

立德教育股份有限公司 Leader Education Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1449

INTERIM REPORT

2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Laixiang
(Chairman and Chief Executive Officer)
Ms. Dong Ling
Mr. Wang Yunfu
Mr. Che Wenge

Independent Non-Executive Directors

Mr. Zhang Su
Mr. Cao Shaoshan
Mr. Chan Ngai Fan

AUTHORISED REPRESENTATIVES

Mr. Liu Laixiang
Mr. Chang Eric Jackson

COMPANY SECRETARY

Mr. Chang Eric Jackson

AUDIT COMMITTEE

Mr. Chan Ngai Fan *(Chairman)*
Mr. Zhang Su
Mr. Cao Shaoshan

REMUNERATION COMMITTEE

Mr. Zhang Su *(Chairman)*
Mr. Liu Laixiang
Mr. Cao Shaoshan

NOMINATION COMMITTEE

Mr. Liu Laixiang *(Chairman)*
Mr. Zhang Su
Mr. Cao Shaoshan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands
Hutchins Drive

HEAD OFFICE IN PRC

Qunying Jie No. 33, Xueyuan Road
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Harbin City
Heilongjiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1426, 14/F., Solo Building
41-43 Carnarvon Road
Tsimshatsui
Kowloon, Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

**Industrial and Commercial Bank of China
(Harbin City, Jingyu Branch)**
No.41, Bei Shi Liu Dao Jie
Daowai District
Harbin City
Heilongjiang Province
PRC

Harbin Bank Co., Ltd. (Songbei Branch)
No. 500, Shimao Da Dao
Songbei District
Harbin City, Heilongjiang Province,
PRC

STOCK CODE

1449

COMPANY WEBSITE

www.leader-education.cn

FINANCIAL HIGHLIGHTS

	Six months ended 28 February 2022 RMB'000	Six months ended 28 February 2021 RMB'000	Percentage change
Revenue	131,756	97,943	+34.5%
Gross profit	51,905	48,714	+6.6%
Profit before tax	36,354	30,530	+19.1%
Profit for the period	36,354	30,530	+19.1%

For the six months ended 28 February 2022, our total revenue amounted to approximately RMB131.8 million, representing an increase of approximately 34.5% as compared with the six months ended 28 February 2021. Our profit for the six months ended 28 February 2022 amounted to approximately RMB36.4 million, representing an increase of approximately 19.1% as compared with the six months ended 28 February 2021.

As at 28 February 2022, we had a total of 9,879 full-time students, representing an increase of approximately 3.4% as compared with the number of students enrolled in the school year 2020/2021; and our average tuition fees for our undergraduate college programs increased by approximately 17.5% for the six months ended 28 February 2022, as compared with the six months ended 28 February 2021.

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 RMB33.9 million or 34.5% from RMB97.9 million for the six months ended 28 February 2021 to RMB131.8 million for the six months ended 28 February 2022. The increase was mainly due to the following reasons: (i) revenue from tuition fees has increased by RMB31.7 million or 35.3% from RMB89.8 million for the six months ended 28 February 2021 to RMB121.5 million for the six months ended 28 February 2022; and (ii) revenue from boarding fees has increased by RMB2.2 million or 26.3% from RMB8.1 million for the six months ended 28 February 2021 to RMB10.3 million for the six months ended 28 February 2022. For the 2021/22 school year, the tuition fee standards are RMB29,800 per year for general majors and RMB29,800 per year for art majors, respectively (2020/21 school year: RMB20,000 and RMB22,000, respectively). The new tuition fee standards are only applicable for new students admitted for 2021/22 school year and other students are subject to the tuition fee standards then applicable at their year of admission. The boarding fee rate for the 2021/22 school year is in the range of RMB2,200 to RMB2,400 per year (2020/21 school years: RMB2,000 to RMB2,200 per year). The total number of students enrolled has increased from 9,554 for the 2020/21 school year to 9,879 for the 2021/22 school year.

Cost of Sales

Cost of sales primarily consists of remunerations and benefits of our employees, depreciation and amortisation, 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 RMB30.6 million or 62.2% from RMB49.2 million for the six months ended 28 February 2021 to RMB79.8 million for the six months ended 28 February 2022. The increase was mainly due to: (i) staff costs increased by RMB9.5 million or 44.6% from RMB21.2 million for the six months ended 28 February 2021 to RMB30.7 million for the six months ended 28 February 2022, mainly due to the combined effects of the increase in remuneration and benefits payable to the teachers of the Group as well as the increase in the number of teachers; (ii) increase in teaching expenses of RMB6.0 million of courses production costs related to the cooperation with Phoenix Digital Media (Beijing) Education Technology Co., Ltd.* (鳳凰數媒(北京)教育科技有限公司); (iii) increase in maintenance costs of RMB4.1 million, mainly due to more maintenance on campus buildings occurred in current period; (iv) increase in depreciation and amortisation of RMB4.1 million, mainly due to the increase in campus buildings and teaching facilities; (v) student activity costs increased by RMB2.8 million, mainly due to the student activity costs of RMB2.8 million related to the Winter Olympic Games occurred in current period; and (vi) Other costs of sales increased as increase in number of teachers and more training were conducted to enhance our teaching quality.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB3.2 million or 6.6% from RMB48.7 million for the six months ended 28 February 2021 to RMB51.9 million for the six months ended 28 February 2022, mainly due to fact that the growth of revenue was slightly higher than that of corresponding cost. Gross profits margin has decreased from 49.7% for the six months ended 28 February 2021 to 39.4% for the six months ended 28 February 2022. The increase in the student number led to a corresponding increase in teaching expenses and remunerations and salaries of teaching staff. Furthermore, with a view to enhancing our teaching quality continuously, our Group incurred expenses for constructing and maintaining campus buildings and teaching facilities, expenses in relation to the Phoenix Academy through cooperation with Phoenix Digital Media (Beijing) Education Technology Co., Ltd.* (鳳凰數媒(北京)教育科技有限公司), and expenses for establishing the broadcasting and television program production and visual communication design majors, etc.. The combined effects of the abovementioned factors led to the decrease in gross profits margin.

