



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

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

ANNUAL REPORT 2024



Contents

	<i>Page</i>
Corporate Information	2
Corporate Profile	3
Financial Highlights	4
Chairman's Statement	6
Financial Summary	8
Management Discussion and Analysis	10
Financial Review	15
Directors and Senior Management	24
Report of Directors	27
Corporate Governance Report	68
Independent Auditor's Report	81
Consolidated Financial Statements	86
Environmental, Social and Governance Report	181
Definitions	212



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Pan Ping
Mr. Zhang Wenzao

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUDITOR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

HONG KONG SHARE REGISTRAR

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Wang Rui
Ms. Zhang Xiao

LEGAL ADVISOR AS TO HONG KONG LAW

Jingtian & Gongcheng LLP
Suites 3203-3207, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

HEADQUARTER IN THE PRC

Tower T25
Qingyang Industrial Zone
Chengdu
Sichuan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

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

STOCK CODE

1773

COMPANY WEBSITE

<http://www.tianlieducation.com>

Corporate Profile

We are a leading comprehensive education service operator in Western region of the PRC. We provide customers with comprehensive education management and diversified services. During the Reporting Year, the number of high school students enrolled in the Group's school network was 36,708. At the beginning of the fall semester of 2024, the number of high school students enrolled in the Group's school network increased to 53,900, representing an increase of 46.8%. With a strong presence in Sichuan province where the Group is based in, our school spans across 36 cities in Inner Mongolia, Shandong, Henan, Guizhou, Jiangxi, Zhejiang, Yunnan, Gansu, Anhui, Guangxi, Guangdong, Shaanxi, Shanghai, Chongqing and Hubei. During the Reporting Year, the Group principally provided students with comprehensive education services in 50 schools.

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

Since our inception, our students have consistently achieved outstanding results in various academic examinations and contests, as well as in extra-curricular activities. Despite the expansion of our school network and the increasing number of high school students, our high school entrance examination rate has maintained a high level. In the 2024 Gaokao, approximately 90% of the students of our established schools exceeded the admission scores for undergraduates of universities in the PRC, and approximately 55% exceeded the admission scores of first-tier universities in the PRC.

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

Financial Highlights

	For the year ended 31 August 2024 RMB'000	For the year ended 31 August 2023 RMB'000 (Restated)	Change RMB'000	Percentage Change
Revenue	3,320,898	2,302,540	1,018,358	44.2%
Gross profit	1,118,969	778,847	340,122	43.7%
Profit for the year	556,162	334,513	221,649	66.3%
Adjusted profit for the year	577,414	369,100	208,314	56.4%
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
	RMB	RMB	RMB	
Basic	27.51 cents	16.05 cents	11.46 cents	71.4%
Diluted	27.23 cents	16.05 cents	11.18 cents	69.7%
	RMB	RMB	RMB	
Interim dividend per Share	4.17 cents	2.43 cents	1.74 cents	71.6%
Final dividend per Share	4.08 cents	2.34 cents	1.74 cents	74.4%
Total dividend	8.25 cents	4.77 cents	3.48 cents	73.0%
Dividend payout ratio	30%	30%	–	–

Calculation of the adjusted profit for the year

	For the year ended 31 August 2024 RMB'000	For the year ended 31 August 2023 RMB'000 (Restated)
Profit for the year	556,162	334,513
Add/(Less):		
Share of (profits)/losses of a joint venture and associates	(13,712)	1,653
Equity-settled share award scheme and share option scheme expenses	41,373	27,798
Foreign exchange losses/(profits)	8,838	(3,354)
Depreciation and amortisation arising from valutive appreciation	10,983	8,490
Net gains on acquired subsidiaries	(26,230)	–
Adjusted profit for the year	577,414	369,100

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Tianli International Holdings Limited, I am pleased to present the consolidated annual results of the Group for the year ended 31 August 2024.

Results

With the dedication and joint efforts of our staff, our Group has continuously expanded its presence, and has become a leading comprehensive education service operator in the western region of the PRC. During the Reporting Year, we provided comprehensive education service to 36,708 high school students. At the beginning of the fall semester of 2024, the number of high school students enrolled in the Group's school network increased significantly by 46.8% to 53,900. These results are the outcomes of the hard work of every single employee of the Group.

Key Developments

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

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

Our Mission and Education Quality

We uphold the vision of "Creating excellent Tianli Education and fostering fruitful lives for students and teachers (締造卓越天立教育·成就師生幸福人生)" and the core educational philosophy of "Six Establishments and One Accomplishment (六立一達)", and devote ourselves to provide quality private education services to students. In 2024, approximately 90% of the high school graduates of our established schools exceeded the admission scores for undergraduates of universities in the PRC, and approximately 55% exceeded the admission scores of first-tier universities in the PRC, 272 of our high school graduates received admission letters from the world's top 50 universities such as University of Cambridge, Tsinghua University and Peking University.

We are committed to providing our students with all-round development. During 2023/2024 academic year, our students and graduates received wide spectrum of accolades in academy, arts, language skills and scientific innovation. For instance, our students achieved outstanding results in national competitions in the five subjects of physics, chemistry, mathematics, biology and informatics, accomplishing material breakthrough in competition results, reflecting the extensive recognition of our achievements in education.

Outlook

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

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

Acknowledgement

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

Luo Shi
Chairman

25 November 2024

Financial Summary

RESULTS OF OPERATIONS

	Year ended 31 August 2024 RMB'000	Year ended 31 August 2023 RMB'000 (restated)	Year ended 31 August 2022 RMB'000	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (restated)
Revenue	3,320,898	2,302,540	884,372	345,184	426,564
Cost of sales	(2,201,929)	(1,523,693)	(590,833)	(284,695)	(353,339)
Gross profit	1,118,969	778,847	293,539	60,489	73,225
Other income and gains	50,273	22,860	16,966	21,436	39,019
Selling and distribution expenses	(70,531)	(36,227)	(12,197)	(4,764)	(4,108)
Administrative expenses	(257,499)	(240,061)	(132,822)	(98,278)	(68,792)
Impairment losses on non-current assets	–	–	–	(1,085,236)	–
Other expenses	(28,083)	(17,294)	(13,586)	(13,138)	(18,387)
Finance costs	(86,390)	(62,529)	(27,502)	(17,007)	(8,328)
Share of profits/(losses) of:					
A joint venture	2,165	(549)	1,222	(103,071)	–
Associates	11,547	(1,104)	(271)	(27,529)	678
PROFIT/(LOSS) BEFORE TAX	740,451	443,943	125,349	(1,267,098)	13,307
Income tax (expense)/credit	(184,289)	(109,430)	(29,189)	157,986	(1,812)
Profit/(loss) for the year/period from discontinued operations, net of tax	–	–	–	(222,627)	368,140
PROFIT/(LOSS) FOR THE YEAR/PERIOD	556,162	334,513	96,160	(1,331,739)	379,635

ASSETS AND LIABILITIES

	As at 31 August 2024 RMB'000	As at 31 August 2023 RMB'000 (restated)	As at 31 August 2022 RMB'000	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Total non-current assets	7,975,058	7,186,095	5,925,078	5,177,850	5,639,891
Total current assets	2,218,658	2,371,130	2,206,033	2,615,533	1,786,192
Total current liabilities	4,657,047	4,569,481	3,814,580	4,778,789	2,253,953
NET CURRENT LIABILITIES	(2,438,389)	(2,198,351)	(1,608,547)	(2,163,256)	(467,761)
TOTAL ASSETS LESS CURRENT LIABILITIES	5,536,669	4,987,744	4,316,531	3,014,594	5,172,130
Total non-current liabilities	3,063,633	2,886,769	2,437,616	1,226,727	1,818,996
Net assets	2,473,036	2,100,975	1,878,915	1,787,867	3,353,134
EQUITY					
Equity attributable to owners of the Company					
Issued capital	179,763	183,022	183,022	184,042	184,042
Treasury shares	(1,330)	(31,663)	–	–	–
Reserves	2,294,341	1,919,373	1,668,774	1,579,934	3,128,053
	2,472,774	2,070,732	1,851,796	1,763,976	3,312,095
Non-controlling interests	262	30,243	27,119	23,891	41,039
Total equity	2,473,036	2,100,975	1,878,915	1,787,867	3,353,134

Management Discussion and Analysis

BUSINESS REVIEW

Overview

Established in 2002, the Group is a leading comprehensive education service operator in Western region of the PRC. We provide customers with comprehensive education management and diversified services. During the Reporting Year, we provided comprehensive education service to 36,708 high school students.

Our Education Philosophy

Our fundamental educational philosophy is premised on the development of each child's strengths and potential and promotion of life-long learning and growth. The core of our educational philosophy is "Six Establishments and One Accomplishment (六立一達)", which represents the seven crucial objectives we encourage our students to achieve sound health, morality, wisdom, behavior, mind and creativity and a positive influence on society in addition to self-realization (立身, 立德, 立學, 立行, 立心, 立異, 達人). We are committed to being the role model among our students through continuous contribution to the society. We design and develop our educational programs to reflect this concept, emphasizing the importance of solid academic performance in core subject areas such as Mathematics, Science, Language and History, at the same time encouraging our students to explore individual interests and enhance physical fitness, and nurturing students' creativity, communication skills, independent thinking and social responsibility. In December 2023, the Group was awarded the "Outstanding Case of Educational Innovation of the Year" (年度教育創新優秀案例) for its "Six Establishments and One Accomplishment" curriculum system with Tianli characteristics. In the same month, the Group also received awards for the "Most Valuable Social Service Company" (最具價值社會服務公司) and the "Transformation Pioneer Enterprise of the Year" (年度轉型先鋒企業). In addition, leveraging its excellent comprehensive strength and brand influence, the Group was awarded the "2023 Top Ten Innovative Enterprises in Education Industry" (二零二三年度教育行業十大創新企業) in January 2024.

Student Placement and Education Quality

Since our inception, our students have consistently achieved outstanding results in various academic examinations and contests, as well as in extra-curricular activities. During the Reporting Year, a total of 26 students won the first prize in the Provincial Competition of National League in the five subjects of physics, chemistry, mathematics, biology and informatics, and 6 persons were selected for the provincial competition team and won 3 gold medals, 1 silver medal and 4 bronze medals in the national finals. During the Reporting Year, our graduating high school students of our schools participated in the National Higher Education Entrance Examination (known as "Gaokao") in the respective cities where the schools are located.

In the 2024 Gaokao, 272 of our high school graduates received college acceptance letters from the world's top 50 universities, representing an increase of 145 students compared to 127 students in 2023. Among them, 9 students were enrolled into the world's top 10 universities under Quacquarelli Symonds (QS) rankings: 2 were admitted to University of Cambridge (ranked second by QS), 1 was admitted to Imperial College London (ranked sixth by QS) and 6 were admitted to University College London (ranked ninth by QS). Approximately 90% of our Gaokao candidates from established schools attained the entry requirements of universities in the PRC, and approximately 55% attained the entry requirements of first-tier universities in the PRC.

Our Schools

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

PRC-certified teachers are crucial to our business, allowing us to maintain the quality of our educational services while undergoing expansion. As of 31 August 2024, the number of full-time teachers employed by our self-owned schools was 2,446 (as of 31 August 2023: 2,090).

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

Management and franchise fees received from entrusted schools

During the Reporting Year, the Group provided school management and franchise services for 10 entrusted schools.

REGULATORY UPDATES

The Implementation Rules for the Law for Promoting Privation Education 《中華人民共和國民辦教育促進法實施條例》 (the “Implementation Regulations”)

In May 2021, the State Council of the People’s Republic of China announced the Implementation Regulations which came into effect on 1 September 2021. The Implementation Regulations set out more detailed regulations over the operation and management of private schools, which, among other things, required that (i) social organizations and individuals are prohibited from controlling private schools that provide compulsory education and non-profit private schools that provide pre-school education by means of merger, acquisition or agreement control; and (ii) private schools providing compulsory education are prohibited from conducting transactions with the related parties.

As the Implementation Regulations prohibit private schools which provide compulsory education from conducting transactions with the related parties, the management team of our Group has assessed its impact on our Group and concluded that, based on the existing relevant facts and situation, the Group’s ability to acquire variable returns through Exclusive Business Cooperation Agreement from certain operating schools (the “**Affected Business**”) has been terminated immediately before the Implementation Regulations came into effect on 1 September 2021. Therefore, the Group has decided to exclude its Affected Business from the scope of the consolidated financial statements since 31 August 2021. For details, please refer to the annual report of the Company for the eight months ended 31 August 2021 published on 22 March 2022.

The Company is of the opinion that there are substantial uncertainties regarding the interpretation and application of the Implementation Regulations. As at the date of this report, the national and local governments have not yet issued corresponding classification management regulations and rules in respect of the Implementation Regulations. We will continue to monitor the implementation of the Implementation Regulations in different regions and continue to assess its subsequent impact on the Company and will make further announcement(s) as and when appropriate.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “Foreign Investment Law”)

On 15 March 2019, the Standing Committee of the National People’s Congress promulgated the Foreign Investment Law which became effective on 1 January 2020. The Implementation Rules of the Foreign Investment Law came into effect on the same date as well. The Foreign Investment Law and its implementation rules defines foreign investment as direct or indirect investment activities in the PRC by one or more foreign natural persons, enterprises or other organizations (“**Foreign Investors**”), and clearly stipulates four types of investment activities would fall within the definition of foreign investment, including (a) Foreign Investors alone or cooperate with other investors to establish foreign-invested enterprises in the PRC; (b) Foreign Investors acquire shares, equities, property shares or other similar rights of Chinese domestic enterprises; (c) Foreign Investors alone or cooperate with other investors invest new projects in the PRC; and (d) other means of investment prescribed by laws, administrative regulations and rules promulgated by the State Council. Furthermore, the law prescribes that the PRC applies the pre-establishment national treatment and negative list management system against foreign investment. The negative list of prohibited investment sectors prescribes areas which foreign investors are not allowed to invest upon; the negative list of restricted investment sectors prescribes areas which foreign investors are required to abide to the conditions as imposed under the regulations of the negative list; and all other areas excluded from the negative list would be handled according to the general principles applicable for both domestic and foreign enterprises. The Foreign Investment Law further stipulates that laws such as the Company Law of the PRC and the Partnership Enterprise law of the PRC shall apply to the organizational form, corporate governance and activities standards of foreign invested enterprises. For foreign invested enterprises established before the implementation of the Foreign Investment Law may maintain their original organizational form for five years from 1 January 2020. Specific measures for implementation shall be formulated by the State Council. The Foreign Investment Law does not explicitly include clauses involving “actual control” or “contractual arrangements.”

Nevertheless, the Company does not rule out the possibility that there will be further laws and regulations governing the same. Therefore, it remains uncertain as to whether the structure under contractual arrangements will be included in the supervisory regime for foreign investment, and if so, the ways under which it is governed. As at the date of this report, the Company’s operation remained unaffected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and related legislations.

The Affected Business

The table below sets out the names of entities and their principal business related to the Affected Business as at 31 August 2024:

Number	School name	Principal business
1	Luzhou Longmatan Tianli Elementary School (<i>Note 1</i>)	Elementary school
2	Yibin Cuiping District Tianli School	Elementary school and Middle school
3	Guangyuan Tianli School	Elementary school and Middle school
4	Neijiang Shizhong District Tianli School	Elementary school and Middle school
5	Liangshan Xichang Tianli School	Integrated school
6	Ya'an Tianli School	Elementary school and Middle school
7	Cangxi Tianli School	Elementary school and Middle school
8	Deyang Tianli School	Elementary school and Middle school
9	Ziyang Tianli School	Integrated school
10	Yichun Tianli School	Elementary school and Middle school
11	Baoshan Tianli School	Elementary school and Middle school
12	Dazhou Tianli School	Elementary school and Middle school
13	Weifang Tianli School	Integrated school
14	Yiliang Tianli School	Elementary school and Middle school
15	Ulanqab Jining District Tianli School	Elementary school and Middle school
16	Zhoukou Tianli School	Elementary school and Middle school
17	Zunyi Xinpu New District Tianli School	Elementary school and Middle school
18	Dongying Kenli District Tianli School	Elementary school and Middle school
19	Jiange Jianmenguan Tianli School	Elementary school and Middle school
20	Luzhou Longmatan Tianli Chunyu School	Elementary school and Middle school
21	Wulian Tianli School	Elementary school and Middle school
22	Baise Tianli School	Elementary school and Middle school
23	Jining Tianli School	Elementary school and Middle school
24	Weihai Nanhai New District Tianli School	Elementary school and Middle school
25	Chongqing Fuling Lida School	Elementary school and Middle school
26	Honghu Tianli School	Elementary school and Middle school
27	Tongren Wanshan District Tianli School	Elementary school and Middle school
28	Lanzhou Tianli School	Elementary school and Middle school
29	Chengdu Longquanyi Tianli School (<i>Note 1</i>)	Elementary school and Middle school
30	Chengdu Pidun Tianli School (<i>Note 1</i>)	Integrated school

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

Notes:

- Approximately 83.34% of equity interest of Luzhou Longmatan Tianli Elementary School, 85% of equity interest of Chengdu Longquanyi Tianli School and 97% of equity interest of Chengdu Pidun Tianli School were attributable to the Group.
- All other schools were wholly-owned by the Group.

Although the aforementioned schools were deconsolidated from the Group due to the Implementation Regulations, with an accountable and responsible attitude to students, parents and the society, the Group will maintain continuous and stable enrollment and operation for the schools that have been opened and operated nationwide. We will continue to provide high quality comprehensive educational services to students and parents.

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

	31 August 2024 RMB '000 (unaudited)	31 August 2023 RMB '000 (unaudited)
Current assets	1,628,781	1,878,178
Non-current assets	2,137,280	2,279,994
Total assets	3,766,061	4,158,172
Current liabilities	2,488,332	2,596,637
Non-current liabilities	468,780	694,698
Total liabilities	2,957,112	3,291,335
Net assets	808,949	866,837

Prospects

In order to safeguard the sustainable development of the Group and to protect the long-term interests of the Company and its Shareholders, (i) the Group continues to adopt measures to optimize its operational structure, including separating the high schools with independent operating licenses from integrated schools. As at 31 August 2024, the Group had successfully separated a total of 7 high schools with independent operating licenses from integrated schools. The financial results of these high schools have been consolidated into the consolidated financial statements of the Group; and (ii) the Group will progressively increase the enrollment scale of the existing high schools. There were 53,900 high school students in the Company's school network as at the beginning of the 2024 fall semester, representing an increase of approximately 46.8% compared to 36,708 high school students as at the beginning of the 2023 fall semester.

Looking forward, the Group will adhere to its strategic expansion nationwide through expansion of optimization with a focus of for-profit high schools, providing students with comprehensive operational services, including but not limited to a series of other value-added services such as online campus store, logistical integrated services, study guidance for arts and sports oriented schools, international education, overseas studies consulting and study tours to promote the overall development of the students.

Financial Review

Set out below includes the key highlights for the financial results for the year ended 31 August 2023 and the year ended 31 August 2024.

	Year ended 31 August 2024 RMB'000 (audited)	Year ended 31 August 2023 RMB'000 (audited) (Restated)
Revenue	3,320,898	2,302,540
Cost of sales	(2,201,929)	(1,523,693)
GROSS PROFIT	1,118,969	778,847
Other income and gains	50,273	22,860
Selling and distribution expenses	(70,531)	(36,227)
Administrative expenses	(257,499)	(240,061)
Other expenses	(28,083)	(17,294)
Finance costs	(86,390)	(62,529)
Share of profits/(losses) of:		
A joint venture	2,165	(549)
Associates	11,547	(1,104)
PROFIT BEFORE TAX	740,451	443,943
Income tax expense	(184,289)	(109,430)
PROFIT FOR THE YEAR	556,162	334,513

Revenue

The following table sets forth an analysis of revenue for the year ended 31 August 2023 and the year ended 31 August 2024:

	Year ended 31 August 2024 RMB'000	Year ended 31 August 2023 RMB'000
<i>Revenue from contracts with customers</i>		
Comprehensive educational services	1,744,945	1,223,218
Sales of products	918,923	555,230
Comprehensive logistical services	597,409	485,093
Management and franchise fees	59,621	38,999
Total revenue	3,320,898	2,302,540

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

Our revenue increased by 44.2% from approximately RMB2,302.5 million for the year ended 31 August 2023 to approximately RMB3,320.9 million for the Reporting Year, primarily driven by increase of revenue from comprehensive educational services and sales of products.

The revenue from comprehensive educational services of the Group increased by 42.7% from approximately RMB1,223.2 million for the year ended 31 August 2023 to approximately RMB1,744.9 million for the Reporting Year, which is primarily due to : 1) the increase in high school students enrollment; and 2) the end of the pandemic, which led to an explosive growth in the study tour business during the Reporting Year.

During the Reporting Year, the Group's revenue from the sales of products includes the sale of student supplies, such as school uniforms, bedding, daily necessities and stationery provided to students through the online campus store, and the supply and sales of agricultural and sideline products through the integration of channel resources and logistics system. Revenue from the sales of products increased by 65.5% from approximately RMB555.2 million for the year ended 31 August 2023 to approximately RMB918.9 million for the Reporting Year, mainly due to the increase in revenue brought about by the Group's encrypted supply chain channel layout in Shandong Province, Gansu Province, Guangxi Province and Yunnan Province this year.

The revenue from comprehensive logistical services increased by 23.2% from approximately RMB485.1 million for the year ended 31 August 2023 to approximately RMB597.4 million for the Reporting Year, primarily due to the increase in the number of students served by the Group.

The revenue from management and franchise fees increased by 52.9% from approximately RMB39.0 million for the year ended 31 August 2023 to approximately RMB59.6 million for the Reporting Year, primarily because of the addition of three schools that came under our management during the Reporting Year.

Costs of Principal Activities

The following table sets forth the components of our cost of sales for the year ended 31 August 2023 and the year ended 31 August 2024.

	Year ended 31 August 2024 RMB'000	Year ended 31 August 2023 RMB'000
Material consumption	424,517	340,622
Staff costs	520,269	397,260
Depreciation and amortization	243,117	183,595
Procurement cost of products	794,686	459,427
Teaching activity costs	178,937	107,088
Utilities	21,449	16,005
Others	18,954	19,696
Total	2,201,929	1,523,693

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

Our cost of sales increased by 44.5% from approximately RMB1,523.7 million for the year ended 31 August 2023 to approximately RMB2,201.9 million for the Reporting Year, primarily due to the increase in revenue of 44.2% during the Reporting Year resulting in the corresponding increase in staff costs, product procurement costs, depreciation and amortization and teaching activity costs related to business operations.

Material consumption costs increased by 24.6% from RMB340.6 million for the year ended 31 August 2023 to RMB424.5 million for the Reporting Year, primarily due to the increase in the number of people to whom the comprehensive logistical services were provided during the Reporting Year.

Staff costs increased by 31.0% from RMB397.3 million for the year ended 31 August 2023 to RMB520.3 million for the Reporting Year, primarily due to the increase in labor cost as a result of the recruitment of new teachers resulted from the increase in the number of high school students, and the Group's provision of comprehensive quality services, product sales business, etc..

Depreciation and amortization costs increased by 32.4% from RMB183.6 million for the year ended 31 August 2023 to RMB243.1 million for the Reporting Year, primarily due to the increase in depreciation as a result of the new campus in Shanghai and the campus for Gaokao repetition education business which was newly opened in September 2023.

Procurement cost of products increased by 73.0% from RMB459.4 million for the year ended 31 August 2023 to RMB794.7 million for the Reporting Year, primarily due to the increase in procurement costs as a result of a significant increase in product sales revenue of 65.5%.

Teaching activity costs increased by 67.1% from RMB107.1 million for the year ended 31 August 2023 to RMB178.9 million for the Reporting Year, primarily due to the increase in teaching service costs related to the business of study tours.

Utilities cost increased by 34.0% from RMB16.0 million for the year ended 31 August 2023 to RMB21.4 million for the Reporting Year, primarily due to the increased number of students served.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Year was approximately RMB1,119.0 million, representing an increase of 43.7% from approximately RMB778.8 million for the year ended 31 August 2023, primarily due to the increase in the number of high school students enrolled and the revenue from the Group's provision of comprehensive quality services and product sales. The Group's gross profit margin for the Reporting Year was approximately 33.7%, representing a slight decrease of 0.1 percentage points as compared with 33.8% for the year ended 31 August 2023.

Other Income and Gains

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

Other income and gains increased from approximately RMB22.9 million for the year ended 31 August 2023 to approximately RMB50.3 million for the Reporting Year, primarily because of the gain on bargain purchase from the acquisitions of subsidiaries where the considerations paid were lower than the respective fair value of their net assets.

Administrative Expenses

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

Administrative expenses increased by 7.3% from approximately RMB240.1 million for the year ended 31 August 2023 to approximately RMB257.5 million for the Reporting Year, primarily as a result of an increase in administrative staff costs, equity-settled share option scheme expenses and other expenses.

Finance Costs

Finance costs increased from RMB62.5 million for the year ended 31 August 2023 to RMB86.4 million for the Reporting Year, primarily due to the increase in interest on bank loans and lease liabilities.

Income Tax

Income tax increased by 68.4% from approximately RMB109.4 million for the year ended 31 August 2023 (restated) to approximately RMB184.3 million for the Reporting Year, mainly due to the increase in profit before tax arising from taxable subsidiaries, in particular, our high schools and the Group's major subsidiaries established in the PRC which are subject to corporate income tax at a rate of 25%. The effective income tax rate for the year ended 31 August 2024 was 24.9% (for the year ended 31 August 2023: 24.6% (restated)).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 31 August 2024, we had net current liabilities of approximately RMB2,438.4 million, as compared with net current liabilities of approximately RMB2,198.4 million as at 31 August 2023. Such increase in net current liabilities was primarily attributable to the increase in short-term bank loans.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and unutilised banking facilities, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the financial information as a going concern basis.

As at 31 August 2024, the Group had cash and cash equivalents of approximately RMB1,358.4 million (31 August 2023: approximately RMB1,501.7 million). The following table sets forth a summary of our cash flows for the year indicated:

	Year ended 31 August 2024 RMB'000 (Audited)	Year ended 31 August 2023 RMB'000 (Audited)
Net cash flow from operating activities	827,110	975,668
Net cash flow used in investing activities	(344,417)	(435,229)
Net cash flow used in financing activities	(559,872)	(30,841)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(77,179)	509,598
Net effect of foreign exchange rates	(6,174)	2,869
Cash and cash equivalents at the beginning of year	1,432,369	919,902
Cash and cash equivalents at the end of year as stated in the consolidated statement of cash flows	1,349,016	1,432,369
Time deposits with original maturity over 3 months	9,372	69,355
Cash and cash equivalents as stated in the consolidated statement of financial position	1,358,388	1,501,724

BORROWINGS AND GEARING RATIO

As at 31 August 2024, the Group had borrowings of approximately RMB2,053.0 million (31 August 2023: RMB1,672.4 million) and the Group's unutilised banking facilities was approximately RMB844.0 million. The Group's bank borrowings, which were all at fixed interest rates, were primarily used in financing the working capital requirement of its operations and school constructions.

As at 31 August 2024, the gearing ratio of the Group, calculated as the total interest-bearing borrowings divided by the total assets, was approximately 20.1% (31 August 2023: approximately 17.5%).

CHARGE OVER ASSETS AND RIGHTS

Save as disclosed in note 26 to the consolidated financial statements, the Group did not have assets or rights pledged as at 31 August 2024.

FOREIGN CURRENCY RISK

The functional currency of the Company is RMB, except that the functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at 31 August 2024, certain cash and bank balances and time deposits are denominated in RMB, HKD and USD, which would expose the Group to foreign currency risk. The Group has not used any foreign currency swap contracts to reduce the exposure to USD and HKD arising from bank balances. The Company also currently does not have any foreign exchange hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash and cash equivalents and maintain a strong and healthy liquidity position to ensure that the Group is well placed to take advantage of future growth opportunities.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no significant investment held, material acquisition and disposal of subsidiaries and associates by the Company for the year ended 31 August 2024. The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify investment opportunities in order to broaden the revenue base of the Group, enhance its future financial performance and profitability. Moreover, the Group will gradually restructure its business into the provision of integrated operational services in relation to the development of people of the appropriate age, and seek generic strategic expansions through acquisitions of suitable targets. We are confident in the future and committed to continuous growth of the Company.

CAPITAL EXPENDITURES

Our capital expenditures primarily related to the construction of new self-owned schools, the maintenance and upgrade of our existing self-owned schools, and the purchase of additional educational facilities and equipment for our self-owned schools. The Group's capital expenditures consisted of purchase or construction costs relating to property, equipment, prepaid land lease payments and other intangible assets. For the year ended 31 August 2024, our capital expenditures represented by the relevant cash outflows were approximately RMB406.8 million (the year ended 31 August 2023: approximately RMB599.8 million (restated)), which we funded primarily through cash generated from operations, bank facilities, and net proceeds received from the Placing (as defined below) and the Subscription (as defined below) in December 2020.

CONTINGENT LIABILITIES

As at 31 August 2024, the Group did not have any material contingent liabilities (31 August 2023: Nil).

CAPITAL COMMITMENTS

As at 31 August 2024, the Group had capital commitments contracted but not provided for property, plant and equipment amounting to approximately RMB61.8 million (31 August 2023: approximately RMB81.5 million).

