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 2022

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 2022, together with the comparative figures for year ended 31 August 2021.

HIGHLIGHTS

	Year ended 31 August		**Percentage**
	2022	2021	**change**
	RMB'000	*RMB'000*	
Revenue	**238,264**	196,143	+21.5%
Gross profit	**101,096**	98,961	+2.2%
Profit for the year	**56,025**	52,013	+7.7%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 August 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	**238,264**	196,143
Cost of sales		**(137,168)**	(97,182)
Gross profit		**101,096**	98,961
Other income and gains	4	**7,141**	1,842
Selling expenses		**(1,594)**	(1,814)
Administrative expenses		**(40,498)**	(29,328)
Other expenses, net		**(3,138)**	(4,281)
Finance costs		**(6,982)**	(13,367)
PROFIT BEFORE TAX	5	**56,025**	52,013
Income tax expense	6	**—**	—
PROFIT FOR THE YEAR		**56,025**	52,013

	Notes	2022 RMB'000	2021 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(11,252)**	4,530
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(11,252)**	4,530
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**19,297**	(8,428)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**19,297**	(8,428)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**8,045**	(3,898)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**64,070**	48,115
Profit attributable to:			
Owners of the parent		**56,025**	52,013
Total comprehensive income attributable to:			
Owners of the parent		**64,070**	48,115
Earnings per share attributable to ordinary equity holders of the parent:	*8*		
Basic and diluted			
– For profit for the year		**RMB0.0840**	RMB0.0780

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,677,368**	1,574,412
Right-of-use assets		**66,590**	15,498
Other intangible assets		**3,037**	2,604
Prepayments for purchase of property, plant and equipment and right-of-use assets		**27,331**	75,348
Other non-current assets		**7,625**	8,000
Total non-current assets		**1,781,951**	1,675,862
CURRENT ASSETS			
Prepayments, other receivables and other assets		**30,314**	17,888
Cash and cash equivalents		**253,087**	303,934
Total current assets		**283,401**	321,822
CURRENT LIABILITIES			
Contract liabilities	*9*	**213,019**	169,384
Other payables and accruals	*10*	**74,871**	81,367
Interest-bearing bank and other borrowings and interest accruals		**227,004**	197,768
Deferred income		**7,335**	249
Total current liabilities		**522,229**	448,768
NET CURRENT LIABILITIES		**(238,828)**	(126,946)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,543,123**	1,548,916

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings and interest accruals		**628,566**	679,777
Deferred income		**1,805**	2,053
Other long term liability	*10*	**—**	18,404
Total non-current liabilities		**630,371**	700,234
Net assets		**912,752**	848,682
EQUITY			
Equity attributable to owners of the parent			
Share capital		**46,292**	46,292
Reserves		**866,460**	802,390
Total equity		**912,752**	848,682

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**").

In the opinion of the directors, the holding company and the ultimate holding company of the Company are Shuren Education Limited and Junhua Education Limited, respectively, which were incorporated in the British Virgin Islands.

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 Hong Kong Companies Ordinance. 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 RMB238,828,000 as at 31 August 2022. Included therein were the contract liabilities of RMB213,019,000 as at 31 August 2022, 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 RMB100,000,000 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 following revised IFRSs for the first time for the current year's consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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.

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 as 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 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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Tuition fees	**219,617**	180,062
Boarding fees	**18,647**	16,081
	238,264	196,143

Other income and gains

	2022	2021
Government grants:		
— Related to income	**5,125**	297
— Related to assets	**249**	187
Rental income:		
Fixed lease payments	**694**	659
Investment income from short-term investments measured at fair value through profit or loss	**516**	—
Bank interest income	**66**	226
Others	**491**	473
	7,141	1,842

5. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**37,432**	35,158
Amortisation of other intangible assets	**1,732**	1,902
Depreciation of right-of-use assets	**2,602**	483
Auditor's remuneration	**1,150**	1,100
Central heating cost	**7,695**	5,144
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**56,020**	42,695
Pension scheme contributions (defined contribution scheme)	**11,477**	7,941
	67,497	50,636
Foreign exchange differences, net	**1,851**	3,288
Government grants		
— related to income	**(5,125)**	(297)
— related to assets	**(249)**	(187)
Bank interest income	**(582)**	(226)

6. INCOME TAX

The major components of the income tax expense for the Group are as follows:

	2022	2021
	RMB'000	*RMB'000*
Current income tax — Mainland China	**—**	—

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, it is not subject to income tax from business carried out in the Cayman Islands.