Other Income and Gains

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

With respect to other income and gains, the amount for the six months ended 28 February 2022 increased by RMB5.1 million as compared to the amount for six months ended 28 February 2021 which was mainly due to government grant of RMB5.0 million received from Harbin Finance Bureau due to successful listing.

Selling Expenses

Selling expenses primarily consist of promotion expenses and admission expenses of different disciplines and the remunerations of personnel of our admission office.

The selling expenses remained relatively stable as compared to the six months ended 28 February 2021.

Administrative Expenses

Administrative expenses consist of administrative staff's salaries costs, depreciation and amortisation, consultation fee, travel expenses incurred by our administrative staff for business trips and for running errands, heating costs, entertainment costs and others.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses has increased by RMB4.4 million or 42.3% from RMB10.2 million for the six months ended 28 February 2021 to RMB14.6 million for the six months ended 28 February 2022, mainly due to (i) the increase in staff costs as a result of the combined effects of the increase in the number of administrative staff of the Group and the increase in remunerations and benefits payable to them, (ii) the increase in depreciation and amortisation by RMB0.6 million or 20.2% from RMB2.9 million for the six months ended 28 February 2021 to RMB3.5 million for the six months ended 28 February 2022 primarily due to the increase in the fixed assets for administration use in order to keep up with business development and the increase in the number of administrative staff; (iii) the increase in consultation fee by RMB2.6 million, which mainly represented attorney's fee, financial advisory and corporate consulting fees; and (iv) the increase in other professional services costs, office expenses and miscellaneous expenses to support the business growth of the Group.

Finance Costs

Finance costs primarily consist of (i) interest on bank loans and other borrowings; and (ii) interest on sale and leaseback liabilities. Finance costs decreased from RMB6.8 million for the six months ended 28 February 2021 to RMB4.3 million for the six months ended 28 February 2022. Our interest expenses increased by approximately RMB0.9 million from approximately RMB24.5 million for the six months ended 28 February 2021 to approximately RMB25.4 million for the six months ended 28 February 2022. During the six months ended 28 February 2022, among all interest expenses, a total amount of RMB4.3 million (six months ended 28 February 2021: RMB6.8 million) was not capitalised, which were related to (among others): (a) borrowing from Huatai Principal Investment Group Limited primarily for repaying other loans from certain other financial institutions, and (b) borrowings from certain banks in China which were mainly used for daily working capital or purposes not related to construction of property, plant and equipment, while interest expenses on other borrowings and sale and leaseback liabilities of approximately RMB21.1 million (six months ended 28 February 2021: RMB17.7 million) was fully capitalised.

Income Tax Expenses

During the six months ended 28 February 2022, the Group did not record any taxation, which remained the same as the corresponding period in 2021. For details of the income tax applicable to our Group, please refer to note 7 of the notes to financial statements in this interim report.

Profit for the Period

Due to the combined effects of aforementioned factors, the Group recorded a profit of RMB36.4 million for the six months ended 28 February 2022, representing an increase of approximately 19.1% as compared to RMB30.5 million for the six months ended 28 February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Property, Plant and Equipment

As at 28 February 2022, the Group's property, plant and equipment amounted to approximately RMB1,655.8 million, representing an increase of RMB81.4 million from approximately RMB1,574.4 million as at 31 August 2021. The increase was primarily 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.

Working Capital Sufficiency

Despite the fact that we have recorded net current liabilities positions as at 28 February 2022, our Directors are of the view that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this interim report, based on the following considerations:

- we have been accumulating net profits;
- we expect to generate cash flow from our operations with payment of tuition fees by our students in the upcoming 2021/2022 school year; and
- as at the date of this interim report, we had unutilised facilities of RMB100.0 million and historically we have been able to obtain external financings and do not foresee any impediment to do so in the future if such need arises.

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

Liquidity and Capital Resources

As at 28 February 2022, the Group's cash and cash equivalents were approximately RMB151.2 million, as compared with approximately RMB303.9 million as at 31 August 2021. The decrease was mainly attributable to the expansion of Hanan Campus in connection with its second phase construction and payment related to the development of the Yangtze River Delta Industry-Education Integrated Base* (長三角產教融合基地).

As at 28 February 2022, the Group's bank and other borrowings and interest accruals amounted to approximately RMB878.1 million (as at 31 August 2021: RMB877.5 million), of which approximately RMB10.7 million (equivalent to US\$1.5 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 28 February 2022, our bank and other borrowings borne effective interest rates ranging from 4.00% to 14.09% per annum (as at 31 August 2021: 4.00%–14.09%).

Gearing Ratio

As at 28 February 2022, our gearing ratio, which is calculated as total debt (including all interest-bearing bank loans and other borrowing) divided by total equity, was approximately 1.0, which was the same as at 31 August 2021.

Capital Expenditures

Capital expenditures during the Period were primarily related to the construction of the school premises of Hanan Campus, maintaining and upgrading existing school premises and acquisition of new school and land for education purpose. For the six months ended 28 February 2022, the Group's capital expenditures were RMB153.4 million (six months ended 28 February 2021: RMB110.5 million).

Capital Commitments

As at 28 February 2022, the Group had contracted but not provided for capital commitments of approximately RMB47.8 million (as at 31 August 2021: RMB35.1 million), which were primarily related to the to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 28 February 2022, the Group had no significant contingent liabilities.

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 six months ended 28 February 2022, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

Significant Investments, Acquisitions and Disposals

During the Period, there were no significant investments held nor other material acquisitions and disposals of subsidiaries and associated companies.

