local tax bureau and the local office of the State Administration of Taxation of the PRC that the operating entities obtained in the prior year, there was no corporate income tax imposed on the income from the 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 2018.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company for the six months ended 30 June 2019, and the weighted average number of ordinary shares in issue during the Period, as adjusted to reflect the shares repurchased under the share award scheme during the Period (six months ended 30 June 2018: As adjusted to reflect the ordinary shares to be issued by way of capitalisation issue).

The calculation of the basic earnings per share is based on:

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Earnings		
Profit attributable to the ordinary equity holders	143,738	103,904

	Number of shares For the six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Shares		
Weighted average number of ordinary shares in issue	2,075,000,000	3,272,222
Effect of weighted average number of ordinary shares repurchased under the share award scheme	(25,010,000)	–
Effect of ordinary shares to be issued credited as fully paid by way of capitalisation issue	–	1,496,200,000
Adjusted weighted average number of ordinary shares used in the basic earnings per share calculation	2,049,990,000	1,499,472,222

No adjustment has been made to the basic earnings per share amounts presented for the Period and the six months ended 30 June 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Period and the six months ended 30 June 2018.

8. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Movements in property, plant and equipment and right-of-use assets during the Period are as follows:

	Property, plant and equipment RMB'000 (Unaudited) (note a)	Right-of-use assets RMB'000 (Unaudited)
Carrying amounts at 1 January 2019	1,898,602	278,960
Additions	671,108	290,849
Government grants transferred out (note 17)	–	118,161
Disposals	(205)	–
Depreciation/amortisation charged for the Period (note 5)	(31,390)	(8,585)
Carrying amounts at 30 June 2019	2,538,115	679,385

Notes:

- (a) As at 30 June 2019, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with a net carrying amount of approximately RMB1,111,991,000 (31 December 2018: RMB1,121,984,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.
- (b) Interest expenses capitalised as part of property, plant and equipment by the Group during the Period amounted to RMB14,323,000 (six months ended 30 June 2018: RMB7,254,000) (note 4).

9. GOODWILL

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. However, management did not identify any significant adverse changes in the operating results and macro environment in the six months' period ended 30 June 2019, and the Company's management has concluded there was no impairment indicator of goodwill as at 30 June 2019. Accordingly, the Company's management did not perform impairment testing on goodwill as at 30 June 2019.

10. TRADE RECEIVABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Within 3 months	4,188	1,037

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

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

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
<i>Current portion:</i>		
Security deposits related to the construction of schools	19,513	17,991
Other deposits	2,225	1,498
Prepayments	12,153	7,947
Prepaid land lease payments to be amortised within one year	–	4,961
Interest receivable	–	4,303
Advances to staff	7,906	2,706
Advance to third parties	1,833	1,833
Deductible input value added tax	12,363	–
Other receivables	2,397	1,704
	58,390	42,943
<i>Non-current portion:</i>		
Prepayments for property, plant and equipment*	76,320	66,967
Security deposit (note 18(a))	9,567	9,567
Prepayment for intangible assets	1,811	–
Prepayment for the acquisition of land use rights	178,224	288,990
	265,922	365,524
Total	324,312	408,467

* Included in the prepayments for property, plant and equipment is a prepayment paid to a related party, Luzhou Nanyuan Construction Engineering Co., Ltd. ("Nanyuan Construction") amounting to RMB42,444,000 (31 December 2018: RMB59,634,000) (note 23(b)).

Included in the balance above, security deposits related to the construction of schools, other deposits, interest receivable, advance to third parties, advances to staff and others are financial assets. The Group applies the general approach to provide for expected credit losses of the financial assets measured at amortised cost including other deposits, interest receivable, advance to third parties, advances to staff and others prescribed by IFRS 9. The Group assessed that the credit standing of the bank is very strong, and the payment term of such receivables is short. For the advances to staff and rental deposits, in case of a default, the Group might reduce the loss by negotiating settlement based on obtaining services or a right of use over lease assets. No expected credit losses were provided as it is assessed that the overall expected credit loss rate for the above financial assets measured at amortised cost is minimal.

As at 30 June 2019, financial assets included in prepayments, deposits and other receivables were classified as Stage 1, and the provisions for impairment were assessed to be immaterial.

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.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Wealth management products issued by licensed banks, at fair value	58,682	15,799

The above wealth management products have maturity within 47 days and coupon rates ranging from 1.6% to 7.0% per annum.

13. CASH AND CASH EQUIVALENTS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Cash and bank balances	816,249	438,583
Time deposits with original maturity of:		
– less than three months	87,966	268,694
– over three months	107,430	525,720
Cash and cash equivalents	1,011,645	1,232,997

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
RMB	625,563	269,357
HK\$	209,235	823,987
US\$	176,847	139,653
	1,011,645	1,232,997

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

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

14. TRADE PAYABLES

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Within 3 months	11,964	13,131
Over 3 months and within 6 months	952	81
Over 6 months	79	–
	12,995	13,212

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Accrued bonuses and other employee benefits	91,479	70,688
Miscellaneous advances from students*	79,847	45,879
Payables for purchase of property, plant and equipment	23,652	32,873
Deposits	12,523	7,663
Interest payable	–	280
Other payables and accrued expenses	6,678	8,417
	214,179	165,800

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

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

16. CONTRACT LIABILITIES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Tuition fees	605,298	367,781
Boarding fees	25,704	9,360
Canteen operation fees	30,034	14,559
Others	4,996	1,624
	666,032	393,324
Current portion	614,595	340,875
Non-current portion (note)	51,437	52,449
	666,032	393,324

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

Changes in contract liabilities during the Period are as follows:

	RMB'000 (unaudited)
At the beginning of the Period	393,324
Revenue recognised that was included in the contract liabilities at the beginning of the Period	(339,863)
Increase due to cash received, excluding amounts recognised as revenue during the Period	612,571
At the end of the Period	666,032

There were no contract assets at 30 June 2019 recognised in the consolidated statement of financial position.

