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## **Leader Education Limited**

## **立德教育股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1449)**

# **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2021**

## **ANNUAL RESULTS**

The Board of Directors of Leader Education Limited is pleased to announce the audited consolidated financial results of the Group for the year ended 31 August 2021, together with the comparative figures for year ended 31 August 2020.

## **HIGHLIGHTS**

	<b>Year ended 31 August</b>		<b>Percentage change</b>
	<b>2021</b>	<b>2020</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	<b>196,143</b>	156,100	25.7%
Gross profit	<b>98,961</b>	85,039	16.4%
Profit before tax from continuing operations	<b>52,013</b>	43,836	18.7%
Profit for the year	<b>52,013</b>	42,359	22.8%

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*Year ended 31 August 2021*

		<b>2021</b>	2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>196,143</b>	156,100
Cost of sales		<u><b>(97,182)</b></u>	<u>(71,061)</u>
Gross profit		<b>98,961</b>	85,039
Other income and gains	4	<b>1,842</b>	1,182
Selling expenses		<b>(1,814)</b>	(973)
Administrative expenses		<b>(29,328)</b>	(37,128)
Other expenses, net		<b>(4,281)</b>	(1,055)
Finance costs		<u><b>(13,367)</b></u>	<u>(3,229)</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	<b>52,013</b>	43,836
Income tax expense	6	<u>—</u>	<u>—</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>52,013</b>	43,836
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation		<u>—</u>	<u>(1,477)</u>
PROFIT FOR THE YEAR		<u><b>52,013</b></u>	<u>42,359</u>

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u><b>4,530</b></u>	<u>624</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u><b>4,530</b></u>	<u>624</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u><b>(8,428)</b></u>	<u>(3,273)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u><b>(8,428)</b></u>	<u>(3,273)</u>
<b>OTHER COMPREHENSIVE LOSS</b>			
<b>FOR THE YEAR</b>		<u><b>(3,898)</b></u>	<u>(2,649)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>FOR THE YEAR</b>		<u><b>48,115</b></u>	<u>39,710</u>
Profit attributable to:			
Owners of the parent		<u><b>52,013</b></u>	<u>42,359</u>
Total comprehensive income attributable to:			
Owners of the parent		<u><b>48,115</b></u>	<u>39,710</u>
Earnings per share attributable to ordinary equity holders of the parent:	8		
Basic and diluted			
– For profit for the year		<u><b>RMB0.0780</b></u>	<u>RMB0.0828</u>
– For profit from continuing operations		<u><b>RMB0.0780</b></u>	<u>RMB0.0856</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,574,412	1,451,372
Right-of-use assets		15,498	15,981
Other intangible assets		2,604	3,035
Prepayments for purchase of property, plant and equipment and right-of-use assets		75,348	24,082
Other non-current assets		8,000	4,200
Total non-current assets		1,675,862	1,498,670
<b>CURRENT ASSETS</b>			
Prepayments, other receivables and other assets		17,888	34,892
Cash and cash equivalents		303,934	337,554
Total current assets		321,822	372,446
<b>CURRENT LIABILITIES</b>			
Contract liabilities	9	169,384	102,129
Other payables and accruals	10	81,367	68,158
Interest-bearing bank and other borrowings and interest accruals		197,768	95,356
Deferred income		249	—
Total current liabilities		448,768	265,643
NET CURRENT (LIABILITIES)/ASSETS		(126,946)	106,803
TOTAL ASSETS LESS CURRENT LIABILITIES		1,548,916	1,605,473
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings and interest accruals		679,777	725,460
Deferred income		2,053	—
Payables for purchase of property, plant and equipment	10	—	61,042
Other long term liability	10	18,404	18,404
Total non-current liabilities		700,234	804,906
Net assets		848,682	800,567
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		46,292	46,292
Reserves		802,390	754,275
Total equity		848,682	800,567

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

Leader Education Limited (the “**Company**”) was incorporated in the Cayman Islands on 17 June 2019 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in providing private higher education services in the People’s Republic of China (the “**PRC**”).

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and interpretations) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Companies Ordinance (Cap. 622, Laws of Hong Kong). They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand except when otherwise indicated.

#### Going concern

The Group recorded net current liabilities of RMB126,946,000 as at 31 August 2021. Included therein were the contract liabilities of RMB169,384,000 as at 31 August 2021, which will be settled by education services provided by the Group rather than settled by cash.

In view of the net current liabilities position, the directors of the Group 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. Taking into account the financial resources available to the Group, including the internally generated funds from operation and existence of sufficient facility of RMB170,000,000 and the ability of management in adjusting the pace of its operation expansion, the directors of the Group are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the audited consolidated financial statements on a going concern basis.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's consolidated financial statements.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IAS 1 and IAS 8	Definition of Material

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

- (a) Conceptual Framework for Financial Reporting 2018 (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and

assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 September 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### **3. OPERATING SEGMENT INFORMATION**

The Group is principally engaged in the provision of private higher 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.

No operating segment information of the continuing operations is presented as more than 90% of the Group's revenue and reported results from the continuing operations during each of the years ended 31 August 2020 and 2021, and more than 90% of the Group's total assets attributable to the continuing operations as at the end of each of these years were derived from one single operating segment, i.e., the provision of private higher education services.

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. Therefore, no further information about operating segments is presented.

#### **Geographical information**

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

#### **Information about major customers**

No revenue derived from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the year.



#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Tuition fees	180,062	149,741
Boarding fees	16,081	6,359
	<u>196,143</u>	<u>156,100</u>
<b>Other income and gains</b>		
Bank interest income	226	191
Rental income:		
Fixed lease payments	659	822
Government grants:		
— Related to assets	187	—
— Related to income	297	64
Others	473	105
	<u>1,842</u>	<u>1,182</u>

## 5. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment	35,158	25,320
Amortisation of other intangible assets	1,902	1,142
Depreciation of right-of-use assets	483	483
Auditor's remuneration	1,100	800
Listing expenses	—	26,868
Central heating cost	5,144	5,102
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	42,695	29,370
Pension scheme contributions (defined contribution scheme)	7,941	5,792
	<u>50,636</u>	<u>35,162</u>
Foreign exchange differences, net	3,288	235
Government grants		
— related to income	(297)	(64)
— related to assets	(187)	—
Bank interest income	<u>(226)</u>	<u>(191)</u>

## 6. INCOME TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax — Mainland China	<u>—</u>	<u>—</u>
Total tax charge for the year from continuing operations	<u>—</u>	<u>—</u>
Total tax charge for the year from a discontinued operation:		
PRC LAT	<u>—</u>	<u>4,301</u>
Total	<u><u>—</u></u>	<u><u>4,301</u></u>

## 7. DIVIDENDS

No dividend has been paid or declared by the Company in the current year (2020: nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 666,667,000 (2020: 511,872,170) in issue during the year, as adjusted for the assumption that 499,999,750 new shares issued pursuant to the Capitalisation Issue (as defined below) had been issued on 1 September 2018, which is made to be consistent with the basis of presentation of the financial statements for the year ended 31 August 2019.