SEGMENT INFORMATION

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

USE OF PROCEEDS FROM PLACING AND SUBSCRIPTION

The Company sold a total of 91,000,000 existing ordinary Shares at HKD7.72 by way of placing (the “**Placing**”) on 18 December 2020 and allotted and issued a total of 91,000,000 new ordinary Shares at HKD7.72 (the “**Subscription**”) on 30 December 2020. For details, please refer to the announcements of the Company dated 16 December 2020 and 30 December 2020, respectively. The aggregate net proceeds from the Placing and the Subscription amounted to approximately HKD694.97 million. The intended purposes for the net proceeds from the Placing and the Subscription are set out on the following table:

Items	Allocation of net proceeds (HKD million)	Unutilised as at 31 August 2023 (HKD million)	Net proceeds utilised		Expected time for the use of unutilised proceeds (Note)
			during the year ended 31 August 2024 (HKD million)	Unutilised as at 31 August 2024 (HKD million)	
Potential future mergers and acquisitions of high quality targets at reasonable prices	200.00	161.74	94.09	67.65	31 August 2025
Expansion of self-built and self-operated projects in first-tier and core cities	194.97	43.9	43.9	0.00	Not applicable
Repayment of bank loans	300.00	0.00	0.00	0.00	Not applicable

Notes:

- 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.
- Due to the overall reduced education-related mergers and acquisitions activities in the PRC and delayed identification of high quality targets, the amount of net proceeds from the Placing and the Subscription intended to be used for “Potential future mergers and acquisitions of high quality targets at reasonable prices” was not fully utilised on 31 August 2024. Based on the estimation of the Directors and subject to future market conditions, the Directors expected that the remaining balance for such purpose as at 31 August 2024 will be fully utilized by 31 August 2025.

The Company confirms that the net proceeds from the Placing and the Subscription have been used in accordance with the intended purposes as at the date of this report.

The following table illustrates the net proceeds utilised for expansion of self-built and self-operated projects in first-tier and core cities as at 31 August 2024:

	As at 31 August 2024 (HKD million)
Net proceeds utilised for expansion of self-built and self-operated projects Shenzhen Tianli International School (深圳天立國際學校)	194.97

OTHER FUND RAISING ACTIVITIES

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

PLAN TO COMPLY WITH THE QUALIFICATION REQUIREMENT

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

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

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

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

OVERALL PERFORMANCE AND COMPLIANCE WITH THE STRUCTURED CONTRACTS

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

Directors and Senior Management

THE BOARD OF DIRECTORS

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

Executive Directors

Mr. LUO Shi (羅實), aged 51 is the founder of the Group. He was appointed as a Director of the Company on 24 January 2017, appointed as an executive Director of the Company on 31 January 2018, designated as the chairman of the Board and the chief executive officer of the Company on 24 June 2018 and has been appointed as the chairman of the Nomination Committee of the Company on 26 January 2022. Meanwhile, Mr. Luo is also director of certain subsidiaries or schools of the Group. Mr. Luo has been the chief executive officer and chairman of Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司) since September 2013. Mr. Luo has over 20 years of experience in the education industry. He has been the chairman of the board of Shenzhou Tianli Holdings Group Limited (神州天立控股集團有限公司) since March 2004. Prior to that, he was the founder, chairman of the board and president of Sichuan Tianli Properties Development Co., Ltd. (四川天立房地產開發有限公司) from April 1994 and March 2004, responsible for strategic development, overall operational management and major decision making.

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

Mr. WANG Rui (王銳), aged 43, has been the chief financial officer, an executive Director and a joint company secretary of the Company since 31 January 2018. Mr. Wang is also a member of the remuneration committee of the Company. Meanwhile, Mr. Wang is also director of certain subsidiaries or schools of the Group. Prior to joining our Group, Mr. Wang worked for Xi'an Titan Holdings Co., Ltd. (西安天朗控股有限公司) as the general manager of the finance department from June 2014 to February 2015 responsible for financial operation, and Longfor Properties Co., Ltd. (龍湖地產有限公司) as project financial manager of Chongqing branch company and Beijing branch company, risk and audit manager of the group and chief financial officer of Dalian branch company from June 2008 to April 2014, responsible for financial, risk control and audit work. From June 2007 to June 2008, he served as a senior financial manager of New Hope Properties Development Co., Ltd. (新希望房地產開發有限公司) to oversee matters relating to the financial accounting of the company. He acted as an accountant of China Vanke Co., Ltd. (萬科企業股份有限公司) from July 2004 to April 2007.

Mr. Wang obtained his bachelor's degree in accounting from Southwest University of Finance and Economics (西南財經大學) in July 2004, and obtained his master's degree of Business Administration (Executive) from City University of Hong Kong in October 2024.

Non-executive Directors

Mr. Pan Ping (潘平), aged 68, has extensive experience in business administration and development. Mr. Pan has been a director of Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司) since December 2015. He served as president of Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) from May 2017 to October 2022. He also served as vice general manager of Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), the H shares of which were listed on the Main Board of the Stock Exchange (stock code: 1528) on 26 June 2015 and the A shares of which were listed on the Shanghai Stock Exchange (stock code: 601828) on 17 January 2018, from December 2010 to December 2016. He was the vice chief director of Chongan District, Wuxi City, Jiangsu Province from May 1996 to April 2003.

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

Mr. Zhang Wenzao (章文藻), aged 67, has extensive experience in banking and finance. Mr. Zhang has served as the chairman of the board of directors of Shenzhen Hirisun Technology Inc (深圳海聯訊科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300277) from June 2015 to July 2018. He has also served as the chief financial officer of Shenzhen Suozhida Industrial Co., Ltd.* (深圳市索智達實業有限公司) from December 2002 to May 2015. Mr. Zhang was the corporate section chief of the Shenzhen branch of Bank of China from January 1997 to May 2001, the credit section chief of the Shekou/Shenzhen Nanshan sub-branch of China Construction Bank from December 1993 to December 1996, and the assistant to the president of the Shekou sub-branch of China Merchants Bank from December 1992 to December 1993.

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

Independent non-executive Directors

Mr. LIU Kai Yu Kenneth (廖啟宇), aged 54, was appointed as an independent non-executive Director of the Company on 24 June 2018. Mr. Liu is also the chairman of the audit committee of the Company and a member of the nomination committee of the Company. Mr. Liu has been an independent non-executive director of Sisram Medical Ltd. (stock code: 1696.HK) since 30 August 2017, Hangzhou Tigermed Consulting Co., Ltd. (stock code: 300347.SZ and 3347.HK) since 1 April 2020, Fourace Industries Group Holdings Limited (stock code: 1455.HK) since 21 August 2020, and Wuhan Youji Holdings Ltd. (stock code: 2881.HK) since 18 June 2024. He worked at Hong Kong Exchanges and Clearing Limited (stock code: 388.HK) from June 2004 to October 2016, with his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he worked at VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, with his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant at Ernst & Young from August 1994 to May 1996, and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994.

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

Mr. YANG Dong (楊東), aged 61, was appointed as an independent non-executive Director of the Company on 24 June 2018. Mr. Yang is also a member of each of the audit committee and the remuneration committee of the Company. Mr. Yang has over 30 years' experience in the education industry in Sichuan. He has been a teacher in Chengdu Normal University since May 2012, and the Vice President, the General Secretary and the Legal Representative of Sichuan Society for Taoxingzhi Studies since May 2021. Prior to that, he was a teacher at the Elementary Teachers Tutoring Center of Sichuan Province from June 1997 to May 2012, and a chief editor of a magazine for vocational school students from June 1994 to May 1996. He also worked with Educational Science and Research Institute of Leshan from January 1992 to May 1997 and with Education Committee of Dazhu County, Dazhou of Sichuan Province from August 1984 to December 1991, and was a middle school teacher in Dazhu County, Dazhou of Sichuan Province from August 1983 to July 1984.

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

Mr. CHENG Yiqun (程益群), aged 54, was appointed as an independent non-executive Director of the Company on 24 June 2018. Mr. Cheng is also a member of the audit committee and nomination committee and the chairman of the remuneration committee of the Company. Mr. Cheng has been an independent non-executive director of Golden Throat Holdings Group Co., Ltd. (stock code: 6896.HK) since 10 February 2015; an independent director of Shanghai Bolex Food Technology Co., Ltd. (603170.SH) and Wuhan Zhongke Ruihua Ecological Technology Co., Ltd. (武漢中科瑞華生態科技股份有限公司), respectively, since September 2020; and an independent director of Guangdong Faith Long Crystal Technology Co., Ltd (廣東惠倫晶體科技股份有限公司) (stock code: 300460.SZ) since 2 July 2021. Mr. Cheng has over 20 years' experience in providing legal services. He joined Commerce & Finance Law Offices in 2001 and has been a partner since 2009.

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

SENIOR MANAGEMENT

Mr. LUO Shi (羅實), aged 51, was appointed as a Director on 24 January 2017, appointed as an executive Director on 31 January 2018 and was designated as the chairman of the Board and the chief executive officer of the Company on 26 June 2018. Please refer to "Directors and Senior Management – The Board of Directors" for details of his biography.

Mr. WANG Rui (王銳), aged 43, has been the chief financial officer, an executive Director and a joint company secretary of the Company since 31 January 2018. Please refer to "Directors and Senior Management – The Board of Directors" for details of his biography.

Report of Directors

The Board presents their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 August 2024.

GENERAL INFORMATION

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

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

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

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

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Our business and results of operations mainly depend on the level of comprehensive education service fees we are able to charge and our ability to maintain and raise comprehensive education service fees.
2. We face intense competition in the PRC education sector, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified teachers and increasing capital expenditure.
3. Our business is heavily dependent on the market recognition of our "Tianli" brand and the reputation of our school network.
4. Our business relies on our ability to attract and retain our senior management, dedicated and qualified teachers and other personnel.
5. We may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities.
6. Depreciation charge and interest expense incurred over the construction period of new self-owned schools and the expansion of our existing schools may result in a decrease in our net profit margin.
7. Our education business depends on our ability to promptly and adequately respond to changes in admission requirements for higher-level education and testing materials.

8. Our school students' academic performance may fall and satisfaction with our educational services may decline.
9. We are subject to various approvals, licenses, permits, registrations and filings for our education and other services in the PRC.
10. We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises.
11. Capacity constraints of our school facilities could limit our ability to grow and we are subject to regulatory guidance relating to the ratios between school site area/building area and the number of enrolled students.
12. New legislation or changes in the PRC regulatory requirements regarding private education may affect our business operations and prospects.
13. Our business may be subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter to quarter.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to improving environmental sustainability and will closely monitor the performance. In accordance with Rule 13.91 of and Appendix C2 to the Listing Rules, details of environmental policies and performance of the Company are set out in "Environmental, Social and Governance Report" on pages 181 to 211 of this report. We have complied with the "comply or explain" provisions set out in the ESG Reporting Guide in Appendix C2 to the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 August 2024, the Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Company.

In relation to non-compliance of all the relevant requirements with the contributions to the social insurance plans and the housing provident fund for the employees of the Company as disclosed in the Prospectus, we have committed to taking correction measures. As at 31 August 2024, our Company has established sufficient provision on contributions to the social insurance plans and the housing provident fund.

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

RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

FINANCIAL RESULTS

The results of the Group for the year ended 31 August 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 86 of this report.

DIVIDEND POLICY

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

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB4.08 cents (equivalent to 4.42 HK cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 25 November 2024, i.e. RMB0.92408 equivalent to HKD1.00) (Year ended 31 August 2023: RMB2.34 cents) per Share for the year ended 31 August 2024 to be paid on Monday, 10 February 2025 to the Shareholders whose names appear on the register of members of the Company on Monday, 27 January 2025, representing a dividend payout of approximately RMB86.0 million (equivalent to approximately HKD93.1 million). The recommendation of payment of the final dividend is subject to the Shareholders' approval at the forthcoming AGM of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 16 January 2025, the register of members of the Company will be closed from Monday, 13 January 2025 to Thursday, 16 January 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai for registration not later than 4:30 p.m. on Friday, 10 January 2025.

For determining the entitlement to the proposed final dividend (subject to the approval by Shareholders at the AGM) for the year ended 31 August 2024, the register of members of the Company will be closed from Thursday, 23 January 2025 to Monday, 27 January 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai for registration not later than 4:30 p.m. on Wednesday, 22 January 2025.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 August 2024, construction in progress amounted to approximately RMB313.4 million was recognised as buildings and structures, furniture and fixtures, and devices and equipments, respectively. Such total amount mainly involves 5 projects for the construction of schools under (i) the school construction framework agreement dated on 9 September 2021 and (ii) the school construction framework agreement dated 17 July 2024 and the school construction framework supplemental agreement dated 16 August 2024, all entered into between the Company and Sichuan Nanyuan Construction Co., Ltd.. For details, please refer to (i) the announcement and circular of the Company dated 9 September 2021 and 20 September 2021, respectively, and (ii) the announcements of the Company dated 17 July 2024 and 16 August 2024 and the circular of the Company dated 6 September 2024.

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

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 August 2024 are set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 August 2024 are set out in the section headed “Consolidated Statement of Changes in Equity” on pages 89 to 90 of this report. The distributable reserves of the Company as at 31 August 2024 were RMB989 million.

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group’s five largest customers in aggregate accounted for less than 10% of the total sales for the year ended 31 August 2024.

Purchases from the Group’s five largest suppliers in aggregate accounted for less than 10% of the total purchases for the year ended 31 August 2024.

PERMITTED INDEMNITY

In accordance with article 33.1 of the Company’s Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Except for the foregoing, the Company has no valid permitted indemnity provisions (as defined in Companies (Directors’ Report) Regulation of the Chapter 622D of Hong Kong Laws) during the year ended 31 August 2024 and up to the date of this report.

DIRECTORS

The Directors during the year ended 31 August 2024 and up to the date of this report were as follows:

Executive Directors:

Mr. Luo Shi
Mr. Wang Rui

Non-executive Directors:

Mr. Pan Ping
Mr. Zhang Wenzao

Independent Non-executive Directors:

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors an annual confirmation of his independence. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has signed a service contract with us. The term of office of our Directors will end on 11 July 2027 (for Mr. Luo Shi, Mr. Wang Rui, Mr. Liu Kai Yu Kenneth, Mr. Yang Dong and Mr. Cheng Yiqun) and 24 April 2026 (for Mr. Pan Ping and Mr. Zhang Wenzao), respectively.

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

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

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

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2024 are set out in notes 8 and 9 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

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

During the year ended 31 August 2024, no Director, past Director or any of the five highest paid individuals received or was due to receive any amounts from the Group as an inducement to join or upon joining the Group, or as the compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

The Group did not pay consideration to any third parties for making available directors' services during the year ended 31 August 2024.

Save as disclosed in this report, no loans, quasi-loans and other dealings were made available in favour of Directors, bodies corporate controlled by and entities connected with Directors subsisted at the end of the year or at any time during the year ended 31 August 2024.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 34 to the consolidated financial statements headed "Related Party Transactions and Balances" and the section headed "Continuing Connected Transactions" of this report below, no Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 August 2024 or at any time during the year ended 31 August 2024.

During the year ended 31 August 2024, neither our Controlling Shareholders (as defined in the Listing Rules) nor any of our Directors were interested in the business of operating private education for primary, middle and high schools, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

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

Each of the Controlling Shareholders has made a declaration (the "**Declaration**") as to the compliance with the terms of the Deed of Non-Competition for the year ended 31 August 2024 (the "**Relevant Period**"). In determining whether the Controlling Shareholders had fully complied with the Deed of Non-Competition during the Relevant Period, the independent non-executive Directors of the Company (the "**INEDs**") noted that: (i) each of the Controlling Shareholders has made the Declaration; (ii) no Restricted Business was reported to be undertaken by the Controlling Shareholders (other than, for the avoidance of doubt, through the Group) during the Relevant Period; and (iii) there was no particular situation rendering the compliance with, and enforcement of, the Deed of Non-Competition being questionable. The INEDs were satisfied with the Controlling Shareholders' compliance with the Deed of Non-Competition during the Relevant Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this report, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their associates during the year ended 31 August 2024.

CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted non-exempt continuing connected transactions of the Group for year ended 31 August 2024.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

(1) School Construction Framework Agreement

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

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

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

During the year ended 31 August 2024, the transaction amount between the Company and Nanyuan Construction under the 2021 School Construction Framework Agreement paid/payable by the Company was approximately RMB223.05 million.

As the 2021 School Construction Framework Agreement was due to expire on 31 August 2024, on 17 July 2024 and 16 August 2024, the Company entered into a school construction framework agreement and a school construction supplemental framework agreement, respectively, with Nanyuan Construction (the “**2024 School Construction Framework Agreements**”). Pursuant to the 2024 School Construction Framework Agreements, Nanyuan Construction or its subsidiaries shall provide construction-related services, including but not limited to planning and design services, inspection, acceptance and handover services, defect repairs and maintenance services, upgrade and reform services etc., in respect of school construction, expansion and alteration projects of Tianli Education or its subsidiaries or schools. The term of the 2024 School Construction Framework Agreements is three years from 1 September 2024 to 31 August 2027. The 2024 School Construction Framework Agreements and the proposed annual caps thereunder were approved at the extraordinary general meeting of the Company on 27 September 2024. The annual caps under the 2024 School Construction Framework Agreements for the three years ending 31 August 2027 are as follows:

	For the year ending 31 August 2025 (RMB'000)	For the year ending 31 August 2026 (RMB'000)	For the year ending 31 August 2027 (RMB'000)
Annual Caps	310,000	210,000	170,000

Nanyuan Construction is wholly-owned by Tianli Holding, which in turn is indirectly owned as to approximately 75.80% by Mr. Luo Shi. Mr. Luo Shi is an executive Director, the chairman, the chief executive officer and a Controlling Shareholder of the Company. As such, Mr. Luo Shi is a connected person of our Company pursuant to Rule 14A.07(1) of the Listing Rules. Nanyuan Construction is a 30%-controlled company indirectly held by Mr. Luo Shi and hence an associate of Mr. Luo Shi pursuant to Rule 14A.12(1)(c) of the Listing Rules, and is therefore a connected person of our Company. Accordingly, the 2021 School Construction Framework Agreement, the 2024 School Construction Framework Agreement, the 2024 School Construction Supplemental Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the Prospectus, the announcements of the Company dated 16 April 2019, 9 September 2021, 17 July 2024 and 16 August 2024, and the circulars of the Company dated 21 June 2019, 20 September 2021 and 6 September 2024.

(2) **Structured Contracts**

Background

As disclosed in the section headed “Structured Contracts – Operation of the Structured Contracts – Background of the Structured Contracts” in the Prospectus, PRC laws and regulations currently prohibit foreign ownership of primary and middle school in the PRC and restrict the operation of preschools, high schools and tutorial centers to Sino-foreign ownership, in addition to imposing a qualification requirement on foreign owners. Further, government approval in respect of Sino-foreign ownership has been withheld. As a result, our Group, through the wholly-owned subsidiary of our Company, Tibet Yongsi, has entered into the Structured Contracts so that we can conduct our business operations indirectly in the PRC through our PRC Operating Entities while complying with applicable PRC laws and regulations. The Structured Contracts are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Entities and, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Operating Entities after the Listing through Tibet Yongsi. As we operate our K-12 and tutorial center education business through our PRC Operating

Entities, which are controlled by Tianli Education, and we do not hold any direct equity interest in our PRC Operating Entities, the Structured Contracts were entered into pursuant to which all material business activities of our PRC Operating Entities are instructed and supervised by our Group, through Tibet Yongsi. Except for Affected Business as mentioned in the section headed “Regulatory Updates” in Management Discussion and Analysis, economic benefits arising from other business activities of our PRC Operating Entities are transferred to our Group.

Risks relating to our Structured Contracts

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

- The PRC government may determine that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject to severe penalties, and our business may be materially and adversely affected.
- Structured Contracts may not be as effective in providing control over schools which may be acquired by the Company in the future through direct ownership.
- The owners of the PRC Operating Entities may have conflicts of interest with the Company, which may materially and adversely affect the business and financial condition of our Company.
- The school sponsor interests in the PRC Operating Schools held by the registered shareholders are not capable of being pledged in favor of our wholly foreign-owned enterprise, Tibet Yongsi, under PRC laws. The Structured Contracts with respect to the PRC Operating Schools contain alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements with equity pledge arrangements.
- The exercise of the option by the Company to acquire the sponsor interests or equity interests of the PRC Operating Entities may be subject to certain limitations and may incur substantial costs.
- Structured Contracts may be subject to scrutiny by PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the results of operation and the value of the investment of our investors.
- Certain terms of the Structured Contracts may not be enforceable under PRC laws.
- The Company relies on dividend and other payments from Tibet Yongsi to pay dividends and other cash distributions to our shareholders and any limitation on the ability of Tibet Yongsi to pay dividends to the Company would materially and adversely limit our ability to pay dividends to our shareholders.
- The PRC Operating Entities may be subject to limitations on their ability to operate private education business or make payments to related parties.
- If any of the PRC Operating Entities becomes subject to winding up or liquidation proceedings, the Company may lose the ability to use certain important assets, which could negatively impact the business and materially and adversely affect the ability to generate revenue.
- If the Company is not able to execute or manage its overseas expansion strategies effectively, the ability to capitalize on new business opportunities would be hindered.

Impact of the Implementation Regulations on the Structured Contracts

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

As at the date of this report, the national and local governments have not yet issued corresponding classification management regulations and rules in respect of the Implementation Regulations. We will continue to monitor the implementation of the Implementation Regulations in different regions and continue to assess its subsequent impact on the Company and will make further announcement(s) as and when appropriate.

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

(1) Exclusive Business Cooperation Agreement

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

(2) Exclusive Call Option Agreement

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

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

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

(4) School Sponsor's Powers of Attorney

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

(5) Directors' Powers of Attorney

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

(6) Shareholders' Rights Entrustment Agreement

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

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

(7) Shareholders' Powers of Attorney

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

(8) Spouse Undertakings

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

- (a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in Tianli Education, pledge or transfer the direct or indirect equity interest in Tianli Education, or the disposal of the direct or indirect equity interest in Tianli Education in any other forms;
- (b) the spouse authorizes the respective Registered Shareholders or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Tianli Education (direct or indirect) in order to safeguard the interest of Tibet Yongsi under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;
- (c) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in Tianli Education;
- (d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and
- (e) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tibet Yongsi and the spouses of the respective Registered Shareholders in writing.

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

(9) Equity Pledge Agreement

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

(10) Loan Agreement

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

Listing Rules Implication

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

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

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

Application for Waiver

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

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

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

(b) No change without independent Shareholders' approval

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

(c) Economic benefits flexibility

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

(d) Renewal and reproduction

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

(e) *Ongoing reporting and approvals*

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

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report as per the section headed "Connected Transactions – Non-exempt Continuing Connected Transaction – Structured Contracts – Application for Waiver" of the Prospectus.
- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts as per the section headed "Connected Transactions – Non-exempt Continuing Connected Transaction – Structured Contracts – Application for Waiver" of the Prospectus.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating Entities will be treated as our Company's wholly-owned subsidiary, and at the same time, the directors, chief executives or substantial shareholders of each of our PRC Operating Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.
- Each of our PRC Operating Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

Our independent non-executive Directors have reviewed the transactions under the 2021 School Construction Framework Agreement and the Structured Contracts for the year ended 31 August 2024 (the “CCTs”), and confirmed that:

1. the CCTs have been entered in the ordinary course of business of the Company and its subsidiaries;
2. the CCTs have been carried out under normal commercial terms or better;
3. the CCTs have been entered into in accordance with the terms of the agreements which are fair and reasonable and in the interests of our Shareholders as a whole;
4. the transactions under the Structured Contracts for the year ended 31 August 2024 have been entered into and executed in accordance with the relevant provisions under the Structured Contracts, to ensure that the profits generated by the consolidated operating entities within the Group for the year ended 31 August 2024 have been retained by the Group;
5. no dividends or other distributions were paid by the consolidated operating entities within the Group to the sponsors of the schools or the interests/equities holders of the schools, where such dividends or distributions are not transferred to the Group; and
6. the Structured Contracts and, any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Entities during the year ended 31 August 2024 are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

CONFIRMATIONS FROM THE COMPANY’S INDEPENDENT AUDITORS

The auditors of the Company has confirmed in a letter to the Board that, with respect to the transactions entered into under the 2021 School Construction Framework Agreement and the Structured Contracts in the year ended 31 August 2024:

1. nothing has come to their attention that causes the auditors to believe that the transactions under the 2021 School Construction Framework Agreement and the Structured Contracts have not been approved by the Board;
2. nothing has come to their attention that causes the auditors to believe that the transactions under the 2021 School Construction Framework Agreement and the Structured Contracts were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
3. nothing has come to their attention that causes the auditors to believe that the transactions under the 2021 School Construction Framework Agreement have exceeded the annual caps as set by the Company; and
4. nothing has come to their attention that causes the auditors to believe that dividends or other distributions have been made by the PRC Operating Entities and newly established schools subsequently, to the holders of the school sponsor’s interest/equity interest which are not otherwise subsequently assigned or transferred to the Group.

RELATED PARTY TRANSACTIONS

The related party transactions undertaken during the year ended 31 August 2024 are set out in note 34 to the consolidated financial statements, among which, item (c)(1) also constituted continuing connected transaction as defined in Chapter 14A of the Listing Rules, while items (c)(3) and (c)(4) do not constitute connected transactions under Chapter 14A of the Listing Rules. The Company has complied with all disclosure requirements as set out in Chapter 14A of the Listing Rules. For details of the continuing connected transaction, please refer to the announcement and circular of the Company dated 9 September 2021 and 20 September 2021, respectively.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2024.

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

As at 31 August 2024, 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>)	Beneficial interest	30,000,000	44.09%
	Interest of a controlled corporation	894,242,316	
	Interest of spouse	1,956,520	
	Beneficiary of a trust	6,521,733	
		932,720,569	
Mr. Wang Rui (<i>Note 2</i>)	Beneficial interest	7,000,000	0.42%
	Beneficiary of a trust	1,956,520	
		8,956,520	
Mr. Zhang Wenzao	Beneficial interest	1,702,000	0.08%
Mr. Pan Ping (<i>Note 3</i>)	Interest of spouse	13,043,289	0.62%

Notes:

- (1) Mr. Luo Shi is an executive Director, the chairman and the chief executive officer of the Company and holds 100% of the issued share capital of Sky Elite Limited, which in turn holds 894,242,316 Shares. In addition, Ms. Tu Mengxuan has been granted 1,956,520 Shares under the Pre-IPO Restricted Share Award Scheme, all of which have been vested. Ms. Tu Mengxuan is the spouse of Mr. Luo Shi. By virtue of the SFO, Mr. Luo Shi is deemed or taken to be interested in the Shares in which Sky Elite Limited and Ms. Tu Mengxuan are interested. Furthermore, Mr. Luo Shi has been granted 6,521,733 Shares under the Pre-IPO Restricted Share Award Scheme, all of which have been vested. Mr. Luo Shi has also been granted 30,000,000 share options under the Share Option Scheme which entitle him to subscribe for 30,000,000 Shares, none of which has been exercised as at 31 August 2024.
- (2) Mr. Wang Rui is an executive Director and has been granted 1,956,520 Shares under the Pre-IPO Restricted Share Award Scheme, all of which have been vested. In addition, Mr. Wang Rui has been granted 7,000,000 share options under the Share Option Scheme which entitle him to subscribe for 7,000,000 Shares, none of which has been exercised as at 31 August 2024.
- (3) Shang Long Limited, which was owned as to 66.67% by Ms. Wu Caixia, Mr. Pan Ping's spouse, directly held and was interested in 13,043,289 Shares. By virtue of the SFO, Mr. Pan Ping is deemed or taken to be interested in the Shares in which Ms. Wu Caixia is interested in.

Save as disclosed above, as at 31 August 2024, none of the Directors and chief executive of the Company has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 31 August 2024, 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	894,242,316	42.27%
Ms. Tu Mengxuan (<i>Note 2</i>)	Beneficiary of a trust	1,956,520	44.09%
	Interest of spouse	930,764,049	
		932,720,569	
First Beijing Investment Limited	Investment manager	193,891,000	9.16%

Notes:

- (1) Mr. Luo Shi holds 100% of the issued share capital of Sky Elite Limited and therefore Mr. Luo Shi is deemed or taken to be interested in the Shares held by Sky Elite Limited under Part XV of the SFO.
- (2) Ms. Tu Mengxuan has been granted 1,956,520 Shares under the Pre-IPO Restricted Share Award Scheme, all of which have been vested. Ms. Tu Mengxuan is the spouse of Mr. Luo Shi. Under the SFO, Ms. Tu Mengxuan is deemed to be interested in the same number of Shares in which Mr. Luo Shi is interested.

Save as disclosed above, as at 31 August 2024, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interest are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2024, the Group employed 5,668 employees (as at 31 August 2023: 5,029).

The staff costs, including Directors' emoluments, net of government grant released and subsidies received, of the Group were approximately RMB721.8 million for the Reporting Year (2023: approximately RMB566.4 million).

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

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

The Company has also adopted a Pre-IPO Restricted Share Award Scheme, Share Option Scheme and Restricted Share Award Scheme for its employees and other eligible persons.

SHARE INCENTIVE SCHEMES

PRE-IPO RESTRICTED SHARE AWARD SCHEME

Summary of the Pre-IPO Restricted Share Award Scheme

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

(a) *Purpose*

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

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

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

(c) *Maximum number of share awards*

The maximum number of share awards that may be granted under the Pre-IPO Restricted Share Award Scheme in aggregate (excluding share awards that have lapsed or been cancelled in accordance with the rules of the Pre-IPO Restricted Share Award Scheme) shall be such number of Shares held or to be held by the Trustee for the purpose of the Pre-IPO Restricted Share Award Scheme from time to time, and which shall in any event, be no more than 107,178,158 Shares (the number of Shares is based on the completion of the capitalization issue and the global offering), representing approximately 5.07% of the issued share capital of the Company as at the date of this report. Our Company will not further grant share awards under the Pre-IPO Restricted Share Award Scheme.

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

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

- (i) construe and interpret the Pre-IPO Restricted Share Award Scheme, make factual determinations with respect to the administration of the Pre-IPO Restricted Share Award Scheme, further define the terms used in the Pre-IPO Restricted Share Award Scheme; and prescribe, amend and rescind rules and regulations relating to the administration of the Pre-IPO Restricted Share Award Scheme or the share awards;
- (ii) determine the persons who will be awarded share awards, eligibility requirements, the number and price of share awards, and restrictions applicable to such share awards;
- (iii) make such appropriate and equitable adjustments to the terms of share awards as it deems necessary; and
- (iv) amend, add to and/or delete any of the provisions of the Pre-IPO Restricted Share Award Scheme.