Leader HK, which was incorporated in Hong Kong, was subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, except for Heilongjiang College, and Liankang Consulting, Junhua Consulting and Nantong Junhua enjoyed the preferential rate of 20% under the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs), other companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at a rate of 25% on their respective taxable income.

According to the decision (the "**2016 Decision**") of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law (《全國人民代表大會常務委員會關於修改＜中華人民共和國民辦教育促進法＞的決定》), which was promulgated on 7 November 2016, and came into force on 1 September 2017, private schools are no longer being classified into either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose the school being a for-profit private school or a non-profit private school, with the exception that the nine-year compulsory education provided by the school must be non-profit.

On 14 May 2021, the State Council released the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) with an effective date of 1 September 2021 (the "**2021 Implementation Rules**"). The 2021 Implementation Rules are the detailed implementation rules of the Law for Promoting Private Education of the PRC. Pursuant to the 2016 Decision and the 2021 Implementation Rules, a private school may enjoy the preferential tax policies, which are not defined under neither the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.

As at the date of this announcement, the PRC School is in the process of classification registration and remain as a private non-enterprise unit.

Considering that the relevant taxation policy regarding schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns remains unchanged and no further new and specific tax implementation regulations are announced, if the school nature has not yet been changed, in accordance with the tax compliance confirmations obtained from the local tax authorities and the Group's external legal advisor's comments on the preferential tax treatments for the current year, the PRC School did not pay corporate income tax for the income from formal educational services and has enjoyed the preferential tax treatments during the year of 2022. Following the completion of the registration of the PRC School as for-profit private school, the PRC School may be subject to corporate income tax at a rate of 25% in respect of service fees it receives from the provision of formal educational services, if it does not enjoy any preferential tax treatment. As such, significant impact on the Group's profit and loss may arise.

7. DIVIDENDS

No dividend has been paid or declared by the Company in the current year (2021: 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 (2021: 666,667,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 August 2022 and 2021.

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**56,025**	52,013

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**666,667,000**	666,667,000

9. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 August 2022 and will be expected to be recognised within one year:

	2022	2021
	RMB'000	*RMB'000*
Tuition fees	**196,293**	156,729
Boarding fees	**16,726**	12,655
	213,019	169,384

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 proportionately in relation to the service not yet provided.

10. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Payables for purchase of property, plant and equipment	**34,438**	45,833
Payables for co-operation costs	**1,481**	18,404
Miscellaneous expenses received from students *(note (i))*	**16,215**	16,034
Payables for salaries and welfares	**6,690**	5,781
Payables for labour union expenditure	**2,826**	2,132
Payables for central heating cost	**710**	1,073
Other tax payable	**29**	24
Other payables	**12,482**	10,490
	74,871	99,771
Current portion	**74,871**	81,367
Non-current portion:		
Payables for co-operation costs included in other long term liability	**—**	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 2022 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 RMB42.1 million or 21.5% from RMB196.1 million for the year ended 31 August 2021 to RMB238.2 million for the year ended 31 August 2022. The increase was mainly due to a combination of the following factors: (i) revenue from tuition fees has increased by RMB39.6 million or 22.0% from RMB180.0 million for the year ended 31 August 2021 to RMB219.6 million for the year ended 31 August 2022; and (ii) revenue from boarding fees has increased by RMB2.5 million or 16.0% from RMB16.1 million for the year ended 31 August 2021 to RMB18.6 million for the year ended 31 August 2022. The increase in tuition fees was mainly due to the expansion of size of admission and the increase in average tuition fees. For the 2021/22 school year, the tuition fee standards are RMB29,800 per year for general majors and RMB29,800 per year for art majors, respectively (2020/21 school year: RMB20,000 and RMB22,000, respectively). The new tuition fee standards are only applicable for new students admitted for 2021/22 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 2021/22 school year is in the range of RMB2,200 to RMB2,400 per year (2020/21 school year: RMB2,000 to RMB2,200 per year). The total number of students enrolled has increased from 9,554 for the 2020/21 school year to 9,877 for the 2021/22 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 RMB40.0 million or 41.1% from RMB97.2 million for the year ended 31 August 2021 to RMB137.2 million for the year ended 31 August 2022. The increase was mainly due to: (i) staff costs increased by RMB15.3 million or 36.3% from RMB42.2 million for the year ended 31 August 2021 to RMB57.5 million for the year ended 31 August 2022, 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 RMB2.4 million or 7.8% from RMB30.6 million for the year ended 31 August 2021 to RMB33.0 million for the year ended 31 August 2022, 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. (iii) in order to meet the qualification assessment of undergraduate teaching work, the overall teaching facilities in Songbei Campus were maintained and repaired, and the repair cost increased by RMB9.2 million during the year ended 31 August 2022 as compared with the corresponding period of 2021; (iv) in order to improve teaching quality and promote curriculum reform and innovation, the investment in teaching funds has been increased during the year ended 31 August 2022, and the teaching expenditure has increased by RMB6.6 million as compared with the corresponding period of 2021; and (v) increase in college students' practical activities, such as skiing activities, amounted to RMB3.1 million.

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 RMB2.1 million or 2.2% from RMB99.0 million for the year ended 31 August 2021 to RMB101.1 million for the year ended 31 August 2022, mainly resulted from the increase in income due to an increase in the number of students and average tuition fees, which is higher than the increase in related cost.

Gross profits margin has decreased from 50.5% for the year ended 31 August 2021 to 42.4% for the year ended 31 August 2022. The increase in the student number led to a corresponding increase in teaching expenses and remunerations and salaries of teaching staff. Furthermore, in order to continuously improve the teaching quality, the expenditure on student activities increased during the year ended 31 August 2022, and the investment in school produced courses also generated expenditure. In addition, due to the improvement of the teaching environment and the improvement of school running conditions, the teaching facilities in Songbei Campus were maintained and repaired during the year ended 31 August 2022, therefore the repair costs increased. 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 interest income, rental income, and government grants.

Other income and gains for the year ended 31 August 2022 increased by RMB5.3 million as compared to the amount for the year ended 31 August 2021 which was mainly due to: (i) RMB5.0 million received from Harbin Financial Bureau due to the reward to the listing policy of enterprise; and (ii) the increase of investment income from wealth management products and bank interest income of RMB0.3 million.

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.

Selling expenses decreased by RMB0.2 million or 12.1% from RMB1.8 million for the year ended 31 August 2021 to RMB1.6 million for the year ended 31 August 2022, which was due to the 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 ended 31 August 2021 assisting with student enrollment in the future which didn't occur during the year ended 31 August 2022.

Administrative Expenses

Administrative expenses consist of 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.

Administrative expenses has increased by RMB11.2 million or 38.1% from RMB29.3 million for the year ended 31 August 2021 to RMB40.5 million for the year ended 31 August 2022, mainly due to (i) the increase in staff costs by RMB1.7 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 RMB2.2 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 RMB5.7 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 by RMB1.6 million 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 decreased from RMB13.4 million for the year ended 31 August 2021 to RMB7.0 million for the year ended 31 August 2022. Our interest expenses decreased by approximately RMB0.5 million from approximately RMB52.7 million for the year ended 31 August 2021 to approximately RMB52.2 million for the year ended 31 August 2022. For 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) borrowings 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. During the year ended 31 August 2022, among all interest expenses, an amount of RMB7.0 million was not capitalised, which were related to (among others): (a) borrowings 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 RMB45.2 million was fully capitalised.

Profit before Tax

During the year ended 31 August 2022, the Group recorded profit before tax of approximately RMB56.0 million, representing an increase of approximately 7.7% as compared to approximately RMB52.0 million for the corresponding period of 2021.