On 6 August 2020, the Company was listed on the Main Board of the Stock Exchange (the “**Listing**”) by way of issuing 166,667,000 new ordinary shares and capitalisation issue of 499,999,750 ordinary shares (the “**Capitalisation Issue**”).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 August 2021 and 2020.

The calculations of basic and diluted earnings per share are based on:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:		
From continuing operations	<b>52,013</b>	43,836
From a discontinued operation	<u>—</u>	<u>(1,477)</u>
	<b><u>52,013</u></b>	<b><u>42,359</u></b>

	<b>Number of shares</b>	
	<b>2021</b>	<b>2020</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u><b>666,667,000</b></u>	<u>511,872,170</u>
Effect of dilution — weighted average number of ordinary shares	<u>—</u>	<u>—</u>
	<u><b>666,667,000</b></u>	<u><b>511,872,170</b></u>

## 9. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 August 2021 and will be expected to be recognised within one year:

	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Tuition fees	<b>156,729</b>	94,682
Boarding fees	<u><b>12,655</b></u>	<u>7,447</u>
	<u><b>169,384</b></u>	<u><b>102,129</b></u>

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The students are entitled to the refund of the payment in relation to the proportionate service not yet provided.

## 10. OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Payables for purchase of property, plant and equipment	45,833	76,565
Payables for co-operation costs	18,404	26,404
Miscellaneous expenses received from students ( <i>note (i)</i> )	16,034	13,013
Payables for salaries and welfares	5,781	4,928
Payables for labour union expenditure	2,132	1,533
Payables for central heating cost	1,073	2,032
Payables for listing fee	—	13,689
Other tax payable	24	24
Refund liabilities	—	1,358
Other payables	10,490	8,058
	<u>99,771</u>	<u>147,604</u>
Current portion	81,367	68,158
Non-current portion:		
Payables for purchase of property, plant and equipment	—	61,042
Payables for co-operation costs included in other long term liability	18,404	18,404

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

*Note:*

- (i) The amounts represent the miscellaneous expenses received from students which will be paid out on behalf of students.

## 11. EVENTS AFTER THE REPORTING PERIOD

There were no significant events taken place subsequent to 31 August 2021 and up to the date of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Revenue*

The Group derives its revenue from the tuition fees and boarding fees that the Group collects from its students.

Revenue increased by RMB40.0 million or 25.7% from RMB156.1 million for the year ended 31 August 2020 to RMB196.1 million for the year ended 31 August 2021. The increase was mainly due to a combination of the following factors: (i) revenue from tuition fees has increased by RMB30.3 million or 20.2% from RMB149.7 million for the year ended 31 August 2020 to RMB180.1 million for the year ended 31 August 2021; and (ii) revenue from boarding fees has increased by RMB9.7 million or over 100.0% from RMB6.4 million for the year ended 31 August 2020 to RMB16.1 million for the year ended 31 August 2021. The increase in tuition fees was mainly due to the expansion of size of admission and the increase in average tuition fees. For the 2020/21 school year, the tuition fee standards are RMB20,000 per year for general majors and RMB22,000 per year for art majors, respectively (2019/20 school year: RMB19,000 and RMB20,000, respectively). The new tuition fee standards are only applicable for new students admitted for 2020/21 school year and other students are subject to the tuition fee standards then applicable at their year of admission. The boarding fee rate for the 2020/21 school year is in the range of RMB2,000 to RMB2,200 per year (2019/20 school years: RMB1,600 to RMB1,800 per year). The total number of students enrolled has increased from 8,807 for the 2019/20 school year to 9,554 for the 2020/21 school year.

#### *Cost of Sales*

Cost of sales primarily consists of salaries and benefits for our school personnel, depreciation and amortization, heating costs, training expenses, maintenance costs, teaching expenses and utilities, as well as property management cost, cleaning and greenery fees, travel expenses, office expenses, student activity costs and others.

Cost of sales increased by RMB26.1 million or 36.8% from RMB71.1 million for the year ended 31 August 2020 to RMB97.2 million for the year ended 31 August 2021. The increase was mainly due to: (i) staff costs increased by RMB9.6 million or 29.6% from RMB32.6 million for the year ended 31 August 2020 to RMB42.2 million for the year ended 31 August 2021, mainly due to the combined effects of the increase in remuneration and benefits payable to the teachers of the Group as well as the increase in the number of teachers; (ii) depreciation and amortization has increased by RMB8.2 million or 36.7%

from RMB22.4 million for the year ended 31 August 2020 to RMB30.6 million for the year ended 31 August 2021, mainly resulted from the increase in the buildings and boarding facilities put into use upon the progress completion of the second phase of Hanan Campus in 2021; (iii) increase in teaching expenses of RMB2.8 million related to the cooperation with to Phoenix Digital Media (Beijing) Education Technology Co., Ltd.\* (鳳凰數媒 (北京) 教育科技有限公司) and the service fee for Rain Classroom (雨課堂) deployment; and (iv) a service fee of RMB1.0 million for college students' entrepreneurship guidance and practice base occurred in current year, and there was no such expenditure in the previous corresponding period.

### ***Gross Profits and Gross Profits Margin***

Gross profits margin represents the percentage of gross profits to the revenue of the Group.

Gross profits increased by RMB13.9 million or 16.4% from RMB85.0 million for the year ended 31 August 2020 to RMB99.0 million for the year ended 31 August 2021, mainly resulted from the increase in income due to an increase in the number of students and average tuition fees, which outweighed the increase in related cost.