(e) *Grant of share awards*

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

(f) *Restrictions on share awards*

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

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

(g) *Obtaining of share awards*

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

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

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

(h) *Lapse of share awards*

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

- (i) the participant's employment with or service for the Group terminates for any reason except retirement, early retirement due to health problem, permanent disablement, death during employment or redundancy;
- (ii) the participant is involved in businesses that are competing with or similar to the Group during his employment period without prior approval from the Company;
- (iii) the company employing the participant ceases to be a subsidiary or an affiliate of the Company;
- (iv) the participant makes any attempt or takes any action to sell, transfer, charge, encumber, hedge or create any interest in favour of any other person over or in relation to any unvested share awards or any interests or benefits pursuant to the unvested share awards;
- (v) the participant violates relevant rules under his/her respective local labour laws, or breaches the employment agreement or non-disclosure agreement with the Group; or
- (vi) merger, bankruptcy, insolvency, liquidation and winding up and any other similar events of the Company.

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

As at 31 August 2024, a total of 107,178,158 shares, representing approximately 5.07% of the total issued shares of the Company, were granted to selected persons under the Pre-IPO Restricted Share Award Scheme. During the Reporting Year, no shares were granted under the Pre-IPO Restricted Share Award Scheme. Details of the interests of the selected persons under the Pre-IPO Restricted Share Award Scheme are as follows:

Grantees	Date of award	Number of Shares	Vesting period	Grant Price (RMB)	Unvested as at 1 September 2023	Vested during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Unvested as at 31 August 2024	Closing price or weighted average closing price of the Shares immediately before the relevant vesting date(s) during the Reporting Period (HK\$)
Directors										
Luo Shi	26 January 2018	6,521,733	12 July 2018 to 1 March 2022	0.77	0	0	0	0	0	N/A
Wang Rui	26 January 2018	1,956,520	12 July 2018 to 1 March 2022	0.77	0	0	0	0	0	N/A
Director's associate										
Ms. Tu Mengxuan (spouse of Mr. Luo Shi)	26 January 2018	1,956,520	1 September 2018: 10% 1 September 2019: 10% 1 September 2020: 20% 1 September 2021: 20% 1 September 2022: 20% 1 September 2023: 20%	0.77	391,304	391,304	0	0	0	2.54
Employee participants										
Group A in aggregate	26 January 2018	85,265,137	12 July 2018 to 1 March 2022	0.77	0	0	0	0	0	N/A
Group B in aggregate	26 January 2018	7,043,470	1 September 2018: 10% 1 September 2019: 10% 1 September 2020: 20% 1 September 2021: 20% 1 September 2022: 20% 1 September 2023: 20%	0.77	782,624	782,624	0	0	0	2.54
Group C in aggregate	26 January 2018	4,434,778	1 December 2018: 10% 1 December 2019: 10% 1 December 2020: 20% 1 December 2021: 20% 1 December 2022: 20% 1 December 2023: 20%	0.77	808,706	808,706	0	0	0	3.16

The remaining life of the Pre-IPO Restricted Share Award Scheme is approximately 3 years and 1 month as at the date of this report.

SHARE OPTION SCHEME

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

1. Purpose

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

2. Who may join

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

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (f) above.

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the listing date (such 10% limit representing 200,000,000 Shares excluding Shares which may fall to issued upon the exercise of the over-allotment option granted by our Company) (the “**Scheme Mandate Limit**”), representing 9.45% of the issued Shares as at the date of this report, provided that:

- (a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;
- (b) our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the eligible person specified by our Company before such approval is obtained. Our Company should issue a circular to our Shareholders containing the details and information required under the Listing Rules; and
- (c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company (or the subsidiary) shall not exceed 30% of our Company’s (or the subsidiary’s) issued share capital from time to time. No options may be granted under the Share Option Scheme and any other schemes of our Company (or the subsidiary) if this will result in such limit being exceeded.

4. Maximum entitlement of each participant

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

5. Offer and grant of options

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

6. Granting options to connected persons

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

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

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HKD5.0 million, such further grant of options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favor at such general meeting.

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

7. Restriction on the time of grant of options

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

8. Minimum holding period, vesting and performance target

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

9. Amount payable for options and offer period

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

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

10. Subscription price

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

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

11. Exercise of Option

- (a) An option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (b) The exercise of any option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (c) The exercise of any option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.
- (d) Subject as hereinafter provided and subject to the terms and conditions upon which the option was granted, an option may be exercised by the grantee at any time during the option period, provided that:
 - (i) in the event that the grantee dies or becomes permanently disabled before exercising an option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;
 - (ii) in the event that the grantee ceases to be an executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
 - (iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

- (iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:
 - (1) the option period;
 - (2) the period of two months from the date of such notice; or
 - (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her option.

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

12. Life of Share Option Scheme

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

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

13. Lapse of Share Option Scheme

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

- (a) the expiry of the option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of the option;
- (c) subject to the terms of the period mentioned in the paragraph headed “– 11. Exercise of Option” in this section, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the option;
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

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

14. Adjustment

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

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the option so far as unexercised; and/or
- (c) the subscription price of each outstanding option.

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

- (a) any such adjustments shall give the eligible persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancellation of Options not exercised

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

- (a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of option or any terms or conditions attached to the grant of the option;
- (b) the grantee makes a written request to the Board for the option to be cancelled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

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

16. Ranking of Shares

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

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

17. Termination

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

18. Transferability

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

19. Alteration of Share Option Scheme

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

- (a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;
- (c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the scheme; and
- (d) any alteration to the aforesaid alternation provisions,

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

Since the adoption date to 31 August 2024, an aggregate of 61,000,000 share options had been granted to eligible participants (i.e. on 10 March 2023, the Company granted an aggregate of 61,000,000 share options (where each share option shall entitle the relevant grantee to subscribe for one Share) to eligible participants pursuant to the Share Option Scheme. For further details, please refer to the announcement of the Company dated 10 March 2023 and the circular of the Company dated 6 April 2023). During the Reporting Year, a total of 1,500,000 share options granted under the Share Option Scheme had lapsed. Save as disclosed, no share option was granted, exercised, expired or lapsed during the year ended 31 August 2024. As at 31 August 2024, the number of outstanding share options is 59,500,000.

On 24 October 2024, the Company granted an aggregate of 9,400,000 share options (where each share option shall entitle the relevant grantee to subscribe for one Share) to eligible participants pursuant to the Share Option Scheme. For further details, please refer to the announcement of the Company dated 24 October 2024.

In October 2024, a total of 3,100,000 share options granted under the Share Option Scheme had lapsed.

The number of share options available for grant under the Share Option Scheme mandate at the beginning and the end of the Reporting Year were 139,000,000 and 140,500,000, respectively.

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

	Date of Grant	Number of share options	Number of Shares				Outstanding as at 31 August 2024	Closing price or weighted average closing price (as applicable) of the Shares immediately before the relevant exercise date(s) during the Reporting Year (HK\$)
			Outstanding as at 1 September 2023	Exercised during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year		
Directors								
Luo Shi	10 March 2023 ^{Note 6}	30,000,000	30,000,000	0	0	0	30,000,000	N/A
Wang Rui	10 March 2023 ^{Note 6}	7,000,000	7,000,000	0	0	0	7,000,000	N/A
Other employee participants in aggregate	10 March 2023 ^{Note 6}	22,000,000	22,000,000	0	0	1,500,000	20,500,000	N/A
Service providers in aggregate	10 March 2023 ^{Note 6}	2,000,000	2,000,000	0	0	0	2,000,000	N/A

Notes:

1. Exercise Period of share options: the share options shall be valid for 10 years from the date of grant and lapse at the expiry of such period.
2. Vesting Period of share options: 40% of the share options granted shall be vested after the first anniversary of the date of grant; another 30% of the share options granted shall be vested after the second anniversary of the date of grant; and the remaining 30% of the share options granted shall be vested after the third anniversary of the date of grant.
3. The exercise price of the share options shall be HK\$2.48 per Share.
4. The Share Options shall not be subject to any performance target.

5. The fair value of (i) 31,000,000 share options as at 10 March 2023, being the date of grant, was HK\$1.5933 per Share and (ii) 30,000,000 share options as at 26 April 2023, being the date of the Shareholders' approval, was HK\$1.4657 per Share. For details of the option pricing model, the significant assumptions and inputs used in that pricing model and how such significant assumptions and inputs were determined, please refer to note 30 to the consolidated financial statements.
6. The closing price of the Shares immediately before the date on which the share options were granted during the Reporting Year was not applicable since no share options were granted during the Reporting Year.
7. There were no participants with options and awards granted and to be granted in excess of the 1% individual limit, no related entity participants or service providers with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue (excluding treasury shares), and no other related entity participants under the Share Option Scheme.

The remaining life of the Share Option Scheme is approximately 3 years and 6 months as the date of this report.

RESTRICTED SHARE AWARD SCHEME

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

(1) Purpose and objective

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

(2) Term of the scheme

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

(3) Eligible participants for the scheme

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

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

The maximum number of award Shares that may be granted under the Restricted Share Award Scheme in aggregate shall be no more than 75,000,000 Shares, representing approximately 3.55% of the issued share capital of the Company as at the date of this report.

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

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

(5) Administration of the scheme

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

- i. construe and interpret the scheme, make factual determinations with respect to the administration of the scheme, further define the terms used in the scheme; and prescribe, amend and rescind rules and regulations relating to the administration of the scheme or the award of award Shares;
- ii. determine the persons who will be granted award Shares, eligibility requirements, the number and grant price of the award Shares, and restrictions applicable to such award shares;
- iii. make such appropriate and equitable adjustments to the terms of award Shares as it deems necessary; and
- iv. amend, add to and/or delete any of the provisions of the scheme rules.

(6) Operation

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

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

(7) Restrictions on award Shares

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

(8) Vesting and lapse of award Shares

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

- i. 10% of a selected participant's award Shares shall become vested upon each of the first anniversary, the second anniversary, the third anniversary, the fourth anniversary and the fifth anniversary after the grant of the award Shares; and
- ii. 50% of a selected participant's award Shares shall become vested upon the sixth anniversary after the grant of the award Shares.

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

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

(9) Voting rights

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

(10) Termination

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

(11) Alteration of the scheme

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

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

As at 31 August 2024, under the Restricted Share Award Scheme, the Trustee purchased a total of 56,548,000 shares, representing approximately 2.67% of the total issued shares of the Company. A total of 14,864,000 shares, representing approximately 0.7% of the total issued shares of the Company, were granted to Selected Participants under the scheme. Details of the interests of the Selected Participants under the Restricted Share Award Scheme are as follows:

Grantees	Date of award	Number of Shares	Vesting period	Grant Price (RMB)	Unvested as at 1 September 2023	Vested during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Unvested as at 31 August 2024	Closing price or weighted average closing price of the Shares immediately before the relevant
										vesting date(s) during the Reporting Year (HK\$)
Group A in aggregate	15 December 2019	7,724,000	1 September 2020: 10% 1 September 2021: 10% 1 September 2022: 10% 1 September 2023: 10% 1 September 2024: 10% 1 September 2025: 50%	1.6	4,120,900	588,700	0	0	3,532,200	2.54
Group B in aggregate	31 January 2021	7,140,000	1 September 2021: 10% 1 September 2022: 10% 1 September 2023: 10% 1 September 2024: 10% 1 September 2025: 10% 1 September 2026: 50%	2.4	4,368,000	546,000	0	0	3,822,000	2.54

Note:

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

The remaining life of the Restricted Share Award Scheme is approximately 4 years as the date of this report.

The number of Shares that may be issued in respect of options and awards granted under all the share schemes of the Company (i.e. 59,500,000 Shares) (Shares may only be issued in respect of options granted under the Share Option Scheme) during the Reporting Year divided by the weighted average number of Shares in issue for the Reporting Year (i.e. 2,146,255,000 Shares) is 0.03.

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

During the year ended 31 August 2024, the Company repurchased a total of 25,324,000 Shares ("**Shares Repurchased**") on the Stock Exchange, at an aggregate consideration of HKD77,468,455 (inclusive of the payment of trading fees, levies and commissions in the aggregate amount of HKD167,608). The Company believed that the then prevailing trading prices of the Shares were lower than its intrinsic value and did not fully reflect the business prospects of the Company, and that the various share repurchases reflected the Company's long-term confidence in its operational growth outlook and financial position, increased the net asset value and earnings per Share, and were in the best interests of the Company and the Shareholders. Details of the Shares Repurchased are as follows:

Month	No. of Shares repurchased	Price paid per Share		Aggregate consideration (HKD)
		Highest (HKD)	Lowest (HKD)	
September 2023	4,698,000	2.60	2.33	11,473,918
November 2023	292,000	3.13	3.00	901,024
December 2023	6,632,000	3.30	2.79	20,523,427
January 2024	6,485,000	3.17	2.85	19,525,519
February 2024	4,238,000	3.22	2.59	12,227,123
March 2024	2,238,000	4.53	4.16	9,724,502
June 2024	356,000	4.65	4.37	1,612,114
August 2024	385,000	3.93	3.77	1,480,828
Total	25,324,000	4.65	2.33	77,468,455

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Year. As at 31 August 2024, the Company did not have any treasury shares (as defined under the Listing Rules).

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Restricted Share Award Scheme, Share Option Scheme and Restricted Share Award Scheme, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 August 2024.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the Company's code for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, they have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 August 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 August 2024.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

During the Reporting Year, the Group made charitable donations of RMB1,106,000.

LITIGATION

The Group did not have any material litigation outstanding as at 31 August 2024.

CONTINUING DISCLOSURE PURSUANT TO LISTING RULES

The Company did not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules as at 31 August 2024.

CHANGES IN INFORMATION OF DIRECTORS

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

EVENTS AFTER THE REPORTING YEAR

On 16 August 2024, the Board proposed to (i) make certain amendments (the "**Proposed Amendments**") to the second amended and restated memorandum and articles of association of the Company (the "**Existing M&A**") and (ii) adopt the third amended and restated memorandum and articles of association of the Company (the "**New M&A**") incorporating and consolidating all the Proposed Amendments, in substitution for, and to the exclusion of, the Existing M&A. The Proposed Amendments and the proposed adoption of the New M&A were approved by Shareholders at the extraordinary general meeting of the Company held on 27 September 2024. For details, please refer to the announcements of the Company dated 16 August 2024 and 27 September 2024 and the circular of the Company dated 6 September 2024.

On 24 October 2024, the Company granted an aggregate of 9,400,000 share options (where each share option shall entitle the relevant grantee to subscribe for one Share) to eligible participants pursuant to the Share Option Scheme. For further details, please refer to the announcement of the Company dated 24 October 2024.

Save as disclosed, there were no significant events of the Group after 31 August 2024 and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2024 and has had a meeting with the independent auditor, Ernst & Young. The Audit Committee, together with the management of the Company, has discussed the matters concerning risk management and internal control, auditing and financial reporting matters and reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 August 2024.

AUDITOR

The consolidated financial statements for the year ended 31 August 2024 have been audited by Ernst & Young. A resolution for the re-appointment of Ernst & Young as the Company's auditor is to be proposed at the forthcoming AGM. There has been no change in the Company's auditors in the preceding three years.

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

The PRC, 25 November 2024

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value, transparency and accountability of the Group. The Company has adopted the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

During the year ended 31 August 2024, the Company has complied with all applicable code provisions set out in the CG Code contained in Appendix C1 to the Listing Rules, save and except for code provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should not be performed by the same individual.

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

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

THE BOARD

RESPONSIBILITIES

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

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

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

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

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

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

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

BOARD COMPOSITION

During the year ended 31 August 2024 and up to the date of this report, the composition of the Board is as follows:

Executive Directors:

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

Non-executive Directors:

Mr. Pan Ping
Mr. Zhang Wenzao

Independent Non-executive Directors:

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

The biographies of the Directors are set out under the section headed “Directors and Senior Management” in this report. During the year ended 31 August 2024, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possesses appropriate professional qualifications or accounting or related financial management expertise.

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

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

Name of Director	Term of Service
Non-executive Directors	
Mr. Pan Ping	From 25 April 2023 to 24 April 2026
Mr. Zhang Wenzao	From 25 April 2023 to 24 April 2026
Independent Non-executive Directors	
Mr. Liu Kai Yu Kenneth	From 12 July 2024 to 11 July 2027
Mr. Yang Dong	From 12 July 2024 to 11 July 2027
Mr. Cheng Yiqun	From 12 July 2024 to 11 July 2027

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

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

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

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

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

DIVERSITY POLICY

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

As at the date of this report, the Board comprises 7 Directors, of whom all of them are male. According to Rule 13.92, the Stock Exchange will not consider diversity to be achieved for a single gender board. Henceforth, the Board is planning to improve the gender diversity at board level and across the workforce, and are in the process of seeking one or more suitable candidates of different gender to join the Board as Director(s) on or before 31 December 2024. We will consider searching for female Directors who best meet the needs of the Company through multiple means such as internal selection and external recommendations. The Company will endeavour to promote gender diversity when recruiting middle and senior-level employees and reserve a pool of female executives and potential successors of its Directors for the future. The Board will also seize opportunities to increase the proportion of female members when suitable candidates are identified.

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

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

There are no mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant. As of 31 August 2024, the total number of employees (including senior management) of the Group is 5,668, among which the number of female employees is 3,519 (62.1%), and the number of male employees is 2,149 (37.9%). The Company expects that in consideration of the business development, the gender ratio of all employees will be maintained at the current level in the medium term.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

In accordance with C.1.4 of the CG Code with regards to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses or reading relevant materials, in order to keep themselves abreast of the statutory and regulatory development and changes in the business and the market so as to facilitate the discharge of their responsibilities. The individual training record of each Director received for the year ended 31 August 2024 is summarised below:

Name of Director	Training
Executive Directors	
Mr. Luo Shi	Reading materials ✓
Mr. Wang Rui	Reading materials, attending the training for company secretary ✓
Non-executive Directors	
Mr. Pan Ping	Reading materials, and attending the induction training for Directors ✓
Mr. Zhang Wenzao	Reading materials, and attending the induction training for Directors ✓
Independent Non-executive Directors	
Mr. Liu Kai Yu Kenneth	Reading materials, and attending an institutional training ✓
Mr. Yang Dong	Reading materials ✓
Mr. Cheng Yiqun	Reading materials ✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should not be performed by the same individual. Mr. Luo Shi was appointed as the chairman of the Board and the chief executive officer of our Company on 24 June 2018.

The Board believes that it is in the interest of the Company and its Shareholders for Mr. Luo Shi to assume the responsibilities of such positions, given that Mr. Luo Shi is the founder of the Company and has extensive experience in the operation and management of the Company. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises six other experienced individuals during the year ended 31 August 2024. In addition, for major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will review such arrangement from time to time and will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

BOARD MEETINGS AND GENERAL MEETINGS

For the year ended 31 August 2024, details of Directors' attendance of the Board meetings and general meetings are as follows:

Name of Director	Attendance/Number of meetings	
	Board meetings	General Meetings
Executive Directors		
Mr. Luo Shi	3/5	1/1
Mr. Wang Rui	5/5	1/1
Non-executive Directors		
Mr. Pan Ping	5/5	1/1
Mr. Zhang Wenzao	5/5	1/1
Independent Non-executive Directors		
Mr. Liu Kai Yu Kenneth	5/5	1/1
Mr. Yang Dong	5/5	1/1
Mr. Cheng Yiqun	5/5	1/1

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 August 2024, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during the year ended 31 August 2024.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the performance of the functions of corporate governance. For the year ended 31 August 2024, the Board has performed the functions set out in code provision A.2.1 of the CG Code, including reviewing the Company's implementation of corporate governance and ensuring compliance with the CG Code (in particular, the principles of good corporate governance) and disclosure requirements in the corporate governance report.

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

The Company has established the Audit Committee comprising three members who are all independent non-executive Directors, namely, Mr. Liu Kai Yu Kenneth, Mr. Cheng Yiqun and Mr. Yang Dong. Mr. Liu Kai Yu Kenneth is the chairman of the Audit Committee.

The Audit Committee has its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the CG Code. The primary duties of the Audit Committee include, among others, (i) assisting the Board in providing an independent review of the financial controls, risk management and internal control systems of the Group; (ii) overseeing the audit process; and (iii) performing other duties and responsibilities as assigned by the Board.

For the year ended 31 August 2024, the Audit Committee held 2 meetings. The attendance record of the meetings is set out in the table below:

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

During the meetings, the Audit Committee reviewed the results and report for the year ended 31 August 2023, the interim results and report for the six months ended 28 February 2024, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, continuing connected transactions, and scope of work and appointment of external auditors.

NOMINATION COMMITTEE

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

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

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

For the year ended 31 August 2024, the Nomination Committee held 1 meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Luo Shi	1/1
Mr. Liu Kai Yu Kenneth	1/1
Mr. Cheng Yiqun	1/1

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

REMUNERATION COMMITTEE

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

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

For the year ended 31 August 2024, the Remuneration Committee held 1 meeting.

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

Name of Committee Member	Attendance/ Number of meetings
Mr. Cheng Yiqun	1/1
Mr. Wang Rui	1/1
Mr. Yang Dong	1/1

During the relevant meetings, the Remuneration Committee considered and reviewed the remuneration policy and structure of the Company, the remuneration policy and packages of the executive Directors and senior management, the proposed adjustment of the remuneration packages of the executive Directors and other related matters of the Company. The Remuneration Committee also assessed the performance of executive Directors, reviewed and approved the terms of the service contracts of Directors.

REMUNERATION OF SENIOR MANAGEMENT

The senior management's total remuneration paid/payable for the year ended 31 August 2024 by band expressed in RMB is as follows:

Band	Number of senior management For the year ended 31 August 2024
Nil to RMB1,000,000	1
Over RMB1,000,001	1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2024.

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

During the year ended 31 August 2024, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The Audit Committee and the internal audit and control department of the Company, respectively, also performed regular reviews of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such reviews by the Board, the Audit Committee and the internal audit and control department of the Company did not reveal any major issues and the Board considers the risk management and internal control systems as well as the internal audit function of the Group are effective and adequate.

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

- (1) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.
- (2) Risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.
- (3) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.
- (4) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

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

AUDITOR'S REMUNERATION

The Company appointed Ernst & Young as the independent auditor for the year ended 31 August 2024. The fees charged for the services provided by the independent auditor to the Group for the Reporting Year include the fees for: (i) the audit services to the Group for the year ended 31 August 2024 amounted to RMB4.05 million; (ii) the review of the unaudited interim financial information of the Group for the six months ended 28 February 2024 amounted to RMB1.55 million; and (iii) the agreed-upon procedural fees related to the provision of financial and non-financial information to the Group amounted to RMB0.28 million. During the Reporting Year, the remuneration in respect of non-audit services provided by the external professional firm engaged by the Company included the fees of RMB0.3 million for reviewing internal control system and risk management, and the fees of HKD0.1357 million for preparing the Environmental, Social and Governance Report.

JOINT COMPANY SECRETARIES

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

Mr. Wang Rui and Ms. Zhang Xiao have confirmed that they had taken not less than 15 hours of relevant professional training during the year ended 31 August 2024.

CONSTITUTIONAL DOCUMENTS

On 16 August 2024, for the purposes of, among other things, (a) updating and bringing the second amended and restated memorandum and articles of association of the Company (the "**Existing M&A**") in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers as set out in the Listing Rules which took effect from 31 December 2023, and (b) better aligning the wordings in the Existing M&A with those in the applicable laws of the Cayman Islands and the Listing Rules and incorporating certain housekeeping changes, the Board proposed to make certain amendments to the Existing M&A (the "**Proposed Amendments**") and adopt the third amended and restated memorandum and articles of association of the Company (the "**New M&A**") incorporating and consolidating all the Proposed Amendments, in substitution for, and to the exclusion of, the Existing M&A. The Proposed Amendments and the proposed adoption of the New M&A were approved by Shareholders at the extraordinary general meeting of the Company held on 27 September 2024. For details, please refer to the Company's announcements dated 16 August 2024 and 27 September 2024 and the Company's circular dated 6 September 2024.

SHAREHOLDERS' RIGHTS

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

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

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

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

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

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

SHAREHOLDERS' COMMUNICATION POLICY AND INVESTOR RELATIONS

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

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

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

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

ENQUIRIES TO THE BOARD

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

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

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

Email: ir@tianlieducation.com

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

Independent Auditor's Report



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

Tel : +852 2846 9888
Fax : +852 2868 4432
ey.com

To the shareholders of Tianli International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Tianli International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 86 to 180 which comprise the consolidated statement of financial position as at 31 August 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standard Accounting Standards (“**IFRS Accounting Standards**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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



Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<p>The Group recognised revenue of RMB3,320,898,000 during the year ended 31 August 2024, representing income from comprehensive educational services, sales of products, comprehensive logistical services and management and franchise fees less returns and sales related tax.</p> <p>We identified revenue as a key audit matter due to the significance of the amount in the consolidated financial statements, combined with the volume of transactions recognised during the year.</p> <p>Details of the Group’s accounting policies on revenue recognition and details of revenue recognised during the year are included in notes 2 and 5 to the consolidated financial statements, respectively.</p>	<p>Our audit procedures in relation to revenue recognition included, among others, the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the revenue business processes and key controls, and testing the key manual controls for revenue recognition; • Understanding the revenue recognition policies of the Group and evaluating whether the identification of performance obligations, when a performance obligation is satisfied, measurement of progress towards complete satisfaction of a performance obligation, principal versus agents in each distinct performance obligation are in accordance with IFRS 15 Revenue from Contracts with Customers (“IFRS 15”); • Examining, on a sample basis, whether revenue is recognised in accordance with applicable IFRS Accounting Standards and with reference to supporting evidence to determine whether the services have been provided or goods have been delivered; • Performing substantive analytical procedures to test the reasonableness of the amount of revenue recognised; and • Assessing the adequacy of disclosures made in the Group’s consolidated financial statements.



Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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



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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wang Jun Ying.

Ernst & Young
Certified Public Accountants
Hong Kong

25 November 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 August 2024

	Notes	2024 RMB'000	2023 RMB'000 (Restated)
REVENUE	5	3,320,898	2,302,540
Cost of sales		(2,201,929)	(1,523,693)
Gross profit		1,118,969	778,847
Other income and gains	5	50,273	22,860
Selling and distribution expenses		(70,531)	(36,227)
Administrative expenses		(257,499)	(240,061)
Other expenses		(28,083)	(17,294)
Finance costs	6	(86,390)	(62,529)
Share of profits/(losses) of			
A joint venture		2,165	(549)
Associates		11,547	(1,104)
PROFIT BEFORE TAX	7	740,451	443,943
Income tax expense	10	(184,289)	(109,430)
PROFIT FOR THE YEAR		556,162	334,513
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of a foreign operation		21	(58)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		556,183	334,455
Profit attributable to:			
Owners of the Company		575,956	337,028
Non-controlling interests		(19,794)	(2,515)
		556,162	334,513
Total comprehensive income attributable to:			
Owners of the Company		575,977	336,970
Non-controlling interests		(19,794)	(2,515)
		556,183	334,455
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		RMB27.51 cents	RMB16.05 cents
Diluted		RMB27.23 cents	RMB16.05 cents

Consolidated Statement of Financial Position

31 August 2024

	Notes	2024 RMB'000	2023 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,969,301	4,454,733
Right-of-use assets	14(a)	2,448,695	2,044,905
Goodwill	15	106,465	16,413
Other intangible assets	16	38,418	34,490
Investment in a joint venture		–	162,493
Investments in associates	17	12,825	68,695
Prepayments, deposits and other receivables	20	62,335	123,917
Deferred tax assets	27	337,019	280,449
Total non-current assets		7,975,058	7,186,095
CURRENT ASSETS			
Inventories	18	26,457	27,283
Trade receivables	19	18,362	17,448
Prepayments, deposits and other receivables	20	128,559	72,846
Amounts due from related parties	34(b)	686,892	651,520
Financial assets at fair value through profit or loss		–	100,309
Cash and cash equivalents	21	1,358,388	1,501,724
Total current assets		2,218,658	2,371,130
CURRENT LIABILITIES			
Trade payables	22	56,627	47,066
Other payables and accruals	23	609,858	512,010
Contract liabilities	24	1,346,460	1,315,089
Interest-bearing bank and other borrowings	26	740,943	553,935
Amounts due to related parties	34(b)	1,425,543	1,743,099
Tax payable		185,848	146,320
Lease liabilities	14(b)	20,646	20,221
Deferred income	25	271,122	231,741
Total current liabilities		4,657,047	4,569,481
NET CURRENT LIABILITIES	2.1	(2,438,389)	(2,198,351)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,536,669	4,987,744

Consolidated Statement of Financial Position (continued)

31 August 2024

	Notes	2024 RMB'000	2023 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	459,468	219,389
Deferred tax liabilities	27	64,945	54,416
Deferred income	25	239,391	342,913
Interest-bearing bank and other borrowings	26	1,312,052	1,118,474
Amounts due to related parties	34(b)	987,777	1,151,577
Total non-current liabilities		3,063,633	2,886,769
NET ASSETS		2,473,036	2,100,975
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	179,763	183,022
Treasury shares		(1,330)	(31,663)
Reserves	29	2,294,341	1,919,373
		2,472,774	2,070,732
Non-controlling interests		262	30,243
Total equity		2,473,036	2,100,975

Luo Shi
Director

Wang Rui
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 August 2024

	Attributable to owners of the Company													
	Issued capital	Treasury shares	Share premium	Shares repurchased for the share award scheme	Share award scheme reserve	Share option scheme reserve	Capital reserve	Difference arising from acquisition of non-controlling interests	Statutory surplus reserves	Exchange fluctuation reserve	Retained profits	Non-controlling Total 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	RMB'000	RMB'000	
	(note 28)	(note 28)	(note 29)	(note 30)		(note 29)		(note 29)	(note 29)					
At 31 August 2023	183,022	(31,663)	1,220,270	(88,644)	12,952	23,297	563,558	(1,122)	100,827	(284)	83,253	2,065,466	30,002	2,095,468
Effect of adoption of amendments to IAS 12 (note 2.2(c))	-	-	-	-	-	-	-	-	-	-	5,266	5,266	241	5,507
At 1 September 2023 (restated)	183,022	(31,663)	1,220,270	(88,644)	12,952	23,297	563,558	(1,122)	100,827	(284)	88,519	2,070,732	30,243	2,100,975
Profit for the year	-	-	-	-	-	-	-	-	-	-	575,956	575,956	(19,794)	556,162
Other comprehensive income for the year:														
Exchange differences on translation of a foreign operation	-	-	-	-	-	-	-	-	-	21	-	21	-	21
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	21	575,956	575,977	(19,794)	556,183
Transfer from retained profits	-	-	-	-	-	-	-	-	25,589	-	(25,589)	-	-	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	-	670	670
Purchase obligation of non-controlling interests	-	-	-	-	-	-	(14,587)	-	-	-	-	(14,587)	-	(14,587)
Acquisition of subsidiaries (note 31)	-	-	-	-	-	-	-	-	-	-	-	-	(10,857)	(10,857)
Vested shares under the share award scheme	-	-	2,923	2,511	(3,182)	-	-	-	-	-	-	2,252	-	2,252
Equity-settled share award scheme expenses (note 7)	-	-	-	-	3,418	-	-	-	-	-	-	3,418	-	3,418
Equity-settled share option scheme expenses	-	-	-	-	-	37,955	-	-	-	-	-	37,955	-	37,955
Offsetting with dividends	-	-	-	3,980	-	-	-	-	-	-	-	3,980	-	3,980
Shares repurchased	-	(68,977)	-	-	-	-	-	-	-	-	-	(68,977)	-	(68,977)
Cancellation of issued capital	(3,259)	99,310	(96,051)	-	-	-	-	-	-	-	-	-	-	-
Final 2023 dividend declared	-	-	(49,739)	-	-	-	-	-	-	-	-	(49,739)	-	(49,739)
Interim 2024 dividend declared	-	-	(88,237)	-	-	-	-	-	-	-	-	(88,237)	-	(88,237)
At 31 August 2024	179,763	(1,330)	989,166*	(82,153)*	13,188*	61,252*	548,971*	(1,122)*	126,416*	(263)*	638,886*	2,472,774	262	2,473,036

* These reserve accounts comprise the reserves of RMB2,294,341,000 in the consolidated statement of financial position as at 31 August 2024 (31 August 2023 (restated): RMB1,919,373,000).