Income Tax Expenses

During the year ended 31 August 2022, the Group did not record any taxation, which remains the same as the corresponding period of 2021. 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 RMB56.0 million for the year ended 31 August 2022, representing an increase of approximately 7.7% as compared to RMB52.0 million for the year ended 31 August 2021.

Working Capital Sufficiency

Despite the fact that we have recorded net current liabilities positions as at 31 August 2022, our Directors are of the view that we have sufficient working capital to meet our present and future cash requirements for at least 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 2022/2023 school year; and

- as at the date of this announcement, we had unutilised facilities of RMB100.0 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, construction of new school campus, maintenance and upgrade of existing school facilities, purchase of additional educational equipment for our school and the hiring of 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 2022, the Group's cash and cash equivalents were approximately RMB253.1 million, as compared with approximately RMB303.9 million as at 31 August 2021.

As at 31 August 2022, the Group's bank and other borrowings and interest accruals amounted to approximately RMB855.6 million (as at 31 August 2021: RMB877.5 million), of which approximately RMB4.3 million (equivalent to US$0.5 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 31 August 2022, our bank and other borrowings borne effective interest rates ranging from 4.00% to 14.09% per annum (as at 31 August 2021: 4.00% to 14.09% per annum).

Property, Plant and Equipment

As at 31 August 2022, the Group's property, plant and equipment amounted to approximately RMB1,677.4 million, representing a year-on-year increase of approximately 6.5% from approximately RMB1,574.4 million recorded as at 31 August 2021. The increase was due to the increase of construction in progress of Hanan Campus and Nantong Junhua and the increase of furniture, fixtures and others for daily operation in connection with the use of Hanan Campus.

Capital Expenditures

Capital expenditures for the year ended 31 August 2022 were primarily related to the construction of the school premises of Hanan Campus, the maintenance and upgrade of existing school premises and the purchase of additional educational facilities and equipment for our school. For the year ended 31 August 2022, the Group's capital expenditures were RMB196.7 million (2021: RMB159.7 million).

Capital Commitments

As at 31 August 2022, the Group had contracted but not provided for capital commitments of approximately RMB29.5 million (31 August 2021: RMB35.1 million), which were primarily related to the to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 August 2022, the Group had no significant contingent liabilities (31 August 2021: nil).

Gearing Ratio

Gearing ratio equals to 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 2021, the gearing ratio remained relatively stable at 0.9 as at 31 August 2022.

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 2022, 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

The Group had no other material acquisitions or disposals during the year.

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 2022, the Group's sale and leaseback borrowings of approximately RMB306.7 million (2021: RMB309.9 million) were guaranteed by the Group's assets of approximately RMB176.6 million (2021: RMB179.0 million).

Business Review

Overview

As of 31 August 2022, 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 Hanan 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), phase I of which is currently under construction.

As at 31 August 2022, our school occupied an aggregated gross site area of approximately 542,009 sq.m. and gross floor area of 305,602 sq.m., with a total property, plant and equipment value of RMB1,677.4 million.

As at 31 August 2022, our school had 696 teachers and 7,636 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 696 teachers and 11,023 full-time students enrolled in bachelor's degree programs. The table below sets out the statistics of student enrollment in the past three school years (excluding students who subsequently withdrew during the respective school years):

School years	**Number of students**
2020/2021	9,554
2021/2022	9,891
2022/2023	11,023

As at 31 August 2022, the utilisation rate of our school was 86.86% (as at 31 August 2021: 77.94%), 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 2022/2023 school year, including 11 in engineering, 5 in management, 3 in economics, 2 in literature, and 5 in art, of which 24 majors enrolled students in 2022/23 school year. There were no newly added majors this year.

In the 2021/2022 school year, the average tuition fee of our school was RMB23,077, representing an increase of 22.03% from the average tuition fee of RMB18,911 in the 2020/2021 school year.