Gross profits margin has decreased from 54.5% for the year ended 31 August 2020 to 50.5% for the year ended 31 August 2021. The increase in the student number led to a corresponding increase in teaching expenses and remunerations and salaries of teaching staff. Furthermore, with a view to enhancing our teaching quality continuously, our Group incurred expenses for sending teachers to participate in training, expenses in relation to the establishment of Phoenix Academy through cooperation with Phoenix Digital Media (Beijing) Education Technology Co., Ltd.\* (鳳凰數媒 (北京) 教育科技有限公司), and expenses for establishing the broadcasting and television program production and visual communication design majors, etc.. The combined effects of the abovementioned factors led to the decrease in gross profits margin.

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

Other income and gains consist primarily of bank interest income, rental income, and government grants.

The other income and gains for the year ended 31 August 2021 increased by RMB0.7 million as compared to the amount for the year ended 31 August 2020 which mainly was due to: (i) sponsorship fee of RMB0.2 million received from Kunshan local government due to Excellent College Award obtained from the Kunshan Municipal School Enterprise Cooperation Annual Meeting; and (ii) government grants related to assets of RMB0.2 million received from Education Department of Heilongjiang Province for the purchase of teaching equipment.

## ***Selling Expenses***

Selling expenses primarily consist of promotion expenses and admission expenses of different faculties and salaries of the personnel of our school's enrollment office.

The selling expenses increased by RMB0.8 million or 86.4% from RMB1.0 million for the year ended 31 August 2020 to RMB1.8 million for the year ended 31 August 2021, which was due to the combined effects of (i) the increase in number of enrolled students; (ii) the intensification of enrollment publicity and increase in investment; and (iii) technical service fees and employment practice cooperation fees in relation to graduates' employment quality survey of RMB0.2 million in total incurred for the year which will assist student enrollment in the future.

## ***Administrative Expenses***

Administrative expenses consist of professional services costs from listing expenses, administrative staff's salaries costs, depreciation and amortization, consultation fee, which mainly represents remuneration for auditors and legal fee, travel expenses incurred by our administrative staff for business trips and for running errands, heating costs, entertainment costs and others.

Listing expenses recognised for the year ended 31 August 2020 was RMB26.9 million, while no such expenses were incurred for the year ended 31 August 2021. Excluding the impact of Listing expenses (being a non-recurring item), administrative expenses has increased by RMB19.1 million or over 100.0% from RMB10.3 million for the year ended 31 August 2020 to RMB29.3 million for the year ended 31 August 2021, mainly due to (i) the increase in staff costs by RMB6.1 million as a result of the combined effects of the increase in the number of administrative staff of the Group and the increase in remunerations and benefits payable to them, (ii) the increase in depreciation and amortisation by RMB2.0 million primarily due to the increase in the fixed assets for administration use in order to keep up with business development and the increase in the number of administrative staff; (iii) the increase in consultation fee by RMB10.1 million, which mainly represented legal fee, financial and taxation advisory and corporate consulting fees; and (iv) the increase in other professional services costs, office expenses and miscellaneous expenses to support the business growth of the Group.



## ***Finance Costs***

Finance costs primarily consist of (i) interest on bank loans and other borrowings; and (ii) interest on sale and leaseback liabilities.

Finance costs increased from RMB3.2 million for the year ended 31 August 2020 to RMB13.4 million for the year ended 31 August 2021. Our interest expenses increased by approximately RMB7.7 million from approximately RMB45.0 million for the year ended 31 August 2020 to approximately RMB52.7 million for the year ended 31 August 2021. For the year ended 31 August 2020, among all interest expenses, an amount of RMB3.2 million related to the borrowing from Huatai Principal Investment Group Limited primarily for repaying other loans from certain other financial institutions was not capitalised, while interest expenses on other borrowings and sale and leaseback liabilities of approximately RMB41.8 million was fully capitalised. During the year ended 31 August 2021, among all interest expenses, an amount of RMB13.4 million was not capitalised, which were related to (among others): (a) borrowing from Huatai Principal Investment Group Limited primarily for repaying other loans from certain other financial institutions, and (b) borrowings from certain banks in China which were mainly used for daily working capital or purposes not related to construction of property, plant and equipment, while interest expenses on other borrowings and sale and leaseback liabilities of approximately RMB39.3 million was fully capitalised.

## ***Profit before Tax from Continuing Operations***

During the year ended 31 August 2021, the Group recorded profit before tax from continuing operations of approximately RMB52.0 million, representing an increase of approximately 18.7% as compared to approximately RMB43.9 million for the corresponding period of the last year.

## ***Income Tax Expenses***

During the year ended 31 August 2021, the Group did not record any taxation, which remains the same as the corresponding period of the last year. For details of the income tax applicable to our Group, please refer to note 6 of the notes to the financial statements in this announcement.

## ***Profit for the year***

Due to the combined impact of aforementioned revenue, costs and expenses, the Group recorded a profit of RMB52.0 million for the year ended 31 August 2021, representing an increase of approximately 22.8% as compared to RMB42.4 million for the year ended 31 August 2020.

### ***Working Capital Sufficiency***

Despite the fact that we have recorded net current liabilities positions as at 31 August 2021, our Directors are of the view that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this announcement, based on the following considerations:

- we have been accumulating net profits;
- we expect to generate cash flow from our operations with payment of tuition fees and boarding fees by our students in the upcoming 2021/2022 school year; and
- as at the date of this announcement, we had unutilised facilities of RMB170.0 million and historically we have been able to obtain external financings and do not foresee any impediment to do so in the future if such need arises.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school operation, constructing new school campus, maintaining and upgrading existing school facilities, purchasing additional educational equipment for our school and hiring additional teachers and other staff. Going forward, we believe that our working capital requirements will be satisfied by cash generated from our operations, bank loans and other borrowings, and other funds raised from the capital markets as and when appropriate from time to time.

### ***Liquidity and Capital Resources***

As at 31 August 2021, the Group's cash and cash equivalents were approximately RMB303.9 million, as compared with approximately RMB337.6 million as at 31 August 2020. The decrease was mainly attributable to the expansion of Hanan Campus in connection with its second phase construction and payment related to the acquisition of land use rights in Hai'an City, Jiangsu Province to develop the Yangtze River Delta Industry-Education Integrated Base\* (長三角產教融合基地).

As at 31 August 2021, the Group's bank and other borrowings and interest accruals amounted to approximately RMB877.5 million (as at 31 August 2020: RMB820.8 million), of which approximately RMB10.9 million (equivalent to US\$1.5 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 31 August 2021, our bank and other borrowings borne effective interest rates ranging from 4.00% to 14.09% per annum (as at 31 August 2020: 4.00% to 14.09% per annum).