Pledge of Assets

As at 28 February 2022, the Group's sale and leaseback liabilities of approximately RMB334.5 million (as at 31 August 2021: RMB309.9 million) were guaranteed by the Group's total fixed assets of approximately RMB178.9 million (as at 31 August 2021: RMB179.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 28 February 2022, our Group operated one school, namely, Heilongjiang College of Business and Technology, in Harbin City, Heilongjiang Province. Heilongjiang College of Business and Technology consists of two campuses, namely Songbei Campus and Hanan Campus.

In addition, the Group entered into the land-use rights grant contract to acquire the land-use rights of 86,056 sq.m. in Hai'an City, Jiangsu Province in January 2021 to develop the Yangtze River Delta Industry-Education Integration Base* (長三角產教融合基地). The construction of the base has been underway. The phase 1 project with a floor area of 36,296 sq.m. is expected to be completed and put into use at the end of 2024.

As at 28 February 2022, the school covered a total area of approximately 542,009 sq.m. with gross floor area (GFA) of 310,480 sq.m. The property, plant and equipment were valued at RMB1,655.8 million.

As at 28 February 2022, the school had 641 teachers and 9,879 full-time students enrolled in undergraduate programmes. The table below sets out the data of student enrollments in the past three academic years (excluding students who withdrew during the respective academic years):

Academic year	Student enrollment
2019/2020 academic year	8,807
2020/2021 academic year	9,554
2021/2022 academic year	9,879

As at 28 February 2022, the utilisation rate of our school was 77.9% (as at 28 February 2021: 75.3%), which is calculated by dividing the number of undergraduate students enrolled by the maximum student capacity for the current academic year.

Our school offered 26 undergraduate majors in the 2021/22 academic year, including 11 in engineering, 5 in management, 3 in economics, 2 in literature, and 5 in art. The newly added majors in the 2020/2021 academic year were transportation and vehicle engineering.

For the six months ended 28 February 2022, the average tuition fees of our school amounted to RMB22,316 (six months ended 28 February 2021: RMB18,994), while our average boarding fees amounted to RMB2,018 (six months ended 28 February 2021: RMB1,706).

During the Period, we continued to offer quality educational services, and our graduates performed well in the job market. The year-end employment rate of our class of 2021 graduates reached 89.66%, and employer satisfaction over our graduates reached 94% overall.

MANAGEMENT DISCUSSION AND ANALYSIS

The school highlighted innovation and entrepreneurship education, in which it continuously achieved excellent results. Guided by teachers represented by the “business + joint teaching team”, more than 100 students have won the first prizes and the special prizes in the “Xuechuang Cup” National College Students Entrepreneurship Comprehensive Simulation Competition for five consecutive years, and won a total of 16 first prizes in the provincial competitions in the past five years. Students were granted more than 130 awards including the third prizes or above in the national-level professional discipline competitions including “Challenger Cup” and “Lan Qiao Cup”.

The school, which places a high emphasis on employment, regards employment as the most important task and assumes its primary responsibility as a secondary college to ensure that all graduates can achieve employment. By leveraging on the network platform, the employment department provided “cloud-based” services, focused on implementing four “uninterrupted” employment services including post recommendation, guidance and training, key assistance and continuous services, facilitated the implementation of policy-based posts, and actively developed market-based posts, which played a vital role amid the pandemic.

With great importance attached to and actions taken in industry-education integration and school-enterprise cooperation, the school gradually embarks on a path of innovation-driven development with the deep industry-education integration that brings talent training and industrial transformation and upgrading in line with national strategic needs. Its moves include the establishment of a talent workstation of Haimen District, Nantong City and a talent service station of Hai’an Human Resources and Social Security Bureau, Nantong, and the signing of a cooperation framework agreement on talents with Rongcheng City. It further promoted the integration of the school, the local authorities and enterprises in talent introduction, training and sharing, targeted employment for enterprises, innovation ecosystem and so forth. This fully reflects the school’s concept of employment based in Heilongjiang and serving the whole country.

Impact of COVID-19 Pandemic

Since the outbreak of the 2019 novel coronavirus disease (“COVID-19”) first reported in China in December 2019, the outbreak has endangered the health of many Chinese residents and severely disrupted tourism and local economies across the country. However, thanks to the concerted efforts of the Chinese government and the whole society, the pandemic has been basically brought under control in China, with sporadic outbreaks occurring in a few places, which will be gradually controlled with unremitting efforts. Currently, mainland China has relatively fewer risk areas compared with other countries in the world.

MANAGEMENT DISCUSSION AND ANALYSIS

The outbreak of COVID-19 has no significant impact on our revenue and financial position for the six months ended 28 February 2022. On one hand, we have collected tuition fees and boarding fees in advance at the beginning of the 2021/2022 academic year in September 2021. On the other hand, in order to prevent and cope with COVID-19 that has been continuing in the globe for more than two years, we have expanded our online teaching capability and resources by, among others, entering into a service agreement with Beijing Muhua Information Technology Co., Ltd.* (北京慕華信息科技有限公司) for a term of three years commencing from August 2020, to enable us to offer online education services and apply various intelligent teaching tools. Our online education model is very mature. Accordingly, we expect that we can generally continue to render education services without the need of refunding tuition fees.

Update on acquisition of Qiqihar College

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

Due to the Vendor’s failure to fulfill the conditions precedent under the framework agreement, in March 2022, Heilongjiang Liankang has obtained a judgment against the Vendor from the Harbin Songbei District People’s Court for the refund of the RMB3,000,000. The Vendor has filed an appeal in respect of the judgment. The Company will make further disclosure in respect of further update in this matter as and when appropriate.

Prospects

Market Overview

As of 28 February 2022, the state has issued a number of policies to support and encourage the development of vocational education.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

On the basis of grasping the national vocational education development policy, the Company actively works on internal and external construction, aiming at expanding the scale of schooling. After listing, the Company has built a new Nantong-Hai’an-Lifa Industry-Education Integration Campus in Yangtze Delta, one of the regions with the highest population growth and economic vitality in China. A school-running pattern of “one school, two places, and three campuses” has been formed. At the same time, the Company is actively expanding and improving the Hanan Campus in Harbin to increase the student capacity and lay a foundation for increasing the number of students.

