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## **Leader Education Limited**

**立德教育有限公司**

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

**(Stock code: 1449)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2020**

#### **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 2020, together with the comparative figures for year ended 31 August 2019.

#### **HIGHLIGHTS**

	<b>Year ended 31 August</b>		<b>Percentage</b>
	<b>2020</b>	<b>2019</b>	<b>change</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	
Revenue	<b>156,100</b>	138,212	12.9%
Gross profit	<b>85,039</b>	79,205	7.4%
Profit before tax from continuing operations	<b>43,836</b>	70,357	(37.7%)
Profit for the year	<b>42,359</b>	70,211	(39.7%)
Adjusted net profit for the year <sup>(1)</sup>	<b>70,704</b>	70,938	(0.3%)

*Note:*

- (1) The adjusted net profit, which is unaudited in nature, is presented because our management believes such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies.

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

*Year ended 31 August 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>156,100</b>	138,212
Cost of sales		<u>(71,061)</u>	<u>(59,007)</u>
Gross profit		<b>85,039</b>	79,205
Other income and gains	4	<b>1,182</b>	1,222
Selling expenses		<b>(973)</b>	(814)
Administrative expenses		<b>(37,128)</b>	(9,256)
Other expenses, net		<b>(1,055)</b>	–
Finance costs	6	<u><b>(3,229)</b></u>	<u>–</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	<b>43,836</b>	70,357
Income tax expense	7	<u>–</u>	<u>–</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>43,836</b>	70,357
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation		<u>(1,477)</u>	<u>(146)</u>
PROFIT FOR THE YEAR		<u><b>42,359</b></u>	<u>70,211</u>

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>624</u>	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>624</u>	—
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>(3,273)</u>	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>(3,273)</u>	—
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><b>(2,649)</b></u>	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>39,710</b></u>	<u>70,211</u>
Profit attributable to:			
Owners of the parent		<u><b>42,359</b></u>	<u>70,211</u>
Total comprehensive income attributable to:			
Owners of the parent		<u><b>39,710</b></u>	<u>70,211</u>
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted	9		
– For profit for the year		<u><b>RMB0.0828</b></u>	RMB0.1404
– For profit from continuing operations		<u><b>RMB0.0856</b></u>	<u>RMB0.1407</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 August 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,451,372</b>	1,351,480
Right-of-use assets		<b>15,981</b>	16,464
Other intangible assets		<b>3,035</b>	1,089
Prepayments for purchase of property, plant and equipment		<b>24,082</b>	23,460
Other non-current assets		<b>4,200</b>	3,000
		<hr/>	<hr/>
Total non-current assets		<b>1,498,670</b>	1,395,493
<b>CURRENT ASSETS</b>			
Prepayments, other receivables and other assets		<b>34,892</b>	5,247
Cash and cash equivalents		<b>337,554</b>	139,932
		<hr/>	<hr/>
		<b>372,446</b>	145,179
Assets of a disposal group classified as held for distribution on demerger		<hr/>	<hr/>
		<b>–</b>	46,795
Total current assets		<b>372,446</b>	191,974
<b>CURRENT LIABILITIES</b>			
Contract liabilities	<i>10</i>	<b>102,129</b>	129,197
Other payables and accruals	<i>11</i>	<b>68,158</b>	94,103
Interest-bearing bank and other borrowings and interest accruals		<b>95,356</b>	63,262
Amounts due to shareholders		<b>–</b>	2,800
Amount due to a related party		<b>–</b>	3,245
		<hr/>	<hr/>
		<b>265,643</b>	292,607
Liabilities directly associated with the assets classified as held for distribution on demerger		<hr/>	<hr/>
		<b>–</b>	53,088
Total current liabilities		<b>265,643</b>	345,695
NET CURRENT ASSETS/(LIABILITIES)		<b>106,803</b>	(153,721)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,605,473</b>	1,241,772

	<i>Notes</i>	<b>2020</b> <b><i>RMB'000</i></b>	2019 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings and interest accruals		<b>725,460</b>	667,109
Payables for purchase of property, plant and equipment	<i>11</i>	<b>61,042</b>	113,875
Other long term liability	<i>11</i>	<b>18,404</b>	–
		<hr/>	<hr/>
Total non-current liabilities		<b>804,906</b>	780,984
		<hr/>	<hr/>
Net assets		<b>800,567</b>	460,788
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>11,570</b>	–
Reserves		<b>788,997</b>	460,788
		<hr/>	<hr/>
Total equity		<b>800,567</b>	460,788
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO FINANCIAL STATEMENTS

31 August 2020

### 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 educational services in the People’s Republic of China (the “PRC”).

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and interpretations) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* and IFRS 16 *Leases*, together with the relevant transitional provisions, have been consistently applied to the Group’s consolidated financial statements for the track record period from 1 September 2016 to 29 February 2020 in connection with the initial public offering of the Company and for the year ended 31 August 2020.