### ***Property, Plant and Equipment***

As at 31 August 2021, the Group's property, plant and equipment amounted to approximately RMB1,574.4 million, representing a year-on-year increase of approximately 8.5% from approximately RMB1,451.4 million recorded as at 31 August 2020. The increase was due to the increase of construction in progress of Hanan Campus and the increase of electronic equipment for daily operation in connection with the use of Hanan Campus.

### ***Capital Expenditures***

Capital expenditures during the year ended 31 August 2021 were primarily related to the construction of the school premises of Hanan Campus, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for our school. For the year ended 31 August 2021, the Group's capital expenditures were RMB159.7 million (2020: RMB128.3 million).

### ***Capital Commitments***

As at 31 August 2021, the Group had contracted but not provided for capital commitments of approximately RMB35.1 million (31 August 2020: RMB8.0 million), which were primarily related to the acquisition of property, plant and equipment.

### ***Contingent Liabilities***

As at 31 August 2021, the Group had no significant contingent liabilities (31 August 2020: nil).

### ***Gearing Ratio***

Gearing ratio equals total debt as at the end of the year divided by total equity as at the end of the year. Total debt includes all interest-bearing bank loans and other borrowings. Compared with the gearing ratio of 1.0 as at 31 August 2020, the gearing ratio remained stable at 1.0 as at 31 August 2021.

### ***Foreign Exchange Risk Management***

The functional currency of the Company is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. During the year ended 31 August 2021, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

### ***Significant Investments, Acquisitions and Disposals, Future Plan for Material Investments and Capital Assets***

During the year ended 31 August 2021, the Group has entered into framework agreement to acquire 100% sponsorship interest in a junior college, namely Qiqihar Institute of Technology\* (齊齊哈爾理工學院) (“**Qiqihar College**”). The Group has also entered into the land use rights grant contract to acquire the land use rights of 86,056 sq.m. in Hai'an City, Jiangsu Province to develop the Yangtze River Delta Industry-Education Integrated Base\* (長三角產教融合基地). Both acquisitions are still in process and the Group will monitor the development closely. For details, please refer to the announcements of the Company dated 6 January 2021 and 12 January 2021, respectively.

Save as disclosed above, the Group had no other material acquisitions or disposals during the year.

Save as disclosed herein, as of the date of this announcement, the Group did not have other plans for material investments or capital assets.

### ***Pledge of Assets***

As at 31 August 2021, the Group's sale and leaseback borrowings of approximately RMB309.9 million (2020: RMB231.2 million) were guaranteed by the Group's assets of approximately RMB179.0 million (2020: RMB168.5 million).

## Business Review

### Overview

As of 31 August 2021, the Group operated one school, namely, Heilongjiang College of Business and Technology in Harbin City, Heilongjiang Province. Heilongjiang College of Business and Technology is divided into two campuses, namely Songbei Campus and Ha'nan Campus.

In addition, the Group entered into the land use rights grant contract to acquire the land use rights of 86,056 sq.m. in Hai'an City, Jiangsu Province in January 2021 to develop the Yangtze River Delta Industry-Education Integrated Base\* (長三角產教融合基地), which is currently under preparation. For details, please refer to the announcements of the Company dated 12 January 2021.

As at 31 August 2021, our school occupied an aggregated gross site area of approximately 542,009 sq.m. and gross floor area (GFA) of 310,480 sq.m., with a total property, plant and equipment value of RMB1,574.4 million.

As at 31 August 2021, our school had 670 teachers and 7,472 full-time students (excluding the number of final year students who have graduated) enrolled in bachelor's degree programs; as at the date of this announcement, our school had 665 teachers and 9,891 full-time students enrolled in bachelor's degree programs. The table below sets out the statistics of students enrolment in the past three school years (excluding students who subsequently withdrew during the respective school years):

School Years	Number of students
2019/2020	8,807
2020/2021	9,554
2021/2022	9,891

As at 31 August 2021, the utilisation rate of our school was 77.94% (as at 31 August 2020: 69.5%), which is calculated by dividing the number of students enrolled in the bachelor's degree program by the maximum student capacity for the current school year.

Our school offers 26 undergraduate majors in 2021/22 school year, including 11 in engineering, 5 in management, 3 in economics, 2 in literature, and 5 in art, while majors offered in 2020/21 school year were 24. The newly added majors this year are civil engineering (railway engineering) and digital media art.

In the 2020/2021 school year, the average tuition fee of our school was RMB18,911, representing an increase of 11.77% from the average tuition fee of RMB16,920 in the 2019/2020 school year.

During the year ended 31 August 2021, the fundamental mission of our school was to strengthen moral education and cultivate people, thoroughly implement the “student-centred and teacher-centred” school-running philosophy, focus on the development positioning of “a unique, high-level, innovative and entrepreneurial university of applied technology”, and take refined training of students’ ability in applied technology, innovative and entrepreneurial thinking ability, personal professional moral ability and other abilities as the school’s “greatest care”. On the other hand, we continuously improve the construction of the faculty, and provide students with high-quality teaching services.

The school paid attention to cultivating students’ “innovative and entrepreneurial” abilities, and encouraged the students to carry out entrepreneurial practice activities at multiple levels and in all aspects. The school set up Student Organization and Volunteer Opportunities (SOVO), where the teachers and students aimed at “Internet +”, “Xuechuang Cup” and other well-known domestic competitions to strengthen practical training, and build a closed-loop working system of teaching, research, and multiple interaction. In the past two years, our teachers and students have won more than 100 “Innovation and Entrepreneurship” competitions at or above the provincial level. Among them, in the finals of the National University Students’ Comprehensive Innovation and Entrepreneurship Simulation Contest, as the team representing the school, Fu Dongbo’s Famous Teacher Studio\* (富東博名師工作室) won the province’s best scores in the National Xuechuang Cup Competition with “four consecutive championships”. Wang Bo, a 2020 graduate, was awarded the title of The Model of Employment and Entrepreneurship for College Students in the 3rd National “Shining Days — What Youth Should Be\* (閃亮的日子 — 青春該有的模樣)”, and won the second prize twice in the national finals of the National College Student Network Business Innovation and Application Competition.

