

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2023

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 2023, together with the comparative figures for year ended 31 August 2022.

HIGHLIGHTS

	Year ended 31 August		Percentage change
	2023	2022	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	275,765	238,264	+15.7%
Gross profit	105,358	101,096	+4.2%
Profit for the year	57,588	56,025	+2.8%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 August 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
REVENUE	4	275,765	238,264
Cost of sales		<u>(170,407)</u>	<u>(137,168)</u>
Gross profit		105,358	101,096
Other income and gains	4	3,699	7,141
Selling expenses		(2,992)	(1,594)
Administrative expenses		(39,329)	(40,498)
Other expenses, net		(2,101)	(3,138)
Finance costs		(6,929)	(6,982)
Share of losses of a joint venture		<u>(118)</u>	<u>—</u>
PROFIT BEFORE TAX	5	57,588	56,025
Income tax expense	6	<u>—</u>	<u>—</u>
PROFIT FOR THE YEAR		<u>57,588</u>	<u>56,025</u>

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>(8,125)</u>	<u>(11,252)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u>(8,125)</u>	<u>(11,252)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>10,928</u>	<u>19,297</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>10,928</u>	<u>19,297</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>2,803</u>	<u>8,045</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>60,391</u>	<u>64,070</u>
Profit attributable to:			
Owners of the parent		<u>57,603</u>	56,025
Non-controlling interests		<u>(15)</u>	<u>—</u>
		<u>57,588</u>	<u>56,025</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>60,406</u>	64,070
Non-controlling interests		<u>(15)</u>	<u>—</u>
		<u>60,391</u>	<u>64,070</u>
Earnings per share attributable to ordinary equity holders of the parent:	8		
Basic and diluted			
— For profit for the year		<u>RMB0.0864</u>	<u>RMB0.0840</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,776,559	1,677,368
Right-of-use assets		64,827	66,590
Other intangible assets		3,289	3,037
Investment in a joint venture		382	—
An equity investment designated at fair value through other comprehensive income		3,000	—
Prepayments for purchase of property, plant and equipment and right-of-use assets		35,188	27,331
Other non-current assets		20,150	7,625
		<hr/>	<hr/>
Total non-current assets		1,903,395	1,781,951
CURRENT ASSETS			
Prepayments, other receivables and other assets		21,664	30,314
Cash and cash equivalents		270,776	253,087
		<hr/>	<hr/>
Total current assets		292,440	283,401
CURRENT LIABILITIES			
Contract liabilities	<i>9</i>	284,512	213,019
Other payables and accruals	<i>10</i>	64,941	74,871
Interest-bearing bank and other borrowings and interest accruals		360,347	227,004
Deferred income		7,821	7,335
		<hr/>	<hr/>
Total current liabilities		717,621	522,229
NET CURRENT LIABILITIES			
		(425,181)	(238,828)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,478,214	1,543,123

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings and interest accruals		566,488	628,566
Deferred income		2,806	1,805
		<hr/>	<hr/>
Total non-current liabilities		569,294	630,371
		<hr/>	<hr/>
Net assets		908,920	912,752
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		46,292	46,292
Reserves		862,643	866,460
		<hr/>	<hr/>
		908,935	912,752
Non-controlling interests		(15)	—
		<hr/>	<hr/>
Total equity		908,920	912,752
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 August 2023

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, except for an equity investment which has been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

The Group recorded net current liabilities of RMB425,181,000 as at 31 August 2023. Included therein were the contract liabilities of RMB284,512,000 as at 31 August 2023, which will be settled by education services provided by the Group.

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 RMB124,273,000 as of 31 August 2023 and RMB316,273,000 as of the date of this announcement, of which RMB232,000,000 has been withdrawn during the subsequent period, and the ability of management in adjusting the pace of its operation expansion, the Directors 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018–2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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 area 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:

	2023	2022
	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>		
Tuition fees	253,104	219,617
Boarding fees	22,661	18,647
	275,765	238,264
	275,765	238,264
Other income and gains		
Government grants:		
— Related to income	1,669	5,125
— Related to assets	378	249
Rental income:		
— Fixed lease payments	1,060	694
Investment income from short-term investments measured at fair value through profit or loss	—	516
Bank interest income	262	66
Others	330	491
	3,699	7,141
	3,699	7,141

