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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF A SCHOOL IN QIQIHAR

The Board is pleased to announce that on 6 January 2021 (after trading hours), Liankang Consulting, 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 the Framework Agreement pursuant to which, among others, Liankang Consulting has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, its 100% sponsorship interest in the Target School to Liankang Consulting or its designated entity (the “**Purchaser**”) at a total consideration of RMB35 million. Upon completion of the Acquisition, the school sponsor of the Target School will be changed to a member of the Group.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the transactions contemplated under the Framework Agreement is more than 5% but less than 25%, the Acquisition under the Framework Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment (or if applicable, waiver) of a number of conditions. As the Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

BACKGROUND

The Board is pleased to announce that on 6 January 2021 (after trading hours), Liankang Consulting, 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 the Framework Agreement pursuant to which, among others, Liankang Consulting has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, its 100% sponsorship interest in the Target School to Liankang Consulting or its designated entity (the “**Purchaser**”) at a total consideration of RMB35 million. Upon completion of the Acquisition, the school sponsor of the Target School will be changed to a member of the Group.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out as follows:

- Parties** : 1) Liankang Consulting
2) the Vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Group and its connected persons.

- Subject Matter** :
- 1) Liankang Consulting has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, its 100% sponsorship interest in the Target School to Liankang Consulting or its designated entity (the "**Purchaser**") for a total consideration of RMB35 million.
 - 2) All assets held by the Target School (including its existing campus in Qiqihar) and all liabilities incurred arising from and in relation to the operation of the Target School prior to the date of the Framework Agreement shall continue to vest with and shall be dealt with by the Vendor and shall not form part of the Acquisition. From the date of the Framework Agreement, (1) asset contributed by the Vendor and revenue generated thereupon shall belong to the Vendor and (2) asset contributed by the Purchaser and revenue generated thereupon shall belong to the Purchaser.
 - 3) Subject to the approval by the People's Government in Qiqihar, the Parties shall enter into a formal agreement (the "**Formal Agreement**") on or before 31 January 2021 (or such other date as agreed by the Parties).
 - 4) Upon signing of the Formal Agreement, the Parties shall cooperate to establish a new campus in Harbin Heilongjiang Province (the "**New Campus**") for the Target School.
 - 5) The Vendor shall continue to be responsible for the provision of education services to students enrolled at the Target School (including prospective students to be enrolled for the 2021/22 academic year) in its existing campus in Qiqihar which will be conducted under the existing programs developed by the Vendor, and the tuition fee and boarding fee related thereto shall be attributed to the Vendor.

- 6) Upon approval by the relevant competent authorities (including but not limited to the Ministry of Education in Heilongjiang Province and the People's Government of Heilongjiang Province) to, among others, (i) the change of school sponsor in the Target School, (ii) the establishment of the new campus and (iii) the change of name of the Target School, the Target School (in its new name) shall only recruit students to be enrolled in the new campus (the "**New Students**") and affairs related to the New Students shall be managed by the Purchaser. The tuition fee and boarding fee payable by the New Students shall be attributed to the Purchaser solely.
- 7) Upon change of the school sponsor of the Target School to the Purchaser, the rights to operate and manage the Target School shall be vested in the Group and the board of directors (理事會) of the Target School shall only consist of members appointed by the Purchaser, except for members whose appointment is mandated by applicable laws and regulations.

Consideration and terms of payment

: RMB35,000,000, payable in the following schedules:

- 1) RMB3,000,000 payable within 5 business days upon the date of the Framework Agreement (the "**First Deposit**");
- 2) RMB5,000,000 payable within 5 business days upon the written approval by the Qiqihar People's Government to the Acquisition (the "**Second Deposit**");
- 3) RMB20,000,000 payable to an account jointly controlled by the Parties within 5 business days upon (i) Liankang Consulting being satisfied with the due diligence results in respect of the Target School and (ii) the Ministry of Education in Heilongjiang Province accepting the application for the Acquisition. The release of funds to the Vendor shall be conditional upon the approval of the Acquisition by the Ministry of Education in Heilongjiang Province and the People's Government of Heilongjiang Province; and
- 4) RMB7,000,000 payable within 5 business days upon satisfaction of all conditions precedent to the Acquisition.