In the past year, the school has attached great importance to graduate employment and achieved remarkable results accordingly. The school took multiple measures to provide precise assistance, guarantee employment completely, and strengthen employment guidance, information services and employment market development. At the same time, the school optimized the development of employment and entrepreneurship courses. Among them, the online course “I win the workplace (我贏職場)” constructed by the Department of Ideology and Politics was selected as a provincial-level high-quality employment course resource. In order to provide internship and practical training opportunities, we will develop employment bases with companies, and rely on the advantages of this platform to strengthen and improve students’ practical skills, enhance students’ overall quality and competitiveness, and promote high-quality employment for graduates to attract new students. Our graduates have been achieving outstanding performance in the job market. The year-end employment rate of 2020 graduates reached 88.68%, and the overall satisfaction of employers with graduates reached 94%. The school has successively been awarded by the Heilongjiang Provincial Department of Education as the “Heilongjiang Province College Student Employment Demonstration School”, and the “National College Graduate Employment Ability Training Base” awarded by the Ministry of Education.



Following the strategic concept of “founding a stable employment base in the province and towards the whole country”, the school established the Yangtze River Delta (Shanghu New District) Industry-Education Integration Park of Heilongjiang College of Business and Technology in Hai'an City, Jiangsu Province. On 5 March 2021, the Heilongjiang Provincial Department of Education relied on our campus and established the Yangtze River Delta (Shanghu New District) Employment and Entrepreneurship Base for University Students in Heilongjiang Province. The establishment of this base provided a broad talent training and exchange platform for the employment and entrepreneurship of Heilongjiang College of Business and Technology, and even 80 colleges and universities in Heilongjiang Province, as well as serving the economic and social development of the Yangtze River Delta region. It has greatly enhanced the employ ability building of the school and is expected to bring more benefits to the Group.

The school uses the industry colleges as the carrier to promote the integration of industry, education and research, realize the integration of “industry, speciality, and entrepreneurship”, innovate the talent training model, and improve the quality of application-oriented undergraduate talent training. At present, four industry colleges have been formed, including the “Phoenix Digital Media Creative Academy”\* (鳳凰數媒創意學院), “Russia Express New Business Industry College”\* (俄速通新商科產業學院), “Highfly Aviation Industry College”\* (華飛航空產業學院), “Urban Rail Transit Industry College”\* (城市軌道交通產業學院) and “Geely Automobile School-Enterprise Cooperation College”\* (吉利汽車成蝶班) to comprehensively promote the practical training guarantee platform, the foundation of relevant professional curriculum, dual-teacher training and internship training, and to provide sufficient guarantee for students to apply what they have learned.

### ***Impact of COVID-19 Pandemic***

There has been an outbreak of the coronavirus disease 2019 (the “**COVID-19**”) since 2019. The outbreak has endangered the health of many citizens in China and significantly disrupted travel and the local economy across the country. However, with the joint efforts from the PRC government and the entire society, the pandemic was basically controlled in China at the beginning of September 2020, and schools across the country have also resumed their normal classes in a comprehensive manner. Thereafter, sporadic cases occurred in some parts of China from the end of December 2020 to the end of August 2021. However, through the unrelenting efforts of the government and citizens, the pandemic was basically controlled quickly and no large-scale spread occurred. The outbreak of COVID-19 has no significant impact on our revenue for the year ended 31 August 2021 and financial position as of 31 August 2021. First of all, we have collected tuition fees and boarding fees in advance at the beginning of the school year 2020/2021 in September 2020. Second, during the outbreaks in certain places of China from the end of December 2020 to the end of February 2021, our students were on winter vacation, and therefore, their classes and boarding were not affected. Third, as detailed in the section headed “IMPACT OF COVID-19 PANDEMIC” in the 2020 Annual Report, to prevent and cope with the outbreak of COVID-19, we have expanded our online teaching capability and resources by, among

others, entering into a service agreement with Beijing Muhua Information Technology Co., Ltd.\* (北京慕華信息科技有限公司) for a term of three years commencing from August 2020, to enable us to offer online education services and apply various intelligent teaching tools. Therefore, even if there is sporadic cases in the later period, we can provide online education services without the need of refunding tuition fees.

## Prospects

### *Market overview*

The Company is a large private formal higher education service provider in Heilongjiang Province, the PRC.

During the year ended 31 August 2021, the government issued a number of policies to support and encourage the development of vocational education.

In June 2021, the “Vocational Education Law of the People’s Republic of China (Revised Draft)” was submitted to the National People’s Congress for deliberation. The draft stated that “vocational education and general education have the same important status” and supported social forces to run schools.

Decree No. 741 of the “Implementing Regulations of the Law of the People’s Republic of China on the Promotion of Private Education (the “**Implementation Regulations**)”, which came into effect on 1 September 2021, expressly encourages enterprises to organize or participate in the implementation of vocational education in the forms such as sole proprietorship, joint venture and cooperation. It also grants all private schools the right to change their sponsors regardless of their attributes, which is a positive signal for vocational education.

In October 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the “Opinions on Promoting the High-Quality Development of Modern Vocational Education”, clearly supporting and encouraging listed companies and industry leaders to develop vocational education, and encouraging applied undergraduate schools to carry out vocational undergraduate education, quantifying the scale of undergraduate enrolment in vocational education and achieving the long-term goal of basically building a skilled society by 2035.

In accordance with the national development policy on vocational education, the Company established a new integrated campus in Hai’an of Nantong City after listing. A school-running pattern of “one school, two places, and three campuses” has been formed. The Yangtze River Delta is one of the regions with the highest population growth and economic vitality in China, and its economic development momentum is strong, which is favourable to the development of vocational education. Nantong is also a major city in the Yangtze River Delta, the development of the new integrated campus is being aided by the favourable timing, geographical and human conditions.



## ***Business progress***

China's private higher education market offers many market opportunities, and we have strong potential for further business development.

During the year ended 31 August 2021, although COVID-19 occurred sporadically in China from time to time, we still managed to provide students with online teaching at any time according to the needs of pandemic prevention and control. Thus, the pandemic does not have a major impact on the business.

The Company closely follows the national policies, adheres to high-quality, high-compliant education, and continues to develop in-depth in teaching quality, teaching facilities, integration of industry and education, and speciality construction.

In terms of the integration of industry and education, our career guidance courses focus on cultivating students' practical skills that meet the needs of China's economic development, and the average employment rate of graduates of our higher education courses has reached 88.68%.