5. PROFIT BEFORE TAX

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	46,661	37,432
Amortisation of other intangible assets	1,351	1,732
Depreciation of right-of-use assets	3,226	2,602
Auditor's remuneration	1,150	1,150
Central heating cost	8,765	7,695
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	70,400	56,020
Pension scheme contributions (defined contribution scheme)	13,637	11,477
	84,037	67,497
Foreign exchange differences, net	1,459	1,851
Government grants		
— related to income	(1,669)	(5,125)
— related to assets	(378)	(249)
Bank interest income	(262)	(582)

6. INCOME TAX

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
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 and Junhua School which 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 school providing nine-year compulsory education 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 approval of these financial statements, the Group’s school in the People’s Republic of China (the “**PRC School**”) was in the process of classification registration and remained as a private non-enterprise unit.

Considering that the relevant taxation policy regarding schools for which the school sponsors 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 comments of the Group’s external legal advisor 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 2023. 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

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Interim of HKD10.50 cents (2022: Nil) per ordinary share, paid	<u>64,223</u>	<u>—</u>

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 (2022: 666,667,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 August 2023 and 2022.

The calculation of basic earnings per share is based on:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>57,603</u>	<u>56,025</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>666,667,000</u>	<u>666,667,000</u>

9. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 August 2023 and will be expected to be recognised within one year:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Tuition fees	263,409	196,293
Boarding fees	<u>21,103</u>	<u>16,726</u>
	<u>284,512</u>	<u>213,019</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 proportionately in relation to the service not yet provided.

10. OTHER PAYABLES AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Payables for purchase of property, plant and equipment	12,493	34,438
Payables for co-operation costs	2,450	1,481
Miscellaneous expenses received from students <i>(note (i))</i>	20,886	16,215
Payables for salaries and welfares	9,767	6,690
Payables for labour union expenditure	3,416	2,826
Payables for central heating costs	—	710
Other tax payable	2	29
Other payables	15,927	12,482
	<u>64,941</u>	<u>74,871</u>

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 2023 and up to the date of approval of these financial statements.

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 RMB37.5 million or 15.7% from RMB238.3 million for the year ended 31 August 2022 to RMB275.8 million for the year ended 31 August 2023. The increase was mainly due to a combination of the following factors: (i) revenue from tuition fees has increased by RMB33.5 million or 15.2% from RMB219.6 million for the year ended 31 August 2022 to RMB253.1 million for the year ended 31 August 2023; and (ii) revenue from boarding fees has increased by RMB4.0 million or 21.5% from RMB18.6 million for the year ended 31 August 2022 to RMB22.7 million for the year ended 31 August 2023. The increase in tuition fees was mainly due to the expansion of size of admission. For the 2022/23 school year, the tuition fee standards were RMB25,800 per year for general engineering majors, RMB24,800 per year for general liberal arts majors and RMB29,800 per year for art majors, respectively (2021/22 school year: RMB29,800 per year for general majors and RMB29,800 per year for art majors, respectively). The new tuition fee standards were only applicable for new students admitted for 2022/23 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 2022/23 school year was in the range of RMB2,200 to RMB2,400, which remained stable as compared to 2021/22 school year (2021/22 school year: RMB2,200 to RMB2,400 per year). The total number of students enrolled has increased from 9,891 for the 2021/22 school year to 11,023 for the 2022/23 school year.

Cost of Sales

Cost of sales primarily consists of salaries and benefits for the Group's 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 RMB33.2 million or 24.2% from RMB137.2 million for the year ended 31 August 2022 to RMB170.4 million for the year ended 31 August 2023. The increase was mainly due to: (i) staff costs increased by RMB13.7 million or 23.9% from RMB57.5 million for the year ended 31 August 2022 to RMB71.2 million for the year ended 31 August 2023, mainly due to the effect 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 RMB10.7 million or 23.9% from RMB33.0 million for the year ended 31 August 2022 to RMB43.7 million for the year ended 31 August 2023, mainly resulted from the increase in the buildings and boarding facilities put into use upon the progress completion of the third phase of Hanan Campus; (iii) Due to teaching quality improvement and curriculum reform and innovation, the investment in teaching funds has been increased this year, and the teaching expenditure has increased by RMB2.8 million as compared with 2022; and (iv) increase in college students' practical activities expenditure of RMB3.3 million in current year.