17. DEFERRED INCOME

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
<i>Government grants related to expense items</i>		
At the beginning of period/year	169,794	93,144
Government grants received	236,925	150,091
Government grant transferred in from prepaid land lease payments (note 8)*	118,161	–
Released to profit or loss (note 5)	(53,555)	(73,441)
At the end of period/year	471,325	169,794
Current	125,559	109,112
Non-current	345,766	60,682
Total	471,325	169,794

* The amount represents the government grant received from the Ministry of Finance of Economic Zone in Deyang City in December 2018. The grant was redesignated by the said Ministry of Finance specifically for the purpose of compensation of salaries and wages arising from the teaching activities of Deyang Tianli School over a period of six years since the commencement day of the spring school semester in 2019.

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.

18. INTEREST-BEARING BANK LOANS

	30 June 2019 (unaudited)			31 December 2018		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Current						
Current portion of long-term bank loans – secured	4.75-7.125	2019	88,201	4.75-7.125	2019	87,851
Non-current						
Bank loans – secured	4.75-7.125	2020-2023	355,860	4.75-7.125	2020-2023	370,777
			444,061			458,628

18. INTEREST-BEARING BANK LOANS (CONTINUED)

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Bank loans repayable:		
Within one year	88,201	87,851
In the second year	91,860	91,623
In the third to fifth years, inclusive	264,000	279,154
	444,061	458,628

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:

The Group's bank loan of approximately RMB15,061,000 and RMB21,628,000 as at 30 June 2019 and 31 December 2018, respectively was secured by a refundable security deposit of Yibin Tianli School amounting to RMB9,567,000 (note 11);

- (b) Pledges of equity interests in the following subsidiaries of the Group:

- (i) 100% equity interest in Yibin Shenzhou Tianli Education Development Limited has been pledged for a bank loan of RMB99,000,000 and RMB100,000,000 as at 30 June 2019 and 31 December 2018, respectively;
- (ii) 100% equity interest in Xichang Shenzhou Tianli Education Development Limited has been pledged for bank loans of RMB114,000,000 and RMB120,000,000 as at 30 June 2019 and 31 December 2018, respectively; and
- (iii) 100% equity interest in Guangyuan Shenzhou Tianli Education Development Limited has been pledged for a bank loan of RMB99,000,000 and RMB100,000,000 as at 30 June 2019 and 31 December 2018, respectively;

- (c) Rights over tuition or boarding fees of the following schools:

- (i) Rights over tuition fees of Luzhou Tianli School and Luzhou Longmatan Tianli Elementary School have been pledged for aggregate bank loans of RMB117,000,000 as at 30 June 2019 and 31 December 2018, respectively;
- (ii) Rights over boarding fees of Yibin Tianli School have been pledged for a bank loan of RMB99,000,000 and RMB100,000,000 as at 30 June 2019 and 31 December 2018, respectively;
- (iii) Rights over boarding fees of Guangyuan Tianli School have been pledged for a bank loan of RMB99,000,000 and RMB100,000,000 as at 30 June 2019 and 31 December 2018, respectively; and
- (iv) Rights over tuition, boarding and other fees of Xichang Tianli School have been pledged for a bank loan of RMB114,000,000 and RMB120,000,000 as at 30 June 2019 and 31 December 2018, respectively.

- (d) In addition, Mr. Luo has guaranteed the Group's bank loans of RMB114,000,000 and RMB120,000,000 as at 30 June 2019 and 31 December 2018, respectively.

19. LEASE LIABILITIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Current	5,626	–
Non-current	87,359	–
	92,985	–

20. SHARE CAPITAL**Shares**

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid: 2,075,000,000 ordinary shares of HK\$0.1 each	207,500	207,500
Equivalent to approximately <i>(in RMB'000)</i>	176,375	176,375

21. DIVIDEND

At the meeting of the Directors held on 29 August 2019, the Directors resolved not to pay an interim dividend for the Period (six months ended 30 June 2018: nil).

22. COMMITMENTS

The Group had the following capital commitments as at 30 June 2019 and 31 December 2018:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Contracted but not provided for: Property, plant and equipment	592,401	1,527,336

23. 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
Gulin Tianli Shengzhong Industry Co., Ltd ("Gulin Shengzhong")	A company controlled by Mr. Luo
Nanyuan Construction	A company controlled by Mr. Luo
Sichuan Tianli Real Estate Development Co., Ltd. ("Tianli Real Estate")	A company controlled by Mr. Luo
Luzhou Tianli Property Management Co., Ltd. ("Luzhou Tianli Property")	A company controlled by Mr. Luo
Affiliated Kindergarten of Luzhou Tianli School ("Luzhou Tianli Kindergarten")	An associate of the Company