These financial statements have been prepared under the historical cost convention.

### 3. OPERATING SEGMENT INFORMATION

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

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

No operating segment information of the continuing operations is presented as more than 90% of the Group's revenue and reported results from the continuing operations during each of the years ended 31 August 2019 and 2020, and more than 90% of the Group's total assets attributable to the continuing operations as at the end of each of these years were derived from one single operating segment, i.e., the provision of private higher education services.

The information reported to the directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about operating segments is presented.

#### Geographical information

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

#### Information about major customers

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

### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Tuition fees	149,741	127,899
Boarding fees	6,359	10,313
	<u>156,100</u>	<u>138,212</u>
<b>Other income and gains</b>		
Rental income:		
Fixed lease payments	822	675
Bank interest income	191	473
Government grants – related to income	64	51
Others	105	23
	<u>1,182</u>	<u>1,222</u>

## 5. PROFIT BEFORE TAX

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation of property, plant and equipment	25,320	18,977
Amortisation of other intangible assets	1,142	468
Depreciation of right-of-use assets	483	483
Auditor's remuneration	800	–
Listing expenses	26,868	581
Central heating cost	5,102	4,936
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	29,370	23,976
Pension scheme contributions (defined contribution schemes)	5,792	5,375
	<u>35,162</u>	<u>29,351</u>
Foreign exchange differences, net	235	–
Government grants – related to income	(64)	(51)
Bank interest income	(191)	(473)

## 6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank loans and other borrowings	30,677	30,965
Interest on sale and leaseback liabilities	14,338	2,032
	<u>45,015</u>	<u>32,997</u>
Subtotal	45,015	32,997
Interest capitalised	(41,786)	(32,997)
	<u><u>3,229</u></u>	<u><u>–</u></u>



## 7. INCOME TAX

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 Education (HK) Limited, 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.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. In accordance with the tax compliance confirmations obtained from local tax authorities, Heilongjiang College of Business and Technology as a school whose sponsor does not require reasonable returns did not pay corporate income tax for the income from the provision of formal educational services and has enjoyed the preferential tax treatment for the year ended 31 August 2020. As a result, no income tax expense was recognised by Heilongjiang College of Business and Technology for the income from the provision of formal educational services during the year.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, except for Heilongjiang College of Business and Technology, and the preferential rate of 20% under the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs) available to Heilongjiang Liankang Business Information Consulting Limited and Beijing Junhua Business Information Consulting Limited, 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.

PRC land appreciation tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

Corporate income tax of the Group has been provided at the applicable tax rate on the estimated taxable profits arising in Mainland China during the year.

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current income tax – Mainland China	—	—
Total tax charge for the year from continuing operations	—	—
Total tax charge for the year from a discontinued operation: PRC LAT	<b>4,301</b>	531
Total	<b>4,301</b>	531

## 8. DIVIDENDS

No dividend has been paid or declared by the Company in the current year (2019: nil).

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

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 511,872,170 (2019: 499,999,794) in issue during the year, as adjusted for the assumption that 499,999,750 new shares issued pursuant to the Capitalisation Issue (as defined below) had been issued on 1 September 2018, which is made to be consistent with the basis of presentation of the financial statements for the year ended 31 August 2019.

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

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 August 2020 and 2019.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations:		
From continuing operations	43,836	70,357
From a discontinued operation	(1,477)	(146)
	<u>42,359</u>	<u>70,211</u>
	<b>Number of shares</b>	
	2020	2019
Shares		
Issue of shares on 29 June 2019	250	44
Effect of Capitalisation Issue on 6 August 2020	499,999,750	499,999,750
Effect of global offering on 6 August 2020	11,872,170	–
	<u>511,872,170</u>	<u>499,999,794</u>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>511,872,170</u>	499,999,794
Effect of dilution – weighted average number of ordinary shares	–	–
	<u>511,872,170</u>	<u>499,999,794</u>

## 10. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 August 2020, and will be expected to be recognised within one year:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Tuition fees	94,682	120,028
Boarding fees	7,447	9,169
	<u>102,129</u>	<u>129,197</u>

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

## 11. OTHER PAYABLES AND ACCRUALS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Payables for salaries and welfares	4,928	2,129
Payables for purchase of property, plant and equipment	76,565	146,825
Payables for co-operation costs	26,404	36,022
Payables for labour union expenditure	1,533	1,285
Miscellaneous expenses received from students ( <i>note (i)</i> )	13,013	13,547
Other tax payable	24	60
Payables for central heating cost	2,032	1,940
Payables for listing fee	13,689	–
Refund liabilities	1,358	–
Other payables	8,058	6,170
	<u>147,604</u>	<u>207,978</u>
Current portion		
	<u>147,604</u>	<u>207,978</u>
Non-current portion:		
Payables for purchase of property, plant and equipment	61,042	113,875
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.