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 RMB4.3 million or 4.2% from RMB101.1 million for the year ended 31 August 2022 to RMB105.4 million for the year ended 31 August 2023, mainly resulted from the increase in income due to an increase in the number of students, which was higher than the increase in related cost.

Gross profits margin has decreased from 42.4% for the year ended 31 August 2022 to 38.2% for the year ended 31 August 2023. 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 this year, and the investment in school produced courses also generated expenditure, and due to the progress completion of the third phase of Hanan Campus, the depreciation 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.

The other income and gains for the year ended 31 August 2023 amounted to RMB3.7 million, representing a decrease of RMB3.4 million or 48.2% as compared to the amount for the year ended 31 August 2022 of RMB7.1 million which mainly was due to: (i) government grant of RMB5.0 million received from Harbin Finance Bureau during prior year while there was no relevant event incurred during the year ended 31 August 2023; (ii) other government grant of RMB1.2 million received during the year ended 31 August 2023; and (iii) the increase of rental income of RMB0.4 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.

The selling expenses increased by RMB1.4 million or 87.7% from RMB1.6 million for the year ended 31 August 2022 to RMB3.0 million for the year ended 31 August 2023, which was due to the increase of the frequency of promotional activities outside the province since no longer affected by the COVID-19.

Administrative Expenses

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

Administrative expenses has decreased by RMB1.2 million or 2.9% from RMB40.5 million for the year ended 31 August 2022 to RMB39.3 million for the year ended 31 August 2023, mainly due to (i) the increase in staff costs by RMB3.1 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 decrease in depreciation and amortization by RMB1.4 million primarily due to some assets reaching their useful lives and related depreciation no longer being accrued; (iii) the decrease in consultation fee by RMB5.1 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 by RMB2.2 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 RMB7.0 million for the year ended 31 August 2022 to RMB6.9 million for the year ended 31 August 2023. The interest expenses decreased by approximately RMB1.2 million from approximately RMB52.2 million for the year ended 31 August 2022 to approximately RMB51.0 million for the year ended 31 August 2023. For 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) 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 RMB45.2 million was fully capitalised. During the year ended 31 August 2023, among all interest expenses, an amount of RMB6.9 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 RMB44.0 million was fully capitalised.

Profit before Tax

During the year ended 31 August 2023, the Group recorded profit before tax of approximately RMB57.6 million, representing an increase of approximately 2.8% as compared to approximately RMB56.0 million for the last year.

Income Tax Expenses

During the year ended 31 August 2023, the Group did not record any taxation, which remains the same as the last year. For details of the income tax applicable to the 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 RMB57.6 million for the year ended 31 August 2023, representing an increase of approximately 2.8% as compared to RMB56.0 million for the year ended 31 August 2022.

Working Capital Sufficiency

Despite the fact that we have recorded net current liabilities positions as at 31 August 2023, the Directors are of the view that we have sufficient working capital to meet its 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 operations of the Group with payment of tuition fees and boarding fees by its students in the upcoming 2023/2024 school year; and
- as at the date of this announcement, we had unutilised facilities of RMB316.0 million of which RMB232.0 million has been withdrawn during the subsequent period 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.

The Group's future working capital requirements will depend on a number of factors, including, but not limited to, its operating income, the size of its school operation, constructing new school campus, maintaining and upgrading existing school facilities, purchasing additional educational equipment for its school and hiring additional teachers and other staff. Going forward, the Group believes that its working capital requirements will be satisfied by cash generated from its 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 2023, the Group's cash and cash equivalents were approximately RMB270.8 million, as compared with approximately RMB253.1 million as at 31 August 2022.

As at 31 August 2023, the Group's bank and other borrowings and interest accruals amounted to approximately RMB926.8 million (as of 31 August 2022: RMB855.6 million), of which approximately RMB5.3 million (equivalent to US\$0.5 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 31 August 2023, the Group's bank and other borrowings borne effective interest rates ranging from 4.00% to 14.99% per annum (as at 31 August 2022: 4.00% to 14.09% per annum).

Property, Plant and Equipment

As at 31 August 2023, the Group's property, plant and equipment amounted to approximately RMB1,776.6 million, representing a year-on-year increase of approximately 6.0% from approximately RMB1,677.4 million recorded as at 31 August 2022. 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 during the year ended 31 August 2023 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 2023, the Group's capital expenditures were RMB149.2 million (2022: RMB196.2 million).