Business Progress

The Company is a large private higher academic education service provider in Heilongjiang Province of China, ranking first in the field of private education in Heilongjiang Province. China’s private higher education market offers many market opportunities, and we have strong potential for further business development.

During the Period, although COVID-19 occurred sporadically in China from time to time, we still managed to provide students with online teaching at any time according to the needs of pandemic prevention and control. In addition, after more than one year of operation, the online teaching model has been mature, and COVID-19 poses no significant impact on business.

By continuously strengthening connotation construction and improving school-running conditions, we have maintained a high level of employment rate, and applied to education authorities to increase enrollment plan year by year, which not only improved resource utilization rate of the school, but also increased the Company’s income source. In 2021, 205 more students can be enrolled than in 2020 according to the enrollment plan.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In terms of the construction of teaching facilities, especially laboratory construction and teaching equipment, more investment has been continuously input. At present, in response to the Ministry of Education's promotion of digital economy teaching, the School has applied for and been approved to build one of the few "New Finance Smart Learning Factories" in China, which is expected to be completed and put into use by the end of 2022. After completion, the advanced experimental environment will bring new experience to students' practice and training, which will greatly improve the effect of students' training.

In terms of the integration of industry and education, our orientation is a private application-oriented university in China. We focus on cultivating students' practical skills that meet the needs of China's economic development. In 2021, the average employment rate of graduates of our higher education courses has reached 89.66%.

By deeply implementing the policy of "school-enterprise cooperation, collaborative education", we have successively established long-term and stable cooperative relations with 120 well-known leading companies with influence on the Northeast Region, the Yangtze River Delta region, the Pearl River Delta Region and other places, providing a broad space for the experimental base construction, personnel training, practice and employment, social services. In this way, students, the school, enterprises and the market can achieve a win-win and sustainable professional and skilled personnel training route.

In terms of speciality construction, the Company closely follows the needs of society and the market, continuously enriches its speciality settings, and gradually forms a superior professional group focusing on new business disciplines, new engineering, artificial intelligence, big data, digital creativity and other advantageous discipline groups with multiple disciplines developing collaboratively. We will further develop and refine the speciality construction and development of railways, high-speed railways, light rails, urban rails, civil aviation services, etc., and provide excellent undergraduate professionals for improving the concentration of advantageous industries in the province and the transportation industry across China.

In terms of campus construction, in order to create a comfortable and beautiful learning and living environment with strong cultural atmosphere for students, in addition to continuously improving the construction of teaching facilities, we also pay attention to the construction of campus culture. At present, the facilities such as school museum, railway museum and campus culture wall are under construction while the campus lake is upgrading and reforming to realize the target of 3A scenic campus and build it to an international cultural exchange centre.

Development Strategy

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

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

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

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

After listing, we built a new Nantong-Hai'an-Lifa Industry-Education Integration Campus, which was the first in the industry to allow college students to complete university studies, life and internships on different campuses, and enrich their life experience. With the centre of "Nantong-Hai'an-Lifa Industry-Education Integration Campus", we would like to influence the whole Yangtze River Delta Region, and carry out school-enterprise cooperation with multiple enterprises to implement the model that combines learning, internship and practical training. This innovative new model of industry-education integration has been recognized by the Heilongjiang Provincial Department of Education and will be promoted as a demonstration in major colleges and universities in the province. This industry-education integration base becomes the talent training and exchange platform for economic and social development in the Yangtze River Delta Region, and also greatly expands the channels and scope of students' scientific research, internship and employment. It not only improves the popularity and recognition of the school, but also lay the foundation for social recognition. The base can bring significant benefits to the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Updates to the Plan to Comply With the Qualification Requirement

Details of the updates on the PRC laws and regulations which have a material impact on the Group have been set out in the sections headed “Latest Regulatory Development” and “PRC Laws and Regulations Relating to Foreign Ownership in the Education Industry” in the Annual Report of the Company.

As disclosed in the Prospectus and the Annual Report, we have adopted a specific plan and have taken concrete steps which we believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. On 15 October 2019, Leader Education LLC was established in Chicago, Illinois and is an indirect wholly-owned subsidiary of the Company. Leader Education LLC plans to operate and manage a higher education institution (the “US School”) in the State of Illinois, US to be established, which is planned to provide programs focusing on business studies. On 21 February 2020, we filed a notice of intent for operation to the Illinois Board of Higher Education (IBHE). On 22 May 2020, we entered into a service agreement with an Independent Third Party, with an aim to design the education program to be offered by the US School and submit applications with the IBHE regarding the establishment of the US School. In the past two years, as COVID-19 has spread around the world and the international environment has changed dramatically, international business communication has been greatly affected. In particular, the epidemic in the United States is extremely serious, which has severely disrupted transportation and restricted flights between China and the United States, and seriously affected personnel exchanges between the two countries. Therefore, the application for establishment of the US School cannot proceed as scheduled. The Company would accelerate the process of application in the United States after the epidemic ends or improves.

EMPLOYEES AND REMUNERATION POLICY

As at 28 February 2022, the Group had 641 full-time employees and 301 part-time employees (as at 28 February 2021: 540 full-time employees and 281 part-time employees). The Company believes that attracting, recruiting and retaining high-quality employees are 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 six months ended 28 February 2022 was RMB34.4 million (six months ended 28 February 2021: RMB24.7 million).