## 12. CONTINGENT LIABILITIES

At the end of each of the year, contingent liabilities not provided for in the financial statement were as follows:

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	<u>          -</u>	<u>          16,406</u>

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans. Upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore the initial fair value is assessed to be immaterial and no further subsequent provision has been made in connection with the guarantees.

## 13. EVENTS AFTER THE REPORTING PERIOD

There was no significant events took place subsequent to 31 August 2020 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 RMB17.9 million or 12.9% from RMB138.2 million for the year ended 31 August 2019 to RMB156.1 million for the year ended 31 August 2020. The increase was mainly due to a combination of the following factors: (i) revenue from tuition fees has increased by RMB21.8 million or 17.1% from RMB127.9 million for the year ended 31 August 2019 to RMB149.7 million for the year ended 31 August 2020; and (ii) revenue from boarding fees has decreased by RMB3.9 million or 38.3% from RMB10.3 million for the year ended 31 August 2019 to RMB6.4 million for the year ended 31 August 2020, which was primarily related to the partial refund of boarding fees according to the direction of the Education Department of Heilongjiang Province as a result of the COVID-19 pandemic. The increase in tuition fees was mainly due to the expansion of size of admission and the increase in average tuition fees. The total number of undergraduate students enrolled (excluding students who subsequently withdrew during the respective school years) has increased from 8,233 for 2018/19 school year to 8,807 for 2019/20 school year with a growth rate of 7.0%. The average tuition fees for 2018/19 school year and 2019/20 school year was RMB15,492 and RMB16,920, respectively, with a growth rate of 9.2%.

#### 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 RMB12.1 million or 20.4% from RMB59.0 million for the year ended 31 August 2019 to RMB71.1 million for the year ended 31 August 2020. The increase was mainly due to: (i) staff costs increased by RMB6.0 million or 22.6% from RMB26.6 million for the year ended 31 August 2019 to RMB32.6 million for the year ended 31 August 2020, mainly resulted from the consolidated impact of the increase in salaries 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 RMB5.6 million or 33.3% from RMB16.8 million for the year ended 31 August 2019 to RMB22.4 million for the year ended 31 August 2020, mainly resulted from the increase in the buildings and boarding facilities put into use upon the completion of the first phase of Hanan Campus in September 2019.

## **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 RMB5.8 million or 7.4% from RMB79.2 million for the year ended 31 August 2019 to RMB85.0 million for the year ended 31 August 2020, mainly resulted from the increase in income due to an increase in the number of students and average tuition fees, which outweighed the increase in related cost. Gross profits margin has decreased from 57.3% for the year ended 31 August 2019 to 54.5% for the year ended 31 August 2020. The increase in the student number led to a corresponding increase in teaching expenses and salaries of teaching staff. Meanwhile, certain parts of Hanan Campus previously under construction have been completed which resulted in the substantial increase of depreciation costs. The overall impact of the above factors led to the decrease in gross profits margin.

## **Other Income and Gains**

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

With respect to other income and gains, the amount for the year ended 31 August 2020 (RMB1.2 million) remains steady as compared to the amount for the year ended 31 August 2019 (RMB1.2 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 increase in selling expenses from RMB0.8 million for the year ended 31 August 2019 to RMB1.0 million for the year ended 31 August 2020 corresponded to the business growth of the Group.

## **Administrative Expenses**

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

Listing expenses recognized for the year ended 31 August 2020 was RMB26.9 million, which increased by RMB26.3 million as compared to RMB0.6 million for the year ended 31 August 2019. Eliminating the impact of Listing expenses (being a non-recurring item), administrative expenses has increased by RMB1.6 million or 18.3% from RMB8.7 million for the year ended 31 August 2019 to RMB10.3 million for the year ended 31 August 2020, mainly due to (i) the increase in staff costs as a result of the combined effect of the increase in the number of administrative staff of the Group and the increase in salaries and benefits payable to them, and (ii) the increase in professional services costs, office expenses and miscellaneous expenses to support the business growth of the Group.

## **Finance Costs**

Finance costs primarily consist of (i) interest on bank loans and other borrowings; and (ii) interest on sale and leaseback liabilities. Finance costs increased from nil for the year ended 31 August 2019 to RMB3.2 million for the year ended 31 August 2020. Our interest expenses increased by approximately RMB12.0 million from approximately RMB33.0 million for the year ended 31 August 2019 to approximately RMB45.0 million for the year ended 31 August 2020. For the year ended 31 August 2019, all the interest expenses on bank loans and other borrowings and sale and leaseback liabilities which were applied solely for the purpose of constructing our campus facilities have been fully capitalized and recognized as part of fixed assets. During the year ended 31 August 2020, among all interest expenses, an amount of RMB3.2 million related to the borrowing from Huatai Principal Investment Group Limited primarily for repaying other loans from certain other financial institutions was not capitalised, while interest expenses on other borrowings and sale and leaseback liabilities of approximately RMB41.8 million was fully capitalised.