Capital Commitments

As at 31 August 2023, the Group had contracted but not provided for capital commitments of approximately RMB144.2 million (31 August 2022: RMB29.5 million), which were primarily related to the to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 August 2023, the Group had no significant contingent liabilities (31 August 2022: 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 2022, the gearing ratio remained stable at 1.0 as at 31 August 2023.

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 2023, 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 significant investments, material acquisitions or disposals during the year ended 31 August 2023.

As of the date of this announcement, the Group does not have any future plans for material investments or capital assets.

Pledge of Assets

As at 31 August 2023, the Group's sale and leaseback borrowings of approximately RMB394.3 million (2022: RMB306.7 million) were guaranteed by the Group's assets of approximately RMB179.8 million (2022: RMB176.6 million).

As at 31 August 2023, the Group's bank loans and interest accruals of approximately RMB29.7 million (2022: nil) were pledged by the Group's right-of-use assets of approximately RMB48.4 million (2022: nil).

BUSINESS REVIEW

Overview

As of 31 August 2023, the Group operated one school, namely, Heilongjiang College of Business and Technology (the “**School**”) 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 acquired the land-use rights of a lot in Hai’an City, Jiangsu Province in January 2021 to build the Yangtze River Delta Industry-Education Integration Base. The construction has commenced and is expected to be put into operation at the end of 2024.

As at 31 August 2023, the School occupied an aggregated gross site area of approximately 637,898.04 sq.m. and gross floor area of 342,727.24 sq.m., with a total property, plant and equipment value of RMB1,776.6 million.

As at 31 August 2023, the School had 751 teachers and 11,955 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
2021/2022	9,891
2022/2023	11,023
2023/2024	11,955

As of 31 August 2023, the utilisation rate of our school was 85.56% (as of 31 August 2022: 86.86%), 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 of 13,972 (increased by 1,282 as compared to the previous year).

The School offers 26 undergraduate majors in 2023/2024 school year, including 11 in engineering, 5 in management, 3 in economics, 2 in literature, and 5 in art.

In the 2023/2024 school year, the average tuition fees and boarding fees of the School were RMB24,796 and RMB2,249, respectively, representing an increase of 12% and 11% from the average tuition fee and boarding fee of RMB21,857 and RMB1,993 in the 2022/2023 school year.

During the year ended 31 August 2023, the 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; it 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, take the construction requirements for new engineering and business disciplines as the standards, and optimise 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, strengthen practical teaching and improve teaching and curriculum assessment methods and comprehensively improve the quality of application-oriented talents cultivated.

Remarkable outcomes were achieved from the teaching reform of undergraduate education. The marketing major was approved as the first-class undergraduate major in Heilongjiang Province; the courses of Business Negotiation (商務談判) and Advanced Mathematics (高等數學) were selected into the second batch of provincial ideological and political education demonstration classes and teaching teams; and the courses of College English (大學英語) and TV News Interview (電視新聞採訪) were selected into the third batch of provincial ideological and political education demonstration projects; the project Research and Practice of “Three Horizontal, Three Vertical and Three Integration” Practical Teaching Model in Applied Undergraduate Colleges and Universities (應用型本科院校實踐教學“三橫三縱三融合”模式研究與實踐) was awarded the second prize in the 2022 Higher Education Teaching Achievement Awards in Heilongjiang Province.

Fruitful performance of students regarding entrepreneurship and innovation projects and academic competitions were achieved. The School granted special funds to support entrepreneurship and innovation projects for undergraduate students, allowing us to complete 118 school entrepreneurship and innovation projects and won 6 national projects and 56 provincial projects throughout the year, gradually forming a more comprehensive entrepreneurship and innovation project system at the national, provincial and college level. The faculty and students participated in more than 60 external academic competitions and won a total of 343 awards. At the 8th China International College Students’ ‘Internet+’ Innovation and Entrepreneurship Competition, our school won 1 gold, 2 silver and 16 bronze medals. The School once again won a special prize and a first prize in the national final of the 2022 Xuechuang Cup College Students’ Entrepreneurship Simulation Competition.

Hai’an Industry-Education Integration Base has been launched, demonstrating its clear influence and impact as an internship and training base in the Yangtze River Delta.