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES

As at 28 February 2022, the interests and short positions of Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or as notified the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) Directors’ interests in the Company

Name of Director	Capacity/Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Mr. Liu Laixiang ⁽²⁾⁽³⁾	Interest in controlled corporation	496,674,000 (L)	74.5% (L)
Ms. Dong Ling ⁽⁴⁾⁽⁵⁾	Interest in controlled corporation	496,674,000 (L)	74.5% (L)

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Junhua Education is 100% owned by Mr. Liu and he is therefore deemed to be interested in all the Shares held by Junhua Education.
- (3) Mr. Liu is the spouse of Ms. Dong and he is therefore deemed to be interested in the Shares held by Ms. Dong.
- (4) Shuren Education is 100% owned by Ms. Dong and she is therefore deemed to be interested in all the Shares held by Shuren Education.
- (5) Ms. Dong is the spouse of Mr. Liu and she is therefore deemed to be interested in the Shares held by Mr. Liu.

(ii) Directors’ interests in associated corporation of the Company

Name of Director	Name of associated cooperation	Capacity/Nature of interest	Amount of registered capital	Percentage of shareholding ⁽¹⁾
Mr. Liu Laixiang ⁽²⁾	Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司)	Beneficial owner/interest of spouse	RMB40,000,000	100% (L)
Ms. Dong Ling ⁽³⁾	Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司)	Beneficial owner/interest of spouse	RMB40,000,000	100% (L)
Mr. Liu Laixiang ⁽⁴⁾	Heilongjiang College of Business and Technology	Interest in a controlled corporation/interest of spouse	RMB183,000,000	100% (L)
Ms. Dong Ling ⁽⁵⁾	Heilongjiang College of Business and Technology	Interest in a controlled corporation/interest of spouse	RMB183,000,000	100% (L)

OTHER INFORMATION

Notes:

- (1) The letter “L” denotes the person’s long position in the relevant shares/securities.
- (2) Mr. Liu is the beneficial owner of 40% of equity interest in Harbin Xiangge; his spouse, Ms. Dong is the beneficial owner of the remaining 60% of equity interest. Mr. Liu is deemed to be interest in all the equity interest held by Ms. Dong in Harbin Xiangge.
- (3) Ms. Dong is the beneficial owner of 60% of equity interest in Harbin Xiangge; her spouse, Mr. Liu is the beneficial owner of the remaining 40% of equity interest. Ms. Dong is deemed to be interest in all the equity interest held by Mr. Liu in Harbin Xiangge.
- (4) Harbin Xiangge is the sole school sponsor and holding all equity interest of Heilongjiang College of Business and Technology. Harbin Xiangge is 40% owned by Mr. Liu and thus he is deemed to be interested in all the shares held by Harbin Xiangge in Heilongjiang College of Business and Technology; at the same time, he is the spouse of Ms. Dong and he is therefore deemed to be interested in the shares held by Ms. Dong through Harbin Xiangge under the SFO.
- (5) Harbin Xiangge is the sole school sponsor and holding all equity interest of of Heilongjiang College of Business and Technology. Harbin Xiangge is 60% owned by Ms. Dong and thus she is deemed to be interested in all the shares held by Harbin Xiangge in Heilongjiang College of Business and Technology; at the same time, she is the spouse of Mr. Liu and she is therefore deemed to be interested in the shares held by Mr. Liu through Harbin Xiangge under the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 28 February 2022, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS’ INTEREST IN THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 28 February 2022, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares interested ⁽¹⁾	Approximate Percentage of shareholding ⁽¹⁾
Junhua Education Limited ⁽²⁾⁽³⁾	Beneficial owner	196,674,000	29.5%
Shuren Education Limited ⁽⁴⁾⁽⁵⁾	Beneficial owner	300,000,000	45.0%
Huatai Securities Co., Ltd. ⁽⁶⁾	Interest in a controlled corporation	498,853,000	74.82%

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Junhua Education is 100% owned by Mr. Liu and he is therefore deemed to be interested in all the shares of the Company held by Junhua Education under the SFO.

OTHER INFORMATION

- (3) Mr. Liu is the spouse of Ms. Dong. Mr. Liu is deemed to be interested in all the shares of the Company in which Ms. Dong is interested under the SFO.
- (4) Shuren Education is 100% owned by Ms. Dong and she is therefore deemed to be interested in all the shares of the Company held by Shuren Education under the SFO.
- (5) Ms. Dong is the spouse of Mr. Liu. Ms. Dong is deemed to be interested in all the shares of the Company in which Mr. Liu is interested under the SFO.
- (6) Huatai International Greater Bay Area Investment Fund II, L.P. is 100% owned by Huatai Capital Investment Partners Limited, while Huatai Capital Investment Partners Limited is 100% owned by Principle Solution Group Limited, and Principle Solution Group Limited is 100% owned by Huatai Financial Holdings (Hong Kong) Limited. Huatai Financial Holdings (Hong Kong) Limited is 100% owned by Huatai Securities Co., Ltd through Huatai International Financial Holdings Company Limited. Huatai Securities Co., Ltd is therefore deemed under the SFO to be interested in all the shares of the Company held or was interested in which Huatai Financial Holdings (Hong Kong) Limited and Huatai International Greater Bay Area Investment Fund II, L.P..

Save as disclosed above and to the best knowledge of the Directors, as at 28 February 2022, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' Right to Acquire Shares or Debentures

Save as disclosed in this interim report, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 28 February 2022.

There have been no option, convertible securities or similar rights or arrangements, issued or granted by the Group during the six months ended 28 February 2022 and as at the date of this interim report.

STRUCTURED CONTRACTS

Please refer to the section headed "Structured Contracts" in the Prospectus and "Report of the Directors – Non-exempt Continuing Connected Transactions – Structured Contracts" in the Annual Report for details. The Board has reviewed the overall performance of the Structured Contracts (as defined in the Prospectus) and considered that the Group has complied with the Structured Contracts in all material respects during the Period.

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION

Mr. Chan Ngai Fan has been appointed as an independent non-executive director of Capital Finance Holdings Limited (HKEX stock code: 8239) since 1 January 2022 and an independent non-executive director of Contel Technology Company (HKEX stock code: 1912) since 2 March 2022.

Save as disclosed above, there is no other changes in Directors' information for the six months ended 28 February 2022 and up to the date of this interim report.