Conditions precedent

: The completion of the Acquisition shall be conditional upon the satisfaction of the following conditions:

- 1) completion of due diligence in respect of the Target School and the results are satisfactory to Liankang Consulting;

- 2) obtaining of the approval of all competent governmental bodies (including, where applicable the Stock Exchange and the SFC) in respect of the Acquisition;
- 3) prior to the completion of the change of the school sponsor of the Target School, there being no event or situation that has caused or is reasonably expected to cause a material adverse impact on the ordinary operations of the Target School; and
- 4) other conditions to be agreed by the Parties.

Others

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- 1) Subject to compliance with the applicable laws and regulations, Liankang Consulting will procure that the Vendor shall have priority as a supplier in construction projects for Heilongjiang College of Business and Technology and the New Campus, provided that the offers of the Vendor are comparable to that of other suppliers.
 - 2) The Parties have agreed to provide customary and mutual exclusivity protection in favour of the other. If there is a breach of the exclusivity provision, the party in default shall pay a compensation of RMB20,000,000 to the non-defaulting party.

Termination

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- Subject to the consent of the Parties, the Acquisition shall automatically terminate if the People's Government of Heilongjiang Province does not approve the Acquisition within 5 months from the date of the Formal Agreement (the "**Termination Date**").

In addition, the First Deposit and the Second Deposit shall be returned to Liankang Consulting (without interest) following the termination of the Acquisition upon the expiry of the Termination Date, or if no Formal Agreement is entered into by 31 January 2021 (unless extended by the Parties by consent), or if any of the conditions precedent to the Acquisition is not satisfied.

BASIS OF DETERMINATION AND FUNDING OF THE CONSIDERATION

The consideration for the Acquisition was arrived at after arm's length negotiations between the Parties, with reference to, among others, number of students enrollment capacity under the existing approval applicable to the Target School and the historical student enrollment data, courses offered (which are primarily applied science related majors), demand for vocational education at tertiary level in Heilongjiang Province and the PRC in general and the value which the Group expects it can create by operating the Target School under its management.

The consideration of RMB35,000,000 is expected to be fully funded by the net proceeds from the Global Offering earmarked for acquisition of other schools to expand our school network. For further details as to the use of net proceeds, please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in the Prospectus.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Framework Agreement marks the milestone of the Group's endeavours to expand its school network and increase market penetration since its listing last year.

Harbin is where the headquarters of the Group in the PRC is located, and an important strategic location for the Group, and the Group has strong knowledge of the local market needs and market conditions through its operation of Heilongjiang College of Business and Technology. Through the Acquisition, the Directors consider that the Group will be able to further strengthen its presence in Harbin and Heilongjiang Province. At the same time, it allows the Group to expand its vocational educational services offerings at tertiary level, which is encouraged by the policy of the central government of the PRC. As there is a solid demand for vocational education services in Heilongjiang Province and the PRC in general, the Group believes the Acquisition can enlarge its total number of students enrolled and increase the scale of operation and revenue of the Group.

Furthermore, after the second phase of Hanan campus of Heilongjiang College of Business and Technology is put into operation by around 2023, there will be idling capacity in the existing Songbei campus. It is currently planned that the New Campus will be established in the existing Songbei campus to utilize the facilities therein. Accordingly, additional investment for the establishment of the New Campus is expected to be relatively limited while at the same time, idling capacity in the existing Songbei campus can be better utilized. The Board also considers the Acquisition can bring synergies to the Group as the programmes offered by the Target School, which is a junior college, are relevant or similar to many of the undergraduate programmes offered by Heilongjiang College of Business and Technology. By operating both institutions, the Group believes the attractiveness of Heilongjiang College of Business to graduates from junior college level (including that of the Target School) who would like to further their studies at undergraduate level would increase. In addition, the Group is confident that under the management by the Group, the Target School will have good potential to increase the number of students and income stream.

The Directors (including the independent non-executive Directors) consider that the Framework Agreement has been entered into on normal commercial terms, and the terms of the transactions thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has any material interest in the transactions contemplated under the Framework Agreement or is required to abstain from voting on the Board resolution for considering and approving the same.

INFORMATION OF THE PARTIES

(i) The Company

The Company is principally engaged in investment holding and the Group is principally engaged in providing private higher education services in the PRC through Heilongjiang College of Business and Technology.