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

During the year ended 31 August 2020, the Group recorded profit before tax from continuing operations of approximately RMB43.9 million, representing a decrease of approximately 37.7% as compared to approximately RMB70.4 million for the corresponding period of the last year.

## **Income Tax Expenses**

During the year ended 31 August 2020, the Group did not record any taxation, which remains the same as the corresponding period of the last year. For details of the income tax applicable to our Group, please refer to note 7 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 RMB42.4 million for the year ended 31 August 2020, representing a decrease of approximately 39.7% as compared to RMB70.2 million for the year ended 31 August 2019.

## Adjusted Net Profit

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial indicator, which is used by our management to evaluate our operating performance. We also believe that such non-IFRS indicator provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods to those of our peer companies.

Adjusted net profit eliminates the effect of listing-related expenses and loss from a discontinued operation, which are non-recurring items. Adjusted net profit is not a term defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year. We compensate for these limitations by reconciling this financial measure to the nearest IFRS performance measure, which should be considered when evaluating our performance.

The Group's adjusted net profit decreased slightly by approximately 0.3% from approximately RMB70.9 million for the year ended 31 August 2019 to approximately RMB70.7 million for the year ended 31 August 2020. Details of the adjusted net profit of the Group for each of the year ended 31 August 2020 and 31 August 2019 are set forth below:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	<b>42,359</b>	70,211
Add:		
Listing expenses	<b>26,868</b>	581
Loss for the year from a discontinued operation	<b>1,477</b>	146
	<hr/>	<hr/>
Adjusted net profit	<b>70,704</b>	70,938
	<hr/> <hr/>	<hr/> <hr/>

## Current Assets and Current Liabilities

As at 31 August 2020, we had net current assets of RMB106.8 million compared to net current liabilities of RMB153.7 million as at 31 August 2019. The increase in net current assets was primarily due to the increase of cash which represented the net proceeds from the initial public offering of the Company.

## Liquidity and Capital Resources

Our primary uses of cash are to fund our Group's working capital requirements, purchase of property, plant and equipment and repayment of bank and other borrowings and related interest expenses. During the reporting period, we funded our operations principally with cash generated from our operations and bank and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank and other borrowings and the net proceeds from the initial public offering of the Company, and based on our Group's actual needs and the prevailing market conditions, other funds raised from the capital markets from time to time.



## Property, Plant and Equipment

As at 31 August 2020, the Group's property, plant and equipment amounted to approximately RMB1,451.4 million, representing a year-on-year increase of approximately 7.4% from approximately RMB1,351.5 million recorded as at 31 August 2019. The increase was due to the increase of construction in progress of Hanan Campus and the increase of electronic equipment for daily operation in connection with the use of Hanan Campus.

## Cash and Cash Equivalents

As at 31 August 2020, the Group's cash and cash equivalents was approximately RMB337.6 million, representing a year-on-year increase of approximately 141.2% from approximately RMB140.0 million as at 31 August 2019. The increase was mainly attributable to the increase in cash from financing activities including initial public offering and sale and leaseback liabilities and the increase in cash flow from ordinary operating activities.

## Bank and Other Borrowings

Our bank and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises. As disclosed in the Prospectus, during the year ended 31 August 2020, we entered into a facility agreement with Huatai Principal Investment Group Limited and made the first drawdown of US\$12.0 million under the facility. The borrowing was primarily used to repay certain loans in order to release the guarantees and charge provided by our Controlling Shareholders or their affiliated companies in connection with such loans before Listing.

We primarily obtain loans from banks and financial institutions to supplement our working capital and finance our capital expenditure. As at 31 August 2020, our bank and other borrowings and interest accruals amounted to RMB820.8 million, of which approximately RMB7.5 million (equivalent to US\$1.1 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 31 August 2020, our bank and other borrowings borne effective interest rates ranging from 4.00% to 14.09% per annum.

## Capital Expenditures

Capital expenditures during the reporting period 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 2020, the Group's capital expenditures were RMB128.3 million (2019: RMB238.1 million).

## Contractual Commitments

Our capital commitments were primarily related to the acquisition of property, plant and equipment. The following table sets forth our capital commitments as at the dates indicated:

	As at 31 August	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for: Property, plant, and equipment	<u>7,971</u>	<u>29,027</u>

## Contingent Liabilities

The table below sets forth the Group's contingent liabilities as at 31 August 2020 and 31 August 2019, respectively.

	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	<u>          -</u>	<u>      16,406</u>

## 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 as at 31 August 2019, the gearing ratio as at 31 August 2020 decreased from 1.6 to 1.0, which was mainly due to an increase of our equity arising from the issuance of shares in the initial public offering of our Company.