CORPORATE GOVERNANCE CODE

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

During the six months ended 28 February 2022 except for the deviations noted below, the Company had complied with the code provisions of the CG Code and, where appropriate, adopted the recommended best practices as set out in the CG Code.

CG Code C.2.1

CG Code C.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Liu Laixiang is currently both the Chief Executive Officer and Chairman of the Board. As Mr. Liu has been managing the business and in charge of the overall strategic planning of Harbin Xiangge since 2007 and Heilongjiang College of Business and Technology (including its predecessor) since 2011, the Board believes that vesting the roles and functions of both Chief Executive Officer and Chairman in the same person can ensure consistent leadership and efficient discharge of executive functions within the Group which is beneficial to the overall operation and management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and 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 the Chairman of our Board and the Chief Executive Officer of our Company at an appropriate time if necessary.

CG Code D.2.5

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries to all Directors of the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' and supervisors' securities transactions throughout the six months ended 28 February 2022.

Meanwhile, since the Listing Date, the Company has also adopted a code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

SHARE OPTION SCHEME

The Company's Share Option Scheme was conditionally approved by the then Shareholders on 22 July 2020 and was adopted pursuant a resolution of the Board passed on 22 July 2020. Details of the Share Option Scheme are set out under the section headed "Statutory and General Information – F. Share Option Scheme" in the Prospectus and "Share Option Scheme" in the Annual Report respectively. No option has been granted since then and up to the date of this interim report and therefore, there was no outstanding options as at 28 February 2022 and no options were exercised or cancelled or lapsed during the six months ended 28 February 2022.

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 28 February 2022. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

SUBSEQUENT EVENTS

As at the date of this interim report, there was no significant event subsequent to 28 February 2022.

OTHER INFORMATION

GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

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

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

As at 28 February 2022, the utilisation of the net proceeds is as follows:

	Percentage of total nets proceeds	Net proceeds HK\$ million	Utilised up to 28 February 2022 HK\$ million	Unutilised up to 28 February 2022 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	—	N/A
Repay principals and interests of borrowings from financial institutions	30%	100.0	87.0	13.0	30 June 2023 ⁽²⁾
Acquire other schools to expand the Group's school network	20%	66.6	3.6	63.0	31 December 2022 ⁽³⁾
Fund the Group's working capital and general corporate purposes	10%	33.4	33.4	0	N/A
Total		<u>333.2</u>	<u>257.2</u>	<u>76.0</u>	

Notes:

- (1) The above figures are subject to rounding.
- (2) We have extended the term of an existing loan with a financial institution and it is expected that the unutilised portion of net proceeds will be utilised for repayment of interest and/or principal thereunder by 30 June 2023.
- (3) As at 28 February 2022, the Group has utilised an amount of approximately RMB3.0 million (equivalent to HK\$3.6 million) as deposit in connection with the proposed acquisition of the sponsorship interest in Qiqihar College. Please refer to the paragraph headed "Update on acquisition of Qiqihar College" of the "Management Discussion and Analysis" section in this interim report for the latest development of the acquisition. Save as disclosed above, we have not identified other acquisition targets. The remainder of net proceeds earmarked for acquisition of other schools will be applied after the Group has identified and entered into legally binding agreement to acquire the same.

PUBLIC FLOAT

As at the date of this interim report, 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.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference. The Audit Committee currently comprises three independent non-executive Directors, Mr. Chan Ngai Fan, Mr. Zhang Su and Mr. Cao Shaoshan. 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. Its composition and written terms of reference are in line with the CG Code.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 28 February 2022 including the interim report and discussed with the management of the Company and is of the view that such financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the Audit Committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

	Notes	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
REVENUE	4	131,756	97,943
Cost of sales		<u>(79,851)</u>	<u>(49,229)</u>
Gross profit		51,905	48,714
Other income and gains	4	6,027	957
Selling expenses		(1,008)	(1,065)
Administrative expenses		(14,585)	(10,247)
Other expenses, net		(1,700)	(1,079)
Finance costs	6	<u>(4,285)</u>	<u>(6,750)</u>
PROFIT BEFORE TAX	5	36,354	30,530
Income tax expense	7	<u>—</u>	<u>—</u>
PROFIT FOR THE PERIOD		<u>36,354</u>	<u>30,530</u>

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

	Notes	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on transaction of financial statements		3,893	3,745
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>3,893</u>	<u>3,745</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on transaction of financial statements		(3,298)	(10,242)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u>(3,298)</u>	<u>(10,242)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u>595</u>	<u>(6,497)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>36,949</u></u>	<u><u>24,033</u></u>
Profit attributable to:			
Owners of the parent		<u>36,354</u>	<u>30,530</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>36,949</u>	<u>24,033</u>
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted	9	<u>RMB0.0545</u>	<u>RMB0.0458</u>
— For profit for the period			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2022

	Notes	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,655,838	1,574,412
Right-of-use assets		67,658	15,498
Other intangible assets		3,242	2,604
Prepayments for purchase of property, plant and equipment and right-of-use assets		27,324	75,348
Other non-current assets		11,296	8,000
Total non-current assets		<u>1,765,358</u>	<u>1,675,862</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss		8,263	—
Prepayments, other receivables and other assets		18,279	17,888
Cash and cash equivalents		151,237	303,934
Total current assets		<u>177,779</u>	<u>321,822</u>
CURRENT LIABILITIES			
Contract liabilities	11	106,617	169,384
Other payables and accruals	12	70,643	81,367
Interest-bearing bank and other borrowings and interest accruals	13	228,470	197,768
Deferred income		249	249
Total current liabilities		<u>405,979</u>	<u>448,768</u>
NET CURRENT LIABILITIES		<u>(228,200)</u>	<u>(126,946)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,537,158</u>	<u>1,548,916</u>