Heilongjiang College of Business and Technology is a private regular undergraduate institution offering undergraduate programs in Harbin, Heilongjiang Province of the PRC. Heilongjiang College of Business and Technology currently offers more than 20 majors in a variety of disciplines including, among others, engineering, business, railway, economics, literature and arts to more than 9,500 students in enrollment.

(ii) The Vendor

The Vendor is a limited liability company incorporated in the PRC and is a conglomerate engaged in, among others, real estate development, provision of tertiary level vocational education services and technology development.

To the best information and knowledge of the Company, having made all reasonable enquires, as of the date of this announcement, (i) the ultimate beneficial owners of the Vendor include Mr. Liang Wendi (梁文第), Mr. Shi Wancheng (史萬成) and Mr. Gao Yuliang (高玉良), who are the three largest shareholders of the Vendor and respectively interested in approximately 18.2%, 6.3% and 2.9% in the Vendor and more than 400 other minority shareholders; and (ii) the Vendor and its ultimate beneficial owners are all Independent Third Parties.

(iii) Target School

The Target School is currently located in Qiqihar, Heilongjiang Province, the PRC and is a junior college (普通專科學校) and approved by the People's Government of Heilongjiang Province in 2011. Its current school sponsor is the Vendor.

As at the date of this announcement, it has approximately 1,722 students and its current campus in Qiqihar has a gross site area of approximately 453,000 square meters.

For the years ended 31 December 2018 and 31 December 2019 and the 11 months ended 30 November 2020, the approximate net profit/(net loss) of the Target School prepared pursuant to the Generally Accepted Accounting Principles of the PRC was as follows:

	For the year ended 31 December 2018 (RMB) (audited)	For the Year ended 31 December 2019 (RMB) (audited)	For the 11 months ended 30 November 2020 (RMB) (unaudited)
Net profit/(net loss) (before tax)	(708,085)	(5,767,232)	2,315,889
Net profit/(net loss) (after tax)	(708,085)	(5,767,232)	2,315,889

As of 31 December 2019, the audited total assets and the net assets of the Target School amounted to approximately RMB57,994,827 and RMB31,689,034, respectively.

As of 30 November 2020, the total assets and the net assets of the Target School amounted to approximately RMB61,046,896 (unaudited) and RMB34,092,305 (unaudited), respectively.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the transactions contemplated under the Framework Agreement is more than 5% but less than 25%, the Acquisition under the Framework Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment (or if applicable, waiver) of a number of conditions. As the Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

“Acquisition”	The acquisition of the 100% sponsorship interest in the Target School in accordance with the terms of the Framework Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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 17 June 2019
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the framework agreement dated 6 January 2021 entered into between Liankang Consulting and the Vendor
“Global Offering”	has the meaning as defined in the Prospectus
“Group”	the Company, its subsidiaries and consolidated affiliated entities from time to time
“Heilongjiang College of Business and Technology”	Heilongjiang College of Business and Technology (黑龍江工商學院), a private regular undergraduate institution approved and established under the laws of PRC and a consolidated affiliated entity of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Independent Third Parties”	person(s) or company(ies) which is/are independent of and not connected with the Company and its connected persons
“Liankang Consulting”	Heilongjiang Liankang Business Information Consulting CO., Ltd.* (黑龍江聯康商務信息諮詢有限公司), a limited liability company established under the laws of the PRC on 8 August 2019, which is an indirect wholly owned subsidiary of our Company
“Listing Rules”	the rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Parties”	collectively, the Vendor and the Purchaser
“Prospectus”	the prospectus of the Company dated 27 July 2020
“Purchaser”	Liankang Consulting or a designated entity to acquire the sponsorship interest in the Target School pursuant to the terms of the Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target School”	Qiqihar Institute of Technology* (齊齊哈爾理工職業學院), a junior college (普通專科學校) with its existing campus in Qiqihar, Heilongjiang Province, the PRC and as at the date of this announcement, is solely sponsored by the Vendor
“Vendor”	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), a limited liability company incorporated in the PRC
“%”	per cent

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

Harbin, Heilongjiang Province, PRC, 6 January 2021

As at the date of this announcement, the executive Directors are Mr. Liu Laixiang, Ms. Dong Ling, Mr. Wang Yunfu and Mr. Che Wenge; and the independent non-executive Directors are Mr. Zhang Su, Mr. Cao Shaoshan and Mr. Chan Ngai Fan.

* for identification purpose only