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

(b) Outstanding balances with related parties

	Notes	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Amounts due from related parties			
<i>Trade in nature</i>			
Luzhou Tianli Kindergarten	(i)	15	15
<i>Non-trade in nature</i>			
Luzhou Tianli Property		–	20
Luzhou Tianli Kindergarten	(ii)	2,177	4,522
		2,177	4,542
Total		2,192	4,557
Prepayments, deposits and other receivables			
<i>Non-trade in nature</i>			
Nanyuan Construction		42,444	59,634
Amount due to a related party			
<i>Non-trade in nature</i>			
Nanyuan Construction		376,376	300,577

23. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Outstanding balances with related parties (continued)

Notes:

- (i) Included in the amount due from Luzhou Tianli Kindergarten were management fees receivable for the provision of kindergarten management service provided by the Group amounting to RMB15,000 as at 30 June 2019 (31 December 2018: RMB15,000).
- (ii) The non-trade balances were interest-free advances granted to Luzhou Tianli Kindergarten. These balances were unsecured, interest-free and had no fixed terms of repayment.
- (iii) Except for the amounts due from related parties as disclosed in note (i) above and the prepayments made to Nanyuan Construction in relation to the construction services to be provided by Nanyuan Construction, the amounts due from related parties were unsecured, interest-free and had no fixed terms of repayment.

(c) Transactions with related parties

(1) Construction of property, plant and equipment

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Nanyuan Construction	613,528	148,919

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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Gulin Shengzhong	152	96
Tianli Real Estate	68	128
	220	224

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

23. 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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Luzhou Tianli Kindergarten	124	560

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

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	806	541
Pension scheme contributions	53	40
	859	581

24. 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 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	58,682	15,799

	Fair values	
	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	58,682	15,799

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and 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 and lease liabilities 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 Group's own non-performance risk for interest-bearing bank loans as at 30 June 2019 was assessed to be insignificant.

The fair values of financial assets at fair value through profit or loss included in other current financial assets are measured using the 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		
	<u>30 June 2019</u>				
	<i>Financial assets at fair value through profit or loss</i>	–	58,682		–
<u>31 December 2018</u>					
<i>Financial assets at fair value through profit or loss</i>	–	15,799	–	15,799	

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (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		
	<u>30 June 2019</u>				
	Lease liabilities, non-current portion	–	–		87,359
Interest-bearing bank loans, non-current portion	–	–	355,860	355,860	
	–	–	443,219	443,219	
<u>31 December 2018</u>					
Interest-bearing bank loans, non-current portion	–	–	370,777	370,777	

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 financial assets and liabilities measured at fair value as at 30 June 2019.

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 2019.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

Established in 2002, the Group is 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. We are one of the largest private K-12 school operators in Western China. As at 30 June 2019, we have approximately 30,145 students enrolled in the K-12 schools in our school network, representing an increase of 37.4% comparing with approximately 21,944 students enrolled as at 30 June 2018.

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, namely, 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 six months ended 30 June 2019 (the "Reporting Period"), approximately 93.6% of the graduating high school students of our schools with high school programs which have graduating classes who participated in the National Higher Education Entrance Examination (known as "Gaokao") in the relevant cities where the schools are located were admitted to universities in the PRC, and approximately 68.6% were admitted to first-tier universities in the PRC.

Our Schools and Education Curriculum

We have established a school network consisting of (i) self-owned schools and self-owned early childhood education centers 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 2019, our school network consisted of 17 K-12 schools in operation, which administered 7 high school programs, 11 middle school programs, 12 elementary school programs and 6 kindergarten programs, 11 tutorial centers and 4 early childhood education centers across 10 cities in PRC.

During the Reporting Period, the management agreement with an entrusted tutorial center namely Luzhou Tianli Culture and Arts Tutoring School Yinglun Campus has ended.

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:

	Six months ended 30 June	
	2019	2018
Self-owned K-12 schools	2,127	1,735
Self-owned tutorial centers	80	92
Total	2,207	1,827

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 subjects and show promising potential during our recruiting process. We also actively recruit teachers with extensive experiences from public schools and other private schools to expand our talent pool.

As at 30 June 2019, we have approximately 30,145 students enrolled in the self-owned and entrusted K-12 schools in our school network, representing a year-on-year increase of 37.4%. This increase is driven by the increase in the number of students enrolled in existing K-12 schools, which utilization rates will continue to increase and the increase in the number of students enrolled in the newly opened self-owned K-12 schools.

Financially, our revenue increased by 42.0% from RMB308.5 million for the six months ended 30 June 2018 to RMB438.1 million for the Reporting Period, primarily driven by the increase of revenue from our self-owned K-12 schools. Revenue from management and franchise fees from entrusted and franchised schools increased by 205.4%, primarily driven by the agreement with Hejiang Tianli School – an entrusted school opened in September 2018 which resulted in RMB0.97 million. The following table sets forth the revenue generated from each school type in our school network for the six months ended 30 June 2018 and 30 June 2019:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Revenue		
Self-owned K-12 schools	420,090	293,783
Self-owned tutorial centers	14,391	12,472
Self-owned early childhood education center	570	1,253
Management and franchise fees received from entrusted and franchised schools	3,042	996
Total	438,093	308,504

Self-owned K-12 School

As at 30 June 2019, we owned and operated a total of 13 self-owned K-12 schools in Chengdu, Luzhou, Guangyuan, Neijiang, Liangshan, Ya'an, Yibin, Deyang, and Ziyang in Sichuan and Ulanqab in Inner Mongolia.