Consolidated Statement of Changes in Equity (continued)

For the Year Ended 31 August 2024

	Attributable to owners of the Company													
	Issued capital	Treasury shares	Share premium	Shares repurchased for the share award scheme	Share award reserve	Share option scheme reserve	Capital reserve	Difference arising from acquisition of non-controlling interests	Statutory reserves	Exchange fluctuation reserve	Retained profits/ losses (accumulated)	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	RMB'000	RMB'000	RMB'000
	(note 28)	(note 28)	(note 29)	(note 30)		(note 29)		(note 29)		(note 29)				
At 31 August 2022	183,022	-	1,319,159	(74,479)	11,633	-	563,558	(1,122)	90,313	(226)	(240,062)	1,851,796	27,119	1,878,915
Effect of adoption of amendments to IAS 12 (note 2.2(c))	-	-	-	-	-	-	-	-	-	-	2,067	2,067	-	2,067
As 1 September 2022 (restated)	183,022	-	1,319,159	(74,479)	11,633	-	563,558	(1,122)	90,313	(226)	(237,995)	1,853,863	27,119	1,880,982
Profit for the year (restated)	-	-	-	-	-	-	-	-	-	-	337,028	337,028	(2,515)	334,513
Other comprehensive loss for the year:														
Exchange differences on translation of a foreign operation	-	-	-	-	-	-	-	-	-	(58)	-	(58)	-	(58)
Total comprehensive income for the year (restated)	-	-	-	-	-	-	-	-	-	(58)	337,028	336,970	(2,515)	334,455
Transfer from retained profits	-	-	-	-	-	-	-	-	10,514	-	(10,514)	-	-	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	-	200	200
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	5,439	5,439
Vested shares under the share award scheme	-	-	2,774	408	(3,182)	-	-	-	-	-	-	-	-	-
Equity-settled share award scheme expenses	-	-	-	-	4,501	-	-	-	-	-	-	4,501	-	4,501
Equity-settled share option scheme expenses	-	-	-	-	-	23,297	-	-	-	-	-	23,297	-	23,297
Unvested shares under the share award scheme	-	-	-	(17,076)	-	-	-	-	-	-	-	(17,076)	-	(17,076)
Offsetting with dividends	-	-	-	2,503	-	-	-	-	-	-	-	2,503	-	2,503
Shares repurchased	-	(31,663)	-	-	-	-	-	-	-	-	-	(31,663)	-	(31,663)
Final 2022 dividend declared	-	-	(43,439)	-	-	-	-	-	-	-	-	(43,439)	-	(43,439)
Interim 2023 dividend declared	-	-	(58,224)	-	-	-	-	-	-	-	-	(58,224)	-	(58,224)
At 31 August 2023 (restated)	183,022	(31,663)	1,220,270*	(88,644)*	12,952*	23,297*	563,558*	(1,122)*	100,827*	(284)*	88,519*	2,070,732	30,243	2,100,975

Consolidated Statement of Cash Flows

For the Year Ended 31 August 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		740,451	443,943
Adjustments for:			
Depreciation of property, plant and equipment	7	170,794	131,568
Depreciation of right-of-use assets	7	88,999	66,205
Amortisation of intangible assets	7	9,913	4,630
Share of (profits)/losses of a joint venture and associates		(13,712)	1,653
Gain on disposal of financial assets at fair value through profit or loss	5	(766)	(3,015)
Fair value gains on financial assets at fair value through profit or loss	5	–	(299)
Unrealised foreign exchange losses/(gains), net		6,195	(2,927)
Equity-settled share award scheme expenses	30	3,418	4,501
Equity-settled share option scheme expenses	30	37,955	23,297
Bank interest income	5	(8,866)	(3,418)
Deferred income released to profit or loss	25	(142,474)	(125,780)
Finance costs	6	86,390	62,529
Gain on cancellation of operating leases as a lessee	5	–	(2,444)
(Gain)/loss on disposal of items of property, plant and equipment, net	7	(51)	1,250
Fair value losses on remeasurement of a previously held equity interest in a joint venture at the date of business combination	7	820	–
Gain on bargain purchase	5	(27,050)	–
		952,016	601,693
Decrease/(increase) in inventories		1,016	(8,395)
Increase in trade receivables		(914)	(6,373)
Increase in prepayments, deposits and other receivables		(24,449)	(6,875)
Decrease/(increase) in amounts due from relate parties		206	(191)
Increase in trade payables		8,969	418
(Decrease)/increase in contract liabilities		(93,073)	269,620
Receipt of deferred income		67,392	87,066
Increase in other payables and accruals		48,038	133,055
Cash generated from operations		959,201	1,070,018
Income tax paid		(132,091)	(94,350)
Net cash flows from operating activities		827,110	975,668

Consolidated Statement of Cash Flows (continued)

For the Year Ended 31 August 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(342,648)	(575,435)
Purchase of other intangible assets		(1,529)	(5,683)
Purchase of leasehold land		(62,654)	(18,698)
Proceeds from disposal of items of property, plant and equipment		592	1,088
Purchase of financial assets at fair value through profit or loss		(86,000)	(862,500)
Proceeds from disposal of financial assets at fair value through profit or loss		187,075	865,515
Prepayments for acquisition of subsidiaries		–	(24,688)
Acquisition of subsidiaries		(68,524)	(6,351)
Investment in an associate		(4,000)	(300)
Redemption of restricted deposits		–	1,573
Repayment of advances given to related parties	34(c)	81,540	367,737
Advances given to related parties	34(c)	(117,118)	(121,550)
Withdrawal of time deposits with original maturity over three months		69,355	10,000
Placement of time deposits with original maturity over three months		(9,372)	(69,355)
Bank interest received		8,866	3,418
Net cash flows used in investing activities		(344,417)	(435,229)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend received from shares held for the share award scheme		2,021	2,503
Repurchase of shares held for the share award scheme		(3,295)	(1,078)
Shares repurchased for cancellation		(68,977)	(31,663)
Capital contribution from a non-controlling shareholder of a subsidiary		670	200
Proceeds from bank and other borrowings		771,950	822,370
Repayment of bank and other borrowings		(612,041)	(281,786)
Advances received from related parties		1,347,191	1,457,077
Repayment of advances from related parties		(1,723,229)	(1,780,265)
Dividends paid		(137,976)	(101,663)
Principal portion of lease payments		(32,684)	(22,956)
Interest portion of lease liabilities		(17,122)	(10,630)
Interest paid		(86,380)	(82,950)
Net cash flows used in financing activities		(559,872)	(30,841)

Consolidated Statement of Cash Flows (continued)

For the Year Ended 31 August 2024

	Notes	2024 RMB'000	2023 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(77,179)	509,598
Effect of foreign exchange rate changes, net		(6,174)	2,869
Cash and cash equivalents at beginning of year		1,432,369	919,902
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,349,016	1,432,369
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	21	1,358,388	1,501,724
Time deposits with original maturity over three months	21	(9,372)	(69,355)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,349,016	1,432,369

Notes to Financial Statements

31 AUGUST 2024

1. CORPORATE AND GROUP INFORMATION

Tianli International Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 24 January 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is 89 Nexus Way, Camana Bay Grand Cayman KY1-9009 Cayman Islands. The principal place of business of the Company is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong.

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

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

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

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries

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

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianli Education Holdings Limited 天立教育控股有限公司	BVI 20 February 2017	–	100	–	Investment holding
Tianli Education (HK) Limited 天立教育(香港)有限公司	Hong Kong 6 March 2017	US\$1	–	100	Investment holding
Tibet Yongsu Technology Co., Ltd. ("Tibet Yongsu") ^(c) 西藏永思科技有限公司	The PRC/ Chinese Mainland 4 September 2017	US\$45,000,000	–	100	Provision of management service
Shenzhou Tianli Education Investment Company Limited ("Shenzhou Tianli Education") ^{(a), (b)} 神州天立教育投資有限責任公司	The PRC/ Chinese Mainland 19 April 2013	RMB182,592,643	–	100	Investment holding and provision of management service
Luzhou Tianli School ^{(a), (b)} 瀘州市天立學校	The PRC/ Chinese Mainland 15 January 2002	RMB50 million	–	83	Provision of education service
Chengdu Wuhou Kinderworld International Kindergarten ("Kinderworld Kindergarten") ^{(a), (b)} 成都市武侯區凱星幼兒園	The PRC/ Chinese Mainland 20 December 2013	RMB100,000	–	100	Provision of kindergarten service
Baoshan Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 保山市神州天立高級中學有限責任公司	The PRC/ Chinese Mainland 4 June 2019	RMB5 million	–	100	Provision of high school education service
Zhaotong Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 昭通市神州天立高級中學有限公司	The PRC/ Chinese Mainland 2 July 2019	RMB2 million	–	100	Provision of high school education service
Zunyi Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 遵義神州天立高級中學有限公司	The PRC/ Chinese Mainland 12 September 2019	RMB1 million	–	100	Provision of high school education service

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhoukou Tianli Senior High School Company Limited ("Zhoukou High School") ^{(a), (b)} 周口市天立高級中學有限公司	The PRC/ Chinese Mainland 16 April 2020	RMB5 million	–	100	Provision of high school education service
Shenzhou Hongyu (Zhuhai Hengqin) Management Consulting Co., Ltd. ("Shenzhou Hongyu") ^(c) 神州鴻羽(珠海橫琴)管理諮詢有限責任公司	The PRC/ Chinese Mainland 15 May 2020	HK\$2 million	–	100	Management consulting
Qiming Daren (Zhuhai Hengqin) Education Technology Co., Ltd. ("Qiming Daren") ^{(a), (b)} 啟鳴達人(珠海橫琴)教育科技有限公司	The PRC/ Chinese Mainland 15 May 2020	RMB2 million	–	100	Management consulting
Sichuan Qiming Daren Technology Co., Ltd. ("Sichuan Qiming") ^{(a), (b)} 四川啟鳴達人科技有限公司	The PRC/ Chinese Mainland 28 December 2022	RMB1 million	–	100	Management consulting
Dayan Zhiguang (Zhuhai Hengqin) Education Consulting Co., Ltd. ("Dayan Zhiguang") ^(c) 大雁之光(珠海橫琴)教育諮詢有限責任公司	The PRC/ Chinese Mainland 15 May 2020	HK\$2 million	–	100	Education consulting
Sichuan Lixing Yanxue Travel Co., Ltd. ("Lixing Yanxue") ^{(a), (b)} 四川立行研學旅行有限公司	The PRC/ Chinese Mainland 29 May 2020	RMB10 million	–	100	Study tour service
Rizhao Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 日照神州天立高級中學有限責任公司	The PRC/ Chinese Mainland 14 July 2020	RMB5 million	–	100	Provision of high school education service
Dongying Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 東營神州天立高級中學有限公司	The PRC/ Chinese Mainland 5 August 2020	RMB1 million	–	100	Provision of high school education service
Yichun Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 宜春神州天立高級中學有限責任公司	The PRC/ Chinese Mainland 19 August 2020	RMB2 million	–	100	Provision of high school education service
Guangyuan Jiange Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 廣元市劍閣縣神州天立高級中學有限公司	The PRC/ Chinese Mainland 17 September 2020	RMB1 million	–	100	Provision of high school education service

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Baise Shenzhou Tianli Senior High School Company Limited ("Baise High School") ^{(a), (b)} 百色神州天立高級中學有限責任公司	The PRC/ Chinese Mainland 15 December 2020	RMB1 million	–	100	Provision of high school education service
Jining Tianli Senior High School ^{(a), (b)} 濟寧天立高級中學	The PRC/ Chinese Mainland 19 March 2021	RMB300,000	–	100	Provision of high school education service
Ulanqab Jining District Tianli Senior High School Company Limited ^{(a), (b)} 烏蘭察布市集寧區神州天立高級中學有限公司	The PRC/ Chinese Mainland 19 May 2021	RMB500,000	–	100	Provision of high school education service
Lanzhou Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 蘭州神州天立高級中學有限責任公司	The PRC/ Chinese Mainland 26 July 2021	RMB100,000	–	100	Provision of high school education service
Honghu Shenzhou Tianli Senior High School Company Limited ("Honghu High School") ^{(a), (b)} 洪湖神州天立高級中學有限責任公司	The PRC/ Chinese Mainland 28 July 2021	RMB1 million	–	100	Provision of high school education service
Laian Tianli Senior High School Company Limited ^{(a), (b)} 來安天立高級中學有限責任公司	The PRC/ Chinese Mainland 13 August 2021	RMB5 million	–	100	Provision of high school education service
Sichuan Tianyi Dream Building Culture and Art Co., Ltd. ^{(a), (b)} 四川天藝築夢文化藝術有限公司	The PRC/ Chinese Mainland 15 October 2021	RMB10 million	–	60	Provision of comprehensive service
Sichuan Jiaozi Youpin E-commerce Co., Ltd. ^{(a), (b)} 四川驕子優品電子商務有限公司	The PRC/ Chinese Mainland 21 November 2021	RMB2 million	–	100	Retail business
Cangxi Shenzhou Tianli Senior High School Company Limited ^{(a), (b)} 蒼溪神州天立高級中學有限公司	The PRC/ Chinese Mainland 22 March 2022	RMB5 million	–	100	Provision of high school education service

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ya'an Tianli High School Co., Ltd. ^{(a), (b)} 雅安神州天立高級中學有限公司	The PRC/ Chinese Mainland 27 June 2022	RMB48 million	–	100	Provision of high school education service
Guangyuan Tianli Jiaojiao Kindergarten Co., Ltd. ^{(a), (b)} 廣元天立驕驕幼兒園有限責任公司	The PRC/ Chinese Mainland 29 July 2022	RMB1 million	–	100	Provision of kindergarten education service
Chengdu Daren Sports Culture Development Co., Ltd. ("Chengdu Daren Sports") ^{(a), (b)} 成都達人體育文化發展有限公司	The PRC/ Chinese Mainland 10 August 2022	RMB1 million	–	100	Provision of sports service
Sichuan Fengming Niepan Education Management Co., Ltd. ("Sichuan Fengming Niepan") ^(b) 四川鳳鳴涅盤教育管理有限責任公司	The PRC/ Chinese Mainland 16 August 2022	RMB500,000	–	60	Provision of Gaokao repetition education service
Guangyuan Tianli Boda High School Co., Ltd. ^{(a), (b)} 廣元天立博達高級中學有限責任公司	The PRC/ Chinese Mainland 31 August 2022	RMB47 million	–	100	Provision of high school education service
Sichuan Tianfu New Area Xinlong Legao Technology Training School Co., Ltd. ^{(a), (b)} 四川天府新區鑫龍樂高科技培訓學校有限公司	The PRC/ Chinese Mainland 27 September 2022	RMB500,000	–	100	Provision of comprehensive service
Chengdu Pidu District Xingbei Art Training School Co., Ltd. ^{(a), (b)} 成都市郫都區星貝藝術培訓學校有限公司	The PRC/ Chinese Mainland 29 September 2022	RMB300,000	–	100	Provision of comprehensive service
Yibin Tianli High School Co., Ltd. ^{(a), (b)} 宜賓天立高級中學有限公司	The PRC/ Chinese Mainland 18 November 2022	RMB25 million	–	100	Provision of high school education service
Yibin Tianli Kindergarten Co., Ltd. ^{(a), (b)} 宜賓天立幼兒園有限公司	The PRC/ Chinese Mainland 21 November 2022	RMB5 million	–	100	Provision of kindergarten education service

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Neijiang Tianli High School Co., Ltd. ^{(a), (b)} 內江市市中區神州天立高級中學有限公司	The PRC/ Chinese Mainland 27 February 2023	RMB34 million	–	100	Provision of high school education service
Jingxi Tianli Education Consulting Co., Ltd. ("Jingxi Tianli") ^{(a), (b)} 靖西天立教育諮詢有限責任公司	The PRC/ Chinese Mainland 18 September 2023	RMB1 million	–	100	Education consulting
Chengdu Shenzhou Tianli Education Consulting Co., Ltd. ("Chengdu Shenzhou Tianli") ^{(a), (b)} 成都神州天立教育諮詢有限公司	The PRC/ Chinese Mainland 8 September 2017	RMB20.4 million	–	100	Education consulting
Shanghai MacDuffie International High School Co., Ltd. ("MacDuffie High School") ^{(a), (b)} 上海美達菲雙語高級中學有限公司	The PRC/ Chinese Mainland 6 December 2019	RMB1 million	–	80	Provision of high school education service
FAMILY Tourism Co., Ltd. ("FAMILY") ^{(a), (b)} 成都永遠家研學旅遊有限公司	The PRC/ Chinese Mainland 23 January 2024	RMB300,000	–	100	Study tour service

None of the subsidiaries has material non-controlling interests.

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

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

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

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Going concern

As at 31 August 2024, the Group recorded net current liabilities of approximately RMB2,438,389,000 (31 August 2023: RMB2,198,351,000). Included in the current liabilities as at 31 August 2024 were contract liabilities and deferred income of RMB1,346,460,000 (31 August 2023: RMB1,315,089,000) and RMB271,122,000 (31 August 2023: RMB231,741,000), respectively. The Group had cash and cash equivalents of RMB1,358,388,000 as at 31 August 2024 (31 August 2023: RMB1,501,724,000).

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 after considering the following:

- (a) Based on the arrangements and confirmations received from the licensed banks in Chinese Mainland, the Group has total unutilised banking facilities of RMB844,000,000 (31 August 2023: RMB730,000,000) which are available for drawdown within the next 1 to 4 years from 31 August 2024;
- (b) The directors of the Company have reviewed the Group’s cash flow forecast prepared by the management, which covered a period of not less than twelve months from 31 August 2024. In the opinion of the directors of the Company, the Group will have sufficient working capital to meet its financial obligation as and when they fall due and carry on its business without a significant curtailment of operation of not less than twelve months from 31 August 2024; and
- (c) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group’s operations.

Having considered the above unutilised bank facilities and cash flows from the Group’s operations, the directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the consolidated financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 August 2024. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRS Accounting Standards for the first time for the current year's financial statements.

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

The nature and the impact of the new and revised IFRS Accounting Standards that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IFRS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the new and revised IFRS Accounting Standards that are applicable to the Group are described below: (continued)

(c) (continued)

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 September 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 September 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statements of financial position:

	Increase/(decrease)		
	As at 31 August 2024 RMB'000	As at 31 August 2023 RMB'000	As at 1 September 2022 RMB'000
Assets			
Deferred tax assets (Note)	114,023	59,748	47,636
Total non-current assets	114,023	59,748	47,636
Total assets	114,023	59,748	47,636
Liabilities			
Deferred tax liabilities (Note)	109,613	54,241	45,569
Total non-current liabilities	109,613	54,241	45,569
Total liabilities	109,613	54,241	45,569
Net assets	4,410	5,507	2,067
Equity			
Retained profits (included in reserves)	4,410	5,266	2,067
Equity attributable to owners of the Company	4,410	5,266	2,067
Non-controlling interests	–	241	–
Total equity	4,410	5,507	2,067

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the new and revised IFRS Accounting Standards that are applicable to the Group are described below: (continued)

(c) (continued)

Impact on the consolidated statements of profit or loss and other comprehensive income:

	Increase/(decrease) For the year ended 31 August	
	2024 RMB'000	2023 RMB'000
Income tax expense	1,097	(3,440)
Profit for the year	(1,097)	3,440
Attributable to:		
Owners of the Company	(856)	3,199
Non-controlling interests	(241)	241
	(1,097)	3,440
Total comprehensive income for the year	(1,097)	3,440
Attributable to:		
Owners of the Company	(856)	3,199
Non-controlling interests	(241)	241
	(1,097)	3,440

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the Company, other comprehensive income and the consolidated statements of cash flows for the years ended 31 August 2024 and 2023.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ⁴
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ⁴
Amendments to IFRS 9 and IFRS 7	<i>Classification and Measurement of Financial Instruments</i> ³
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ¹
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ¹
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to IAS 21	<i>Lack of Exchangeability</i> ²
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2026

⁴ Effective for annual periods beginning on or after 1 January 2027

⁵ No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group’s financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or noncurrent, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **IFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IAS 7 *Statement of Cash Flows*:** The amendments replace the term “cost method” with “at cost” in paragraph 37 of IAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

Buildings and structures	1.9-3.17%
Furniture and fixtures	19%
Leasehold improvements	3.33-20%
Devices and equipment	19%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Software

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

Copyright

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Trademark

Trademark is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 5.25-10 years.

Research and development costs

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

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, a joint venture and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, a joint venture and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

(a) Comprehensive educational services

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

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

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

Smart education services fees are generally received in advance at the beginning of every academic term on a lump-sum basis. Revenue is recognised over time over the scheduled period on a straight-line basis because students simultaneously receive and consume the benefits provided by the Group.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Sales of products

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

(c) Comprehensive logistical services

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

(d) Management and franchise fees

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

Other income

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Contract liabilities

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

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Other employee benefits

Pension scheme

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

Housing fund

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Structured Contracts

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

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

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

Income tax

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

For all non-financial assets (including the right-of-use assets), the Group is required to evaluate annually, whether indicators for potential impairment or reversal of impairment previously recorded exist and if they exist, a formal estimate of the recoverable amount is performed based on the value in use or fair value less costs of disposal. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. No impairment loss or reversal of impairment was recognised for the year ended 31 August 2024 (31 August 2023: Nil).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 August 2024 was RMB106,465,000 (31 August 2023: RMB16,413,000). Further details are given in Note 15 to the financial statements.

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and the provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances. The carrying amount of property, plant and equipment at 31 August 2024 was RMB4,969,301,000 (31 August 2023: RMB4,454,733,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

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

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences at 31 August 2024 was RMB337,019,000 (31 August 2023 (restated): RMB280,449,000). The amount of unrecognised tax losses at 31 August 2024 was RMB757,266,000 (31 August 2023: RMB530,781,000). Further details are contained in Note 27 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

Entity-wide disclosures

Geographical information

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

Information about major customers

No revenue from a single customer amounted to 10% or more of the total revenue of the Group during the year (2023: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
<i>Revenue from contracts with customers</i>		
Comprehensive educational services	1,744,945	1,223,218
Sales of products	918,923	555,230
Comprehensive logistical services	597,409	485,093
Management and franchise fees	59,621	38,999
Total	3,320,898	2,302,540

Revenue from contracts with customers

(i) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	1,008,345	620,675
Services transferred over time	2,312,553	1,681,865
Total	3,320,898	2,302,540

(ii) Performance obligations

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

Goods transferred at a point in time

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

Services transferred over time

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

As at 31 August 2024, all amounts of transaction prices related to performance obligations are expected to be recognised as revenue within one year and as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts (or partially unsatisfied) is not disclosed.

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of other income and gains is as follows:

	2024 RMB'000	2023 RMB'000
Other income		
Bank interest income	8,866	3,418
Miscellaneous service income	1,893	1,375
Rental income	1,091	1,123
Government grants	8,180	4,589
Others	2,376	3,020
Total other income	22,406	13,525
Gains		
Gain on bargain purchase (note 31)	27,050	–
Gain on disposal of financial assets at fair value through profit or loss	766	3,015
Gain on disposal of property, plant and equipment	51	223
Gain on cancellation of operating leases as a lessee	–	2,444
Foreign exchange gains, net	–	3,354
Fair value gains on financial assets at fair value through profit or loss	–	299
Total gains	27,867	9,335
Total other income and gains	50,273	22,860

6. FINANCE COSTS

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

	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings	96,847	82,586
Interest on lease liabilities (note 14(b))	21,849	12,555
Total interest expense on financial liabilities not at fair value through profit or loss	118,696	95,141
Less: Interest capitalised (note 13(b))	(32,962)	(32,612)
Subtotal	85,734	62,529
Other finance costs:		
Increase in discounted amounts of purchase obligations of non-controlling interests	656	–
Total	86,390	62,529
Interest rate of borrowing costs capitalised (%)	4.20-6.95	5.38-7.15

7. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories consumed		1,219,204	800,049
Cost of services provided		982,725	723,644
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))			
Wages and salaries		717,026	591,460
Equity-settled share award scheme expenses	30	3,418	4,501
Equity-settled share option scheme expenses	30	12,477	9,618
Pension scheme contributions (defined contribution scheme) ***		33,643	23,037
Welfare		54,260	38,618
Housing fund (defined contribution scheme)		15,273	9,421
Less: Government grants released*	25	(141,396)	(125,780)
Subsidies received*		–	(112)
Total		694,701	550,763
Depreciation of items of property, plant and equipment**	13	170,794	131,568
Depreciation of right-of-use assets**	14(a)	88,999	66,205
Amortisation of other intangible assets	16	9,913	4,630
(Gain)/loss on disposal of items of property, plant and equipment, net		(51)	1,250
Auditor's remuneration		5,600	5,800
Lease payments not included in the measurement of lease liabilities**	14(c)	4,123	3,378
Research expenses		958	10,626
Equity-settled share option scheme expenses	30	1,301	874
Bank interest income	5	(8,866)	(3,418)
Foreign exchange losses/(gains), net		8,838	(3,354)
Fair value losses on remeasurement of a previously held equity interest in a joint venture at the date of business combination		820	–
Gain on bargain purchase	5	(27,050)	–
Gain on disposal of financial assets at fair value through profit or loss	5	(766)	(3,015)
Gain on cancellation of operating leases as a lessee	5	–	(2,444)
Fair value gains on financial assets at fair value through profit or loss	5	–	(299)
Rental income	5	(1,091)	(1,123)

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

** The depreciation of items of property, plant and equipment, depreciation of right-of-use assets and expenses relating to leases of low-value assets and variable lease payments for the year of RMB153,223,000 (2023: RMB117,833,000), RMB79,980,000 (2023: RMB61,133,000) and RMB3,319,000 (2023: RMB2,507,000), respectively, are recorded in "Cost of sales" in profit or loss.

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2024 RMB'000	2023 RMB'000
Fees	1,550	1,443
Other emoluments:		
Equity-settled share option scheme expenses	24,177	12,805
Salaries, allowances and benefits in kind	1,288	1,298
Pension scheme contributions	69	67
Subtotal	25,534	14,170
Total	27,084	15,613

(a) Independent non-executive directors

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

	2024 RMB'000	2023 RMB'000
Mr. Liu Kai Yu Kenneth	240	240
Mr. Yang Dong	180	180
Mr. Cheng Yiqun	180	180
Total	600	600

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

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option scheme expenses RMB'000	Total RMB'000
2024					
Executive directors:					
Mr. Luo Shi*	435	865	42	19,623	20,965
Mr. Wang Rui	315	423	27	4,554	5,319
Subtotal	750	1,288	69	24,177	26,284
Non-executive directors:					
Mr. Zhang Wenzao**	100	–	–	–	100
Mr. Pan Ping**	100	–	–	–	100
Subtotal	200	–	–	–	200
Total	950	1,288	69	24,177	26,484
2023					
Executive directors:					
Mr. Luo Shi*	435	854	40	9,745	11,074
Mr. Wang Rui	315	444	27	3,060	3,846
Subtotal	750	1,298	67	12,805	14,920
Non-executive directors:					
Mr. Zhang Wenzao**	35	–	–	–	35
Mr. Pan Ping**	35	–	–	–	35
Mr. Tian Mu***	23	–	–	–	23
Subtotal	93	–	–	–	93
Total	843	1,298	67	12,805	15,013

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

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

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive (2023: one director and the chief executive), details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	4,145	3,686
Equity-settled share option scheme expenses	2,603	1,749
Pension scheme contributions	76	54
Total	6,824	5,489

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

	FY2024	FY2023
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,500,001 to HK\$5,000,000	1	–
Total	3	3

10. INCOME TAX

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

	2024 RMB'000	2023 RMB'000 (Restated)
Current – Chinese Mainland		
Charge for the year	172,962	123,786
Overprovision in prior years	(1,343)	(3,871)
Deferred	12,670	(10,485)
Total	184,289	109,430

10. INCOME TAX (continued)

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

	Notes	2024 RMB'000	2023 RMB'000 (Restated)
Profit before tax		740,451	443,943
Tax/(notional tax) at the applicable tax rates:			
16.5%	(b)	284	(438)
25%		184,683	111,649
Lower tax rates enacted by local authorities	(c)	(61,217)	(28,544)
Income not subject to tax		(14,481)	(14,599)
Tax losses utilised from previous periods		(4,605)	(7,470)
(Profits)/losses attributable to a joint venture and associates		(3,428)	413
Expenses not deductible for tax		7,967	7,430
Adjustments in respect of current tax of previous years		(1,343)	(3,871)
Tax losses not recognised		76,429	44,860
Tax charge at the Group's effective rate		184,289	109,430

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (b) The applicable corporate income tax ("CIT") rate for a Hong Kong-incorporated subsidiary was 16.5%.
- (c) Pursuant to the PRC Income Tax Law and the respective regulations, all the Group's subsidiaries established in the PRC were subject to the PRC CIT at a rate of 25% during the year, except for the subsidiaries list below:

Under the "Western Development Policy", the income tax for subsidiaries, including Lixing Yanxue, Chengdu Daren Sports, and Tibet Yongsi, are calculated at a preferential tax rate of 15%. Among them, as Tibet Yongsi employed more than 70% of the total working population of permanent residents in Tibet, it can have the local part of CIT (40% of 15%) exempted and thus was entitled to an effective preferential PRC CIT rate of 9%.