## 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 2020, 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

There were no significant investments held as at 31 August 2020, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this announcement, as at 31 August 2020, the Group did not have any immediate plans for material investments and capital assets.

## PLEDGE OF ASSETS

As at 31 August 2020, the Group's sale and leaseback borrowings of approximately RMB231.2 million (2019: RMB72.8 million) were guaranteed by the Group's total fixed assets of approximately RMB168.5 million (2019: RMB19.9 million).

## BUSINESS REVIEW

During the year ended 31 August 2020, our Group operated one school, namely, Heilongjiang College of Business and Technology in Harbin City, Heilongjiang Province. Heilongjiang College of Business and Technology comprises two campuses, namely Songbei Campus and Hanan Campus.

As at 31 August 2020, our school occupied an aggregated gross site area of 542,009.04 sq.m and gross floor area (GFA) of 310,480 sq.m, with a total property, plant and equipment value of RMB1,451.4 million.

As at 31 August 2020, our school had 465 teachers and 6,739 full-time students (excluding the number of final year students who have graduated) enrolled in bachelor's degree programs. As at 30 October 2020, we had 577 teachers and 9,572 full-time students enrolled. The table below sets out the statistics of students enrollment in the past three school years (excluding students who subsequently withdrew during the respective school years):

<b>School Years</b>	<b>Number of students</b>
2017/2018	7,800
2018/2019	8,233
2019/2020	8,807

Our school offered 26 undergraduate majors in 2020/21 school year, including 10 majors in engineering, 5 majors in management, 3 majors in economics, 3 majors in literature, and 5 majors in art, while majors offered in 2019/20 school year were 24. The majors newly offered this year are transportation and vehicle engineering. The registration of newly enrolled students in 2020/21 school year was 2,851. The table below sets out the registration of newly enrolled students in the past three school years:

<b>School Years</b>	<b>Newly enrolled students</b>
2017/2018	2,082
2018/2019	2,150
2019/2020	2,563

This year, our school attached great importance to employment and implemented the “top leader (一把手)” project for graduate employment through advanced planning, matching assistance, and precise strategy implementation, forming a top-down work system for all graduates to promote employment. As at 31 August 2020, Heilongjiang College of Business and Technology reported that the initial employment rate was 78.76%, ranking 2nd among private colleges in Heilongjiang Province. In early March this year, the school shared its experience at the video conference on employment scheduling for college graduates during the period of epidemic prevention and control in the province; in mid-June, Heilongjiang Provincial Government Information Office held the first of a series of press conferences on the theme of “Thorough Implementation of ‘Six Stability’ and ‘Six Guarantees’ in Heilongjiang”. Our school and Heilongjiang University attended the press conference on behalf of 81 colleges and universities in Heilongjiang province and shared experience. Since 2020, authoritative media such as Xuexi.cn (學習強國), people.cn (人民網), National University Ideological & Political Work Net, ifeng.com (鳳凰網), China Weekly, and www.dbw.cn (東北網) have repeatedly reported on the employment and entrepreneurship performance of our school.

Our school integrated “double innovation” education into employment, and employment opportunities for more than 30 people were provided by start-up companies run by our 2020 graduates. There are other successful stories of our graduates in turning into entrepreneurs, for example, Yin Jiaqiang, a graduate of civil engineering, established a company during his school time in 2019. The company was mainly engaged in photovoltaic power generation and smart electricity monitoring systems for security equipment. Its project is listed as one of the “Top 100” projects in Jixi City and has received an investment of RMB10 million.

Over the past year, our Group promoted the integration of production, education and research by focusing on industries with potential, serving the local area, and with the industry-oriented college as the carrier. By taking full advantage of the mechanism of “building a railway academy through cooperation of education and rail transit system”, the school launched two new undergraduate majors in vehicle engineering and transportation, filling the gap in the training of undergraduate talents in the field of railway transportation in Heilongjiang Province. The school built the first “Phoenix Digital Media Creative Academy\* (鳳凰數媒創意學院)” in China in cooperation with Phoenix Digital Media Industry Education Group\* (鳳凰數媒產教集團), to further provide educational services in the cultivation of digital media application-oriented talents, and provide comprehensive assurance for students’ employment. Our school co-established the “New Business Industry College\* (新商科產業學院)” with Heilongjiang Russia Express Technology Business Incubator Co., Ltd.\* (黑龍江俄速通科技企業孵化器有限責任公司), for cultivating business application-oriented talents, and conducting in-depth cooperation in professional clusters construction, talent training programs, “dual-qualified” teachers team building, professional and innovative education, and the construction of cross-professional virtual simulation training room. Our Group has decided to gradually offer talent training services from 2020 and has entered into agreements with Highfly Development Group (Jiangsu) Co., Ltd.\* (華飛航空發展集團(江蘇)有限公司) (“**Highfly**”), including “Strategic Cooperation Framework Agreement between Heilongjiang College of Business and Technology and Highfly (黑龍江工商學院與華飛戰略合作框架協議書)” and “Entrustment Agreement for Targeted Training of Professionals in Aviation Technology and Services (委託定向培養航空技術和服務專業人才協議書)”.