With the Hai'an Base, we extended our partnerships with more companies in the Yangtze River Delta to expand our employment channel. In 2022, a total of 2,261 graduates participated in post-graduation internship. 677 students participated in internship in external training bases, among which 127 went to the Yangtze River Delta Industry-Education Integration Base.

The School effectively implemented essential-qualities-oriented education. With the educational concept of "student development first", the School organised and delivered the "Winter Vacation Essential-qualities-oriented Mini-Semester", including 16 courses in 7 modules, namely Career Planning, Employment Tutoring, Innovation and Entrepreneurship, Arts and Culture Appreciation, Literary Education, Hygiene and Health, and Cutting-edge Information Technology. A total of more than 17,000 students took the courses, and their scope of courses and horizon were enriched significantly. The "Five Colour" research and practice activity was organised. The first school trip engaged 5,000 students, who conducted field trip visits to more than 30 representative venues in the province, forming an immersive essential-qualities-oriented education model featuring "Five Colour' Virtuous and Cultural Education, Practice and Experience".

New breakthroughs were made in integration of industry and education. The 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, the School built three industrial academies, namely Kunshan Q Tech Electronic Information Industry Academy, Huayu Xingye Software Technology and Application Industry Academy and Longtie Industry Academy. Together with Phoenix Digital Media Creative Academy, the School currently has a total of four industrial academies. The School also comprehensively promoted the building up of relevant majors in modern industry academies, such as curriculum establishment, cultivation of teachers, internship and training, employment and entrepreneurship, and provided a platform to enable its development as an "education-oriented, quality-based" school and its students' development under the mode of "school-enterprise integration and development with innovation".

The School's 1,500 sq.m. professional training base within the School has taken off. There are 4 live broadcast studios. We have established cooperation with more than 10 suppliers. In this way, campus professional practice, internship, operation and live broadcast are all connected. The Group's contribution to the local economy and society begins to show.

The School has been approved as Heilongjiang Province College Student Employment Demonstration School and National Professional Capability Training Base, and received a special fund of RMB2.37 million for being outstanding with great performance in higher education at provincial level in 2022. Further support will be granted in 2023.

PROSPECTS

Market Overview

The Company is a large private formal higher education service provider in Heilongjiang Province, ranking top in the private education sector of the province. It has been growing rapidly over the last few years.

As of 31 August 2023, the State issued many policy documents to support and encourage the development of education, including vocational and private education.

Policy documents that were published in recent years included the Overall Plan for Coordinating and Promoting the Construction of World-Class Universities and First-class Disciplines, Implementation Plan for the Reform on National Vocational Education, 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, China's Education Modernization 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, which have established the top-level design and strategic deployment for the development of higher education in China.

In particular, favourable policies for private and vocational education announced in 2021 included:

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 importance" and supported private schools.

Decree No. 741 of the Implementing Regulations of the Law of the People's Republic of China on the Promotion of Private Education, which came into effect on 1 September 2021, expressly encourages enterprises to organise or participate in organizing private vocational schools through sole proprietorship, joint venture and cooperation in accordance to relevant laws. It also grants all private schools the right to change their sponsors regardless of their nature.

During the "14th Five-Year Plan" period, the Company will closely follow the national education development policies and market demand, continuously expand the offering of majors, promote teaching reform, insist on 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 that are in great demand and shortage for the society.

Business Progress

Remarkable enrollment results

In 2023, the School formulated its enrollment plan and declaration based on the student structure and industry development trend in different provinces, the School's 14th Five-Year Plan, development of talents of different disciplines, employment status and other factors, and strengthened its enrollment and promotion effort. The School was open to enrollment in 24 majors in 22 provinces across China, expanding its planned enrollment size to 3,959, among which enrollments of regular bachelor's program and junior college to bachelor's degree transfer program were 2,959 and 1,000, respectively. Enrollment rate was 100%, with 3,676 students registering, representing an increase of 292 as compared to the registered students in 2022. Overall speaking, the number of enrolled students saw a net increase of 932 as compared to the previous year.