The Company actively implements and advances the policy of "school-enterprise cooperation, collaborative education", and has successively established long-term and stable cooperative relations with 110 well-known leading companies to build a whole system covering talent training, scientific research innovation, experimental bases, internship employment, social services, market branding, etc., so as to achieve a sustainable professional skill-based talent training route for students, schools, enterprises, and the market.

In terms of speciality construction, the Company closely follows the needs of society and the market, continuously enriches its speciality settings, and gradually forms a superior professional group focusing on new business disciplines, new engineering, artificial intelligence, big data, digital creativity and other disciplines. Among them, the establishment of the Railway College and the establishment of railway engineering, vehicle engineering and other majors filled the gaps in the undergraduate railway majors of private universities in the three northeast provinces. We have become a council member of China Association of Metros. We will further develop and refine the speciality construction and development of railways, high-speed railways, light rails, urban rails, civil aviation services, etc., and provide excellent undergraduate professionals for improving the concentration of advantageous industries in the province and the transportation industry across China.

### ***Development strategy***

During the 14th Five-Year Plan period, China's education has entered a new stage of high-quality development, and building a high-quality education system is the main goal of the new stage.

The Company will, as always, actively promote academic education and vocational education through internal and external extension, adhere to the orientation of application-oriented universities, and continue to create value for shareholders.

### ***Adhere to the strategy of combining organic growth and mergers and acquisitions***

In view of our excellent record in providing high-quality private higher education and industry reputation, China's education department will accept our application to increase the number of admissions under the premise that we can prove that we have sufficient school capacity, appropriate facilities and high-quality educational programs. These are our main goals for self-construction and expansion by mergers and acquisitions.

To this end, after listing, we built a new Nantong-Hai'an-Lifa Industry-Education Integration Campus, which was the first in the industry to allow college students to complete university studies, life and internships on different campuses, and enrich their life experience. In the first stage, senior students are gradually arranged to the Nantong Lifa campus to develop a mode of combining learning, internship and practical training. This innovative new model of industry-education integration has been recognized by the Heilongjiang Provincial Department of Education and will be promoted as a demonstration in major colleges and universities in the province.

In terms of mergers and acquisitions, we will give priority to high-quality secondary schools, colleges, and higher vocational education licenses and schools in the three northeast provinces that are within our manageable distance. At the same time, we will develop business in the Yangtze River Delta with the Nantong campus as the basis, and comprehensively promote the acquisition in a solid manner with the judgement of the combined factors of regional advantages, school running level, profitability, synergy, consideration level and school-running concept, etc.

## Latest Regulatory Development

On 14 May 2021, the State Council published the 2021 Implementation Regulations, which became effective from 1 September 2021. The 2021 Implementation Regulations introduced significant changes to certain provisions of the 2004 Implementation Regulations and contain provisions governing the operation and management of private schools, which primarily include: (i) a private school may enjoy the preferential tax policies stipulated by the State and a non-profit private school may enjoy the same tax policies as a public school; and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating nonprofit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental and may permit payment in instalments.

The 2021 Implementation Regulations stipulates further provisions of the operation and management of private schools, such as Heilongjiang College of Business and Technology. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (ii) at the end of each financial year, a for-profit private school shall set aside a portion of not less than 10% of its audited annual net income, and a non-profit private school from its audited annual net increase in assets, as the development fund, which is to be used for the development of the school; (iii) private schools that provide compulsory education are not allowed to enter into transactions with their interested parties, and other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, shall be reasonably priced, shall establish standardized decision-making for such transactions and shall not harm the interests of the State, schools, teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their interested parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial departments, shall strengthen the supervision of the agreements entered into between non-profit private schools and their interested parties, and shall review the connected transactions annually; (iv) the registered capital of a private school shall be paid in full when it is formally established and shall be compatible with the type, level and scale of the school; (v) any social organizations or individuals shall not control compulsory education private schools or non-profit private schools that implement preschool education through mergers or "structured contracts"; and (vi) for any change of school sponsor of a private school, an alteration agreement shall be entered into but shall not involve the legal property of the school, nor shall it affect the development of the school, or damage the rights and interests of teachers and students; the existing school sponsor may, in accordance with its lawful rights and interests, enter into agreements with the successional school sponsor to stipulate the income from the alteration.

With respect to requirement (iii) above, our contractual arrangements as disclosed under the heading of “Structured Contracts” in the Prospectus and the 2020 Annual Report may be regarded as connected transactions of Heilongjiang College of Business and Technology and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome and may divert management attention. Government authorities may, during their review process, compel us to make modifications to our contractual arrangements for whatever reason, which may in turn adversely affect the operation of our contractual arrangements. Government authorities may find that one or more agreements underlying our contractual arrangements do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our operation and financial condition.

Uncertainties remain with respect to the interpretation of the 2021 Implementation Regulations and we cannot assure you that the implementation of the 2021 Implementation Regulations by the competent authorities will not deviate from our current understanding or interpretation of it.

Furthermore, we are unable to predict with certainty the impact, if any, that future legislation or regulations relating to the implementation of the laws promoting private education in the PRC will have on our business, financial condition and results of operations. As at the date of this announcement, we had not been notified of or been subject to any material fines or other penalties under any PRC laws or regulations in respect of our Group’s existing corporate structure, including the use of our contractual arrangements. If our Group’s existing corporate structure or our contractual arrangements are deemed to violate any rules, laws or regulations, we may be required to terminate or amend our contractual arrangements, our license to operate private schools may be revoked, cancelled or not renewed and we may be exposed to other penalties as determined by the relevant government authorities. We may also be restricted from further expanding Heilongjiang College of Business and Technology or education network. If such situations occur, our business, financial condition and prospects would be materially and adversely affected.

As at the date of this announcement, our Directors considered that the potential impact of the 2021 Implementation Regulations on us includes the following:

- (i) our future acquisition may be subject to more stringent regulations. According to Clause 13 of the 2021 Implementation Regulations, any social organizations or individuals shall not control compulsory education private schools or non-profit private schools which offer preschool education through mergers or contractual arrangements. Therefore, we cannot assure you that such requirements will be always fulfilled successfully or in a timely manner or at all, which may bring more uncertainty to our expansion plan. Furthermore, we may not be able to acquire compulsory education private schools or non-profit private schools which offer preschool education held by others using methods such as mergers or “contractual arrangements”;

- (ii) according to the 2021 Implementation Regulations, private schools that provide compulsory education are not allowed to enter into transactions with interested parties, while other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, conducted at reasonable pricing, and subject to standardized decision-making established for such transactions and not harmful to the interests of the State, schools, teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their Interested Parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial department, shall strengthen supervision over agreements signed between nonprofit private schools and their Interested Parties, and shall review connected transactions annually; and
- (iii) there are uncertainties regarding the interpretation and implementation of the 2016 Decision and the relevant regulations by government authorities, including the 2021 Implementation Regulations.