During the year ended 31 August 2022, our school took "cultivating people with virtue, fostering high-quality application-oriented talents, serving the society, and running a school satisfactory to the people" as its educational purpose. Our school also adhered to the operating philosophy of "education-oriented, quality-based, school-enterprise integration, and development with innovation" to exert increasing efforts on the construction of various majors and courses, promote teachers to participate in content and method innovation, take regional economic and social development needs as the guide and the construction requirements for new engineering and business disciplines as the standards, and optimize the construction and layout adjustment of disciplines and majors, as well as the training program and curriculum system in line with the actual development of the school in order to enrich curriculum resources, improve teaching and curriculum assessment methods and strengthen practical teaching and comprehensively improve the quality of application-oriented talents cultivated.

By virtue of the positioning as an "experimental and training center for new business disciplines and new finance", the marketing major of our school put into practice the construction of educational platform and developed an education model integrating "learning, competition, research and cultivation", and was approved as the first-class undergraduate major construction site in Heilongjiang Province in 2022; and the courses of College English (《大學英語》) and Virtual Simulation Experiment for Business Negotiation and Bargaining (《商務談判議價虛擬仿真實驗》) were selected into the second batch of provincial first-class undergraduate courses.

Our school regards innovation and entrepreneurship education as important means to promote education and teaching reform and improve the level of talent cultivation. Also, our school always pays great attention to innovation and entrepreneurship education to continuously strengthen the cultivation of the students' innovation and entrepreneurship ability, and improve their practical ability. In the past three years, our school has implemented in-depth innovation and entrepreneurship training programs for college students at national, provincial and school levels, with more than 135 national and provincial projects approved, and more than 100 school-level projects approved. Our school actively organized students to participate in entrepreneurship and innovation competitions, with more than 350 awards obtained in these competitions above the provincial level, involving a total of 1,325 students and 772 instructors.

Our school takes advantage of modern industry academies as the carrier to promote the integration of industry, education and research, realize the integration of "industry, specialty, and entrepreneurship", innovate the talent training model, and realize the synchronous operation of industry college teaching and conventional teaching.

In 2022, Heilongjiang College of Business and Technology had completed the construction of modern industry academies including "Phoenix Digital Media Creative Academy* (鳳凰數媒創意學院)", "Q Tech Electronic Information Industry Academy* (丘鈦電子信息產業學院)", and "Huayu Xingye Software Technology and Application Industry Academy* (華育興業軟件技術與應用產業學院)", which offered a total of 84 cooperative courses with 41 enterprise mentors, and accepted over 2,000 students to participate in the training with 100 students getting employed by the enterprises, thereby comprehensively promoting the building up of relevant majors in modern industry academies, such as curriculum establishment, cultivation of teachers, internship and training, employment and entrepreneurship, and providing a platform to enable our development as an "education-oriented, quality-based" school and our students' development under the mode of "school-enterprise integration and development with innovation".

Always keeping in mind the idea of "promoting employment is to protect people's livelihood, and ensuring employment is to build political awareness", our school has been actively putting into practice the decisions and assignments of the Party Central Committee and the State Council on "six stability" (i.e. to stabilize employment, finance, foreign trade, foreign investment, investment, and expectations) and "six guarantees" (i.e. to guarantee the employment of residents, the basic people's livelihood, the main body of the market, the security of food and energy, the stability of the supply chain of the industrial chain, and the operation of the grassroots). Keeping oriented to social needs and employment, our school carried out in-depth the "top leader" employment project, and developed a working pattern of "joint management, concerted efforts of all staff, and strict implementation" across the school.

As a training base of cultivating the employment ability for national college graduates, our school has launched the "Set Sail Program* (宏志助航計劃)" to provide training for 24 private undergraduate schools and certain higher vocational colleges in Heilongjiang Province, and successfully completed the training task for 170 graduates in 2022, playing an active role in promoting and enhancing the employability of the graduates.

Our school participated in the "Live Broadcast for Introducing Talents for Famous Enterprises with Excellent Posts in Kunshan — Special Session for Universities and Colleges in Heilongjiang* (昆山名企優崗直播引才暨黑龍江省高校專場)", and was awarded the title of "Talent Introduction Workstation for Universities and Colleges in Kunshan* (昆山市高校引才工作站)" together with Harbin Institute of Technology, Heilongjiang University, and Heilongjiang University of Science and Technology, and won another "Outstanding Contribution Award" for human resources cooperation in Kunshan.