In addition, in campus culture development, our school focused on “reading, writing, speaking and application” to create a “four-dimension integrated” cultural education pattern. The project was successfully selected as “Excellent Project of Ideological and Political Work in Colleges and Tertiary Institutions\* (高校思想政治工作精品項目)”, the only cultural education project selected among other cultural education projects of private colleges in Heilongjiang province, which has further strengthened the school’s reputation.

## IMPACT OF COVID-19 PANDEMIC

There has been an outbreak of the coronavirus disease 2019 (“**COVID-19**”) that was first reported in Wuhan, Hubei Province in December 2019. The outbreak has endangered the health of many citizens in China and significantly disrupted travel and the local economy across the country. The development of such epidemic is beyond our control.

Notwithstanding the above, due to the following factors, the outbreak of COVID-19 has no significant impact on our revenue and financial condition for the year ended 31 August 2020. First of all, we have collected tuition fees and boarding fees in advance at the beginning of the school year 2019/2020 in September 2019. Second, we did not refund tuition fees as we had been rendering education service online. However, we are required to refund a portion of the boarding fees collected for the 2019/2020 school year in accordance with the Notice on the Management of the School Fees During the Period of COVID-19 Prevention and Control (《黑龍江省教育廳關於做好疫情防控期間學校收費管理工作的通知》) issued by the Education Department of Heilongjiang Province in April 2020, which stipulates that the boarding fees that were already collected from the students for the 2019/2020 school year shall be reassessed and refunded by the schools before the end of the spring semester of such school year based on the students’ actual length of stay in the schools, the cost and expenses incurred for the staff related to student accommodation and the depreciation of assets, among other factors. Accordingly, we have refunded the boarding fees to students of approximately RMB6.13 million, which is relatively insignificant compared to the revenue we derived from our operations during the same school year. The actual amount of boarding fees refunded was higher than the estimated amount (RMB5.0 million) disclosed in the Prospectus as we decided not to deduct the relevant cost and expenses (which is allowed by the government policy stated above) in making the refund in late August 2020 to give further financial relief to our students and their parents in this challenging time.

As disclosed in the Prospectus, in order to prepare our school for the return of students in the fall semester of the 2020/2021 school year and expand our online teaching capability and resources, we entered into a service agreement with Beijing Muhua Information Technology Co., Ltd.\* (北京慕華信息科技有限公司) (a prominent online education platform service provider in the PRC that is ultimately controlled by Tsinghua University), pursuant to which our school will use the professional version of an intelligent teaching solution, “Yu Ke Tang (雨課堂)” developed by the online education office of Tsinghua University, for a term of three years commencing from August 2020. Yu Ke Tang is an innovative solution that combines the features of a large number of open online courses, social media platform, and live streaming lecture functions, which allow teachers to conduct lectures online in real time and simultaneously interact with students, provide students with all-time access to in-class materials, and offer an extensive selection of open courses from multiple educational resources. Beijing Muhua Information Technology Co., Ltd. has also become one of our major partners. In the fall semester of 2020/2021 school year, our school has introduced a total of 10 courses online and our teachers have used intelligent teaching tools available at Yu Ke Tang to stimulate the atmosphere of classrooms, and achieve a student-centered teaching model while it also promotes the reform of educational informatisation at our school.

In addition, we have adopted the following measures to compensate for the inadequate exposure of our school due to the lack of on-site promotion events, which included (i) launching an intelligent question-and-answer system, which provides 24-hour consultation service to prospective students and their parents; (ii) strengthening our marketing via different online channels, such as the online platform of China Higher Education Student Information Website, college information guides published by the education examination authority of each province and new media outlets; (iii) actively participating in influential online student admission consultation events and communicating with prospective students in a live setting; and (iv) encouraging existing students, teachers and alumni to help with the publicity and promotion of our school. Due to the success of the above measures, COVID-19 essentially has no impact on our student recruitment for the 2020/2021 school year. In 2020/2021 school year, the registration of newly enrolled students was 2,851, increased 267 from 2,584 in 2019. In addition, other than the first-year students, all students of other years have returned to campus and resumed face-to-face classes in September 2020.

In light of the expected recovery of the economies of the PRC and Heilongjiang Province and measures to mitigate the adverse effects of the COVID-19 outbreak, together with the solutions that we have taken and our experience in response to the outbreak, we believe that our student enrollment and daily operations will not be negatively affected.