Kindergartens, certain tutoring schools and Zhoukou High School are qualified entities under the preferential income tax policy for small and micro enterprises. Under the preferential income tax policy, the taxable income of these schools is subject to PRC CIT at an effective rate of 5%.

Jingxi Tianli and Baise High School have been entitled to an effective preferential PRC CIT rate of 15%. As their business scope falls within the scope of the encouraged industries in Guangxi Baise Pilot Zone, they can have the local part of PRC CIT (40% of 25%) exempted. In addition, Jingxi Tianli is a qualified entity under the preferential income tax policy for small and micro enterprises. Under the preferential income tax policy, the taxable income is at an effective tax rate of 3%.

10. INCOME TAX (continued)

Notes: (continued)

(c) (continued)

Shenzhou Hongyu has been recognised as a qualified entity under the preferential income tax policy for the encouraged industrial enterprises in the Zhuhai Hengqin Free Trade Zone. Under the preferential income tax policy, the income tax of Shenzhou Hongyu is levied at a preferential PRC CIT rate of 15%.

Sichuan Qiming is qualified as a “Double-soft Enterprise” and is entitled to enjoy full exemption from PRC CIT for the first two years from the profit-making year and a 50% reduction on corporate for the next subsequent three years. Sichuan Qiming enjoyed full exemption from PRC CIT this year.

(d) The share of tax attributable to a joint venture and associates amounting to RMB1,441,000 (2023: RMB911,000) and RMB19,000 (2023: RMB148,000), respectively, is included in “Share of profits of a joint venture and associates” in profit or loss.

11. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Proposed final – RMB4.08 cents (2023: RMB2.34 cents) per ordinary share	85,994	50,404
Interim – RMB4.17 cents (2023:RMB2.43 cents) per ordinary share	88,237	58,224
Total	174,231	108,628

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

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

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

	2024 RMB'000	2023 RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	575,956	337,028
	Number of shares ('000)	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue	2,146,255	2,154,000
Effect of the weighted average number of ordinary shares:		
Repurchased under the share award scheme	(56,548)	(56,548)
Treasury shares repurchased for cancellation	(30)	(751)
Weighted average number of vested ordinary shares granted under the share award plan	4,313	3,178
Adjusted weighted average number of ordinary shares used in the basic earnings per share calculation	2,093,990	2,099,879
Effect of dilution-weighted average number of ordinary shares:		
Share award scheme	1,814	115
Share options	19,160	*
Adjusted weighted average number of ordinary shares used in the diluted earnings per share calculation	2,114,964	2,099,994

* No adjustment had been made to weighted average number of ordinary shares in respect of a dilution for 2023 as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2024						
At 1 September 2023:						
Cost	5,386,258	161,651	159,982	155,259	55,683	5,918,833
Accumulated depreciation and impairment	(1,299,966)	(80,740)	(18,231)	(65,163)	–	(1,464,100)
Net carrying amount	4,086,292	80,911	141,751	90,096	55,683	4,454,733
At 1 September 2023, net of accumulated depreciation	4,086,292	80,911	141,751	90,096	55,683	4,454,733
Additions	–	15,737	12,922	10,819	312,128	351,606
Acquisition of subsidiaries (note 31)	308,214	3,567	20,507	2,009	–	334,297
Disposals	–	(268)	–	(273)	–	(541)
Depreciation provided during the year (note 7)	(91,396)	(28,981)	(20,555)	(29,862)	–	(170,794)
Transfer from construction in progress	298,678	5,321	5,525	3,860	(313,384)	–
At 31 August 2024, net of accumulated depreciation and impairment	4,601,788	76,287	160,150	76,649	54,427	4,969,301
At 31 August 2024:						
Cost	5,993,150	186,008	198,936	171,674	54,427	6,604,195
Accumulated depreciation and impairment	(1,391,362)	(109,721)	(38,786)	(95,025)	–	(1,634,894)
Net carrying amount	4,601,788	76,287	160,150	76,649	54,427	4,969,301

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and structures RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2023						
At 1 September 2022:						
Cost	4,587,209	146,986	22,447	121,310	94,834	4,972,786
Accumulated depreciation and impairment	(1,224,649)	(56,139)	(13,973)	(37,771)	–	(1,332,532)
Net carrying amount	3,362,560	90,847	8,474	83,539	94,834	3,640,254
At 1 September 2022,						
net of accumulated depreciation	3,362,560	90,847	8,474	83,539	94,834	3,640,254
Additions	–	2,460	29,836	23,155	294,506	349,957
Acquisition of subsidiaries	581,781	3,196	3,770	9,681	–	598,428
Disposals	–	(2,043)	–	(295)	–	(2,338)
Depreciation provided during the year (note 7)	(75,317)	(24,601)	(4,258)	(27,392)	–	(131,568)
Transfer from construction in progress	217,268	11,052	103,929	1,408	(333,657)	–
At 31 August 2023,						
net of accumulated depreciation and impairment	4,086,292	80,911	141,751	90,096	55,683	4,454,733
At 31 August 2023:						
Cost	5,386,258	161,651	159,982	155,259	55,683	5,918,833
Accumulated depreciation and impairment	(1,299,966)	(80,740)	(18,231)	(65,163)	–	(1,464,100)
Net carrying amount	4,086,292	80,911	141,751	90,096	55,683	4,454,733

Notes:

- (a) As at 31 August 2024, the Group was in the process of obtaining the relevant property ownership certificates for certain buildings with a net carrying amount of approximately RMB867,580,000 (31 August 2023: RMB356,944,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.
- (b) Interest expenses capitalised as part of property, plant and equipment by the Group during the year amounted to RMB32,962,000 (2023: RMB32,612,000) (note 6).
- (c) Impairment

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

As at 31 August 2024, the Group's management assessed whether significant change of regulations had occurred or any indicators that may trigger impairment provision or reversal of impairment, and the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.

Based on the above assessment made, no impairment loss was recognised for the year ended 31 August 2024 (2023: Nil).

14. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Buildings and other premises RMB'000	Leasehold land RMB'000	Total RMB'000
At 31 August 2022	182,276	1,472,937	1,655,213
Additions	55,609	8,636	64,245
Acquisition of subsidiaries (note 31)	32,453	374,719	407,172
Depreciation charge (note 7)	(27,448)	(38,757)	(66,205)
Cancellation	(15,520)	–	(15,520)
At 31 August 2023 and 1 September 2023	227,370	1,817,535	2,044,905
Additions	54,810	77,716	132,526
Acquisition of subsidiaries (note 31)	52,629	138,112	190,741
Depreciation charge (note 7)	(45,366)	(43,633)	(88,999)
Lease modification	169,522	–	169,522
At 31 August 2024	458,965	1,989,730	2,448,695

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
Carrying amount at beginning of year	239,610	190,543
New leases	54,810	55,609
Acquisition of subsidiaries (note 31)	44,129	32,453
Accretion of interest recognised during the year (note 6)	21,849	12,555
Payments	(49,806)	(33,586)
Lease modification	169,522	–
Cancellation	–	(17,964)
Carrying amount at end of year	480,114	239,610
Analysed into:		
Current portion	20,646	20,221
Non-current portion	459,468	219,389

The maturity analysis of lease liabilities is disclosed in Note 37 to the financial statements.

14. LEASES (continued)

The Group as a lessee (continued)

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities (note 6)	21,849	12,555
Depreciation charge of right-of-use assets (note 7)	88,999	66,205
Expense relating to leases of low-value assets (included in cost of sales and administrative expenses) (note 7)	1,568	1,518
Variable lease payments not included in the measurement of lease liabilities (included in cost of services provided) (note 7)	2,555	1,860
Total amount recognised in profit or loss	114,971	82,138

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

(e) The total cash outflow for leases is disclosed in Note 32(c) to the financial statements.

The Group as a lessor

The Group leases certain schools' spaces under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB1,091,000 (2023: RMB1,123,000), details of which are included in Note 5 to the financial statements.

As at 31 August 2024, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	1,085	962
After one year but within two years	985	699
After two years but within three years	729	679
After three years but within four years	196	496
After four years but within five years	155	110
After five years	455	64
Total	3,605	3,010

15. GOODWILL

The carrying amounts of goodwill as at 31 August 2024 and 2023 are as follow:

	2024 RMB'000	2023 RMB'000
Cost and net carrying amount at beginning of year	16,413	7,572
Acquisition of subsidiaries (note 31)	90,052	8,841
Cost and net carrying amount at end of year	106,465	16,413

Impairment testing of goodwill

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

- Shanghai Heru Education Technology Company limited (“**Heru Education**”) cash-generating unit (“**Heru Education CGU**”);
- Sichuan Fengming Niepan cash-generating unit (“**Sichuan Fengming Niepan CGU**”);
- Kinderworld Kindergarten cash-generating unit (“**Kinderworld Kindergarten CGU**”); and
- FARMILY cash-generating unit (“**FARMILY CGU**”).

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

	2024 RMB'000	2023 RMB'000
Heru Education CGU	85,798	–
Sichuan Fengming Niepan CGU	8,841	8,841
Kinderworld Kindergarten CGU	7,572	7,572
FARMILY CGU	4,254	–
Total	106,465	16,413

The recoverable amount of each of the above CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The growth rate used to extrapolate the cash flows of the above CGUs beyond the five-year period is 0% and the inflation rate is 2.3%, which are based on management’s expectation on the future market.

Assumptions were used in the value in use calculation of the above CGUs as at 31 August 2024. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

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

Budgeted EBIT – The basis used to determine the value assigned to the budgeted earnings before interest and taxes (“EBIT”) is the average EBIT achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Pre-tax discount rate – The pre-tax discount rate reflects the risks relating to the relevant CGUs and is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain public listed companies conducting business in the PRC education industry. The pre-tax discount rate used in the value-in-use calculation for each CGU is as follow:

	2024	2023
Heru Education CGU	14%	N/A
Sichuan Fengming Niepan CGU	16%	16%
Kinderworld Kindergarten CGU	17%	17%
FAMILY CGU	14%	N/A

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

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Copyright RMB'000	Trademark RMB'000	Total RMB'000
2024				
At 1 September 2023:				
Cost	24,275	8,010	9,580	41,865
Accumulated amortisation	(4,860)	(1,078)	(1,437)	(7,375)
Net carrying amount	19,415	6,932	8,143	34,490
Cost at 1 September 2023, net of accumulated amortisation	19,415	6,932	8,143	34,490
Additions	3,604	226	–	3,830
Acquisition of subsidiaries (note 31)	–	–	10,011	10,011
Amortisation provided during the year (note 7)	(5,157)	(935)	(3,821)	(9,913)
At 31 August 2024	17,862	6,223	14,333	38,418
At 31 August 2024:				
Cost	27,879	8,236	19,591	55,706
Accumulated amortisation	(10,017)	(2,013)	(5,258)	(17,288)
Net carrying amount	17,862	6,223	14,333	38,418

16. OTHER INTANGIBLE ASSETS (continued)

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

17. INVESTMENTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	12,825	68,695

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

Company/school name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity ownership attributable to the Group		Principal activities
			2024	2023	
Affiliated Kindergarten of Luzhou Tianli School ("Luzhou Tianli Kindergarten")	The PRC/ Chinese Mainland 10 October 2012	RMB6 million	33.5	33.5	Provision of kindergarten service
Ziyang Yantou Qihang Education Consulting Co., Ltd.	The PRC/ Chinese Mainland 10 February 2024	RMB1 million	30	30	Provision of consulting service
Zhuhai Bienyou Education Technology Co., Ltd.	The PRC/ Chinese Mainland 15 December 2024	RMB10 million	40	-	Provision of consulting service

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

Investments in associates are accounted for using the equity method.

The Group's receivable balances with associates are disclosed in Note 34(b) to the financial statements.

As at 31 August 2024, the Group had no material associates.

17. INVESTMENTS IN ASSOCIATES (continued)

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

	2024 RMB'000	2023 RMB'000
Share of the associates' profit/(loss) and total comprehensive income/(loss) for the year	11,547	(1,104)
Aggregate carrying amount of the Group's investments in associates	12,825	68,695

18. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	5,234	6,083
Products	21,223	21,200
Total	26,457	27,283

19. TRADE RECEIVABLES

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

	2024 RMB'000	2023 RMB'000
Within 3 months	11,967	17,448
Over 3 months	6,395	–
Total	18,362	17,448

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 were not individually nor collectively considered to be impaired. None of the above trade receivables is either past due or impaired. The receivables have no recent history of default.

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
<i>Current portion:</i>		
Security deposits	18,774	5,387
Prepayments	33,052	11,129
Advances to staff	33,380	25,868
Loans to third parties	15,394	14,260
Deductible input value-added tax	17,544	10,259
Other receivables	10,415	5,943
Subtotal	128,559	72,846
<i>Non-current portion:</i>		
Prepayments for property, plant and equipment	3,573	2,549
Deductible input value-added tax	58,762	79,317
Prepayments for other intangible assets	–	2,301
Prepayments for acquisitions	–	24,688
Prepayments for the acquisition of land use rights	–	15,062
Subtotal	62,335	123,917
Total	190,894	196,763

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 August 2024 and 31 August 2023, the loss allowance was assessed to be minimal.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	2024 RMB'000	2023 RMB'000
Cash and bank balances	1,349,016	1,395,754
Time deposits with original maturity of:		
– less than three months	–	36,615
– more than three months	9,372	69,355
Cash and cash equivalents	1,358,388	1,501,724

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

	2024 RMB'000	2023 RMB'000
RMB	1,167,721	1,420,034
HK\$	190,533	81,555
US\$	134	135
Total	1,358,388	1,501,724

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

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

22. TRADE PAYABLES

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

	2024 RMB'000	2023 RMB'000
Within 3 months	52,918	46,533
3 to 6 months	821	20
Over 6 months	2,888	513
Total	56,627	47,066

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

23. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Accrued bonuses and other employee benefits	201,857	185,864
Miscellaneous advances from students*	42,974	33,012
Payables for purchase of property, plant and equipment	139,090	149,961
Performance deposits from suppliers	33,125	26,667
Interest payable	7,935	8,145
Payables for restricted shares repurchase obligation	14,824	17,076
Payables for acquisition of subsidiaries (note 31)	42,429	-
Other payables and accrued expenses	127,624	91,285
Total	609,858	512,010

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

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

24. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
<i>Advances received from customers</i>		
Comprehensive educational services	1,020,897	1,043,507
Comprehensive logistical services	227,492	206,259
Sales of products	42,648	30,127
Others	55,423	35,196
Total	1,346,460	1,315,089

Changes in contract liabilities during the year are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	1,315,089	842,940
Revenue recognised that was included in the contract liabilities at the beginning of the year	(1,315,089)	(842,940)
Increase due to cash received, excluding amounts recognised as revenue during the year	1,291,256	1,196,483
Acquisition of subsidiaries (note 31)	55,204	118,606
At end of year	1,346,460	1,315,089

Contract liabilities mainly include educational and logistical services fees received in advance from students and sales of products received in advance from dealers, which both will be recognised as revenue within one year. The increase in contract liabilities was mainly due to the increase in the student enrolments. There were no contract assets at the end of the reporting period recognised in the consolidated statement of financial position.

25. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
<i>Government grants related to assets</i>		
At beginning of year	52,779	–
Government grants received	10,941	53,390
Released to profit or loss	(1,078)	(611)
At end of year	62,642	52,779
Current	1,305	1,077
Non-current	61,337	51,702
Total	62,642	52,779
<i>Government grants related to expense items</i>		
At beginning of year	521,875	559,978
Government grants received	67,392	87,066
Released to profit or loss (note 7)	(141,396)	(125,169)
At end of year	447,871	521,875
Current	269,817	230,664
Non-current	178,054	291,211
Total	447,871	521,875

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

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2024			2023		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans – secured	(a)	4-6.15	2024-2025	190,000	4.9-6.15	2023-2024	180,000
Bank loans – unsecured		–	–	–	6.0	2023	80,000
Current portion of long-term bank loans – secured	(a)	4.2-7	2024-2025	476,545	5-7.2	2023-2024	221,925
Current portion of long-term bank loans – unsecured		4.85	2024-2025	25,750	4.2	2023-2024	7,500
Current portion of long-term other borrowing – secured	(a), (b)	6.1	2024-2025	48,648	6.1	2023-2024	64,510
Total – current				740,943			553,935
Non-current							
Bank loans – secured	(a)	4.2-7	2025-2030	1,017,845	5-7.2	2024-2030	994,450
Bank loans – unsecured		4.85	2025-2027	268,750	4.2	2024-2025	19,500
Other borrowing – secured	(a), (b)	6.1	2025-2026	25,457	6.1	2024-2026	104,524
Total – non-current				1,312,052			1,118,474
Total				2,052,995			1,672,409

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	692,295	489,425
In the second year	547,345	320,225
In the third to fifth years, inclusive	683,750	595,225
Over five years	55,500	98,500
Subtotal	1,978,890	1,503,375
Other borrowing repayable:		
Within one year	48,648	64,510
In the second year	25,457	68,617
In the third to fifth years, inclusive	–	35,907
Subtotal	74,105	169,034
Total	2,052,995	1,672,409

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

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

	Loan amounts	
	2024 RMB'000	2023 RMB'000
<i>Secured by:</i>		
Rights over educational services fees of certain schools	307,990	70,000
Both equity interests in certain subsidiaries and rights over educational services fees	1,450,505	1,495,409
Total	1,758,495	1,565,409

- (b) It represented other borrowing borrowed from an independent third party leasing company by the Group, with the principal of RMB74,105,000, which bears interest at an effective rate of 6.1% per annum with annual instalment payments up to the maturity dates on 23 February 2026.

27. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Lease RMB'000	Non-profit school Management fee RMB'000	Total RMB'000
At 31 August 2022				
Effect of adoption of amendments to IAS 12	–	(45,569)	–	(45,569)
At 1 September 2022 (restated)	–	(45,569)	–	(45,569)
Deferred tax charged/(credited) to profit or loss during the year	(2,123)	8,672	–	6,549
Acquisition of subsidiaries	56,539	–	–	56,539
At 31 August 2023 and 1 September 2023 (restated)	54,416	54,241	–	108,657
Deferred tax charged/(credited) to profit or loss during the year	(2,745)	55,372	8,533	61,160
Acquisition of subsidiaries (note 31)	4,741	–	–	4,741
At 31 August 2024	56,412	109,613	8,533	174,558

27. DEFERRED TAX (continued)

Deferred tax assets

	Impairment losses on non-current assets RMB'000	Unrealised profit from intra-group transactions RMB'000	Lease RMB'000	Total RMB'000
At 31 August 2022	264,964	5,056	–	270,020
Effect of adoption of amendments to IAS 12	–	–	47,636	47,636
At 1 September 2022 (restated)	264,964	5,056	47,636	317,656
Deferred tax credited/(charged) to profit or loss during the year	(6,682)	11,604	12,112	17,034
At 31 August 2023 and 1 September 2023 (restated)	258,282	16,660	59,748	334,690
Deferred tax credited/(charged) to profit or loss during the year	(6,681)	896	54,275	48,490
Acquisition of subsidiaries (note 31)	63,452	–	–	63,452
At 31 August 2024	315,053	17,556	114,023	446,632

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

	2024 RMB'000	2023 RMB'000
		(Restated)
Gross deferred tax assets	446,632	334,690
Gross deferred tax liabilities	(109,613)	(54,241)
Net deferred tax assets	337,019	280,449
Gross deferred tax liabilities	174,558	108,657
Gross deferred tax assets	(109,613)	(54,241)
Net deferred tax liabilities	64,945	54,416

27. DEFERRED TAX (continued)

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

As at 31 August 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, the Group's fund will be retained in Chinese Mainland for the expansion of the Group's operation so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 August 2024, the aggregate amounts of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB1,736,199,000 (2023: RMB1,196,656,000).

As at 31 August 2024, the Group has tax losses arising in Chinese Mainland of RMB757,266,000 (2023: RMB530,781,000), which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these temporary differences and tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

Shares

	2024 HK\$'000	2023 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
2,115,654,000 (2023:2,154,000,000) ordinary shares of HK\$0.1 each	211,565	215,400
Equivalent to approximately (in RMB'000)	179,763	183,022

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

	Number of shares in issue	Issued capital equivalent to approximately	
		HK\$'000	RMB'000
At 1 September 2022	2,154,000,000	215,400	183,022
At 31 August 2023 and 1 September 2023	2,154,000,000	215,400	183,022
Cancellation of issued capital	(38,346,000)	(3,835)	(3,259)
At 31 August 2024	2,115,654,000	211,565	179,763

28. SHARE CAPITAL (continued)

Shares (continued)

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

Note:

During the year, the Company has repurchased 25,324,000 of its shares at a par value of HK\$0.1 each on the Hong Kong Stock Exchange at a consideration of HK\$77,468,000 (equivalent to approximately RMB68,977,000). As at 19 June 2024, 38,346,000 shares, of which 13,407,000 shares were repurchased in previous years, have been cancelled. The par value of the cancelled shares which of HK\$3,835,000 (equivalent to approximately RMB3,259,000) was debited to the Company's issued capital. The remaining balance of RMB96,051,000 was debited to the Company's share premium.

29. RESERVES

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

(a) Capital reserve

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

(b) Share premium

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

(c) Statutory surplus reserves

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

- (i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.
- (ii) According to the relevant PRC laws and regulations, private schools are required to appropriate to the development fund not less than 10% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

30. SHARE-BASED PAYMENT

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

Restricted Share Award Scheme

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

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

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

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

- i. 10% of a selected participant’s award shares shall become vested upon each of the first anniversary, the second anniversary, the third anniversary, the fourth anniversary and the fifth anniversary after the grant date; and
- ii. 50% of a selected participant’s award shares shall become vested upon the sixth anniversary after the grant date.

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

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

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

30. SHARE-BASED PAYMENT (continued)

Restricted Share Award Scheme (continued)

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

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

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

During the year, the total share award scheme expenses of RMB3,418,000 (note 7) were charged to profit or loss (2023: RMB4,501,000).

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

	Number of shares repurchased for the Restricted Share Award Scheme	Number of awarded shares
At 1 September 2022	54,504,700	9,623,600
Vested	(1,134,700)	(1,134,700)
At 31 August 2023 and 1 September 2023	53,370,000	8,488,900
Vested	(1,134,700)	(1,134,700)
At 31 August 2024	52,235,300	7,354,200

30. SHARE-BASED PAYMENT (continued)

Share Option Scheme

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

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the listing date (such 10% limit representing 200,000,000 Shares excluding Shares which may fall to issue upon the exercise of the over-allotment option granted by the Group) (the "Scheme Mandate Limit"), representing 9.45% of the issued Shares as at the date of this report.

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

30. SHARE-BASED PAYMENT (continued)

Share Option Scheme (continued)

There are no cash settlement alternatives. The Group does not have the practice of cash settlement for these share options. The Group accounts for the Share Option Scheme as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

	2024		2023	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At beginning of year	2.48	61,000,000	–	–
Granted during the year	–	–	2.48	61,000,000
Forfeited during the year	2.48	(1,500,000)	–	–
At end of year	2.48	59,500,000	2.48	61,000,000

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

	Number of options		Exercise price HK\$ per share	Exercise period
	2024	2023		
March 2023 Share Option Scheme	29,500,000	31,000,000	2.48	10 March 2023 to 10 March 2033
April 2023 Share Option Scheme	30,000,000	30,000,000	2.48	26 April 2023 to 10 March 2033
	59,500,000	61,000,000		

The fair value of the share options of the March 2023 Share Option Scheme was RMB41,708,000 (HK\$1.5933 each), of which the Group recognised a share option expense of RMB18,332,000 (2023: RMB13,552,000) during the year ended 31 August 2024.

The fair value of the share options of the April 2023 Share Option Scheme was RMB38,784,000 (HK\$1.4657 each), of which the Group recognised a share option expense of RMB19,623,000 (2023: RMB9,745,000) during the year ended 31 August 2024.

30. SHARE-BASED PAYMENT (continued)

Share Option Scheme (continued)

At the end of the reporting period, the Company had 59,500,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 59,500,000 additional ordinary shares of the Company and additional share capital of HK\$5,950,000 (equivalent to approximately RMB5,428,000) and share premium of HK\$141,610,000 (equivalent to approximately RMB129,179,000) (before issue expenses).

Subsequent to the end of the reporting period, on 24 October 2024, a total of 9,400,000 share options were granted to certain of the directors of the Company in respect of their services to the Group in the forthcoming years. These 9,400,000 share options consist of Type A Options (5,400,000 share options) and Type B Options (4,000,000 share options). 40% of Type A Options granted shall be vested on 1 December 2025 and the remaining 60% shall be vested on 1 December 2026, and 40% of Type B Options granted shall be vested on 1 December 2025, another 30% shall be vested on 1 December 2026, and the remaining 30% shall be vested on 1 December 2027.

These share options have an exercise price of HK\$4.72 per share and an exercise period of 10 years, calculated from the date of grant and lapse at the expiry of exercise period. The price of the Company's shares at the date of grant was HK\$4.55 per share. Any further information can be found in the Company's announcement dated 24 October 2024.

At the date of approval of these financial statements, the Company had 65,800,000 share options outstanding under the Share Option Scheme, which represented approximately 3.11% of the Company's shares in issue as at that date.

31. BUSINESS COMBINATION

(a) Heru Education

On 7 September 2023, the Group acquired 80% equity interests in Heru Education and its subsidiary MacDuffie High School from independent third parties. MacDuffie High School is engaged in the provision of international high school education services in Chinese Mainland. This acquisition was made with the aim to expand the Group's existing scale of international high school education service.

(b) FARMILY

On 27 June 2024, the Group acquired 100% equity interests in FARMILY from an independent third party. FARMILY is engaged in study tour service. This acquisition was made with the aim to expand the Group's existing scale of study tour service.

(c) Chengdu Shenzhou Tianli

On 26 August 2024, the Group acquired 18.36% equity interests in Chengdu Shenzhou Tianli through non-cash distribution from Chengdu Tianxing, and additional 32.64% equity interests in Chengdu Shenzhou Tianli at a consideration of HK\$90,000,000 (equivalent to approximately RMB82,100,000) from independent third parties. Upon the completion of the acquisition, the Group's equity interest in Chengdu Shenzhou Tianli increased to 100% and Chengdu Shenzhou Tianli became a subsidiary of the Company.

The fair values of the identifiable assets and liabilities of each acquisition as at the respective dates of the acquisitions are as follows:

	Heru Education RMB'000	Chengdu Shenzhou Tianli RMB'000	FARMILY RMB'000	Total RMB'000
Property, plant and equipment	5,852	328,445	–	334,297
Other intangible assets	10,000	–	11	10,011
Right-of-use assets	52,629	138,112	–	190,741
Deferred tax assets	–	63,452	–	63,452
Cash and bank balances	7,924	9,379	–	17,303
Prepayments and other receivables	1,357	7,393	–	8,750
Inventories	–	190	–	190
Amounts due from related parties	–	220,385	–	220,385
Trade payables	(239)	(353)	–	(592)
Other payables and accruals	(26,079)	(8,869)	(2)	(34,950)
Contract liabilities	(22,544)	(32,660)	–	(55,204)
Interest-bearing bank and other borrowings	–	(210,000)	–	(210,000)
Deferred tax liabilities	(4,738)	–	(3)	(4,741)
Lease liabilities	(44,129)	–	–	(44,129)
Amounts due to related parties	(4,050)	(187,123)	–	(191,173)
Total identifiable net assets at fair value	(24,017)	328,351	6	304,340
Non-controlling interests	(4,803)	(6,054)	–	(10,857)

31. BUSINESS COMBINATION (continued)

In the opinion of the directors, the fair values of prepayments and other receivables as at the respective acquisition dates of Heru Education and Chengdu Shenzhou Tianli amounted to RMB1,357,000 and RMB7,393,000, respectively, equivalent to the total gross contractual amounts of their trade receivables, prepayments and other receivables. All prepayments and other receivables are expected to be recoverable.

The Group measured the acquired lease liabilities using the present values of the remaining lease payments at the dates of acquisition. The right-of-use assets were measured at amounts equal to the lease liabilities.