Our school has been approved as Heilongjiang Province College Student Employment Demonstration School with outstanding performance in terms of maintaining employment within the province, and received a special fund of RMB2.37 million for being outstanding with great performance in higher education at provincial level in 2022.

Impact of COVID-19 Pandemic

It has been three years since the outbreak of the novel coronavirus disease 2019 (the "**COVID-19**") pandemic across the world (including China) at the end of 2019, which is still ongoing at present and has caused a material impact to various industries. However, the COVID-19 pandemic did not have a material impact on our revenue and financial condition as of 31 August 2022. In order to cope with the impact of the COVID-19 pandemic, the Company established presence in online education services and began to apply various intelligent teaching tools in advance, and cooperated with MOOC-CN Education, an online education strategic platform under Tsinghua University, to continuously carry out online education work. After more than two years of practice and exploration, our online education model has become very mature, and our teachers and students have been well adapted. Upon the outbreak of the pandemic, we can transit immediately from offline teaching to online teaching with no impact on our education and teaching. We also engaged in strategic cooperation with MOOC-CN Education in terms of academic resource sharing, teacher development, and application research, and deeply integrated online and offline learning scenarios by centering on the improvement of teaching effects to achieve the diversified and broad expansion of educational services. Therefore, even if the outbreak of the pandemic occurs, we are always capable of providing online education services without the need of refunding tuition fees.

Update on acquisition of Qiqihar College

On 6 January 2021, Heilongjiang Liankang Business Information Consulting CO., Ltd.* (黑龍江聯康商務信息諮詢有限公司) ("**Heilongjiang Liankang**"), an indirect wholly-owned subsidiary of the Company, and Heilongjiang Yunjian Construction and Development (Group) Company Limited* (黑龍江運建建築開發(集團)股份有限公司) (the "**Vendor**") entered into a framework agreement for the acquisition of Qiqihar College at a total consideration of RMB35 million. The first deposit of RMB3,000,000 was paid by Heilongjiang Liankang to the Vendor pursuant to the framework agreement. Due to the Vendor's failure to fulfill the conditions precedent under the framework agreement, in September 2022, the deposit of RMB3,000,000 has been refunded to Heilongjiang Liankang.

Prospects

Market overview

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

In recent years, the Central Committee of the Communist Party of China and the State Council have issued a number of documents regarding education reform, such as the "Overall Plan for Coordinating and Promoting the Construction of World-Class Universities and First-class Disciplines* (《統籌推進世界一流大學和一流學科建設總體方案》)", "Implementation Plan for the Reform on National Vocational Education* (《國家職業教育改革實施方案》)", "Proposal of the Central Committee of the Communist Party of China and the State Council on Comprehensively Deepening the Reform of Teacher Force Construction in the New Era* (《中共中央國務院關於全面深化新時代教師隊伍建設改革的意見》)", "China's Education Modernization 2035* (《中國教育現代化2035》)", and "Proposal of the Central Committee of the Communist Party of China and the State Council on Comprehensively Strengthening the Labor Education in Universities, Middle Schools and Primary Schools in the New Era* (《中共中央國務院關於全面加強新時代大中小學勞動教育的意見》)", which have made top-level design and strategic deployment for the development of higher education in China. In October 2020, the Central Committee of the Communist Party of China and the State Council issued the "Overall Plan for Deepening the Reform of Educational Evaluation in the New Era* (《深化新時代教育評價改革總體方案》)", which is a programmatic document for implementing the fundamental task proposed at the National Education Conference to reverse the unscientific educational orientation and cultivate people with virtue.

From the beginning of the "14th Five-Year Plan" period, China has developed into a stage where higher education is becoming popularized, and will face the opportunities and challenges brought about by the major changes in domestic and foreign situation, the optimization of overall national strategic layout, and the information technology revolution in terms of the development and reform of higher education.