All of our K-12 schools except kindergartens are boarding schools. We charge students enrolled in our self-owned K-12 schools tuition fees, and for boarding students, boarding fees. For all of our self-owned grade 1-12 schools, tuition fees and boarding fees are generally paid in advance prior to the beginning of each school year. For our self-owned kindergartens, tuition fees are generally paid in advance at the beginning of every semester. During the Reporting Period, the Group recorded RMB420.1 million of revenue from our self-owned K-12 schools which represented 43.0% year-on-year increase and 95.9% of the Group's revenue for the Reporting Period, primarily driven by the increase in student enrollment and an increase in tuition fee rates for some of our self-owned K-12 schools.

The following table sets forth information about the revenue of our self-owned K-12 schools during the six months ended 30 June 2018 and 2019.

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Revenue from self-owned K-12 schools		
Tuition fees	291,998	202,135
Boarding fees	38,930	29,757
School canteen operations	89,162	61,891
Revenue from self-owned K-12 schools	420,090	293,783

Tuition fee rates and boarding fee rates are adjusted according to different market factors including estimation of numbers of student applications and are subject to governments' approval. In the 2018/2019 school year, we also raised the tuition fee rates for the Luzhou Longmatan Tianli Elementary School, the middle school of Yibin Tianli school, and the high school of Guangyuan Tianli school.

The following table illustrates the information on average tuition fees and boarding fees per student by school programs during the Reporting Period:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Average tuition and boarding fees per student of our self-owned K-12 school¹		
High schools	11.31	9.71
Middle schools	12.13	11.64
Elementary schools	11.90	11.36
Kindergartens	13.79	14.44

1. 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 self-owned and 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 2019:

Location	Tutorial Centers	Early Childhood Education Centers	Types of tutoring services offered	Commencement of operation/ (no. of centers)	Nature/(no. of centers)
Chongqing	–	1	Pre-school tutoring services	2017 (1)	Franchised (1)
Guangyuan	1	–	After-school tutoring services; music, art and sports tutoring services	2017 (1)	Self-owned (1)
Luzhou	4	3	After-school tutoring services; music, art and sports tutoring services; Pre-school education; English tutoring services	2011 (1) 2013 (1) 2014 (1) 2017 (4)	Self-owned (4) Entrusted (1) Franchised (2)
Neijiang	2	–	After-school tutoring services; music, art and sports tutoring services	2017 (1) 2018 (1)	Self-owned (2)
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) 2015 (1) 2017 (1)	Self-owned (3)

We evaluate the market demand and offer a variety of courses with different class sizes in our tutorial centers and early childhood education centers 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 length 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.

Self-owned tutorial centers and early childhood education center

During the Reporting Period, the Group recorded a revenue of RMB14.4 million (six months ended 30 June 2018: RMB12.5 million) from our self-owned tutorial centers which represented 15.4% year-on-year increase is driven by increased enrollment and a revenue of RMB570 thousands from our self-owned early childhood education centers which represented 54.5% year-on-year decrease primarily due to the preparation to cease the operation of the early childhood education center in Luzhou.

Management and franchise fees received from entrusted and franchised schools

Apart from operating our self-owned K-12 schools as well as self-owned tutorial centers and an early childhood education center, we also provide school management services for entrusted K-12 schools and tutorial centers. In 2018/2019 school year, we opened 1 entrusted K-12 school namely Hejiang Tianli School. On the other hand, the management agreement with an entrusted tutorial center namely Luzhou Tianli Culture and Arts Tutoring School Yinglun Campus was ended during the Reporting Period.

In addition, we license the right to use our brand to franchised early childhood education centers. As at 30 June 2019, there were 1 and 2 franchised early childhood education centers respectively in Chongqing and Luzhou.

As driven by the newly opened entrusted K-12 schools, revenue from management and franchise fees increased by 205.4% from approximately RMB996 thousand for the six months ended 30 June 2018 to approximately RMB3,042 thousand during the Reporting Period.

PROSPECTS

Outlook for Private Education in PRC

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 as part of its strategies to bridge the shortage of private education. 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. In PRC, children's education has always been highly valued by parents. Private education markets which include fundamental education and tutoring have been taking off along the continuous growth of disposable income of households. The Two Child Policy is likely to affect PRC's population starting from the end of 2016, and school-age population from 2019. Tianli is a reputable private school network, and the Board is optimistic that we will achieve sustainable development in the growing private education market.

School Network Development Plan

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, to enhance our operating efficiency and to ensure the quality of our educational services. With our management system, we have been able to quickly expand our school network to new geographic locations and at the same time implement our quality standards across our school network.

We believe our deep understanding of the K-12 education market, 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 nationwide. Looking forward, we will further deepen our penetration in second and third-tier cities in Sichuan Province with our thorough understanding of the private education market in Sichuan Province, our reputation among parents and students, and the local government's support for K-12 schools. We also seek to establish new K-12 schools in different provinces by duplicating our centralized and standardized K-12 school operation model. We believe expanding our presence nationwide is crucial to enhance our brand influence and strengthen our position to become one of the leading K-12 school network operators in PRC.

We had entered into agreements to open 3 K-12 schools during the Reporting Period. Together with the agreements entered prior to the Reporting Period, we set out below details of the schools to be opened in the forthcoming years.