We may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing and audit by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome. Government authorities may, during their review and audit process, compel us to make modifications to our contractual arrangements, or may find that one or more agreements underlying our contractual arrangements do not comply with applicable PRC laws and regulations and may subject us to administrative penalties. Pursuant to the Implementing Rules on Classification Registration of Private Schools, the rules for changing the registration type of private schools are to be formulated by the relevant provincial government in accordance with the relevant national legislation according to local conditions.

## **PRC laws and regulations relating to foreign ownership in the Education Industry**

### ***Higher Education***

According to the Negative List, higher education is restricted for foreign investors, and foreign investors are only allowed to invest in higher education through cooperation with a domestic party who shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the “**Foreign Control Restriction**”). As confirmed by our PRC legal advisor, we have fully complied with the Foreign Control Restriction in respect of Heilongjiang College of Business and Technology on the basis that (a) its principal is a PRC national; and (b) all the members of its board of directors are PRC nationals.

## ***Sino-Foreign Cooperation***

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Sino-Foreign Regulation (《中華人民共和國中外合作辦學條例實施辦法》), if we were to apply for Heilongjiang College of Business and Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at higher education institutions (a “**Sino-Foreign Joint Venture Private School**”), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the “**Qualification Requirement**”). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50%. Our PRC legal advisor has advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations but only general principles requiring school sponsor which applies for establishing a Sino-Foreign Joint Venture Private School shall have relevant qualification and be able to provide high quality education services.

### **Updates to the Plan to Comply With the Qualification Requirement**

As disclosed in the Prospectus and the 2020 Annual Report, we have adopted a specific plan and have taken concrete steps which we believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. On 15 October 2019, Leader Education LLC was established in Chicago, Illinois and is an indirect wholly-owned subsidiary of the Company. Leader Education LLC plans to operate and manage a higher education institution (the “**US School**”) in the State of Illinois, US to be established, which is planned to provide programs focusing on business studies. On 21 February 2020, we filed a notice of intent for operation to the Illinois Board of Higher Education (“**IBHE**”). On 22 May 2020, we entered into a service agreement with an independent third party, with an aim to design the education program to be offered by the US School and submit applications with the IBHE regarding the establishment of the US School. Due to the seriousness and volatility of COVID-19 in the US, we have applied to IBHE, for an extension of the validity of the notice of intent for operation, and have obtained its approval for an extension to 31 December 2021. As at the date of this announcement, we are still in the process of preparation of the relevant application documents. Subject to development of the COVID-19 situation in the US, we expect that formal operating authority application will be filed to IBHE before the expiry of the extended validity.



## GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

On the Listing Date, 166,667,000 new Shares with a nominal value of US\$0.01 each of the Company (aggregate nominal value: US\$1,666,670) were issued at a price of HK\$2.10 per Share in connection with the Company's initial public offering. On 26 August 2020, the Over-allotment Option (as defined in the Prospectus) was partially exercised, pursuant to which an aggregate of 9,000,000 Shares (the "**Over-allotment Shares**") held by Junhua Education Limited were sold to the Sole Global Coordinator (as defined in the Prospectus) at a price of HK\$2.10 per Share. The Company did not receive any of the net proceeds from the sale of the Over-allotment Shares by Junhua Education Limited.

Net proceeds from the initial public offering of the Company amounted to approximately HK\$333.2 million, after deducting underwriting fee and relevant expenses. Such amounts were used and are expected to be continued to be applied in the manner set out in the Prospectus. The unutilised net proceeds were deposited at the interest bearing bank accounts held by the Company.

As at 31 August 2021, the utilisation of the net proceeds is as follows:

	Percentage of total net proceeds	Net proceeds <i>HK\$ million</i>	Utilised as at 31 August 2021 <i>HK\$ million</i>	Unutilised as at 31 August 2021 <i>HK\$ million</i>	Expected timeline for full utilisation of the relevant proceeds
Expand Hanan Campus in connection with the construction of the second phase	40%	133.2	85.5	47.7	31 December 2023
Repay principals and interests of borrowings from financial institutions	30%	100.0	86.5	13.5	30 June 2023 <sup>(2)</sup>
Acquire other schools to expand the Group's school network	20%	66.6	3.6	63.0	31 December 2023 <sup>(3)</sup>
Fund the Group's working capital and general corporate purposes	10%	33.4	33.4	0	N/A
<b>Total</b>		<b>333.2</b>	<b>209.0</b>	<b>124.2</b>	

Notes:

(1) The above figures are subject to rounding.

- (2) We have extended the term of an existing loan with a financial institution and it is expected that the unutilised portion of net proceeds will be utilised for repayment of interest and/or principal thereunder by 30 June 2023.
- (3) As at 31 August 2021, the Group has utilised an amount of approximately HK\$3.60 million as deposit in connection with the proposed acquisition of the sponsorship interest in Qiqihar College and the total consideration for the transaction of RMB35.0 million is expected to be fully funded by the net proceeds. Save as disclosed above, we have not identified other acquisition targets. The remainder of net proceeds earmarked for acquisition of other schools will be applied after the Group has identified and entered into legally binding agreement to acquire the same.

## **CHANGE OF COMPANY NAME**

In order to enhance the corporate image of the Company and benefit the Company's business development and communication with relevant stakeholders which is in the interests of the Company and the Shareholders as a whole, the Shareholders of the Company approved to change the dual foreign name in Chinese of the Company from “立德教育有限公司” to “立德教育股份有限公司” while the English name of the Company “Leader Education Limited” remains unchanged (the “**Change of Company Name**”) on the annual general meeting of the Company held on 26 February 2021. The Change of Company Name has become effective following the issue of the certificate of incorporation on change of name by the Registrar of Companies in Cayman Islands on 2 March 2021. For further details, please refer to the announcements of the Company dated 8 March 2021 and 8 April 2021, respectively.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 August 2021, the Group had 670 full-time employees and 301 part-time employees (as at 31 August 2020: 536 full-time employees and 281 part-time employees). The Company believes that attracting, recruiting and retaining high-quality employees is essential to the success and sustainability of the Group. The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and financial results of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The total remuneration cost (including directors' fee) incurred by the Group for the year ended 31 August 2021 was RMB53.0 million (as at 31 August 2020: RMB36.2 million).