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2022

	Notes	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings and interest accruals	13	649,598	679,777
Deferred income		1,929	2,053
Other long term liability	12	—	18,404
Total non-current liabilities		<u>651,527</u>	<u>700,234</u>
Net assets		<u>885,631</u>	<u>848,682</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	46,292	46,292
Reserves		<u>839,339</u>	<u>802,390</u>
Total equity		<u>885,631</u>	<u>848,682</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

	Attributable to owners of the parent					Total RMB'000
	Share capital RMB'000 Note 14	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	
As at 1 September 2020 (audited)	46,292	286,007	124,559	346,358	(2,649)	800,567
Profit for the period	—	—	—	30,530	—	30,530
Other comprehensive loss for the period:						
Exchange differences on translation of financial statements	—	—	—	—	(6,497)	(6,497)
Total comprehensive income for the period	—	—	—	30,530	(6,497)	24,033
Transfer from retained profits	—	—	9,645	(9,645)	—	—
As at 28 February 2021 (unaudited)	<u>46,292</u>	<u>286,007</u>	<u>134,204</u>	<u>367,243</u>	<u>(9,146)</u>	<u>824,600</u>

	Attributable to owners of the parent					Total RMB'000
	Share capital RMB'000 Note 14	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	
As at 1 September 2021 (audited)	46,292	286,007	131,989	390,941	(6,547)	848,682
Profit for the period	—	—	—	36,354	—	36,354
Other comprehensive income for the period:						
Exchange differences on translation of financial statements	—	—	—	—	595	595
Total comprehensive income for the period	—	—	—	36,354	595	36,949
Transfer from retained profits	—	—	3,999	(3,999)	—	—
As at 28 February 2022 (unaudited)	<u>46,292</u>	<u>286,007</u>	<u>135,988</u>	<u>423,296</u>	<u>(5,952)</u>	<u>885,631</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

	Notes	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		36,354	30,530
Adjustments for:			
Finance costs	6	4,285	6,750
Bank interest income	4	(24)	(110)
Fair value gains on financial statements at fair value through profit or loss	4	(170)	—
Depreciation of property, plant and equipment	5	17,284	13,745
Depreciation of right-of-use assets	5	1,274	242
Amortisation of other intangible asset	5	577	700
		59,580	51,857
(Decrease)/increase in prepayments, other receivables and other assets		(391)	20,816
Decrease in other payables and accruals		(27,681)	(22,536)
Decrease in contract liabilities		(62,767)	(3,642)
(Decrease)/increase in deferred income		(124)	2,427
		(31,383)	48,922
Cash (used in)/generated from operations			
Interest received		24	110
Tax paid		—	—
		(31,359)	49,032
Net cash flows (used in)/from operating activities			

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

Notes	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for purchase of property, plant and equipment and right-of-use assets	(3,939)	(49,029)
Purchase of items of property, plant and equipment	(80,499)	(96,831)
Additions to other intangible assets	(1,215)	(920)
Purchase of financial assets at fair value through profit or loss	(8,093)	—
	<u>(93,746)</u>	<u>(146,780)</u>
Net cash flows used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other borrowings	57,970	20,000
Repayment of bank loans and other borrowings	(80,584)	(44,990)
Interest paid	(4,654)	(3,702)
Interest element of sale and leaseback liabilities	(20,156)	(9,811)
Principal portion of sale and leaseback liabilities	22,751	54,684
Payment for other non-current assets	(3,296)	(3,575)
	<u>(27,969)</u>	<u>12,606</u>
Net cash flows (used in)/from financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(153,074)	(85,142)
Cash and cash equivalents at beginning of period	303,934	337,554
Effect of foreign exchange rate changes, net	377	(6,497)
	<u>151,237</u>	<u>245,915</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

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 six months ended 28 February 2022 (the “Period”), the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in providing private higher education services in the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the Period has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the Group’s annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 August 2021. The unaudited interim condensed consolidated financial information is presented in Renminbi (“RMB”), and all values are rounded to the nearest thousand except otherwise indicated.

Going concern

The Group recorded net current liabilities of RMB228,200,000 as at 28 February 2022. Included therein were the contract liabilities of RMB106,617,000, which will be settled by education services provided by the Group rather than settled by cash.

In view of the net current liabilities position, the directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the financial resources available to the Group, including the internally generated funds from operation and existence of sufficient facility of RMB100,000,000, and the ability of management in adjusting the pace of its operation expansion, the directors of the Group are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the unaudited interim condensed consolidated financial information on a going concern basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 August 2021, except for the adoption of the following revised IFRSs for the first time for the Period's financial information:

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

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any impact on the financial position and performance of the Group as the Group did not have any HIBOR/LIBOR-based borrowings.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 September 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

3. OPERATING SEGMENT INFORMATION

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

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

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

Geographical information

During the Period, the Group operated within one geographical segment because all of its revenue was generated in the PRC and over 90% 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 service provided to a single customer accounted for 10% or more of the total revenue of the Group during the Period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gain is as follows:

	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
Revenue from contracts with customers		
Tuition fees	121,463	89,794
Boarding fees	10,293	8,149
	<hr/>	<hr/>
Total revenue from contracts with customers	131,756	97,943
	<hr/>	<hr/>
Other income and gains		
Rental income	323	363
Bank interest income	24	110
Government grants*		
— Related to income	5,125	210
— Related to assets	124	62
Fair value gains on financial assets at fair value through profit or loss	170	—
Others	261	212
	<hr/>	<hr/>
	6,027	957
	<hr/>	<hr/>

* There are no unfulfilled conditions or contingencies relating to such government grants recognised.