School Name	Location	Estimated maximum capacity (Student enrollment)	Nature of operation
Chengdu Longquanyi Tianli Elementary School (成都市龍泉驛區天立小學校)	Chengdu, Sichuan Province	1,728	Self-owned
Chengdu Longquanyi Tianli Kindergarten Co., Ltd. (成都市龍泉驛區天立幼兒園有限公司)	Chengdu, Sichuan Province	375	Self-owned
Dazhou Tianli School (達州市天立學校)	Dazhou, Sichuan Province	4,200	Self-owned
Weifang Tianli School (濰坊天立學校)	Weifang, Shandong Province	4,170	Self-owned
Zunyi Xipu Tianli School (遵義市新浦新區天立學校)	Zunyi, Guizhou Province	3,330	Self-owned
Zunyi Shenzhou Tianli High School Education Co., Ltd. (遵義神州天立高中教育有限責任公司)	Zunyi, Guizhou Province	1,620	Self-owned
Yiliang Tianli School (彝良縣天立學校)	Yiliang, Yunnan Province	2,360	Self-owned
Zhaotong Shenzhou Tianli High School Co., Ltd. (昭通市神州天立高級中學有限公司)	Yiliang, Yunnan Province	1,080	Self-owned
Zhoukou Tianli School (周口天立學校)	Zhoukou, Henan Province	4,000	Self-owned
Baoshan Tianli School (保山市天立學校)	Baoshan, Yunan Province	2,970	Self-owned
Baoshan Shenzhou Tianli High School Co., Ltd. (保山市神州天立高級中學有限責任公司)	Baoshan, Yunan Province	1,080	Self-owned
Chengdu Pixian Tianli School (成都郫縣天立學校)	Chengdu, Sichuan Province	2,340	Self-owned
Dongying Tianli School (東營天立學校)	Dongying, Shandong Province	3,000	Self-owned
Rizhao Tianli School (日照天立學校)	Rizhao, Shandong Province	3,500	Self-owned
Luzhou Tianli Flagship School (瀘州天立旗艦學校)	Luzhou, Sichuan Province	5,000	Self-owned
Yichun Tianli School (宜春天立學校)	Yichuan, Jiangxi Province	4,000	Self-owned
Jiange Tianli School (劍閣天立學校)	Guangyuan, Sichuan Province	4,000	Self-owned
Luxian Tianli School (瀘縣天立小學)	Luzhou, Sichuan Province	1,845	Entrusted
Lanzhou Tianli School (蘭州天立學校)	Lanzhou, Gansu Province	5,000	Self-owned

In addition, the Group ceased operation of 1 tutoring center in Gong County, Yibin and 1 early childhood education center in Luzhou subsequent to the Reporting Period. Given the immaterial revenue contribution to the Group, the ceased operations is not expected to constitute impact to the Group's income.

Regulatory Update

Draft Amendments on the Implementation Rules for the Law for Promoting Private Education

Following the publication of the Private Education Amendment Law by the Ministry of Justice of the PRC on 10 August 2018, the State Council promulgated Several Opinions on Deepening the Reform and Standardization of Preschool Education (《國務院關於學前教育深化改革規範發展的若干意見》) on 15 November 2018. Our expansion of school network is principally driven by joint development with local governments with a focus on Grade 1-12 educational programs, which applicable regulations are relative robust as compared to preschool education. As at the date of this interim report, the Company's operation remained unaffected by the draft Private Education Amendment Law. The Company will closely monitor the development of the Private Education Amendment Law. Please refer to the Company's announcements dated 13 August and 16 November 2018 for further details.

Foreign Investment Law of the PRC

On 15 March 2019, the National People's Congress passed and promulgated the Foreign Investment Law which will come into effect on 1 January 2020. The Foreign Investment Law defines foreign investment as direct or indirect investment in the PRC by foreign investors, and sets out examples which would fall under the definition of foreign investment. Furthermore, the law prescribes that the PRC applies the pre-establishment national treatment and negative list management system against foreign investment. The negative list of prohibited investment sectors prescribes areas which foreign investors are not allowed to invest upon; the negative list of restricted investment sectors prescribes areas which foreign investors are required to abide to the conditions as imposed under the regulations of the negative list; and all other areas excluded from the negative list would be handled according to the general principles applicable for both domestic and foreign enterprises. The Foreign Investment Law does not explicitly include clauses involving "actual control" or "contractual arrangements". Nevertheless, it is not excluded that there will be further laws and regulations governing the same. Therefore, it remains uncertain as to whether the structure under contractual arrangements will be included in the supervisory regime for foreign investment, and if so, the ways under which it is governed. As at the date of this interim report, the Company's operation remained unaffected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and related legislations.

FINANCIAL REVIEW

Revenue

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

Our revenue increased by 42.0% from RMB308.5 million for the six months ended 30 June 2018 to RMB438.1 million for the Reporting Period, primarily driven by an increase in student enrollment and an increase in tuition fee rates for some of our self-owned K-12 school.

Revenue from tuition fees increased by 42.2% from RMB215.9 million for the six months ended 30 June 2018 to RMB307.0 million for the Reporting Period, primarily as a result of the increase of student enrollment. We opened 2 K-12 schools in 2018 and 1 K-12 school in 2019 respectively, meanwhile, there was an increase in the number of students enrolled in our existing self-owned K-12 schools. 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 2018/2019 school year, we raised the tuition fee rates for the Luzhou Longmatan Tianli Elementary School, the middle school of Yibin Tianli school, the high school of Guangyuan Tianli school.

Revenue from boarding fees increased by 30.8% from RMB29.8 million for the six months ended 30 June 2018 to RMB38.9 million for the Reporting Period, primarily driven by an increase in student enrollment.