It was pointed out at the Fifth Plenary Session of the Nineteenth Central Committee of the Communist Party of China that, China must maintain the core position of innovation in the overall modernization drive, take technological self-reliance and self-improvement as the strategic support for national development. In order to stand at the world's frontiers of science and technology, focus on the main battlefield of the economy and major national needs, and care for the life and health of the people. China needs to deeply implement the strategy of rejuvenating the country through science and education, the strategy of strengthening the country with talents, and the strategy of innovation-driven development to improve the national innovation system and accelerate the construction of a country strong in science and technology. Under the new circumstances, colleges and universities shall keep closely in line with the development trend of science and technology and market demand, and focus on emerging technology fields and other industries with substantial market demand.

During the "14th Five-Year Plan" period, the Company will closely follow the national education development policies and market demand, continuously enrich the offering of majors, promote teaching reform, hold on to high-quality and high-standard education, and continuously improve the quality and connotation of an application-oriented college to cultivate more application-oriented and inter-disciplinary talents.

Business progress

In respect of student enrollment, our school is the fastest growing private higher education institution in Heilongjiang Province in terms of the compound annual growth rate of the number of students enrolled. In terms of the number of students planned to be enrolled and the number of students enrolled every year, the school of the Company currently ranks the third among all private higher education institutions in Heilongjiang Province.

In respect of student employment, our school always takes "ensuring employment is to protect people's livelihood" as its own responsibility, and has actively developed a new model of "all-student, whole-process and all-round" work mode under the normalization of the pandemic to promote the adequate and high-quality employment of graduates. Our school exchanged experience at the 2022 network video conference on employment and entrepreneurship with high school graduates in the province, through which our new employment work model was promoted and publicized throughout the province. The year-end employment rate of 2021 graduates reached 89.66%, and the overall satisfaction rate of the employers with our graduates reached 88.72%.

In terms of speciality construction, during the reporting period, our school completed the construction of the new "Intelligent Internship and Training Center for New Business Discipline and New Finance* (新商科、新金融智慧實習實訓中心)", which is one of the most advanced and modern student training centers for business disciplines and the only private undergraduate college in Heilongjiang Province approved by the Ministry of Education. The Internship and Training Center for New Business Discipline and New Finance is a comprehensive virtual simulation training platform for the intelligent learning of new business discipline and new finance, which integrates informatization, intelligence and specialization and is jointly developed by the Company and Beijing Zhong'an Hantang International Education Technology Co., Ltd.* (北京中安漢唐國際教育科技有限公司). The center plans to offer 16 compulsory and elective courses each school year, and provide approximately 1,600 hours of experimental and training lessons for 2,600 students in 8 majors, including big data, artificial intelligence, blockchain and cloud services, in our school.

In terms of operating conditions, the first and second phases of construction project of Hanan Campus has been basically completed, and all the new teaching instruments and equipment have been put into use. The reconstruction and expansion of the laboratory in Songbei Campus has also been completed. The teaching conditions of the students have been further improved, with the campus environment further beautified.

Development strategy

Development direction and targets

The Company has firmly established the talent cultivation positioning of "fostering inter-disciplinary application-oriented talents with noble moral character, service dedication, innovation and entrepreneurship awareness, solid professional and theoretical knowledge, strong practical ability and great competence" and adhered to the service orientation of "establishing foothold in Heilongjiang, seeking further development around the Yangtze River Delta in the pursuit of nationwide presence, catering to industry needs, and actively integrating itself into the dual circulation of domestic and foreign markets", and defined the development target of "constructing a high-level application-oriented private college that meets social needs, serves regional economic and social development and has distinctive characteristics".

Gradually expand the scale of operation

We will, as always, actively promote academic education and vocational education under the strategy of internal generation and external extension. On the basis of the established industry-education integration park in the Yangtze River Delta, we are planning on the construction of secondary vocational schools, technician schools and colleges. In the future, the Company will offer education services in a systematic manner and at multiple levels, gradually expand the scale of operation, and continue to create value for shareholders.

We will expand the infrastructure construction of the new campus year by year, increase the investment in teaching instruments and equipment, improve and introduce excellent teachers, increase competitive majors and high-quality courses to further improve school conditions and expand school capacity and enrollment.