The Group incurred transaction costs of RMB144,000 during the year for the above acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

Goodwill arising from the above acquisitions:

	Heru Education RMB'000	Chengdu Shenzhou Tianli RMB'000	FAMILY RMB'000	Total RMB'000
Consideration satisfied by:				
Cash paid during the year	35,896	46,523	3,408	85,827
Prepayments in the prior year	24,688	–	–	24,688
Other payables	6,000	35,577	852	42,429
Fair value of a previously held equity interest remeasured at the date of business combination	–	225,255	–	225,255
Total consideration	66,584	307,355	4,260	378,199
Less: Net assets/(deficit) acquired	(19,214)	334,405	6	315,197
Goodwill/(gain on bargain purchase)	85,798	(27,050)	4,254	63,002

The gain on a bargain purchase of approximately RMB27,050,000 arose from the need of the vendor to dispose of the investment due to its lack of management experience in operating an education consulting company which legally owns certain Affected Business.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of acquirees with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

31. BUSINESS COMBINATION (continued)

Analyses of the cash flows in respect of the above acquisitions are as follows:

	Heru Education RMB'000	Chengdu Shenzhou Tianli RMB'000	FAMILY RMB'000	Total RMB'000
Cash paid during the year	(35,896)	(46,523)	(3,408)	(85,827)
Cash and cash equivalents acquired	7,924	9,379	–	17,303
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(27,972)	(37,144)	(3,408)	(68,524)

Contributions to the Group's revenue and consolidated profit for the year ended 31 August 2024 since the respective acquisition dates are as follows:

	Heru Education RMB'000	Chengdu Shenzhou Tianli RMB'000	FAMILY RMB'000	Total RMB'000
Revenue	48,832	–	–	48,832
Consolidated loss	(1,598)	–	(51)	(1,649)

Had the combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 August 2024 would have been increased by:

	Heru Education RMB'000	Chengdu Shenzhou Tianli RMB'000	FAMILY RMB'000	Total RMB'000
Revenue	48,832	82,026	–	130,858
Consolidated profit/(loss)	(1,598)	3,747	(51)	2,098

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

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

- (i) The additions to right-of-use assets and lease liabilities of RMB224,332,000 (2023: RMB88,062,000), respectively, in respect of new leases and lease modification for plant and equipment;
- (ii) The decrease in amounts due to related parties and increase in contract liabilities of RMB69,240,000, respectively, in respect of boarding fees collected by the Affected Business (2023: RMB83,923,000); and
- (iii) Asset-related government grants received through the payment of the Group's construction payables by the related government, resulting in the decrease in other payables and increase in deferred income of RMB10,941,000, respectively (2023: RMB53,390,000).

(b) Changes in liabilities arising from financing activities

31 August 2024

	Interest-bearing bank and other borrowings RMB'000	Interest payables included in other payables and accruals RMB'000	Lease liabilities RMB'000	Advances from related parties RMB'000	Dividend payable RMB'000	Total RMB'000
At 31 August 2023	1,672,409	8,145	239,610	2,794,107	-	4,714,271
Changes from financing cash flows	159,909	(86,380)	(49,806)	(376,038)	(137,976)	(490,291)
Changes from non-cash transactions	-	-	-	(79,240)	-	(79,240)
New leases	-	-	54,810	-	-	54,810
Lease modification	-	-	169,522	-	-	169,522
Acquisition of subsidiaries	210,000	-	44,129	(16,719)	-	237,410
Interest expense charged to profit or loss	10,677	53,208	21,849	-	-	85,734
Interest capitalised	-	32,962	-	-	-	32,962
Dividends declared	-	-	-	-	137,976	137,976
At 31 August 2024	2,052,995	7,935	480,114	2,322,110	-	4,863,154

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

31 August 2023

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

(c) Total cash outflow for leases

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

	2024 RMB'000	2023 RMB'000
Within operating activities	4,123	3,378
Within investing activities	62,654	18,698
Within financing activities	49,806	33,586
Total	116,583	55,662

33. COMMITMENTS

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

	2024 RMB'000	2023 RMB'000
Property, plant and equipment	61,813	81,478

34. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Name	Relationships
Mr. Luo Shi	Ultimate controlling shareholder of the Company
Sichuan Nanyuan Construction Co., Ltd. ("Nanyuan Construction")	A company controlled by Mr. Luo
Luzhou Tianli Property Management Co., Ltd. ("Luzhou Tianli Property")	A company controlled by Mr. Luo
Chengdu Shenzhou Tianli	A subsidiary*
Luzhou Tianli Kindergarten	An associate of the Company
Affected Business	Legally owned by the affiliated entities of the Group
Shanghai Yaqiao Education Investment Co., Ltd. ("Shanghai Yaqiao")	Non-controlling shareholder of Heru Education

* Chengdu Shenzhou Tianli was a joint venture of the Company before it became a subsidiary on 26 August 2024, further details are given in note 31(c).

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

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Outstanding balances with related parties

Amounts due from related parties

	Notes	2024 RMB'000	2023 RMB'000
<i>Trade in nature</i>			
Luzhou Tianli Kindergarten		–	206
<i>Non-trade in nature</i>			
Luzhou Tianli Property		20	20
Affected Business	(i)	686,872	651,294
Subtotal		686,892	651,314
Total		686,892	651,520

		2024 RMB'000	2023 RMB'000
<i>Amounts due to related parties</i>			
<i>Non-trade in nature</i>			
Nanyuan Construction	(ii)	91,210	100,569
Chengdu Shenzhou Tianli		–	227,173
Luzhou Tianli Kindergarten	(iii)	673	673
Shanghai Yaqiao		19,293	–
Affected Business		2,302,144	2,566,261
Total		2,413,320	2,894,676
<i>Less: Non-current portion</i>			
Chengdu Shenzhou Tianli		–	120,000
Shanghai Yaqiao		15,243	–
Affected Business		972,534	1,031,577
Total		1,425,543	1,743,099

Notes:

- (i) The amounts due from related parties (including the amounts due from the Affected Business) were unsecured and interest-free.
- (ii) The amounts due to related parties (including the amounts due to the Affected Business) were unsecured, interest-free and payable within the next 4.5 years.
- (iii) Included in the amounts due to Luzhou Tianli Kindergarten were advances received amounting to RMB673,000 as at 31 August 2024 (2023: RMB673,000).

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) **Outstanding balances with related parties (continued)**

The above amounts due to/from the Affected Business represent balances between the Group and the Affected Business. Prior to 31 August 2021, these balances were eliminated upon consolidation of the Affected Business by the Group. The Group deconsolidated the Affected Business on 31 August 2021, and these balances were no longer eliminated and shown as amounts due to/from the Affected Business.

(c) **Transactions with related parties**

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

	2024 RMB'000	2023 RMB'000
Nanyuan Construction	223,047	84,861

The considerations for the construction of property, plant and equipment were determined based on prices of actual costs plus a premium in the range from 9% to 11% of the actual costs, depending on the prevailing market circumstances.

(2) **Purchase obligations of non-controlling interests in a subsidiary**

	2024 RMB'000	2023 RMB'000
Shanghai Yaqiao	15,243	–

As disclosed in Note 31(a), the Group acquired 80% equity interests in Heru Education on 7 September 2023. After the acquisition, the remaining 20% non-controlling interests in Heru Education were held by Shanghai Yaqiao. According to the equity transfer agreement between the Group and Shanghai Yaqiao, if requested by Shanghai Yaqiao, the Group shall purchase the remaining 20% equity interests in Heru Education on 7 September 2026 at a consideration not less than the valuation of the identifiable assets and liabilities of Heru Education as at the acquisition date.

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Transactions with related parties (continued)

(3) Advances given and repayment of advances

	2024 RMB'000	2023 RMB'000
<i>Advances given to:</i>		
Affected Business	117,118	121,550
<i>Repayment of advances from:</i>		
Affected Business	81,540	555,888

(4) Advances received and repayment of advances

	2024 RMB'000	2023 RMB'000
<i>Advances received from:</i>		
Chengdu Shenzhou Tianli	331,258	234,280
Luzhou Tianli Kindergarten	–	3
Shanghai Yaqiao	4,050	–
Affected Business	1,200,306	1,731,005
Total	1,535,614	1,965,288
<i>Repayment of advances to:</i>		
Chengdu Shenzhou Tianli	338,046	190,401
Affected Business	1,464,423	1,589,864
Total	1,802,469	1,780,265

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Transactions with related parties (continued)

(5) *Other transactions with related parties*

The Group provides financial guarantees for the Affected Business and Chengdu Shenzhou Tianli. The principal terms of the guarantees are set out as follows:

Borrower	Lender and beneficiary of the guarantee	Guarantor	Guaranteed amount	
			2024 RMB'000	2023 RMB'000
Chengdu Shenzhou Tianli	Bank of Dalian Co., Ltd., Chengdu Branch	The Company, Shenzhou Tianli Education and Tibet Yongsi	–	290,000
Xichang Tianli School	China Zheshang Bank Co., Ltd., Liangshan Branch	Shenzhou Tianli Education, Tibet Yongsi and Xichang Shenzhou Tianli Education Development Co., Ltd.	78,000	90,000
Deyang Tianli School	Agricultural Bank of China, Chengdu Jincheng Branch	Shenzhou Tianli Education and Tibet Yongsi	102,000	117,500
Ya'an Tianli School	Sichuan Tianfu Bank Co., Ltd., Chengdu Branch	Shenzhou Tianli Education, Tibet Yongsi and Ya'an Shenzhou Tianli Education Development Co., Ltd.	–	40,000
Ya'an Tianli School	Xingye Bank Co., Ltd., Chengdu Branch	Shenzhou Tianli Education	49,990	–
Guangyuan Tianli School	Haier Financial Leasing Co., Ltd.	Shenzhou Tianli Education, Tibet Yongsi and Luzhou Longmatan District Tianli Primary School	–	26,333
Guangyuan Tianli School	Huishang Bank Co., Ltd., Chengdu Branch	Shenzhou Tianli Education, Tibet Yongsi	30,000	–
Guangyuan Tianli School	Zhujiang Financial leasing Co., Ltd.	Shenzhou Tianli Education	30,418	–
Chengdu Longquanyi Tianli School	Bank of China Co., Ltd. Chengdu Pilot Free Trade Zone Branch	Shenzhou Tianli Education	80,000	–
Total			370,408	563,833

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Compensation of key management personnel of the Group

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	2,838	2,741
Equity-settled share option scheme expenses	24,177	12,805
Pension scheme contributions	69	67
Total	27,084	15,613

The related party transaction in respect of item (c)(1) above also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	18,362
Financial assets included in prepayments, deposits and other receivables	77,963
Cash and cash equivalents	1,358,388
Amounts due from related parties	686,892
Total	2,141,605

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to related parties	2,413,320
Trade payables	56,627
Lease liabilities	480,114
Interest-bearing bank and other borrowings	2,052,995
Financial liabilities included in other payables and accruals	308,976
Total	5,312,032

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2023

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	100,309	–	100,309
Trade receivables	–	17,448	17,448
Financial assets included in prepayments, deposits and other receivables	–	51,458	51,458
Cash and cash equivalents	–	1,501,724	1,501,724
Amounts due from related parties	–	651,520	651,520
Total	100,309	2,222,150	2,322,459

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to related parties	2,894,676
Trade payables	47,066
Lease liabilities	239,610
Interest-bearing bank and other borrowings	1,672,409
Financial liabilities included in other payables and accruals	238,022
Total	5,091,783

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Financial assets at fair value through profit or loss	–	100,309	–	100,309
Interest-bearing bank and other borrowings				
– non-current	1,312,052	1,118,474	1,312,052	1,118,474
Amounts due to related parties				
– non-current	987,777	1,151,577	955,759	1,113,173
Total	2,299,829	2,370,360	2,267,811	2,331,956

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

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

The fair values of the non-current portion of amounts due to related parties and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in the Group's own non-performance risk for amounts due to related parties and interest-bearing bank and other borrowings as at 31 August 2024 were assessed to be insignificant.

The fair values of financial assets at fair value through profit or loss are measured using the expected return published by licensed banks and a non-bank financial institution.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
31 August 2024	–	–	–	–
31 August 2023	–	100,309	–	100,309

Liabilities for which fair values are disclosed

31 August 2024

	Fair value measurement using			Total RMB'000
	Quoted price in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings, non-current portion	–	–	1,312,052	1,312,052
Amounts due to related parties, non-current	–	–	955,759	955,759
Total	–	–	2,267,811	2,267,811

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (continued)

Liabilities for which fair values are disclosed (continued)

31 August 2023

	Fair value measurement using			Total RMB'000
	Quoted price in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings, non-current portion	–	–	1,118,474	1,118,474
Amounts due to related parties, non-current	–	–	1,113,173	1,113,173
Total	–	–	2,231,647	2,231,647

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil).

The Company did not have any financial liabilities measured at fair value as at 31 August 2024 (2023: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other payables and accruals, interest-bearing bank and other borrowings, trade payables, amounts due from/to related parties and cash and cash equivalents which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank and other borrowings. The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in Note 26 to the financial statements. The Group does not have any significant exposure to the risk of change in market interest rates as the Group does not have any bank and other borrowings which are subject to floating interest rates.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 United States dollar and Hong Kong dollar arising from bank balances.

The following table demonstrates the sensitivity to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair values of bank balances.

2024	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
United States dollar	(5)	(7)
United States dollar	5	7
Hong Kong dollar	(5)	(8,025)
Hong Kong dollar	5	8,025
2023	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
United States dollar	(5)	(7)
United States dollar	5	7
Hong Kong dollar	(5)	(3,674)
Hong Kong dollar	5	3,674

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors. The carrying amounts of cash and cash equivalents, amounts due from related parties, trade receivables, and deposits and other receivables in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and fiscal year-end staging classification as at 31 August 2024 and 31 August 2023. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
31 August 2024					
Trade receivables*	–	–	–	18,362	18,362
Financial assets included in prepayments, deposits and other receivables					
– Normal**	77,963	–	–	–	77,963
– Doubtful**	–	–	–	–	–
Cash and cash equivalents	1,358,388	–	–	–	1,358,388
Guarantees given to banks in connection with facilities granted to related parties					
– Facilities not yet drawn	–	–	–	–	–
– Facilities drawn – not past due	370,408	–	–	–	370,408
Amounts due from related parties	686,892	–	–	–	686,892
Total	2,493,651	–	–	18,362	2,512,013

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
31 August 2023					
Trade receivables*	–	–	–	17,448	17,448
Financial assets included in prepayments, deposits and other receivables					
– Normal**	51,458	–	–	–	51,458
– Doubtful**	–	–	–	–	–
Cash and cash equivalents	1,501,724	–	–	–	1,501,724
Guarantees given to banks in connection with facilities granted to related parties					
– Facilities not yet drawn	–	–	–	–	–
– Facilities drawn – not past due	563,833	–	–	–	563,833
Amounts due from related parties	651,520	–	–	–	651,520
Total	2,768,535	–	–	17,448	2,785,983

* For trade receivables to which the Group applies the simplified approach for impairment, the expected loss allowance for these balances was not material during the reporting period.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Management also regularly reviews the recoverability of these receivables and follows up on the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available reasonable and supportive forward-looking information.

As at 31 August 2024, the credit assessment of other receivables was performed. The Group assessed that the expected credit losses for these receivables are not material under the 12-month expected credit loss method. Therefore, no loss allowance was made during the reporting period.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	2024					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	–	174,464	659,709	1,346,554	56,950	2,237,677
Lease liabilities	–	15,749	29,323	219,727	489,409	754,208
Financial liabilities included in other payables and accruals	308,976	–	–	–	–	308,976
Trade payables	56,627	–	–	–	–	56,627
Amounts due to related parties	1,440,786	–	–	972,534	–	2,413,320
Total	1,806,389	190,213	689,032	2,538,815	546,359	5,770,808

	2023					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	–	182,327	473,236	1,113,111	103,612	1,872,286
Lease liabilities	–	6,653	20,397	114,628	115,372	257,050
Financial liabilities included in other payables and accruals	238,022	–	–	–	–	238,022
Trade payables	47,066	–	–	–	–	47,066
Amounts due to related parties	1,743,099	–	–	1,151,577	–	2,894,676
Total	2,028,187	188,980	493,633	2,379,316	218,984	5,309,100

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The debt-to-asset ratio as at the end of the reporting period was as follows:

	2024 RMB'000	2023 RMB'000
Total liabilities	7,720,680	7,456,250
Total assets	10,193,716	9,557,225
Debt-to-asset ratio	76%	78%

38. FINANCIAL GUARANTEE CONTRACTS

The financial guarantee contracts represent guarantees given to banks and financial services institutions in connection with facilities granted to the Affected Business. At 31 August 2024, the total financing facilities granted, which were fully utilised by the Affected Business by the banks and financial institutions were RMB370,408,000 (2023: RMB563,833,000). The facilities granted on 31 August 2023 was RMB563,833,000, including the facilities granted to Chengdu Shenzhou Tianli. The Group does not hold any collateral or other credit enhancements over the guarantees.

The Group does not provide financial guarantees except for the Affected Business.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of the income earned. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the associate). The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant. At 31 August 2024, the Group did not recognise any ECL allowance as a result of bank and other borrowings utilised by the Affected Business.

The credit exposure of the financial guarantee contracts is classified as Stage 1. During the year, there were no transfers between stages (2023: Nil).

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	323	323
CURRENT ASSETS		
Prepayments, deposits and other receivables	2,143	139
Amounts due from subsidiaries	1,061,922	1,414,641
Cash and cash equivalents	35,287	32,724
Total current assets	1,099,352	1,447,504
CURRENT LIABILITIES		
Other payables and accruals	20,574	–
Amounts due to subsidiaries	–	154,887
Total current liabilities	20,574	154,887
NET CURRENT ASSETS	1,078,778	1,292,617
NET ASSETS	1,079,101	1,292,940
EQUITY		
Issued capital	179,763	183,022
Treasury shares	(1,330)	(31,663)
Reserves (note)	900,668	1,141,581
Total equity	1,079,101	1,292,940

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows:
(continued)

Note:

	Share premium RMB'000	Shares repurchased for the share award scheme RMB'000	Share award scheme reserve RMB'000	Share option reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
As at 1 September 2022	1,319,159	(74,479)	11,633	–	1,796	1,258,109
Loss and total comprehensive loss for the year	–	–	–	–	(28,090)	(28,090)
Vested shares under share award scheme	2,774	408	(3,182)	–	–	–
Equity-settled share option scheme expenses	–	–	–	23,297	–	23,297
Equity-settled share award scheme expenses	–	–	4,501	–	–	4,501
Final 2022 dividend declared	(43,439)	–	–	–	–	(43,439)
Interim 2023 dividend declared	(58,224)	–	–	–	–	(58,224)
Offsetting with dividends	–	2,503	–	–	–	2,503
Unvested shares under the share award scheme	–	(17,076)	–	–	–	(17,076)
At 31 August 2023 and 1 September 2023	1,220,270	(88,644)	12,952	23,297	(26,294)	1,141,581
Loss and total comprehensive loss for the year	–	–	–	–	(54,491)	(54,491)
Vested shares under share award scheme	2,923	2,511	(3,182)	–	–	2,252
Equity-settled share option scheme expenses	–	–	–	37,955	–	37,955
Equity-settled share award scheme expenses	–	–	3,418	–	–	3,418
Final 2023 dividend declared	(49,739)	–	–	–	–	(49,739)
Interim 2024 dividend declared	(88,237)	–	–	–	–	(88,237)
Offsetting with dividends	–	3,980	–	–	–	3,980
Cancellation of issued capital	(96,051)	–	–	–	–	(96,051)
At 31 August 2024	989,166	(82,153)	13,188	61,252	(80,785)	900,668

40. EVENTS AFTER THE REPORTING PERIOD

On 24 October 2024, 9,400,000 share options were granted to certain employees of the Company, as further detailed in note 30 to the financial statements. Further information can be found in the Company's announcement dated 24 October 2024.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 November 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the seventh Environmental, Social and Governance (ESG) Report issued by the Company, prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The preparation of this report is in line with the reporting principles of materiality, quantitative, balance and consistency.

The Company has applied these reporting principles in the aforementioned Environmental, Social and Governance Reporting Guide as the following:

Materiality: Materiality assessment was conducted to diagnose material ESG issues during the Reporting Year, thereby adopting the confirmed material issues as the focus of the ESG Report. The materiality of ESG issues was reviewed and confirmed by the Board.

Quantitative: The standards and methodologies used in the calculation of relevant data, as well as the applicable assumptions, are set out in the ESG report. The KPIs were supplemented by explanatory notes to establish benchmarks where feasible.

Balance: This ESG Report was prepared in an objective and impartial manner to unbiasedly present the Company’s overall performance in ESG management during the Reporting Period, and avoid the choices, omissions or presentation formats which may have inappropriate impact on the decision or judgment of readers.

Consistency: The statistical data disclosed in this ESG Report was compiled in accordance with the unified information collection process and working mechanism established by the Company and illustrated the changes in the calculation method so that the data can be meaningfully compared in the future. The 2024 statistical areas have been adjusted to be consistent with those of the Annual Report.

Time Range for the Report

The time range for this report covers the period from 1 September 2023 to 31 August 2024. Part of its contents may be dated back to previous years, so as to enhance the comparability and completeness of this report.

Reporting Boundary

This report thoroughly discloses the information and key performance of the Company and its schools of kindergarten and high school education in official operation in the field of ESG, and the statistical scope of part of key performances will be detailed in this report.

Sources of Data and Reliability Assurance

All the information and data used in this report were derived from the internal official documents and statistical reports of the Company and its schools, or public information. The Company warrants that there are no false or misleading statements in this report, and is responsible for the authenticity, accuracy and completeness of the contents herein. Upon confirmation of the management, this report was considered and approved by the Board on 25 November 2024.

The electronic version of this report will be available at the websites of the Company (<http://www.tianlieducation.com>) and The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>).

DIRECTORS' STATEMENT

Tianli International Holdings has always been committed to improving its environmental, social and governance (ESG) practices and performance. The Board, senior management, Risk Control and Internal Audit Center, Education Management Center, Brand Management Center, Human Resources Administration Center and the subordinate schools jointly participate in ESG issues of Tianli International Holdings. In compliance with the requirements of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, Tianli International Holdings continues to enhance the Board's participation in and decision-making on ESG-related issues. As the top decision-making body responsible for ESG issues, the Board of Tianli International Holdings is responsible for making decisions on the Company's ESG management approach and strategy, ensuring that an appropriate and effective ESG risk management system is in place within the Company, reviewing assessment results of the Company's material ESG issues and ESG report for the current year, and actively embedding ESG requirements into all aspects of the Company's operation.

Led by the Board, Tianli International Holdings has established an effective mechanism for the daily management of ESG and the identification and assessment of climate-related risks and opportunities. The Risk Control and Internal Audit Center regularly submits ESG reports to the Board, and the reports are disclosed after consideration by the Board.

Looking ahead, the Board will continue to review and monitor the ESG performance of the Company and continuously provide various stakeholders with reliable, consistent and comparable key ESG information, so as to support the sustainable development of society in a joint effort.

This report also discloses the ESG issues of Tianli International Holdings in detail during the Reporting Year, which were approved by the Board on 25 November 2024.

ABOUT THE COMPANY

About Tianli International Holdings

Tianli International Holdings is a leading comprehensive education service operator in the western region of the PRC, and provides customers with comprehensive education management and diversified services. As of the date of this report, nearly 60 well-built Tianli schools are widely dispersed in a total of 18 provinces (autonomous regions or municipalities), including Sichuan, Shandong, Shanghai, Zhejiang, Hebei, Guangdong, Guangxi, Hubei, Ningxia, Henan, Jiangxi, Anhui, Inner Mongolia, Shaanxi, Gansu, Chongqing, Yunnan and Guizhou, and provide comprehensive education services for over 130,000 school students. In 2024, the average first-tier university admission rate and the average university admission rate of high school graduates from our established schools in Sichuan were approximately 55% and 90%, respectively.

Tianli International Holdings has devoted itself to the course of education and has always adhered to the education guidelines of the Party for 22 years. It is committed to improving its teaching quality and optimizing its education system, striving to provide better services to students and parents through excellent school management and professionalism of teachers and contribute to the future pillars of our society.

- Our Mission:

Becoming an innovator and leader in the PRC's private fundamental education sector

- Our Vision:

Striving for Excellence in Tianli Education and Inspiring Confidence and Happiness of Students and Teachers



- Our School Motto:
Nurturing descendants of the heaven, helping students accomplish themselves and benefit others
- Our Core Value:
Geese spirit, being proactive, student-oriented, teachers' happiness, education at both schools and communities, heritage and integration, sustainable development
- Our Moral Education Goal:
Sound health, morality, wisdom, behavior, mind and creativity and a positive influence on society in addition to self-realization

Recognition and Awards

Name of Awards	Awarding Units
The "2023 China's Educational Ingenuity Figures"	CNR News of China Media Group
The "2023 Top 500 Brands of Chinese Listed Companies"	2023 China Economic Summit Forum & The 21st Annual Meeting of China Economic Characters (2023 中國經濟高峰論壇暨第二十一屆中國經濟人物年會)
The "Top Ten Innovative Enterprises in the Chinese Economy"	2023 China Economic Summit Forum & The 21st Annual Meeting of China Economic Characters (2023 中國經濟高峰論壇暨第二十一屆中國經濟人物年會)
The "Top Ten Typical Application Scenarios of China's Digital Economy"	2023 China Economic Summit Forum & The 21st Annual Meeting of China Economic Characters (2023 中國經濟高峰論壇暨第二十一屆中國經濟人物年會)
The "2023 Most Valuable Social Service Company"	The 8th Zhitongcaijing Capital Market Annual Conference (智通財經·第八屆資本市場年會)
The "Transformation Pioneer Enterprise of the Year 2023"	The 8th GuruClub Global Investment Carnival (格隆匯·第八屆全球投資嘉年華)
The "2021 Outstanding Education Group in terms of Comprehensive Strength"	Xinhua Net
The "2021 Outstanding Education Group in terms of Comprehensive Strength"	NetEase Education

ESG MANAGEMENT

In order to ensure the long-term stable development of the Company, Tianli International Holdings has attached great importance to the establishment of the Company's ESG management system. We actively fulfilled our corporate responsibility, continued to improve our ESG management structure and introduced overall ESG management philosophy into the daily operations of the Company. At the same time, we actively maintained communication with our stakeholders and jointly promoted the sustainable development of the Company through efficient interaction and feedback mechanism.

Corporate Responsibilities

In adhering to the mission of "Becoming an innovator and leader in the PRC's private fundamental education sector", Tianli International Holdings practices the concept of sustainable development, actively participates in social issues, strengthens risk control and operation compliance. It is committed to achieving remarkable performance in terms of environment, society and governance with a view to promoting the green transformation in the private fundamental education sector.

Corporate Governance

In strict compliance with the Company Law of the PRC, the Guidelines for Governance of Listed Companies of the Stock Exchange and other laws and regulations, Tianli International Holdings has built a corporate governance structure with efficiency, transparency and accountability, constantly strengthened the internal control and risk management, ensured operation compliance of the Company, improved information transparency and disclosure mechanism and safeguarded the rights of investors and other stakeholders to know, participate and supervise.

As of the end of the Reporting Year, the Board consisted of seven Directors, i.e. two executive Directors, two non-executive Directors and three independent non-executive Directors, which ensured the quality of decision-making by the Board and achieved effective supervision and checks and balances in the governance structure. The Company laid emphasis on the functions of the Audit Committee, the Remuneration Committee and the Nomination Committee, of which the Remuneration Committee was responsible for formulating and reviewing the remuneration policies and incentive plans of the Company's senior management. The remuneration of such executives was associated with indicators of sustainable development so that the efforts in sustainable development of the Company could be advanced and completed successfully. The Nomination Committee was responsible for recommending and screening candidates for Board members and senior management to ensure the diversity and professionalism of the Company's leadership.

ESG Management

Tianli International Holdings integrates the ESG management into its overall daily operations and is dedicated to the reduction of carbon footprint in campuses, maximizes resources utilization and protects the ecological environment via formulating and implementing high-standard ESG policies. We have strengthened the rights and interests of our employees, promoted diversity and inclusion, actively participated in community building, and given back to society with practical actions. In terms of governance, we constantly optimized our decision-making mechanism, elevated transparency and accountability, and ensured that all business activities complied with ethical norms. Under the centralized leadership of the Board, the Company has established an ESG management system with the Education Management Center, Brand Promotion Center, Human Resources Administration Center as well as its subordinate schools as executing bodies. Such system has specified rights and responsibilities of ESG management at all levels, further improving the ESG management, and leading the Company to a greener, more harmonious and efficient enterprise development path.

ESG Management Structure

Management level	The Board is the highest decision-making body for the ESG governance of the Company, and is responsible for supervising and approving the ESG strategies, policies, objectives, risks and other related issues, so as to ensure that the Company's ESG management is closely consistent with its development strategies.
Executing level	Each department of the Group: Education Management Center, Brand Promotion Center, Human Resources Administration Center are responsible for all ESG management issues and leading such execution Subordinate schools: Responsible for energy conservation and emission reduction, environmental education and campus greening

Communication with Stakeholders

Tianli International Holdings regards the concerns and demands of stakeholders as a vital force in advancing ESG management. The Company is committed to improving the communication channels among stakeholders such as investors, employees, students, parents and suppliers, initiatively adopting the opinions and suggestions of all stakeholders and adjusting the Company's ESG management strategy in a timely manner. It has devoted itself to working with all stakeholders to contribute to the high-quality development of the environment and society, and to create joint value and share joint achievements.

Table: Stakeholders' Communication

Stakeholders	Expectations for the Group	Communication Measures
Investors/Shareholders	Operation compliance Protecting shareholders' interests Open and transparent information	General meetings Announcements and press releases Annual reports SEHK/group website
Corporate Employees	Good platform for professional development Competitive remuneration packages Healthy and safe working environment	Conferences/teaching and research activities Internal staff training/assessments Employee satisfaction survey
Students	Comfortable learning environment Organizing diversified activities	Students satisfaction survey Themed class meetings/lectures School principal's mailboxes
Parents	Excellent teaching quality Positive atmosphere at schools Dietary assurance and campus life assurance for students	Parents meetings Education expos School principal's mailboxes
Environment	Rational use of resources Efficient use of water and electricity Compliant waste disposal Pleasant campus environment Green teaching	Green campus Green office Dissemination of green ideas
Suppliers/partners	Long-term and win-win cooperation Fair competition Product quality assurance	Suppliers evaluation On-site visits to suppliers Exchange meetings for suppliers Strategic cooperation
Governmental and regulatory agencies	Operation compliance Safe teaching environment Social practice and contribution Ensuring information security for students and parents	Compliance report On-site inspections Participation in conferences/seminars
Communities/public	Public charity projects Social activities of students	Activities for public charity Social practice

MATERIAL ISSUES

Identification and Assessment

In accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange and other relevant requirements, the Company has carried out the assessment of material issues of stakeholders based on the principle of comprehensiveness, importance, relevance and actionability, so as to fully review the sustainable development status of Tianli International Holdings and to respond to the issues of concern of stakeholders in key areas. Following a combination of quantitative analysis and qualitative assessment for determining the degree of materiality of each issue with latest development of the ESG management of the Company and industry movements of the year taken into account, the Company formulated a list of issues containing 25 issues and mapped them into a matrix for ESG importance issues. Such issues included 6 highly important issues, 13 moderately important issues and 6 generally important issues. The issues identified will be elaborated correspondingly by the Company in the subsequent sections of this report.