Revenue from school canteen and convenience store operations increased by 44.1% from RMB61.9 million for the six months ended 30 June 2018 to RMB89.2 million for the Reporting Period, primarily as a result of increased student enrollment.

Revenue from management fees increased by 205.4% from approximately RMB996 thousand for the six months ended 30 June 2018 to approximately RMB3,042 thousand for the Reporting Period primarily driven by the entrusted K-12 schools newly opened in 2018/2019 school 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	
	2019 RMB'000	2018 RMB'000
Labor costs	143,740	79,614
Teaching related costs	9,359	7,964
Depreciation and amortization	37,223	22,778
Material consumption	46,906	33,631
Utilities	9,263	6,029
Others	1,300	3,125
Total	247,791	153,141

Labor costs increased by 80.5% from RMB79.6 million for the six months ended 30 June 2018 to RMB143.7 million for the Reporting Period, 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.

Teaching related costs increased by 17.5% from RMB8.0 million for the six months ended 30 June 2018 to RMB9.4 million for the Reporting Period, primarily because of an increase in our teachers' teaching activities resulting from the increased student enrollment.

Depreciation and amortization costs increased by 63.4% from RMB22.8 million for the six months ended 30 June 2018 to RMB37.2 million for the Reporting Period, primarily because we opened 3 self-owned K-12 schools in 2018 and 2019.

Material consumption costs increased by 39.5% from RMB33.6 million for the six months ended 30 June 2018 to RMB46.9 million for the Reporting Period primarily because of the increased student enrollment.

Utilities increased by 53.6% from RMB6.0 million for the six months ended 30 June 2018 to RMB9.3 million for the Reporting Period, primarily because we incurred additional utility for the 3 self-owned K-12 schools in 2018 and 2019.

Other Income and Gains

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

Other income and gains sharply increased from RMB6.4 million for the six months ended 30 June 2018 to RMB12.4 million for the Reporting Period, primarily because of increase in interest income from bank deposits.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period were approximately RMB190.3 million, representing an increase of 22.5% from approximately RMB155.4 million for the six months ended 30 June 2018. The Group's gross profit margin for the Reporting Period was approximately 43.4%, representing a slight decrease of approximately 6.9 percentage points as compared to approximately 50.4% for the six months ended 30 June 2018 due to the increased labor cost.

Administrative Expenses

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

Administrative expenses increased by 16.4% from RMB36.7 million for the six months ended 30 June 2018 to RMB42.7 million for the Reporting Period, as a result of an increase in administrative staff costs.

Interest Expenses

Interest expenses decreased from RMB10.9 million for the six months ended 30 June 2018 to RMB3.5 million for the Reporting Period, primarily because majority of our outstanding loan during the Reporting Period were project related, which were in turn capitalized.

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 2019, the Group had cash and cash equivalents of approximately RMB1,011.6 million (31 December 2018: approximately RMB1,233.0 million).

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Net cash flow from operating activities	666,905	285,945
Net cash flow used in investing activities	(358,370)	(321,429)
Net cash flow from/(used in) financing activities	(113,405)	53,515
Net increase in cash and cash equivalents	195,130	18,031
Effect of foreign exchange rate changes, net	1,808	–
Cash and cash equivalents at beginning of period	707,277	313,539
Cash and cash equivalents at end of the period	904,215	331,570

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 Reporting Period, our net cash inflow from operating activities was RMB666.9 million, consisting of RMB126.0 million of cash generated from operating activities before working capital adjustments and RMB540.9 million of positive net working capital adjustments. Our positive net working capital adjustments for the Reporting Period were primarily attributable to (i) a RMB272.7 million increase in contract liabilities, primarily attributable to increased student enrollment, (ii) which was partly offset by RMB24.7 million increase in prepayments, deposits and other receivables paid, and (iii) receipt of RMB236.9 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 financial assets at fair value through profit or loss.

For the six months ended 30 June 2019, our net cash used in investing activities was RMB358.4 million, primarily attributable to (i) payments of RMB347.5 million for the purchase of financial assets at fair value through profit or loss, (ii) payments of RMB599.6 million for the purchase of property, plant and equipment, primarily in connection with the construction of our new self-owned K-12 schools, and (iii) payments of RMB145.0 million for the purchase of land use right, partially offset by proceeds of RMB304.7 million from the disposal of financial assets at fair value through profit or loss as well as increase of RMB418.3 million from the time deposits with original maturity over three months.

Financing Activities

We had net cash outflow from financing activities of RMB113.4 million for the Reporting Period compared with net cash inflows from financing activities of RMB53.5 million for the six months ended 30 June 2018, primarily attributable to (i) share repurchase of RMB43.1 million, (ii) dividend payments of RMB59.3 million for controlling shareholders, (iii) offset interest payment of RMB15.1 million, (iv) bank loans decrease in repayment of RMB14.6 million, and (v) RMB21.0 million in capital contribution from non-controlling shareholders.

As at 30 June 2019, the Group's total equity amounted to approximately RMB2,356.7 million (31 December 2018: approximately RMB2,292.0 million). As of the same date, the Group's total debt, includes all interest-bearing bank loans, amounted to approximately RMB444.1 million (31 December 2018: approximately RMB458.6 million).

BORROWINGS AND GEARING RATIO

As at 30 June 2019, the Group had borrowings of approximately RMB444.1 million which was denominated in Renminbi (31 December 2018: approximately RMB458.6 million). The Group's bank borrowings were primarily used in financing the school constructions.