Election to register as a for-profit or non-profit private school

After more than ten years of exploration in the revision of the laws and regulations on private education, private colleges and universities are faced with an important election as to the management under "for-profit and non-profit" classification. With the release of six significant documents and their details in China, the implementation opinion on "encouraging social forces to engage in education to promote the healthy development of private schools" was successively issued in various provinces. Classified management is about to be officially implemented, and norms are emphasized in addition to encouragement. The "20 Principles of Vocational Education* (職教二十條)" is expected to have a positive influence on application-oriented undergraduate colleges and universities such as diversified sources of students and income, and will also help application-oriented undergraduate colleges and universities to solve problems such as integration of production and education, teacher introduction and employment evaluation.

As part of the strategic need for school development, Heilongjiang College of Business and Technology has filed an application with the education authority for the transformation into a for-profit school. No approval documents have been received from the education authority yet. For the time being, we will continue to operate in accordance with the requirements for non-profit private colleges before approval for the transformation into for-profit college is granted.

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 non-profit 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 2021 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. In the past two years, as COVID-19 has spread around the world and the international environment has changed dramatically, international business communication has been greatly affected. This has severely disrupted transportation and restricted flights between China and the United States, and seriously affected personnel exchanges between the two countries. Therefore, the application for establishment of the US School cannot proceed as scheduled. The Company would accelerate the process of application in the United States after the epidemic ends or improves.

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 2022, the utilisation of the net proceeds is as follows:

	Percentage of total net proceeds	**Net proceeds**	**Utilised as at 31 August 2022**	**Unutilised as at 31 August 2022**	**Expected timeline for full utilisation of the relevant proceeds**
		HK$ million	*HK$ million*	*HK$ million*	
Expand Hanan Campus in connection with the construction of the second phrase	40%	133.2	133.2	0	N/A
Repay principals and interests of borrowings from financial institutions	30%	100.0	95.2	4.8	31 December 2023(2)
Acquire other schools to expand the Group's school network	20%	66.6	3.6	63.0	31 December 2023(3)
Fund the Group's working capital and general corporate purposes	10%	33.4	33.4	0	N/A
Total		333.2	265.4	67.8	

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 31 December 2023.

(3) As at 31 August 2022, the Group has utilised an amount of approximately RMB3.0 million (equivalent to HK$3.6 million) as deposit in connection with the proposed acquisition of the sponsorship interest in Qiqihar College. In September 2022, the amount of approximately RMB3.0 million (equivalent to HK$3.6 million) has been refunded to the Group. 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 August 2022, the Group had 696 full-time employees and 205 part-time employees (as at 31 August 2021: 670 full-time employees and 301 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 2022 was RMB70.2 million (as at 31 August 2021: RMB53.0 million).

SUBSEQUENT EVENTS

As at the date of this announcement, there was no significant event subsequent to 31 August 2022.

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 2022, 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 C.2.1

CG Code C.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 highcalibre 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.

(b) CG Code D.2.5

Under CG Code provision D.2.5, the Group should have an internal audit function. The Group conducted a review on the need for setting up an internal audit department. Having considered the Group's relatively simple operating structure, the Board considered that it shall be directly responsible for risk management and internal control systems of the Group. The Board, through the Audit Committee, had conducted a review on the risk management and internal control systems of the Group. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks and no major issue was identified.

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 2022.

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 2022 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 2022, consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2022 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 2022.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 August 2022. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The AGM will be held on 24 February 2023 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 21 February 2023 to 24 February 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by no later than 4:30 p.m. on 20 February 2023.

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) and the Company (www.leader-education.cn). The annual report for the year ended 31 August 2022 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 under 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 Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司), formerly known as Harbin Xiangge Zhiye Co., Ltd.* (哈爾濱祥閣置業有限公司), 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
"Nantong Junhua"	Nantong Junhua Kechuangyuan Ltd* (南通峻華科創園有限公司), a limited liability company established under the laws of the PRC, which is held as to 55.97% by Heilongjian College and 44.03% by Leader Education (HK) Limited
"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 (普通專科院校) 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 2022

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.