Matrix and List

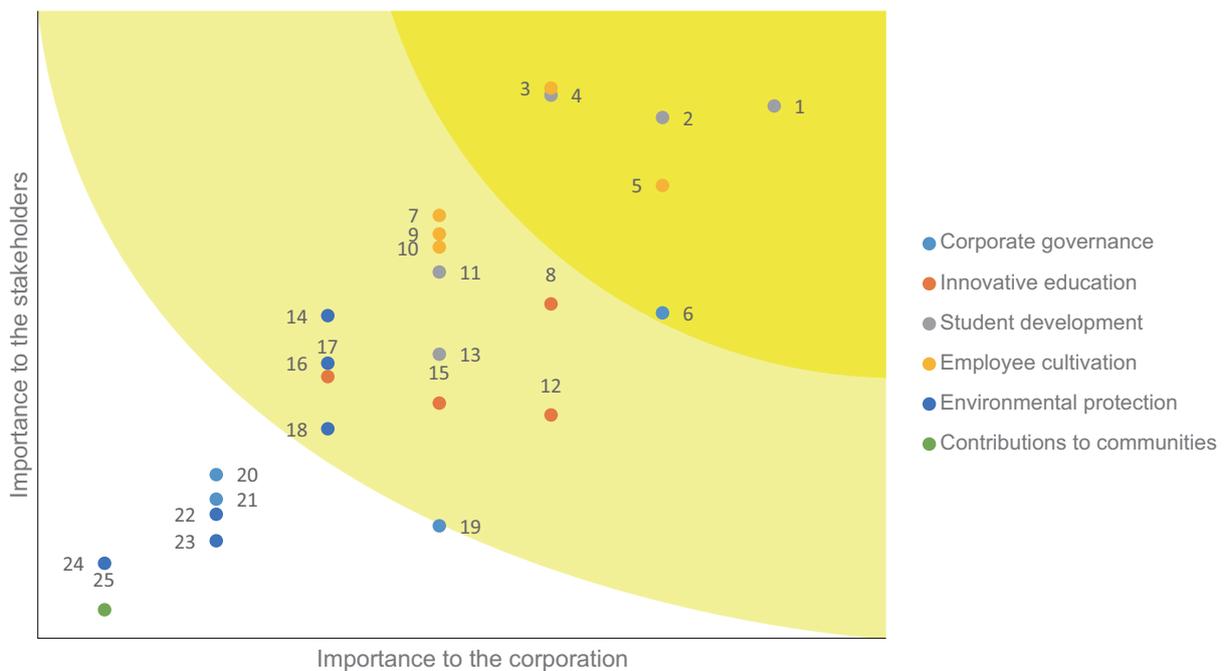


Figure: Tianli International Holdings's Matrix of Material Issues

Table: ESG Material Issues

IMPORTANCE	SEQUENCE	ISSUES
Highly important issues	1	Development of Students' Comprehensive Quality
	2	Safety and Health Assurance for Students
	3	Professional Ethics and Morality Construction for Teachers
	4	Dietary Assurance for Students
	5	Faculty Management and Structure
	6	Protecting Privacy and Ensuring Information Security for Students and Parents
Moderately important issues	7	Employee Training and Career Development
	8	Teaching Quality Assessment and Improvement
	9	Ensuring Safety and Occupational Health for Employees
	10	Employee Remuneration and Welfare
	11	Communication between Teachers and Parents
	12	Innovation in Curriculum Development and Diversification of Education Models
	13	Student/Parent Satisfaction
	14	Green Teaching and Office Environment
	15	Educational Products and Intellectual Property Protection
	16	Environmental Education
	17	Integration and Enhancement of Educational Resources
	18	Water Resource Utilization and Water Conservation
	19	Sustainability Management across Supply Chain
Generally important issues	20	Compliance Operation and Anti-corruption
	21	Complaint Processing Procedures and Service Improvement
	22	Climate Change Risks and Opportunities
	23	Waste Management
	24	Energy Consumption Management
	25	Participation in Community Development and Social and Charity Activities

STUDENT-ORIENTED APPROACH

Keep cultivating talents for the Party and the country, striving for the happiness of teachers and students and contributing to national rejuvenation. Over the years, Tianli International Holdings has always adhered to its original aspirations, focuses on educational quality and teaching standards, and is committed to providing students with a good and safe learning environment and high-quality faculty, aiming at cultivating talents with sound core competencies and high-quality all-round development for the country.

During the Reporting Year, the number of high school students of Tianli International Holdings was 36,708.

Optimizing Teaching Quality

Tianli International Holdings has always adhered to the grand goal of creating excellent Tianli education. Therefore, we insist on continuously improving the teaching quality, optimizing the education system, and strictly controlling every aspect of the teaching process, to consolidate the knowledge base for students, promote their diversified and comprehensive development, and enhance their self-confidence and competitiveness.

Project No. 1

“Project No. 1” of Tianli International Holdings is a major education reform initiative that carries strategic vision, focuses on long-term development and has been implemented comprehensively. Since its launch in 2021, the Company has continued to work on optimizing educational resources, improving management strategies and teaching models. It has formulated a series of practical plans and clear implementation steps to ensure the effective implementation of “Project No. 1”. In 2024, under the educational philosophy of “teaching students based on their aptitude”, Tianli International Holdings adopts its “Six Establishments and One Accomplishment (六立一達)” curriculum system to carry out targeted and layered teaching for students with various characteristics, while continuously improving the teaching process and methods in primary and junior high schools, to improve the curriculum standards and students’ academic performance.

During the Reporting Year, a total of 272 high school graduates received college acceptance letters from the world’s top 50 universities, such as Tsinghua University and Peking University. Among them, 2 were admitted to University of Cambridge, 1 was admitted to Imperial College London and 6 were admitted to University College London. Besides, a total of 5 were admitted to Academy of Arts & Design, Tsinghua University, which was a record high. In the 2024 Gaokao, students from campuses across Luzhou, Deyang, Neijiang, Xichang, Dazhou, Cangxi and Honghu won the title of Zhuangyuan (狀元) in their respective cities.

Teaching and Research

Tianli International Holdings has always insisted on providing education that is most suitable for students' development, and is committed to building a comprehensive, systematic and efficient teaching and research system. The Company actively optimizes curriculum structure and continuously explores and pursues innovation, striving to make broad and profound curriculum content available to students, thereby meeting the learning needs of students and laying a solid foundation for their all-round development in the future. In addition, we regularly organize teaching seminars in various forms and with rich contents to encourage teachers to learn from each other and make progress together, which can help them improve their teaching abilities and professional qualities, and ensure the steady improvement of teaching quality, aiming to cultivate outstanding citizens for the country who can adapt to the future development.

Case: Seminars conducted by Luzhou Tianli

In 2024, Luzhou Tianli School actively responded to the call for education reform, focusing on the “three new” strategies to promote the overall improvement of education and teaching quality. In accordance with the core requirements of “new curriculum, new textbooks, new Gaokao”, it carefully organized a series of knowledge classroom seminar activities. Teachers adopted layered teaching model, designed differentiated tasks and used diversified teaching methods, and prepared detailed lists of activities to meet the needs of different students and cultivate students' thinking and innovation abilities.

In this activity, teachers gave full play to their expertise and carefully designed each lesson based on the actual situation and the level of students of each class to ensure that teaching activities were appropriately tailored to the needs and ability levels of students.

Teacher Cultivation

The Company aims to create a team of high-quality and professional teachers, and always believes that the professional standards of teachers affect the standards of the entire education team. Internal management measures such as the Management Measures for the Training of Teachers and Staff, the Training Management System for New Teachers and the Ethics Management System for Teachers and Staff have been formulated by the Company based on the cultivation of teachers' professional qualities and educational philosophy and in response to the Company's international standards of school operation. These measures emphasize the professional ethics and international vision that teachers should have and encourage teachers to develop in all aspects, and improve overall teaching standards.

In 2024, Ya'an Tianli School adheres to the educational philosophy of openness, inclusiveness and enterprising, and actively adopts a two-way interactive model of “invite in, go out”. Under this model, it actively invites well-known experts and scholars in the field of education to visit the campus and provide teachers with cutting-edge teaching concepts and practical experience through activities such as class attendances, on-site instruction and special lectures. In addition, teachers are encouraged to participate in various external class attendances, academic exchanges, workshop and training and other activities to broaden their horizons and acquire new knowledge, thereby continuously improving their professional quality and teaching skills.

Ensuring Campus Safety

Tianli International Holdings always strictly abides by the laws and regulations such as the Law of the People's Republic of China on the Protection of Minors, the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on Emergency Response, the Law of the People's Republic of China on the Prevention and Control of Infectious Diseases, the Law of the People's Republic of China on Fire Fighting and the Law of the People's Republic of China on Food Safety. It improved and optimized the internal safety management system and strengthened education on health and safety for teachers and students to ensure the safety and stability of campus and the health and growth of students. During the Reporting Year, no major campus safety accidents occurred in any of the campuses of Tianli International Holdings.

Safety Management

Tianli International Holdings formulated internal policies such as the Regulations for the Implementation of Campus Safety Management and the Safety Management System, established a complete safety management system, upgraded the campus security system, continued to carry out safety education activities, safety knowledge promotion and other activities, and actively improved students' and teachers' safety awareness and emergency response capabilities.

The Company continues to deepen the optimization process of the management system, builds a complete safety supervision system, and sets up a scientific and reasonable assessment, reward and punishment system to build a campus safety protection network that responds quickly and executes efficiently. In order to strengthen safety management, the school has established a special working committee responsible for all safety affairs. Some schools have also established leading groups for public health emergency response to ensure that emergency plans can be quickly launched in emergencies to protect the safety and stability of the campus. In addition, the Company regularly organizes safety education and skills training activities for all school security personnel. Through practical training such as explosion-proof emergency drills, we continuously improve the response ability and practical level of the campus safety management team, comprehensively protect the life safety and physical and mental health of teachers and students, and continue to build a harmonious and stable campus environment.

Education on Safety

In order to enhance the safety awareness of students and teachers, Tianli International Holdings has formulated internal regulations such as the School Safety Education System, and regularly carries out safety education activities. Through safety education assessment, publicity of public health event prevention and control knowledge, campus broadcasting and publicity, special education activities and other methods, the Company continuously improved the safety awareness of its students and teachers and enhanced their emergency response capabilities to ensure that the safety of students is fully guaranteed in school. In order to enhance the safety awareness of students and staff, Tianli International Holdings has formulated internal regulations such as the School Safety Education System, and regularly organizes safety education activities. It continuously enhances education on safety through safety assessments, special lectures, campus broadcasting and publicity and other means, aiming at improving the emergency response ability of staff and students to ensure that the safety of teachers and students is fully guaranteed in school.

- **Organize safety lectures and conduct safety education assessments regularly**

In 2024, Tianli International Holdings Logistics Center guided all schools under the Group to formulate a yearly "Safety Education and Drill Work Plan" and supervised the schools to carry out safety education work in strict accordance with the plan. In this school year, all schools completed safety education courses and more than 2 safety drills with satisfied quality and quantity, and the passing rate of safety education assessment was 100%.

- **Promotion of public health event prevention and control knowledge**

The Company carried out health education courses to widely disseminate knowledge on the prevention of public health emergencies, so as to enhance the protection awareness of teachers and students, and improve the overall quality of public health on campus.

- **Campus publicity**

The Company attached great importance to the daily safety education and special safety education of students, and made full use of various publicity channels such as blackboard newspapers, publicity window, campus broadcasting and online platforms to popularize the knowledge of emergency responses, and strived to improve the public health awareness of teachers and students and their ability to respond to emergencies.

- **Special education**

Based on regional and environmental characteristics, the Company has clearly identified the period before holidays, the beginning of semester, and the transition between winter and summer as key periods for safety education, focusing on special education on traffic safety, food hygiene, campus activity safety, and prevention of heat stroke, drowning, gas poisoning, safe electricity use and fire safety. At the same time, the school also focuses on teaching students the knowledge and skills of self-rescue and self-protection in emergencies.

- **Mental health education**

Tianli International Holdings integrates mental health education into daily teaching in a reasonable manner, and sets up psychological counseling rooms or provides psychological hotline services in schools. It provides psychological education training for class heads so that they can provide students with psychological support and emotional adjustment at any time. In addition, each school also takes the initiative to maintain close contact with parents and work together to pay attention to and promote the mental health development of students.

Food Safety

In order to ensure that students and teachers enjoy healthy and safe diet, the Company strictly complies with the Food Safety Law of the People's Republic of China, the Regulations on the Management of Food Safety and Nutritional Health in Schools, the Code of Practice for Food Safety in Food Service, and other relevant regulations, and formulates and improves the Food Safety Management System for School Cafeteria, Job Responsibilities for Cafeteria Staff, Cafeteria Meal Accompanying System, and Management System for School Meal Management Committee and other institutional documents. Based on the "smart supervision software platform + transparent kitchen", all-round real-time monitoring of the personnel involved in procurement, acceptance, production and processing in the school cafeteria and its environment is carried out to ensure the safety and health of the school cafeteria meals. In 2024, the Company invited the catering committee to visit the cafeteria and parent representatives gained an in-depth understanding of the cafeteria operation process and experienced the student dining environment, which acted as a joint effort to improve the safety and quality of campus catering. During the Reporting Year, no food safety incidents occurred in the cafeterias of the Company.

- Food safety management system: With the school principal as the first responsible person for food safety, a three-level food safety management system covering school, logistics management department and cafeterias has been established to strengthen food hygiene management in schools. In addition, the corresponding full-time (part-time) food safety supervisors were also put in place, with the food safety responsibility letter signed by all relevant parties to take responsibility for food safety.
- Cafeteria staff management: Cafeteria staff must follow the Health Examination System for Cafeteria Staff of their respective campuses and go to the local health and epidemic prevention department once a year for a health checkup and receive a qualified health certificate before they are allowed to work. The cafeteria manager and school administrators conduct daily morning checkups and health observations of cafeteria workers to keep track of their health status. During work, staff members are required to maintain personal hygiene and wear work clothes and hats as required. In addition, cafeteria staff are required to complete a minimum of 20 hours of food safety training per semester and establish training records. The food safety administrator shall have at least two years of work experience in food safety, complete at least 40 hours of professional training each year, and can only take up his/her post after obtaining the qualified certificate.

- **Strengthen management on food procurement:** The Company comprehensively regulates the food procurement process and strictly examines the qualification documents of suppliers as well as food safety certificates such as health licenses, food inspection certificates or lab test reports to ensure the freshness and safety of food ingredients; and improves the process management of food ingredients by establishing certificate files and storage management.
- **Storage management:** The warehouse where food is stored shall be kept dry and ventilated, and measures shall be taken to eliminate flies, rats, cockroaches and other harmful insects and their breeding conditions. The containers must be safe and harmless to prevent food contamination.
- **Sample retention management:** Each meal and each kind of food provided by the cafeteria is kept in strict accordance with the requirements by a person in charge of keeping samples, and the Food Sample Record Form is established for traceability. **Complaint management:** Each school sets up a suggestion box in the dining hall, and a designated person is responsible for collecting, analyzing, studying, processing, giving feedback on and supervising the rectification of problems related to canteen hygiene.
- **Safety accident emergency plan:** The Company has formed the contents of the campus emergency plan management including emergency plan training, emergency plan drill, emergency plan record, and emergency plan implementation. In the management of unexpected food safety accidents, we take the form of graded management and develop response measures based on the severity of the actual unexpected food safety accidents in schools to strictly take care of the health of teachers and students.

Fire Safety

Tianli International Holdings strictly abides by the national laws and regulations such as the Law of the People's Republic of China on Fire Fighting, develops and improves systems and rules such as the Regulations on Management of Safe Evacuation Facilities in Teaching Areas, the Fire Safety Management Manual and the Regulations on Fire Prevention in Dormitories. It carried out a series of fire safety activities to improve the emergency response capability of each campus to deal with fire incidents. During the Reporting Year, all campuses actively organized fire drills and the activity of "Bringing Fire Safety Culture to Campus" to ensure that teachers and students are familiar with emergency escape routes and have general fire safety knowledge.

Case: Fire Evacuation Drill for 2024 Spring Semester in Yichun Tianli High School

In March 2024, Yichun Tianli High School held a fire evacuation drill, which covered two agendas: emergency response to earthquakes and evacuation. During the drill, corridor guides guided teachers and students to evacuate to the designated place in an orderly manner, and the campus police captain explained and demonstrated the correct operation of the fire extinguisher in detail. In the practical part, teachers and students learned the operation of fire-fighting equipment under guidance and mastered the operation skills and safety points of fire-fighting equipment. This drill effectively improved the emergency escape and self-rescue skills of teachers and students, and enhanced the school's overall ability to respond to emergencies.

TEACHERS' HAPPINESS

Tianli International Holdings unswervingly practices the core value of “people-oriented”, always adheres to the talent concept of “loyalty, filial piety, integrity, trust, practicality, courage, learning and love”, and strives to promote the growth of employees and the Company. Tianli International Holdings focuses on promoting diversity and inclusiveness in recruitment, attracting and bringing together outstanding talents from different backgrounds and with different expertise. We provide our employees with competitive salaries and benefits and focus on their career development. Through regular career planning, professional skills training and leadership improvement projects, we help employees make continuous breakthroughs in the workplace and realize their personal value. At the same time, we deeply understand the importance of employees' happiness and satisfaction to the Company's long-term development, and always care about their physical and mental health and quality of life. By organizing a variety of team building activities, holiday celebrations and employee care plans, we strive to create a working environment full of love and care for employees, so that every employee can find fun at work and feel warmth in life, thus being willing to devote more enthusiasm to the work and contributing to the growth and success of the Company.

Open Development Road

Equal-Employment

Tianli International Holdings strictly complies with the Company Law of the People's Republic of China, the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and other laws and regulations. We build an equal and diverse working environment for employees with an open and inclusive work philosophy and attitude, and resolutely put an end to child labor and forced labor. We adopt a diversified and open recruitment approach, and promise to treat employees of different genders, ages, nationalities, and beliefs equally, provide employees with fair and equitable employment opportunities and environment, and create a good working atmosphere. In 2024, the Company had no illegal employment incidents such as child labor or forced labor.

As of the end of the Reporting Year, the total number of employees of the Company was 5,668, of which 3,519 (i.e. 62%) are females.

Remuneration and Welfare

In order to better attract and retain high-quality talents, the Company, in strict compliance with the Labour Contract Law of the People's Republic of China, has amended the Management Measures for the Preferential Schooling of Children of the Group's Employees (《集團員工子女入學優惠管理辦法》), the Management Measures for the Welfare of the Group's Executives and Headquarters Employees (《集團高管和總部員工福利管理辦法》), the Remuneration and Performance Plan for the Staff of Tianli Education Group Headquarters (Operation Line) (《天立教育集團總部員工薪酬績效方案(運營線)》), the Remuneration and Performance Plan for the School Executives of Tianli Education Group (《天立教育集團學校高管薪酬績效方案》) and the Management Measures for Rewards and Punishments for Tianli Education Group Employees (《天立教育集團員工獎懲管理辦法》). It is committed to providing competitive remuneration and benefits to its employees to ensure that all employees can enjoy welfare and benefits including but not limited to salary, paid annual leave, sick leave, five social insurances and one housing fund, and strives to fully stimulate employees' work enthusiasm and enhance their sense of gain and happiness through a complete remuneration and welfare system.

In 2024, the Company adopted a comprehensive evaluation method, under which employees' remuneration is based on their monthly and annual performance evaluation and is linked to monthly and annual work goals. This method can comprehensively and fairly measure the work effectiveness of employees and effectively explore their potentials. In addition, we have adopted performance management at three levels: section, grade and teacher. We conduct all-round, multi-level management and evaluation of the performance of all employees, and provide work suggestions and optimization measures to employees based on the evaluation results, aiming to help them achieve performance goals and career development, thereby promoting the mutual sustainable development of employees and the Company.

In order to enhance the competitiveness and attractiveness of the employee welfare system, the Company has added a new loyalty award, optimizes the payment standards of contribution bonuses and the conditions for obtaining house and car purchase subsidies, aiming to recognize and reward employees who have served the Company for a long time. Besides, the Company has expanded the scope of employees who can enjoy education discounts, and continues to improve preferential policies for the children of faculty and staff to attend the Group's class A schools and international schools to further enhance employee satisfaction and happiness.

Promotion Channels

Tianli International Holdings always adheres to the core value of "gaining respect with teacher's morality, developing with self-cultivation, loving students as the way of education, learning as the way of life, research as the way of work, and enjoying a happy and meaningful educational life", pays close attention to the career development plan of every employee and is committed to building an open, diverse and comprehensive promotion system to pave a broad path to the peak of career for all employees.

During the Reporting Year, the Company established a promotion channel featuring an order of "New elite –Backbone – Outstanding – Master – Chief" for teachers, and further enhanced our management staff promotion system with an order of "Junior teacher – middle-level cadre – section principal/five department heads – district principal", aiming to fully mobilize the enthusiasm of employees and stimulate all teachers and staff the potential to break through and surpass themselves.

Physical and Mental Health

Tianli International Holdings regards the health and safety of its employees as its top priority. In accordance with the Occupational Disease Prevention and Control Law of the People's Republic of China, the Administrative Measures for Preventive Health Examinations and other laws and regulations, the Company carries out physical examinations and psychological counseling for its employees, and provides timely professional psychological counseling to employees with psychological problems to help them relieve their emotional pressure. In addition, we regularly invite national second-level psychological counselors and national family education instructors to campus to deliver a series of high-quality psychological lectures to employees, students and parents. In 2024, the Company invited psychology experts to carefully prepare a series of psychological counseling lectures for all teachers, covering key topics such as emotional management and stress relief, deeply discussing how to better pay attention to students' mental health in daily teaching and providing teachers with valuable mental health knowledge and skills.

Focus on Talent Cultivation

Tianli International Holdings adheres to the talent cultivation concept of “Learning is an important way to improve one’s personal cultivation”. We developed the Training Management System of Basic Education Division of Tianli Education Group (《天立教育集團基礎教育事業部培訓管理制度》) and other internal policies and system, providing equal development opportunities and channels for employees.

In 2024, under the guidance of the “20-character Policy”¹ of Tianli International Holdings, we implemented the cultivation plan based on the school’s development strategy and used the “seven-step work method”² to guide and standardize the cultivation of the back-up talent team to meet the school’s development needs, providing intellectual support for the sustainable development of schools.

As of the end of the Reporting Year, the average number of training hours for high school teachers and kindergarten teachers of the Company was up to 23.58 hours, with a training coverage rate of 100%.

Teachers Cultivation

In order to improve the professionalism and comprehensive ability of faculty and staff, Tianli International Holdings carries forward the Geese spirit of “being the first, uniting and collaborating, aiming high, and pursuing excellence” and actively promotes backbone teacher cultivation programs to enhance the professionalism, core competencies and management capabilities of teachers to build a high-quality, high-level education team.

In 2024, Tianli International Holdings held a special seminar at the Teacher Growth Academy in order to promote its curriculum construction of the “Five-course model”³. The leaders of each teaching and research team shared their own experiences, conducted in-depth discussions on the specific aspects of the “Five-course model”, and put forward valuable opinions. We hope that by establishing the Teacher Growth Academy, our teaching can be more lively, interesting and in line with the actual needs of students, enabling school to cultivate more outstanding talents and helping more teachers gain wider recognition.

¹ “20-character policy”: safety first, driven by the content, take habits as the core, supported by activity, joint education by family and school.

² “seven-step work method”: a working method developed by Tianli International Holdings to improve the level of logistics services. The method aims to optimize the logistics service process and improve the service quality through systematic steps. The specific steps include setting goals, formulating plans, decomposing tasks, executing tasks, checking progress, adjusting and optimizing, and summarizing the feedback.

³ “Five-course model”: consists of new course, analysis and appraisal course, review course, practice course and self-study course.

Talents Training

Tianli International Holdings attaches great importance to the cultivation and development of young teachers and regards them as a key force in educational innovation and improvement of teaching quality. During the Reporting Year, we continued to deepen and promote the mentor-apprentice twinning activities of the “Up-and-coming Elites Project (青藍工程)”, aiming to establish a close mentor-apprentice relationship between experienced senior teachers and young teachers who are full of energy and potential to improve the moral quality, professional standards and scientific research capabilities of young teachers, thereby realizing the inheritance of knowledge and experience.

Requirements of the “Up-and-coming Elites Project”:

- (1) High standards for selecting mentors: Mentors shall perform their duties well to the implementation of “imparting, helping and leading”. Mentors are required to make their teaching plans and classes public so that young teachers can attend and learn in a timely manner.
- (2) Delineate the scope and personnel of young teachers and voluntarily select mentors: In principle, each mentor shall instruct no more than two young teachers. Young teachers are required to write detailed plans, prepare lessons by class time, and seek advice from mentors on teaching plans.
- (3) Develop a twinning class attendances schedule designated for the “Up-and-coming Elites Project”: Young teachers are required to attend at least 2 classes by the mentor every week, and the mentor is required to attend no less than 8 classes by young teachers per semester, which shall cover preparing lessons, attending lessons, demonstrating lessons, and evaluating lessons.
- (4) Develop a corresponding assessment and reward system: The Teacher Development Center shall keep track of the inspection records, taking them as an important basis for the final assessment of young teachers and mentors.

Enjoying the Life in Education

Tianli International Holdings attaches great importance to the happiness of its employees and is committed to creating an efficient working environment that is full of humanistic care. We actively organize and carry out a variety of leisure activities to enrich employees’ lives and promote team cohesion and sense of belonging. During the Reporting Year, Tianli International Holdings held events such as personnel symposium, quality promotion symposium, New Year review and refinement meeting and doctoral exchange meeting to provide efficient and diverse platforms for employees to communicate. In addition, we carried out a variety of festival activities on Dragon Boat Festival and the Teachers’ Day to create a positive and harmonious working and living environment and enhance employees’ sense of belonging. We hope that through more diversified and more effective employee care methods, every employee can find work-life balance, enjoy a sense of happiness and fulfillment at heart, and jointly promote the Company’s development to a higher level.

SUSTAINABLE DEVELOPMENT

Ensuring Operation Compliance

The long-term and stable development of an enterprise is inseparable from a solid compliance management foundation. As a responsible enterprise with the mission of education management and diversified services, Tianli International Holdings strictly abides by national laws and regulations and regulatory requirements such as the Listing Rules of the Hong Kong Stock Exchange, and builds and continuously optimizes its compliance management system and institutional framework. By implementing comprehensive supervision and inspection, meticulous compliance review, professional special audits and strict accountability mechanisms, we closely follow the latest developments in regulatory policies, effectively identify and prevent compliance risks, and ensure the Company's stable and high-quality development.

Risk Control

Tianli International Holdings strictly follows the guidance of laws and regulations such as the Company Law of the People's Republic of China and the Basic Standards for Enterprise Internal Control and other laws and regulations, and continuously improves the Risk Control System and the Quality Promotion Management System of Tianli Education Group to enhance the Company's risk management capabilities. The Company has established a risk control and internal audit system, and set up three lines of risk control defense consisting of the Auditing Inspection Department, the Internal Control Department and the Legal Department to accurately and efficiently respond to various risks, promote the continuous optimization of the Company's internal management processes and the continuous strengthening of operational compliance. Among them, while the Internal Control Department continues to conduct internal control audit, project audit and tender audit, it regularly reviews and evaluates the risk management implementation of each business department to ensure that the risk management strategy is effectively implemented, and timely adjusts and optimizes risk management measures based on the evaluation results to form a closed loop of risk management.

The Company's annual internal audit covers multiple aspects such as internal control, risk management, business processes and information systems, aiming to comprehensively evaluate the effectiveness and compliance of the Company's risk management and provide strong support for the Company's decision-making and management. During the internal control inspection process, the Company achieved the joint participation of the personnel of internal control, supervision, and legal departments realized resource sharing, broke down information silos, and achieved the actual efficiency and effectiveness of internal audit work, through risk comparison analysis of the same sector in different campuses, center resource sharing and collaborative cooperation. In 2024, the Company strictly identified various risk points, and audited and evaluated the effectiveness of the Company's governance structure and organizational structure, the Company's risk management strategy and risk response measures, key control points and potential risk points in business processes, and the security and protection measures of the Company's information systems. It supervised the supply chain bidding activities on a monthly basis and found a total of 64 risk points, all of which had been improved by the end of the reporting period, further reducing the impact of potential risks on the Company's operations.

In addition, the Company regularly organizes risk management and internal control training, and requires employees to conduct monthly reflections on the risk points identified in business operations, enhance the risk awareness of all employees, create a positive risk management culture, and ensure that every employee can become a solid link in the Company's risk defense line. In 2024, the Company conducted internal audit compliance training covering legal compliance and anti-corruption for senior executives of the Group and its subsidiaries and school management personnel. The training was carried out in various forms such as knowledge competitions and sharing of successful cases, with a total of about 400 participants.

Integrity Construction

Tianli International Holdings regards the construction of integrity as an important part of corporate culture and the cornerstone of sustainable and healthy development. It abides by the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Preventing Commercial Bribery and other laws and regulations, establishes a comprehensive management mechanism for the investigation and handling of violations of regulations and disciplines, formulates and implements strict anti-corruption and anti-fraud procedures, and ensures that any form of fraud is prevented and combated from the source. At the same time, the Company has introduced an advanced fraud risk identification and assessment mechanism, and comprehensively monitors and identifies potential fraud risk points through various means such as regular audits, data analysis and employee whistle-blowing channels. Among them, the Company has established a whistle-blowing channel for violations of regulations and disciplines, encourages employees to actively participate in supervision. For real-name reports, the Company implements strict verification procedures to ensure that each link forms a closed-loop management. At the same time, according to the severity of the case, we set corresponding investigation and reporting time limits and take a zero-tolerance attitude towards any illegal and irregular behavior to ensure that no one is missed and no leniency is given. We regularly conduct cultural promotion and training and cautionary cases presentation in respect of integrity education for the Group's executives and employees to jointly maintain the Company's integrity image.