## **SUBSEQUENT EVENTS**

As at the date of this announcement, there was no significant event subsequent to 31 August 2021.



## **CORPORATE GOVERNANCE CODE**

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders.

During the year ended 31 August 2021, except for the deviation noted below, the Company complied with the code provisions of the CG Code and, where appropriate, adopted the recommended best practices as set out in the CG Code.

### **(a) CG Code A.2.1**

CG Code A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Liu Laixiang is currently both the Chief Executive Officer and Chairman of the Board. As Mr. Liu has been managing the business and in charge of the overall strategic planning of Harbin Xiangge since 2007 and Heilongjiang College of Business and Technology (including its predecessor) since 2011, the Board believes that vesting the roles and functions of both Chief Executive Officer and Chairman in the same person can ensure consistent leadership and efficient discharge of executive functions within the Group which is beneficial to the overall operation and management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and high calibre individuals. The Board comprises five other experienced and high-calibre individuals including two other executive Directors (excluding Ms. Dong Ling, who is Mr. Liu's spouse) and three independent non-executive Directors, who would be able to offer advice from various perspectives. For major decisions of our Group, the Board will make consultations with appropriate Board committees and senior management. The Group considers that the balance of power and authority of the Board will not be impaired under the present arrangement. Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole.

Our Directors will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF LISTED ISSUERS**

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors and supervisors' securities transactions during the year ended 31 August 2021.

## **AUDIT COMMITTEE**

The Company established an Audit Committee with written terms of reference. The audit committee currently comprises three independent non-executive Directors, Mr. Chan Ngai Fan (陳毅奮先生), Mr. Zhang Su (張甦先生) and Mr. Cao Shaoshan (曹少山先生). Mr. Chan Ngai Fan is the chairman of the Audit Committee. The primary duties of the Audit Committee include but not limited to supervising our internal control, risk management, financial information disclosure and financial reporting matters. Their composition and written terms of reference are in line with the CG Code.

The Group's audited annual results for the year ended 31 August 2021 have been reviewed by the Audit Committee. The Audit Committee considered that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors.

## **SCOPE OF WORK OF THE COMPANY'S AUDITOR**

The figures in respect of the Group's consolidated statement of financial position as at 31 August 2021, consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2021 and the related notes thereto as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2021.

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 August 2021. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

## **ANNUAL GENERAL MEETING**

The AGM will be held on 25 February 2022 and a notice convening the AGM will be published and despatched to the Shareholders in due course.

## **CLOSURE OF THE REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 22 February 2022 to 25 February 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 21 February 2022.

## **PUBLIC FLOAT**

As at the date of this announcement, based on the information that is publicly available to the Group and to the best knowledge of the Directors, the Group maintained sufficient public float as the public Shareholders held not less than 25% of the issued share capital of the Group as required by the Listing Rules.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.leader-education.cn](http://www.leader-education.cn)). The annual report for the year ended 31 August 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders of the Company and available on the same websites in due course.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“AGM”	the annual general meeting of the Company
“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on 22 July 2020 and as amended, supplemented and otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“CG Code”	corporate governance code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Leader Education Limited (立德教育股份有限公司) (stock code: 1449), an exempted company incorporated in the Cayman Islands with limited liability on June 17, 2019.
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”, “our Group”, “we” or “us”	the Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Junhua Education”	Junhua Education Limited (竣華教育有限公司), a company incorporated under the laws of the BVI on 18 June 2019 and wholly-owned by Mr. Liu, our Controlling Shareholder
“Hanan Campus”	the campus of Heilongjiang College, located at North of Yucai Road, West Street of Limin Development Zone, Harbin City, Heilongjiang Province, the PRC, with aggregated gross site area of approximately 397,914.04 sq.m.
“Harbin Xiangge”	Harbin Xiangge Zhiye Co., Ltd. * (哈爾濱祥閣置業有限公司) formerly known as Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司), a limited liability company established under the laws of the PRC and is held as to 60% by Ms. Dong Ling and 40% by Mr. Liu Laixiang
“Heilongjiang College” or “our school”	Heilongjiang College of Business and Technology (黑龍江工商學院), previously known as Chengdong College of Northeast Agricultural University* (東北農業大學成棟學院), a private regular undergraduate institution approved and established under the laws of PRC, of which the school sponsor’s interest is wholly owned by Harbin Xiangge and consisting of Songbei Campus and Hanan Campus
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Date”	6 August 2020, since which the Shares of the Company have been listed on the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“MOJ Draft for Comments”	Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) which has been announced by the Ministry of Justice of the PRC on 10 August 2018
“Mr. Liu”	Mr. Liu Laixiang (劉來祥), the Chairman, the Chief Executive Officer, an executive Director and a Controlling Shareholder and the spouse of Ms. Dong
“Ms. Dong”	Ms. Dong Ling (董玲), an executive Director and a Controlling Shareholder and the spouse of Mr. Liu
“Negative List”	Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施（負面清單）》) (2020年版) which was promulgated by the NDRC and the MOFCOM on June 23, 2020 and became effective on July 23, 2020
“Prospectus”	the prospectus of the Company dated 27 July 2020
“Qiqihar College”	Qiqihar Institute of Technology* (齊齊哈爾學院), a junior college (普通專科學校) with its existing campus in Qiqihar, Heilongjiang Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of our Company

“Shareholder(s)”	the shareholder(s) of the Company
“Songbei Campus”	the Campus of Heilongjiang College, located at Xinxing Dongguang Village, Zhoujia Dongyue Village, Shuangcheng District, Harbin City, Heilongjiang Province with aggregated gross site area of approximately 144,095 sq.m.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong
“%”	per cent.

By order of the Board  
**Leader Education Limited**  
**Liu Laixiang**  
*Chairman of the Board*

Harbin, Heilongjiang Province, PRC, 30 November 2021

*As at the date of this announcement, the executive Directors are Mr. LIU Laixiang, Ms. DONG Ling, Mr. WANG Yunfu and Mr. CHE Wenge; and the independent non-executive Directors are Mr. ZHANG Su, Mr. CAO Shaoshan and Mr. CHAN Ngai Fan.*