## **PROSPECT**

The Company will actively promote the construction of Daqing Transportation Vocational and Technical College\* (大慶交通職業技術學院) to increase market penetration. The Company will further move forward the construction of Hanan Campus, improve the overall school operating environment, and expand the space of our campus, so as to further increase the number of students capacity, optimize pricing strategies and improve profitability. For further details, please refer to “Business – Our Business Strategies – Expand our business operations to achieve economies of scale” section of the Prospectus.

The Company will actively extend contact with Cuaa.Net (艾瑞深校友會網), and conduct in-depth research on the Comprehensive Comparative Analysis and Disciplinary-level Dynamic Monitoring Public Welfare Consulting Project of Airuishen (艾瑞深) in China. Specially-assigned personnel will implement the relevant evaluation to improve our school’s “Airuishen” ranking, so as to enhance our school’s core competitiveness and influence in the nation.

The Company will continue to implement a full-school accountability system, accelerate information construction, and enhance employment information services, while optimizing the development of courses related to employment and entrepreneurship with an aim to cultivating “dual-innovation” capability of students. We will further innovate and carry out industry-university-research cooperation, promote the integration of industry and education, and coordinate education. We will develop employment bases with enterprises to offer internship and practical training opportunities and leverage on the advantages of such platforms to improve students’ practical skills, enhance the overall quality and competitiveness of students and promote quality employment for our graduates, which will create a development model that smooth employment leads to popularity in recruitment of new students.

In close connection with the transportation professional clusters, the school will accelerate the development of the School of Railway, refine the development of specialisation in railways, high-speed rail, light rail, urban rail, and civil aviation services, to improve the concentration and recognition of advantageous industries in the province.

The Company will continue to explore deeply into the education market in Heilongjiang Province and actively cooperate with Heilongjiang New Media Group\* (黑龍江新媒體集團), a leading cultural industry group in Heilongjiang, to form a positive and all-round multi-level interaction in media authority endorsement, talent output, project training, and cultural industry project promotion.

Our Group will actively promote Heilongjiang College of Business and Technology through the platform of Xuexi.cn (學習強國), one of the most authoritative and mainstream channels in the PRC, which provide synergy of media promotion and communication, to gain more publicity and increase its presence, so as to create a new network communication matrix and help promote our Group's brand.

### **Latest Regulatory Development**

On 20 April 2018, the MOE issued the Implementing Regulations for the Law for Promoting Private Education of the PRC (the Draft Revision) (the Consultation Version) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) (the “**MOE Draft for Comments**”) to solicit public views. On 10 August 2018, the Ministry of Justice of the PRC announced the 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)》) (the “**MOJ Draft for Comments**”) for consultation on the basis of the aforesaid MOE Draft for Comments. For more details, please refer to the section headed “Business – Potential Implications of the 2016 Decision and Related Implementation Rules – The MOJ Draft for Comments” in the Prospectus. As at the date of this announcement, the MOJ Draft for Comments has yet to be promulgated or enacted in the PRC, the Company will continue to monitor developments of the MOJ Draft for Comments and related laws and regulations.

On 17 August 2020, the MOE and other four departments jointly promulgated the Opinions on Further Strengthening and Regulating the Administration of Education Fees (《關於進一步加強和規範教育收費管理的意見》) (the “**Education Fees Opinions**”), which reiterated the previous provision that the fee level of for-profit private schools is open for market adjustment and can be determined by for-profit private schools at their own discretion, while the fee-collection regulatory policies for non-profit private schools shall be formulated by provincial governments. The Education Fees Opinions further clarified that private schools established prior to 7 November 2016 shall be regulated in the same way as non-profit private schools in terms of fee-collection policies before they have completed the classification registration procedures. Since the Education Fees Opinions and other previous regulations have designated provincial governments to formulate local regulatory policies regarding non-profit private schools fee collection and Heilongjiang Province has promulgated local rules to abolish the requirements for approval for private higher education tuitions and boarding fees, regardless of the school's for-profit or non-profit status, the Board believes that the Education Fees Opinions do not have any material impact on Heilongjiang College of Business and Technology's fee-collection policies and Heilongjiang College of Business and Technology would remain able to determine its fee level on its own.

As at the date of this announcement, the Group's operations have not been negatively affected by the above laws, decision, implementing regulations and rules and administration measures. Based on the current conditions and Company's preliminary assessment, the Board is of the view that above laws, decision, implementing regulations and rules and administration measures do not have an immediate material adverse impact on the Group's business operations, business plans and financial conditions.

The Company will continue to monitor developments of the above laws, decision, implementing regulations and rules, administration measures and related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

## **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 Advisors, we had 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, 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 October 15, 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 February 21, 2020, we filed a notice of intent for operating authority to the Illinois Board of Higher Education (IBHE). On May 22, 2020, we entered into a services 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. Subject to development of the COVID-19 situation in the US, it is expected that formal operating authority application will be filed to IBHE within the one-year validity period of the notice of intent filed.



## GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

On the Listing Date, 166,667,000 new Shares with nominal value of US\$0.01 each of the Company were issued at a price of HK\$2.10 per Share in connection with the Company's initial public offering.

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.

As at 31 August 2020, the utilisation of the net proceeds is as follows:

	Percentage of total net proceeds	Net proceeds HK\$ million	Utilised up to 31 August 2020 HK\$ million	Unutilised up to 31 August 2020 HK\$ million	Expected timeline for full utilisation of the relevant proceeds
Expand Hanan Campus in connection with the construction of the second phase	40%	133.2	–	133.2	31 December 2023
Repay principals and interests of borrowings from financial institutions	30%	100.0	84.9	15.1	31 December 2020
Acquire other schools to expand the Group's school network	20%	66.6	–	66.6	31 December 2022*
Fund the Group's working capital and general corporate purposes	10%	33.4	0.4	33.0	31 December 2021
<b>Total</b>		<b>333.2</b>	<b>85.3</b>	<b>247.9</b>	

*Note: The above figures are subject to rounding.*

\* *For illustration purpose only. The application of net proceeds for acquisition of other schools will occur as and when appropriate. As at 31 August 2020 and the date of this announcement, we have not identified any acquisition target.*

## EMPLOYEES AND REMUNERATION POLICY

As at 31 August 2020, the Group had 536 full-time employees and 281 part-time employees (as at 31 August 2019: 468 full-time employees and 217 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 2020 was RMB36.2 million (as at 31 August 2019: RMB30.2 million).

## **SUBSEQUENT EVENTS**

As at the date of this announcement, there was no significant event subsequent to 31 August 2020.

## **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.

The Company was listed on 6 August 2020. Since the Listing Date to 31 August 2020, except for the deviations noted below, the Company complied with the code provisions of the CG Code and, where appropriate, adopted the recommended best practices as set out in the CG Code.

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

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

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

### **(b) CG Code A.2.7**

Pursuant CG Code provision A.2.7, the chairman should at least annually hold one meeting with the independent non-executive directors, without the presence of other directors. As (i) there was regular communication among the Directors on different matters related to the Company prior to its Listing, (ii) there was only a short timeframe between the Listing Date and the financial year end (31 August 2020) and (iii) the Directors had other business and/or personal engagement, the Chairman did not hold any meeting with the independent non-executive Directors without the presence of other Directors during this period. Subsequent to 31 August 2020, our chairman held one such meeting.

**(c) CG Code A.5.2**

With reference to CG Code A.5.2 and the terms of reference of the Nomination Committee, the Nomination Committee should review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. As there has been discussion among Directors on the relevant matters prior to the Listing of the Company and there was only a short timeframe between the Listing Date and the financial year end (31 August 2020), there was no separate meeting or review conducted by the Nomination Committee during this period. Subsequent to 31 August 2020, the Nomination Committee held one meeting to review and discuss the matters stated above.

**(d) CG Code C.2.5**

Under CG Code provision C.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.

**(e) CG Code C.3.3**

With reference to CG Code provision C.3.3 (d) and (e) and the terms of reference of the Audit Committee, the Audit Committee should meet at least two times per year and shall meet with the external auditors at least twice a year and at least one of which should be held in the absence of the management. As there was only a short timeframe between the Listing Date and the financial year end, the Audit Committee did not hold any meeting during this period and subsequent to 31 August 2020, held one meeting with the Company's auditors.

## **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 since the Listing Date and up to the date of this announcement.

## **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 2020 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 2020, consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2020 and the related notes thereto as set out in the preliminary 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 the preliminary announcement.

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

Save for the issue of new shares in the initial public offering of the Company, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2020.

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 August 2020. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

## **ANNUAL GENERAL MEETING**

The AGM will be held on 26 February 2021 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 23 February 2021 to 26 February 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 22 February 2021.

## **PUBLIC FLOAT**

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

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

This annual results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.leader-education.cn](http://www.leader-education.cn)). The annual report for the year ended 31 August 2020 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 Shareholder(s)”	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
“Hanan Campus”	the campus of Heilongjiang College of Business and Technology, located at North of Yucai Road, West Street of Limin Development Zone, Harbin City, Heilongjiang Province, the PRC
“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 Property Development Ltd.* (哈爾濱祥閣房地產開發有限公司), 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 each being an executive Director and a Controlling Shareholder of the Company
“Heilongjiang College of Business and Technology” 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”	International Financial Reporting Standards (which include all International Financial Reporting Standards, International Accounting Standards and interpretations) issued by the International Accounting Standards Board
“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)
“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
“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 the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Songbei Campus”	the Campus of Heilongjiang College of Business and Technology, located at Xinxing Dongguang Village, Zhoujia Dongyue Village, Shuangcheng District, Harbin City, Heilongjiang Province, the PRC
“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 City, Heilongjiang Province , PRC, 30 November 2020

*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.*