In 2024, the Company continued to carry out contract review work, reviewing various types of contracts such as investment contracts, project construction contracts, financing contracts, procurement contracts, etc., and the total contract fulfillment rate exceeded 90%.

Intellectual Property Rights

Tianli International Holdings attaches great importance to the development and protection of intellectual property rights, strictly abides by the relevant laws and regulations such as the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Copyright Law of the People's Republic of China, and revises the internal systems such as the Intellectual Property Management Measures. It has established a complete intellectual property management system, and has regulated the application registration, licensing and protection of intellectual property rights such as patents, trademarks, and copyrights through the whole process. It also provides training for internal employees on the basic concepts, laws and regulations, and protection practices of intellectual property rights to enhance awareness of intellectual property protection. At the same time, the Company actively monitors market trends, prevents and combats infringements, and safeguards the Company's legitimate rights and interests. During the Reporting Year, the Company did not have any intellectual property-related cases.

Information Security

Tianli International Holdings deeply understands the importance of information security protection, strictly abides by the Data Security Law of the People's Republic of China, the Cybersecurity Law of the People's Republic of China and other relevant laws and regulations, builds a comprehensive information security management system, and conducts regular security audits and vulnerability scans to timely discover and repair potential security hazards and ensure the stable operation of information systems. At the same time, we strengthen information security training for employees, enhance the safety awareness of all employees, and ensure that everyone becomes the first line of defense for information security. In 2024, the Company advocated that all teachers and employees of the Group and various campuses sign confidentiality agreements to restrict their behavior of obtaining information about school students and parents through legal means, and establish a safety barrier for the privacy of students and parents. During the Reporting Year, the Company did not have any incidents that endangered information security.

Responsible Procurement

Tianli International Holdings actively practices the concept of responsible procurement, integrates social responsibility into supply chain management, and ensures the safe operation of schools. The Company continues to improve policies such as the Management System for Procurement and Bidding and the Measures for Supplier Performance Evaluation and Management, adheres to the procurement principles of "openness, fairness and justice", and continues to improve the supplier management system. During the Reporting Year, the Company had a total of 307 suppliers.

Responsible procurement: Tianli International Holdings follows the Management System for Procurement and Bidding, implements hierarchical and differentiated management, strictly screens suppliers, and exercises priority selection for suppliers that perform well in terms of environmental protection, protection of labor rights, and compliance with business ethics. By signing a responsible procurement contract, the responsibilities and obligations of both parties are clarified, and suppliers are urged to adopt green production methods to reduce resource consumption and environmental pollution. While requiring suppliers to provide valid business licenses, sanitation permits, inspection reports and other certificates, the Company strictly regulates the behavior of internal procurement personnel, requiring them to study the legal provisions carefully, be familiar with and master the requirements for raw material procurement certification, and verify the raw materials that have been purchased in accordance with relevant national regulations and standards to ensure that the first line of defense for the health and safety of raw material procurement is firmly guarded.

Inspection and evaluation: The Company has established a complete supplier audit system to manage the supplier access, evaluation and exit processes in a graded and differentiated manner. We grade suppliers in five levels: AA, A, B, C and blacklist based on seven aspects: company qualifications, financial indicators, warehousing and distribution capabilities, cooperation possibilities, strategic development, execution capabilities and company operating conditions. In the daily audit process of suppliers, we evaluate raw materials on a daily, item-by-item or batch-by-batch basis in terms of product quality, service management and other aspects. For unqualified suppliers at each level, we have established corresponding supplier improvement and exit mechanisms such as applying for special approval, requiring rectification and direct disqualification.

Tianli International Holdings adheres to the principle of synergy and win-win, and is committed to integrating the concept of sustainable development into the entire supply chain management. We focus on environmental protection, resource conservation, safety and health, recycling and low carbon, and give priority to environmentally friendly raw materials, products and services. By strengthening communication with suppliers, we ensure product quality and stable operations while promoting the sustainable and healthy development of the supply chain.

Protecting the Environment

Tianli International Holdings regards environmental protection as its own responsibility and is committed to building a green and harmonious campus environment. The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Environmental Pollution of Solid Waste of the People's Republic of China and other laws and regulations. In campus construction, the Company focuses on the use of environmentally friendly materials, rationally plans green space, and enhances campus ecological diversity. In terms of practicing green education, it advocates low-carbon living, encourages students to participate in energy-saving and emission reduction activities, and offers environmental education courses to enhance students' environmental awareness and contribute to the sustainable development of society.

Green Campus

Tianli International Holdings attaches great importance to the construction of green campuses, continuously strengthens the environmental protection management of each campus, revises the internal resource management and environmental protection systems such as the Green School Office System, optimizes energy use, replaces energy-saving equipment and implements a strict waste management system to ensure the rational use of resources, actively advocates green commuting and green office, encourages employees and students to adopt environmentally friendly transportation methods to reduce carbon emissions, encourages the use of electronic documents in the office environment, reduces printing, implements paperless meetings, etc., to further reduce the impact on the environment, and integrates low-carbon concepts into every level of the school from infrastructure construction to daily operations management.

Saving water and electricity: We set implementation plans for energy conservation and emission reduction in each campus, reasonably set the lighting switch time of teaching buildings and dormitory buildings and avoid the long-lasting use of lights and other electrical equipment. We strengthen the daily maintenance and management of water-using equipment, collect daily usage data for comparison, and regularly check and calibrate water and electricity meters on campus. If abnormal water use is found, we'll verify the cause in time to avoid waste caused by long-term leakage in pipes. We keep records every day, every week and every month and have evaluation results every month, to supervise the fulfillment of obligations during work across the whole school.

Green commuting: We follow the "safe, economical, and standardized" usage guidelines to uniformly dispatch official vehicles, and charge for fuel consumption and tolls that exceed the regular dispatch range, so as to limit greenhouse gas emissions caused by excessive use of official vehicles.

Green office: We reduce electricity consumption during working hours, turn off lights and air conditioners in conference rooms in a timely manner, turn off ventilation equipment in office buildings in a timely manner, promote paperless office, reduce copy paper by circulating documents and other methods, set up "office paper recycling boxes" to collect waste office paper, newspapers and packaging, and promote the use of pens with refill, toner cartridges and rechargeable batteries and other recyclable office supplies.

Environmental improvement: We strengthen the beautification and greening of the campus and the maintenance and management of flowers and trees, increase the green coverage rate of the campus, organically combine campus greening with campus culture, create a rich cultural atmosphere, and teach through scenery, enabling environmental improvement to play a dual role of beautifying the environment and cultivating talents.

Hazardous waste treatment: We establish an internal hazardous waste management system on campus to record in detail the types, quantities, flows and utilization of waste. Each campus implements strict fixed-point storage management and regularly entrusts a third-party organization with professional qualifications to conduct legal and compliant recycling and treatment.

Harmless waste reduction plan: We appoint a dedicated person to be responsible for the disposal, collection, transportation, and record management of food waste, and ensure that food waste is placed by sorting and cleared daily. We implement closed waste transportation, and transportation equipment and containers should have food waste labels, be clean and intact, and must not leak or spill during transportation. We improve the records of food waste generation, collection, transportation, and disposal, and record in detail the types, quantities, destinations, uses, etc. of food waste, and report regularly to the catering supervision department and environmental protection department.

Case: Yantai Tianli School launched the “School is a Place Bigger than Home” energy conservation and emission reduction campaign

In 2024, in order to achieve energy conservation and emission reduction and build a beautiful campus together, Yantai Tianli School launched the “School is a Place Bigger than Home” initiative, encouraging students and teachers to carry out energy-saving and environmental protection activities such as “turning off toilet lights” and “picking up garbage on the ground of teaching buildings”, and appraise and elect “the Most Beautiful Dedication Department”, “the Most Beautiful Contributor” and others, encouraging everyone to actively carry out energy conservation and emission reduction on campus and create a green and sustainable campus environment.

Green Education

Tianli International Holdings is actively engaged in green education practice and is committed to cultivating students' environmental awareness and the concept of sustainable development. We integrate environmental science knowledge into the curriculum and organize a variety of extracurricular activities to allow students to learn about environmental protection and experience green living in practice. In addition, we cooperate with the community to carry out environmental protection public welfare activities, extend the concept of green education outside the school, and influence a wider range of people. Through these actions, the Company aims to cultivate green citizens with a sense of responsibility and initiative and let the concept of sustainable development develop widely among the new generation of young people.

Green teaching system: The Company actively advocates the combination of environmental education and traditional systems, establishes a school environmental education responsibility division system under the direct leadership of the principal's office, sets annual environmental education goals based on the specific responsibilities of each department, and encourages teachers to incorporate environmental education concepts into their teaching process in combination with the characteristics of their respective subjects.

Curriculum system reform: In the teaching plan and textbook compilation of each semester, each campus lists environmental education as an important part of the formal teaching tasks, closely combines course learning with the cultivation of environmental awareness and deepens students' cognition and understanding of environmental protection through rich and diverse teaching activities and practical projects, and gradually cultivates good habits of green living.

Activities: Our school integrates various environmental protection activities into the students' moral education system, and jointly creates a campus cultural atmosphere that emphasizes environmental protection awareness through speech contests, social practice projects, volunteer services, educational publicity activities or environmental education seminars held regularly.

Case: Neijiang Tianli School carried out voluntary activities to protect the environment

In December 2023, the primary school of Neijiang Tianli School successfully carried out a volunteer activity to pick up garbage in Tashan Park. By setting up 4 volunteer groups, equipped with professional guidance and safety supervision, students actively participated in the comprehensive cleaning of the park. While enhancing students' environmental awareness, the activity demonstrated the school's active efforts in environmental protection and contributed Tianli's strength to building a green and harmonious society.

Responding to Climate Change

Tianli International Holdings actively responded to the country's call to respond to climate change and achieve the "carbon peaking and carbon neutrality" goal, strengthened campus energy management, optimized campus building design, improved energy efficiency, and reduced fossil energy consumption. In terms of curriculum and teaching, we have added courses related to climate change and sustainable development to enhance students' climate awareness and train them to become professionals who can cope with the challenges of climate change in the future. In addition, we encourage teachers and students to participate in practical activities of energy conservation and emission reduction, implement garbage classification and resource utilization of kitchen waste, and reduce greenhouse gas emissions from landfill and incineration, aiming to build the school into a low-carbon, green and sustainable model, and contribute to its own realization of the "carbon peaking and carbon neutrality" goal.

Climate Change Governance Structure

Tianli International Holdings has established a systematic, multi-level climate change governance structure to comprehensively respond to the challenges and opportunities brought about by climate change. The Company has established a climate change governance structure directly led by the Board, which is responsible for formulating the overall strategy, setting emission reduction targets, and ensuring resource investment, taking the lead in implementing climate change response measures, and establishing a correct value orientation for all employees. Each functional department is responsible for greenhouse gas inventory and emission management, energy efficiency improvement and energy conservation and emission reduction, as well as green procurement and supplier management. At the same time, the Company has established a cross-campus climate action team to regularly exchange information, evaluate results, coordinate and promote work, and ensure the organic integration of various measures.

Climate Risk Management

Tianli International Holdings has established a climate risk identification and assessment management system to comprehensively analyze the physical risks, transition risks and liability risks brought about by climate change, and formulate effective risk management strategies based on risk assessment results, including risk avoidance, risk transfer, risk control, etc.

Risk Type	Physical risks		Transition risks
Risk Content	Natural disaster risks	Health and safety risks	Energy transition risks
Risk Description	As a result of global warming, the frequency and intensity of extreme weather events may increase, posing a threat to the physical safety of campuses. Floods may flood low-lying areas on campus, hurricanes may destroy campus buildings, and extreme heat may affect the health of teachers and students and the quality of teaching.	Climate change may cause changes in the reproduction and distribution of certain disease vectors (such as mosquitoes), increasing the risk of infectious diseases spreading. At the same time, extreme high temperatures may cause health problems such as heatstroke, affecting the health of teachers and students and the normal conduct of teaching activities.	As global attention to climate change increases, the use of renewable energy will gradually become mainstream. If the campus fails to transform in time and continues to rely on traditional energy, it will face the risk of rising energy costs.
Risk Response Measures	<ul style="list-style-type: none"> Strengthen the disaster prevention capabilities of campus buildings and infrastructure, such as building flood control embankments and reinforcing buildings. Develop disaster emergency response plans, including evacuation routes, emergency rescue measures, etc., and conduct drills regularly. Introduce a meteorological early warning system to obtain disaster warning information in a timely manner and make preventive preparations in advance. 	<ul style="list-style-type: none"> Strengthen the environmental sanitation management of the campus to reduce the breeding of mosquitoes and other infectious agents. Provide heatstroke prevention and cooling facilities, such as air conditioners, fans, etc., and educate teachers and students on how to prevent heatstroke. Establish a health monitoring and reporting mechanism to promptly detect and address health problems. 	<ul style="list-style-type: none"> Gradually phase out traditional energy facilities and introduce renewable energy (such as solar energy, wind energy, etc.) facilities. Strengthen energy management, improve energy utilization efficiency and reduce energy waste.

SCHOOL-COMMUNITY COOPERATION

School is the cradle of nurturing talents, and society is the platform for testing achievements. Tianli International Holdings joins hands with families and society to provide students with a more socially competitive growth environment. At the same time, Tianli International Holdings has the courage to assume social responsibilities, give back to society with love, actively participate in public welfare activities, and deliver public welfare power to society.

Families and Schools Join Together

Tianli International Holdings actively promotes home-school cooperation and continuously optimizes the “home-school co-education” model, so that parents and schools can communicate in a timely manner and better carry out home-school cooperation. Teachers in various schools strengthen the close cooperation between schools and parents by establishing WeChat groups for communicating with parents and holding parent meetings regularly, so as to improve the quality of teaching and promote the all-round development of students.

We classify our work according to different levels of schools. For example, for kindergartens, we organize various parent-child activities, such as fun sports games, tree-planting festivals, to build ties with parents and bring parents and children closer together; for high schools, we keep in close contact with parents to ensure that we pay attention to students’ learning progress and psychological state, and help both home and school to carry out their work smoothly.

Case: Laian Tianli held its first coming-of-age ceremony

On 31 December 2023, the senior class of Laian Tianli School successfully held its first coming-of-age ceremony. With the theme of “18 years old and standing up for oneself and others, 18 years old and aspiring for a great future”, the event was attended by the leaders of the city and the county, as well as the principals of the friendship schools and other honored guests. Accompanied by their parents, students wore the hats specialized for the ceremony and crossed the door, marking their formal entry into adulthood to shoulder the responsibility of the family and the country, which inspires students to bravely pursue their dreams and embrace the future.

Enthusiastic in Public Welfare

Tianli International Holdings is rooted in society and is committed to giving back to society. We encourage employees to actively organize and participate in social welfare activities and devote themselves to public welfare education. In 2024, Tianli International Holdings will still be rooted in public welfare, carrying out donations, student aid, poverty alleviation and other projects, with a total investment of RMB1.106 million. Looking forward, we will continue to uphold the original intention of public welfare, constantly explore and innovate new models of social participation, in order to create a vibrant public welfare ecosystem. We hope to actively promote the development of education through concrete actions, work hand in hand with all walks of life, and jointly build a harmonious and better society to create a brighter future for the next generation.

Case: Xichang Tianli School went to Tianli to help build Meigu Kindergarten in the Warm Winter Campaign

In December 2023, by adhering to the original intention of educating people, Tianli International Holdings went deep into Liangshan Prefecture and brought warmth and care to local kindergartens through public welfare activities. We shared advanced educational concepts in the activities, and also supported educational development through practical actions to cultivate new generation with a sense of responsibility. In this Warm Winter Campaign, we brought school supplies and warm materials to the children of Meigu Kindergarten, reflecting the Company’s social responsibility and educational mission.

APPENDIX I ESG DATA LIST

ESG Indicator		Unit	2024	2023	2022
A	Environment				
A1	Emissions				
A1.2	Greenhouse gas emissions⁴ in total and intensity				
	Direct GHG emissions (scope I)	Ton (CO2 equivalent)	4,627.62	4,227.51	2,584.52
	Indirect GHG emissions(scope II)	Ton (CO2 equivalent)	14,031.13	8,871.92	6,707.95
	Total GHG emissions	Ton (CO2 equivalent)	18,658.76	13,099.43	9,292.47
	GHG intensity	Ton (CO2 equivalent)/million operating revenue	5.62	5.69	10.51
A1.3	Hazardous waste generated				
	Total amount of hazardous wastes	Kilogram	2,156.58	6,829.08	2,283.59
	Intensity of hazardous wastes	Kilogram/million operating revenue	0.65	2.97	2.58
A1.4	Non-hazardous waste generated				
	Total amount of non-hazardous wastes	Ton	6,332.07	3,627.55	5,237.91
	Intensity of non-hazardous wastes	Ton/million operating revenue	1.91	1.58	5.92
	Daily life garbage	Ton	2,952.95	2,188.30	1,232.66
	Kitchen garbage	Ton	3,379.12	1,439.25	4,005.26
	Wasted paper	Ton	/	/	/
A2	Use of Resources				
A2.1	Total energy consumption and intensity				
	Total energy consumption ⁵	Ton standard coal	5,772.55	4,449.44	2,986.81
	Energy consumption intensity	Ton standard coal/million operating revenue	1.74	1.93	3.38
	Gasoline consumption	Liter	126,153.67	76,642.59	63,139.27
	Diesel consumption	Liter	13,597.17	13,629.81	9,027.58
	Natural gas consumption	Cubic meter	1,995,034.23	1,838,031.13	1,115,708.94
	Pipeline gas consumption	Cubic meter	0.00	22,424.38	4,237.16
	Outsourced electricity	kWh	24,149,969.04	15,270,087.37	11,545,527.42

⁴ Note: Direct GHG emissions (scope I) are calculated based on the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of 24 Industries in China issued by the Development and Reform Commission of the State Council, and are calculated based on the consumption of gasoline, diesel, natural gas and pipeline gas, which are the main energy consumption categories in the operation; while indirect GHG emissions (scope II) are calculated based on the Notice on the Key Work of Enterprise Greenhouse Gas Emissions Reporting Management in 2022, which is derived from the conversion of outsourced electricity;

⁵ Note: The total energy consumption is calculated based on the GB/T2589-2020 General Rules for Comprehensive Energy Consumption Calculation.

ESG Indicator		Unit	2024	2023	2022
A2.2	Water resource consumption and intensity				
	Water used in offices and life	Ton	2,312,686.65	1,088,044.56	737,375.42
	Water use intensity	Ton/million operating revenue	696.41	472.54	833.78
B	Society				
B1	Employment				
B1.1	Number of employees by gender, employment type, age group and geographical region				
	Total workforce⁶	Person	5,668	5,029	3,018
Gender	Male	Person	2,149	1,907	1,150
	Female	Person	3,519	3,122	1,868
Employee type	Administrative and managerial employees	Person	283	191	407
	Teacher	Person	2,446	2,090	1,124
	Staff	Person	2,939	2,748	1,487
Age	Under 30 years old	Person	1,562	1,627	646
	30 to 50 years old	Person	3,001	2,561	1,733
	Above 50 years old	Person	1,105	841	639
Geographical region	Sichuan Province	Person	2,917	2,900	1,451
	Mainland China (excluding Sichuan Province)	Person	2,751	2,129	1,567
	Overseas ⁷	Person	0	0	0
B1.2	Employee turnover rate by gender, employment type, age group and geographical region				
	Total employee turnover rate	%	15.35	12.54	11.03
Gender	Male employee turnover rate	%	16.05	13.55	8.70
	Female employee turnover rate	%	14.92	11.91	12.47
Age	Turnover rate of employees aged under 30	%	16.87	13.41	10.84
	Turnover rate of employees aged 30 to 50	%	13.64	11.05	9.92
	Turnover rate of employees aged above 50	%	19.11	15.22	14.24
Geographical region	Turnover rate of employees in Sichuan Province	%	14.91	12.55	8.89
	Turnover rate of employees in Mainland China (excluding Sichuan Province)	%	15.82	12.48	12.84
	Turnover rate of overseas employees	%	0	0	0

⁶ Note: The number of teaching and administrative staff related to compulsory education is not included in the statistics of the 2023 and 2024 ESG reports as a result of the change in the statistical calibre of the Company's annual report.

⁷ Note: The data is updated for 2023 and 2022 as a result of the change in the definition of the statistical indicator, which is now defined as employees working overseas.

ESG Indicator		Unit	2024	2023	2022
B2	Health and Safety				
B2.1	Number of work-related fatalities				
	Number of work-related fatalities	Person	0	0	0
B3	Development and Training				
B3.1	Number of employees trained by gender and employee category				
	Total number of employees trained⁸	Person	3,415	2,862	1,358
Gender	Male	Person	1,295	1,617	625
	Female	Person	2,120	1,245	733
Employee type	Administrative and managerial employees	Person	172	163	136
	Teacher	Person	2,446	1,340	882
	Staff	Person	797	1,359	340
B3.2	Training hours completed per employee by gender and employee category				
	Average training hours	Hour	31.11	28.29	38.00
Gender	Male	Hour	26.90	23.29	30.06
	Female	Hour	39.66	34.79	42.89
Employee type	Managerial and administrative employees	Hour	58.91	87.52	38.65
	Teacher	Hour	23.58	30.01	34.64
	Staff	Hour	32.19	19.50	40.36
B5	Supply Chain Management				
B5.1	Number of suppliers by geographical region				
	Number of suppliers in Sichuan Province	Supplier	200	136	332
	Number of suppliers in Mainland China (excluding Sichuan Province but including Hong Kong, Macao and Taiwan)	Supplier	107	145	159
	Number of overseas suppliers	Supplier	0	0	12
B6	Product Liability				
B6.2	Number of product and service-related complaints received				
	Handling rate of service-related complaints	%	100	100	100
B7	Anti-corruption				
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period				
	Number of proposed or concluded corruption litigation cases	Case	0	0	0
B8	Community Investment				
B8.2	Resources contributed to the focus area				
	Charitable donations	Ten thousand	110.6	22.2	26

⁸ Note: The number of teaching and administrative staff related to compulsory education is not included in the statistics of the 2023 and 2024 ESG reports as a result of the change in the statistical calibre of the Company's annual report.

APPENDIX II ESG KPI INDEX

ESG KPI	Guide Requirements	Reporting Chapter/Statement
A. Environment		
A1: Emissions	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Sustainable Development – Protecting the Environment
A1.1	The types of emissions and respective emissions data.	Sustainable Development – Protecting the Environment Appendix I ESG Data List
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A1.5	Description of emissions target (s) set and steps taken to achieve them.	Sustainable Development – Protecting the Environment
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Sustainable Development – Protecting the Environment
A2: Use of Resources	General disclosure Policies on the efficient use of resources, including energy, water, and other raw materials.	Sustainable Development – Protecting the Environment
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I ESG Data List
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Appendix I ESG Data List
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Sustainable Development – Protecting the Environment This is no such issue in sourcing water that is fit for purpose during the Company's operation.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable. The Company does not produce actual finished products during its operation.

ESG KPI	Guide Requirements	Reporting Chapter/Statement
A3: The Environment and Natural Resources	General disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	Sustainable Development – Protecting the Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Sustainable Development – Protecting the Environment
A4: Climate Change	General disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Sustainable Development – Protecting the Environment
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Sustainable Development – Protecting the Environment
B. Social		
B1: Employment	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Teachers Happiness – Open Development Road
B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	Appendix I ESG Data List
B1.2	Employee turnover rate by gender, age group and geographical region.	Teachers Happiness – Open Development Road Appendix I ESG Data List
B2: Health and Safety	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Teachers Happiness – Open Development Road Student-oriented Approach – Ensuring Campus Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I ESG Data List
B2.2	Lost days due to work injury.	/
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Teachers Happiness – Open Development Road Student-oriented Approach – Ensuring Campus Safety

ESG KPI	Guide Requirements	Reporting Chapter/Statement
B3: Development and Training	General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Teachers Happiness – Open Development Road Teachers Happiness – Focus on Talent Cultivation
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I ESG Data List
B3.2	The average training hours completed per employee by gender and employee category.	Appendix I ESG Data List
B4: Labour Standards	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Teachers Happiness – Open Development Road
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Teachers Happiness – Open Development Road
B4.2	Description of steps taken to eliminate such practices when discovered.	Teachers Happiness – Open Development Road
B5: Supply Chain Management	General disclosure Policies on managing environmental and social risks of the supply chain.	Sustainable Development – Ensuring Operation Compliance
B5.1	Number of suppliers by geographical region.	Appendix I ESG Data List
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance

ESG KPI	Guide Requirements	Reporting Chapter/Statement
B6: Product Liability	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Student-oriented Approach
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable. The Company does not involve product quality assurances and recalls during its operation.
B6.2	Number of products and service-related complaints received and how they are dealt with.	School-Community Cooperation –Families and Schools Join Together Appendix I ESG Data List
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Sustainable Development – Ensuring Operation Compliance
B6.4	Description of quality assurance process and recall procedures.	Not applicable. The Company does not involve product quality assurances and recalls during its operation
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance
B7: Anti-corruption	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Sustainable Development – Ensuring Operation Compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Sustainable Development – Ensuring Operation Compliance Appendix I ESG Data List
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Sustainable Development – Ensuring Operation Compliance
B7.3	Description of anti-corruption training provided to directors and staff.	Sustainable Development – Ensuring Operation Compliance
B8: Community Investment	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	School-Community Cooperation –Enthusiastic in Public Welfare
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	School-Community Cooperation –Enthusiastic in Public Welfare
B8.2	Resources contributed (e.g. money or time) to the focus area.	School-Community Cooperation –Enthusiastic in Public Welfare Appendix I ESG Data List

Definitions

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

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AGM”	annual general meeting
“Articles” or “Articles of Association”	the articles of association of the Company adopted on 24 June 2018, and as amended from time to time
“Audit Committee”	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Company” or “Tianli International Holdings”	Tianli International Holdings Limited (天立國際控股有限公司), a company incorporated in the Cayman Islands with limited liability on 24 January 2017, the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	has the meaning given to it under the Listing Rules
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“ESG”	Environmental, Social and Governance
“Foreign Investment Law”	Foreign Investment Law of the PRC (中華人民共和國外商投資法)
“Gaokao”	the National Higher Education Entrance Examination (普通高等學校招生全國統一考試)
“Group”, “we”, “us” or “our”	the Company, its subsidiaries and entities under the Company’s control through contractual arrangements in the PRC
“IPO”	initial public offering
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Nanyuan Construction”	Sichuan Nanyuan Construction Co., Ltd. (四川南苑建設有限公司), a limited liability company established in the PRC on 30 June 2000 and is wholly-owned by Tianli Holding, a connected person (as defined in the Listing Rules) of the Company, it was formerly known as Luzhou Nanyuan Construction Engineering Co., Ltd. (瀘州市南苑建築工程有限公司)

Definitions (Continued)

“Nomination Committee”	a committee of the Board established by the Board to assist, identify, screen and recommend to the Board appropriate candidates to serve as Directors of the Company, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company
“PRC”	the People’s Republic of China which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Operating Entities”	the schools and entities which we control through the contractual arrangements
“Pre-IPO Restricted Share Award Scheme”	the pre-IPO restricted share award scheme for the award of Shares to eligible participants, adopted by the Company on 26 January 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Restricted Share Award Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company dated 28 June 2018 issued by the Company in relation to the listing of its Shares on the Main Board of the Stock Exchange
“Qualification Requirement”	The relevant qualification and high quality of education held by a foreign investor of Sino-foreign joint venture private school for PRC students under the Sino-Foreign Regulations
“Remuneration Committee”	a committee of the Board established by the Board to assist the Board to develop and administer a formal and transparent procedure for setting policy on executive Directors’ remuneration and all Directors’ and senior management’s remuneration packages
“Reporting Year”	the period for the year ended 31 August 2024
“Restricted Share Award Scheme”	the restricted share award scheme for the award of Shares to eligible participant, adopted by the Company on 17 December 2018, pursuant to the announcement made by the Company on 17 December 2018
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Selected Participants”	eligible persons selected by the Board or authorized administrators to be granted the share awards under the Restricted Share Award Scheme at its sole discretion
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of HKD0.1 each
“Share Option Scheme”	the share option scheme of our Company, adopted pursuant to a resolution of our Shareholders on 24 June 2018, the principal terms of which are summarized in the section headed “Statutory and General Information – E. Share Option Scheme” in Appendix V to the Prospectus

Definitions (Continued)

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”/“SEHK”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the School Sponsors’ and Directors’ Rights Entrustment Agreement, the School Sponsors’ Powers of Attorney, the Directors’ Powers of Attorney, the Shareholders’ Rights Entrustment Agreement, the Shareholders’ Powers of Attorney, the Spouse Undertakings, the Equity Pledge Agreements, and the Loan Agreement, and any subsequent amendments and supplements to such agreements, further details of which are set out in “Structured Contracts” in the Prospectus
“Tianli Education”	Shenzhou Tianli Education Investment Co., Ltd. (神州天立教育投資有限責任公司), a limited liability company established in the PRC on 19 April 2013 and our principal operating subsidiary, it was formerly known as Sichuan Shenzhou Tianli Education Investment Co., Ltd. (四川神州天立教育投資有限公司)
“Tianli Holding”	Shenzhou Tianli Holdings Group Limited (神州天立控股集團有限公司), formerly Shenzhou Tianli Investment Group Limited (神州天立投資集團有限公司), a limited liability company established in the PRC on 13 April 2006
“Trustee”	THE CORE TRUST COMPANY LIMITED (匯聚信託有限公司) (which is independent of and not connected with the Company), being appointed by the Company for the administration of the Restricted Share Award Scheme, or any additional or replacement trustee(s)