As at 30 June 2019, the gearing ratio of the Group, calculated as the total interest-bearing borrowings divided by the total equity, was approximately 18.8% (31 December 2018: approximately 20.0%).

CHARGE OVER ASSETS AND RIGHTS

Save as disclosed in note 18 under the section of "Notes to interim condensed financial information", the Group did not have additional assets or rights pledged as at 30 June 2019 and 31 December 2018.

FOREIGN CURRENCY RISK

The Group has currency exposures from its bank balances. The Group has not used any foreign currency swap contracts to reduce the exposure to US\$ and HK\$ arising from bank balances.

The following table demonstrates the sensitivity as at 30 June 2019 to a reasonably possible change in the US\$ and HK\$ exchange rate, with all other variables held constant, of the Group's profit after tax due to changes in the fair values of bank balances.

	Increase/ (decrease) in US\$/HK\$ rate %	Increase/ (decrease) in profit after tax RMB'000
If the RMB weakens against the US\$	(0.5)	796
If the RMB strengthens against the US\$	0.5	(796)
If the RMB weakens against the HK\$	(0.5)	909
If the RMB strengthens against the HK\$	0.5	(909)

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 Reporting Period. The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify investment opportunities in order to broaden the revenue base of the Group, enhance its future financial performance and profitability. Moreover, the Group is seeking for further operating efficiency across the business. We are confident in the future and committed to continuous growth of the Company.

CAPITAL EXPENDITURES

Our capital expenditures primarily related to the construction of new self-owned schools, the maintenance and upgrade of our existing self-owned schools, and the purchase of additional educational facilities and equipment for our self-owned schools. The Group's capital expenditures consisted of purchase or construction costs relating to property, equipment, prepaid land lease payments and other intangible assets. For the Reporting Period, our capital expenditures were RMB962.0 million, which we funded primarily through cash generated from operations, bank facilities, and net proceeds to be received from the global offering in July 2018.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: Nil).

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had capital commitments contracted but not provided for property, plant and equipment amounting to RMB592.4 million (31 December 2018: RMB1,527.3 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 2019, the Group employed approximately 4,150 employees (30 June 2018: 3,427). The staff costs, including Directors' emoluments, net of government grant released and subsidies received, of the Group were approximately RMB174.3 million for the Reporting Period (30 June 2018: approximately RMB102.6 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high-calibre staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Besides, share incentive schemes are also adopted to retain high-calibre staff of the Group.

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\$1,478.63 million which was used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus. Unutilized net proceeds are deposited in bank accounts.

Items	Percentage	Net proceeds (HK\$ million)			Expected Time for the Use of Unutilised proceeds <i>(Note)</i>
		Available	Utilised	Unutilised	
Expansion of our school network	60%	887.18	491.66	395.52	On or before December 2020
Repayment of bank loans	30%	443.59	333.56	110.03	On or before June 2020
Working capital and general corporate purposes	10%	147.86	116.68	31.18	On or before December 2019

Note: The expected timeline for utilising the remaining proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of the market condition.

The following table illustrates the net proceeds utilized for expansion of our school network as at 30 June 2019:

	As at 30 June 2019 (HK\$ million)
Net proceeds utilized for expansion of our school network	
Ya'an Tianli School (雅安天立學校)	27.71
Deyang Tianli School (德陽天立學校)	94.80
Dazhou Tianli School (達州市天立學校)	114.41
Zunyi Xinqu Tianli School (遵義市新浦新區天立學校)	94.28
Yiliang Tianli School (彝良縣天立學校)	113.79
Chengdu Longquanyi Tianli Elementary School (成都市龍泉驛區天立小學校)	46.67
Total	491.66

PLAN TO COMPLY WITH THE QUALIFICATION REQUIREMENT

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

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

We expect to invest up to US\$6 million for the acquisition of K-12 school(s) in Hong Kong, UK, and other overseas regions, which will be financed by our internal resources and/or external financing, depending on the cash flow position and the size of the acquisition(s). It is our acquisition 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.

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

OVERALL PERFORMANCE AND COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted certain measures to ensure the effective operation of our Group with the implementation of the Structured Contracts which we obtain control over and derive the economic benefits from our operating entities in PRC as the laws, regulations and regulatory practice generally prohibit or restrict foreign ownership in the private education. 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 interim report.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Group has the following event taken place subsequent to 30 June 2019:

- Reference is made to the section headed "Connected Transactions" disclosed in the prospectus of the Company in relation to the School Construction Framework Agreement entered into between the Company and Luzhou Nanyuan Construction Engineering Co., Ltd. ("**Nanyuan Construction**") on 19 June 2018, and the annual caps under such agreement for each of the three years ending 31 December 2020. On 10 July 2019, the resolution in connection with the New School Construction Framework Agreement entered into between the Company and Nanyuan Construction, and the adjusted annual caps for the three years ending 31 December 2021 was passed at the extraordinary general meeting of the Company. Please refer to the circular of the Company dated 21 June 2019, and the announcement of the Company dated 10 July 2019 for further details.