New achievements were made in employment

In terms of student employment, the School always prioritised employment. All our faculties and staff focused on employment to promote the adequate and high-quality employment of graduates. The Industry-Education Integration Base set up by the School in the Yangtze River Delta region has greatly boosted and promoted the employment of students in the past two years. The School was awarded the title of "Talent Introduction Workstation for Universities and Colleges in Kunshan", and won employment honors in Kunshan for three consecutive years. The School was granted the "Set Sail Program" fund by the Ministry of Education, provided training for 38 private undergraduate colleges and certain higher vocational colleges in Heilongjiang Province, and successfully completed four training sessions for 377 graduates in 2022. It was also granted special fund for maintaining employment within the province.

In addition, the School hosted the 2023 private university job fair, which attracted many high-quality enterprises, including those based in the Yangtze River Delta region. The job fair offered not only a wide space and platform for students' employment, but also talent support for employers. The year-end graduate placement rate of the class of 2023 has been high. As of 31 August 2023, employed graduates amounted to 2,230, representing a graduate employment rate of 81.83%. The School's employment rate ranked first among private colleges in Heilongjiang Province.

Exceptional results in building teaching team

In order to strengthen its teaching team and improve its education quality, the School recruited 93 talents of various types in the year and began solid trainings for young teachers, which was trained a total of 421 people. Through introducing talents, we significantly optimised the structure of its teaching team. Through large scale concentrated trainings, not only could our teachers expand their visions, such training could also improve the operation capability and comprehensive qualities of its teachers and employees.

Smooth progress of title evaluation

In 2022 and 2023, Heilongjiang College of Business and Technology organised the provincial private college title joint evaluation, and was unanimously praised by Heilongjiang Human Resources and Social Security Bureau and various private colleges. In this school year, 5 of our teachers were recognised as professor, 9 were recognised as associate professor and 19 were recognised as lecturer.

With the mission of cultivating application-oriented talents, the School upgraded the construction of the internship and training centre, and continued to improve schooling conditions

The new “Intelligent Internship and Training Centre for New Business Discipline and New Finance” invested and built in 2022 made the School the only private undergraduate college in Heilongjiang Province approved by the Ministry of Education. It is one of the most advanced modern student training centres for business majors, and a comprehensive virtual simulation training platform for the intelligent learning of new business discipline and new finance, which integrates informatisation, intelligence and specialisation.

The School’s new metalworking lab, railway museum and other projects were generally completed, providing a new modern application platform of cultural significance for engineering students’ practice and training, further enhancing students’ practical skills, and thus improving their employment competitiveness.

In this year, the School began the construction of a student apartment with an area of 13,495 sq.m., and is expected to complete and launch by the end of the year. In 2023, the School is recognized as a national 3A-level tourist scenic spot.

New progress was attained in open schooling

The School actively promoted school-local and school-enterprise cooperation, and has joined the Kunshan Industry-Education Integration Collaboration Alliance, the Digital Economy Community of Harbin New District, and the E-Commerce Community of Harbin New District among other governmental organizations. Despite the adverse impact of the pandemic, we visited 208 enterprises through various ways online and offline, including 95 enterprises within the province and 113 enterprises outside the province, and discussed with many well-known enterprises on cooperation matters. 792 visitors from 132 enterprises visited the school for exchanges and inspection. A total of 45 school-enterprise cooperation agreements were signed. We strove to attain complementary advantages, mutual benefits and joint growth.

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”; 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”.

Development Plan

Firstly, we will establish in-depth cooperation with international education groups to improve dual education and talent training model.

Secondly, we will invest in vocational education and establish vocational colleges, education groups and school-enterprise integration bases in the Yangtze River Delta and Beijing-Tianjin-Hebei, gradually forming a new schooling model of school-enterprise integration.

Thirdly, we will develop big health-related majors and sub-academies.

Fourthly, we will develop a digital lifelong learning system, and create a “future learning centre” and a website featuring a wide selection of digital education.

Fifthly, we will combine our leading majors with the Belt and Road Initiative, and actively promote education for foreign students.

In the future, the Company will develop systematic, multi-tiered and multi-dimensional operation of education services, scale up schooling step by step, and create values for Shareholders.

Progress of transforming into a For-profit Private School

In accordance with the Implementation Rules for the Classification and Registration of Private Schools issued by the Ministry of Education and other four agencies and relevant documents, as well as the implementation opinion on “encouraging social forces to engage in education to promote the healthy development of private schools” announced successively in various provinces, the Heilongjiang College of Business and Technology has made significant progress in its application for transforming into a for-profit school, and its application has been approved by the Ministry of Education. In compliance with relevant documents and policies to be issued by the competent education authorities, the School will firmly protect the legal rights of students during the three-year transition period, complete the transfer of assets from non-profit to for-profit school, and enforce the property rights of legal entities. We will complete the procedures of credit and debt disposal, and transfer of teachers’ employment contracts and employment affiliation. We will improve its operation and management plan during the transition period to achieve smooth non-profit to for-profit transformation.