OTHER INFORMATION

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

As at 30 June 2019, the interest and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required pursuant to the Model Code to be notified to the Company and the Stock Exchange are set out as follows:

Long position in shares of the Company

Name	Capacity/Nature of interest	Number of shares held/ interested	Approximate percentage of interest
Mr. Luo Shi (<i>Note 1</i>)	Interest of a controlled corporation	862,641,316	41.98%
	Interest of spouse	1,956,520	
	Beneficiary of a trust	6,521,733	
		871,119,569	
Ms. Yang Zhaotao (<i>Note 2</i>)	Beneficiary of a trust	1,956,520	0.09%
Mr. Wang Rui (<i>Note 3</i>)	Beneficiary of a trust	1,956,520	0.09%
Mr. Tian Mu (<i>Note 4</i>)	Interest of a controlled corporation	7,744,737	0.37%

Notes:

- (1) Mr. Luo Shi is an executive Director, the chairman and the chief executive officer of the Company and holds 100% of the issued share capital of Sky Elite Limited. In addition, Ms. Tu Mengxuan has been granted 1,956,520 shares under the Pre-IPO Restricted Share Award Scheme, 195,652 shares of which have been vested as at 30 June 2019. 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 Pre-IPO Restricted Share Award Scheme, 2,608,692 shares of which have been vested as at 30 June 2019.
- (2) Ms. Yang Zhaotao is an executive Director and has been granted 1,956,520 shares under the Pre-IPO Restricted Share Award Scheme, 782,608 shares of which have been vested as at 30 June 2019.
- (3) Mr. Wang Rui is an executive Director and has been granted 1,956,520 shares under the Pre-IPO Restricted Share Award Scheme, 782,608 shares of which have been vested as at 30 June 2019.
- (4) 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 30 June 2019, none of the Directors and chief executive of the Company has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 30 June 2019, 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 (<i>Note 1</i>)	Beneficial interest	862,641,316	41.57%
Ms. Tu Mengxuan (<i>Note 2</i>)	Beneficiary of a trust Interest of spouse	1,956,520	
		869,163,049	
		871,119,569	41.98%
The Core Trust Company Limited (<i>Note 3</i>)	Trustee	126,008,158	6.07%
TCT (BVI) Limited (<i>Note 3</i>)	Other	126,008,158	6.07%

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 Pre-IPO Restricted Share Award Scheme, 195,652 shares of which have been vested as at 30 June 2019. 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) 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. TCT (BVI) Limited controlled Sky Vista Limited and Sky Vista 2nd Limited as to 100% respectively, and hence was deemed to be interested in the shares or interests held by Sky Vista Limited and Sky Vista 2nd Limited in the Company. Sky Vista Limited and Sky Vista 2nd Limited were established by The Core Trust Company Limited as special purpose vehicles for holding shares of the Company granted under the Pre-IPO Restricted Share Award Scheme (see section named "Pre-IPO Restricted Share Award Scheme" below) and Restricted Share Award Scheme (see section named "Restricted Share Award Scheme" below) respectively on behalf of the eligible persons.

Save as disclosed above, as at 30 June 2019, 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 2019.

PRE-IPO RESTRICTED SHARE AWARD SCHEME

The Company adopted a pre-IPO restricted share award scheme (the “**Pre-IPO Restricted Share Award Scheme**”) on 26 January 2018. The Pre-IPO Restricted Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The Company has adopted the said scheme to align the interests of eligible persons with those of the Group through ownership of shares, to support value creation oriented performance culture and, in part, to replace those certain interests of certain eligible persons in Tianli Education transferred in connection with the reorganization transaction of the Group.

The basis of eligibility of any selected person for the grant of share awards was determined by the Board from time to time on the basis of the selected person’s 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 of the Group.

The maximum number of share awards that may be granted under the Pre-IPO Restricted Share Award Scheme in aggregate (excluding share awards that have lapsed or been cancelled in accordance with the rules of the 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. The Company will not make further grants of share awards under the scheme.

As of 30 June 2019, a total of 102,056,158 shares, representing approximately 4.91% of the total issued shares of the Company, were granted to the selected persons.

SHARE OPTION SCHEME

The Company has also adopted a share option scheme on 24 June 2018 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible participants of the Share Option Scheme include, among others, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group, a direct or indirect shareholder of any member of our Group, a supplier of goods or services to any member of our Group, a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, 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 an associate of any of the persons referred to the above.

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.

For the six month ended 30 June 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the scheme. The remaining life of the scheme is eight years and ten months.

RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme (the “**Restricted Share Award Scheme**”) on 17 December 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.

The purpose and objective of the said scheme is (i) to recognize and motivate the contribution of the key management personnel and core employees of the Group; (ii) to help the Group retain and attract the selected participants in attaining the long term business objectives of the Company; and (iii) to further align the interests of the selected participants directly to the shareholders of the Company through ownership of shares.

The eligible participants of the scheme include Directors, senior management, managerial staff, school district principals (學區校長), school sector principals (學段校長) and school reserve senior executive (學校後備高管) of the Group.

The maximum number of award shares that may be granted under the scheme in aggregate shall be no more than 75,000,000 shares.

As of 30 June 2019, under the Restricted Share Award Scheme, the trustee purchased a total of 29,958,000 shares, representing approximately 1.44% of the total issued shares of the Company, which have not been granted to the selected persons.

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 during the six months ended 30 June 2019, 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 for Securities Transactions by Directors of Listed Issuers (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 during the six months ended 30 June 2019.

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

For the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

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 2019) 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

This interim results announcement is published on the website of the Stock Exchange at (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 2019 will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

By order of the Board

Tianli Education International Holdings Limited

Luo Shi

Chairman, Executive Director and Chief Executive Officer

The PRC, 29 August 2019