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.

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 departments, 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 2022 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 the Group’s existing corporate structure, including the use of its contractual arrangements. If the 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, its business, financial condition and prospects would be materially and adversely affected.

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

- (i) the Group's 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, the Group 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 its expansion plan. Furthermore, the Group 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 departments, the human resources and social security departments and the financial departments, shall strengthen supervision over agreements signed between non-profit 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 review and audit by the relevant government authorities. Such process may not be in its 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 2022 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 spread of the COVID-19 in various countries around the world from 2020 to 2022, the Group’s progress in establishing the US School has been slow and was unable to advance in a timely manner. Although the COVID-19 came to an end in 2023, due to the increasingly complicated international environment, particularly the fierce international competition, our progress in establishing the US School has also been affected. Competition is emphasized in the education system of the United States. Keen competition can be seen both in terms of standardized examinations and courses, but we did not adopt a blind approach to proceed, which resulted in the failure of the establishment of the US School as scheduled. However, we will actively identify problems and continue to improve, hoping to complete the application for establishment of the US School as soon as possible.

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. As set out in the announcement of the Company dated 30 November 2022, the Board had resolved to change the allocation of the use of net proceeds.

The following table sets out the revised allocation of the unutilised net proceeds and the actual amounts of net proceeds used for the year ended 31 August 2023:

	Original use of proceeds	Revised use of proceeds	Remaining proceeds as at 30 November 2022	Actual used proceeds from 1 December 2022 to 31 August 2023	Unutilised up to 31 August 2023
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Expand Hanan Campus in connection with the construction of the second phase	133.2	133.2	—	—	—
Repay principals and interests of the relevant borrowings or loans incurred from the investments and operations of the Company (including but not limited to principals and interests from banks, financial institutions and other sources)	100.0	156.6	61.4	61.4	—
Acquire other schools to expand the Group's school network	66.6	—	—	—	—
Fund the Group's working capital and general corporate purposes	33.4	43.4	10.0	10.0	—
Total	333.2	333.2	71.4	71.4	—

All the remaining net proceeds have been utilised during the year ended 31 August 2023 and applied in the manner set out in the announcement of the Company dated 30 November 2022.

For the reasons and benefits of changing allocation of the use of net proceeds, please refer to the announcement of the Company dated 30 November 2022 for details.

EMPLOYEES AND REMUNERATION POLICY

As of 31 August 2023, the Group had 751 full-time employees and 183 part-time employees (as of 31 August 2022: 696 full-time employees and 205 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 2023 was RMB87.4 million (as of 31 August 2022: RMB70.2 million).

SUBSEQUENT EVENTS

As at the date of this announcement, there was no significant event subsequent to 31 August 2023.

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 2023, 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 the 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 the 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, the Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole.

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

(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 2023.

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 2023 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 2023, consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2023 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 2023.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 August 2023. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The AGM will be held on 23 February 2024 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 20 February 2024 to 23 February 2024, both dates inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the AGM is 23 February 2024. 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 19 February 2024.

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 2023 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:

“2022 Annual Report”	the 2022 annual report published by the Company on 23 December 2022
“AGM”	the annual general meeting of the Company
“Articles of Association” or “Articles”	the articles of association of the Company adopted by the Shareholders on 24 February 2023 and as amended, supplemented and otherwise modified from time to time
“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 Act”	the Companies Act (2023 Revision) of the Cayman Islands and any amendments thereto or reenactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor
“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 (立德教育有限公司) (stock code: 1449), an exempted company incorporated in the Cayman Islands with limited liability on June 17, 2019.
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company

“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
“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
“IFRS”	the International Financial Reporting Standards (which include all International Financial Reporting Standards, International Accounting Standards and interpretations) issued by the International Accounting Standards Board
“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

“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)
“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
“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 of
Leader Education Limited
Liu Laixiang
Chairman of the Board

Harbin, Heilongjiang Province, PRC, 30 November 2023

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.