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
<i>Timing of revenue recognition</i>		
Tuition fees recognised over time	121,463	89,794
Boarding fees recognised over time	10,293	8,149
	<hr/>	<hr/>
	131,756	97,943
	<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

5. PROFIT BEFORE TAX

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

	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	28,410	20,602
Pension scheme contributions	5,310	3,048
	<u>33,720</u>	<u>23,650</u>
Depreciation of property, plant and equipment	17,284	13,745
Depreciation of right-of-use assets	1,274	242
Amortisation of other intangible assets	577	700
Central heating cost	4,878	3,401
Bank interest income	(24)	(110)
Fair value gains on financial assets at fair value through profit or loss	(170)	—
Government grants		
— related to income	(5,125)	(210)
— related to assets	(124)	(62)
	<u>(124)</u>	<u>(62)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

6. FINANCE COSTS

	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	10,484	13,420
Interest on sale and leaseback liabilities	14,930	11,044
Total interest expense	25,414	24,464
Less: Interest capitalised	(21,129)	(17,714)
	<u>4,285</u>	<u>6,750</u>

7. INCOME TAX

	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
Current income tax — Mainland China	<u>—</u>	<u>—</u>

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 period.

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 period.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

7. INCOME TAX (Continued)

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

During the Period, Heilongjiang College of Business and Technology (“Heilongjiang College”) is in the process of classification registration and remain as a private non-enterprise unit.

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

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, except for Heilongjiang College, 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 Co., Ltd. (“Liankang Consulting”), 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.

8. INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 28 February 2022 (six months ended 28 February 2021: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

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 period attributable to owners of the parent, and the weighted average number of ordinary shares of 666,667,000 (28 February 2021: 666,667,000) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 28 February 2022 and 28 February 2021.

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

	Six months ended 28 February 2022 RMB'000 (Unaudited)	Six months ended 28 February 2021 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>36,354</u>	<u>30,530</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>666,667,000</u>	<u>666,667,000</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2022, the Group acquired assets with a cost of RMB98,710,000 (28 February 2021: RMB109,603,000) as additions to property, plant and equipment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

11. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Tuition fees	97,975	156,729
Boarding fees	8,642	12,655
	<u>106,617</u>	<u>169,384</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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

12. OTHER PAYABLES AND ACCRUALS

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Payables for purchase of property, plant and equipment	44,386	45,833
Payables for co-operation costs	—	18,404
Miscellaneous expenses received from students (note (i))	7,329	16,034
Payables for salaries and welfares	5,432	5,781
Payables for labour union expenditure	2,561	2,132
Payables for central heating cost	—	1,073
Other tax payable	21	24
Other payables	10,914	10,490
	<u>70,643</u>	<u>99,771</u>
Current portion	70,643	81,367
Non-current portion:		
Payables for co-operation costs included in other long term liability	—	18,404

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

13. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS

	28 February 2022			31 August 2021		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Sale and leaseback liabilities	8.92-11.39	2022-2023	179,363	8.92-11.39	2022	123,757
Bank loans – secured	–	–	–	5.25	2022	10,000
Bank loans – unsecured	5.25	2022	35,584	5.25	2022	25,368
Current portion of long term						
bank loans – secured	5.15	2022-2023	1,345	5.15	2022	12,476
Other borrowings – secured	14.09	2022-2023	10,654	14.09	2022	10,933
Other borrowings – unsecured	–	–	–	7.80	2022	15,234
Lease liabilities	6.64	2022	1,524	–	–	–
			228,470			197,768
Non-current						
Sale and leaseback liabilities	8.92-11.39	2023-2026	155,093	8.92-11.39	2023-2025	186,140
Bank loans – secured	5.15	2023-2025	42,000	5.15	2022-2025	50,001
Other borrowing – unsecured	4.00	2024	450,935	4.00	2024	443,636
Lease liabilities	6.64	2023-2024	1,570	–	–	–
			649,598			679,777
			878,068			877,545

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

13. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS

(Continued)

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Analysed into:		
Sale and leaseback liabilities:		
Within one year	179,363	123,757
In the second year	135,577	137,448
In the third to fifth years, inclusive	19,516	48,692
	<u>334,456</u>	<u>309,897</u>
Bank loans repayable:		
Within one year	36,929	47,844
In the second year	5,000	13,001
In the third to fifth years, inclusive	37,000	37,000
	<u>78,929</u>	<u>97,845</u>
Other borrowings repayable:		
Within one year	10,654	26,167
In the third to fifth years, inclusive	450,935	443,636
	<u>461,589</u>	<u>469,803</u>
Lease liabilities		
Within one year	1,524	—
In the second year	1,570	—
	<u>3,094</u>	<u>—</u>
	<u>878,068</u>	<u>877,545</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

13. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS

(Continued)

Notes:

Certain of the Group's bank and other borrowings and interest accruals are secured by:

(a) Pledges over the following assets:

Properties which belong to the following related parties pledged for bank and other borrowings and interest accruals of:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Mr. Liu Laixiang and Ms. Dong Ling	34,990	50,602
Yincheng Zhiye	—	15,234
	<u>34,990</u>	<u>65,836</u>

Time deposits amounting to RMB10,000,000 which belong to the following third party pledged for bank loans and interest accruals of:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Zhonghong United Financing Guarantee Limited ("Zhonghong United Financing") 中鴻聯合融資擔保有限公司	<u>42,725</u>	<u>62,476</u>

(b) Pledge of a 100% equity interest of Liankang Consulting for other loans and interest accruals of RMB10,654,000 and RMB10,932,000 as at 28 February 2022 and 31 August 2021, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

13. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS

(Continued)

Notes: (Continued)

Certain of the Group's bank and other borrowings and interest accruals are guaranteed by:

(i) The following related parties:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Jointly, Mr. Liu Laixiang and Ms. Dong Ling	282,994	201,742
Jointly, Mr. Che Wenge and Mr. Wang Yunfu	—	15,234
Yincheng Zhiye	62,582	77,008
Junfengda Property	9,917	10,504
Daqing Xiangge	42,557	54,250
	<u>398,050</u>	<u>358,738</u>

(ii) The following third party:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Zhonghong United Financing	<u>42,725</u>	<u>62,476</u>

The carrying value of the Group's equipment held under sale and leaseback liabilities as at 28 February 2022 was RMB178.9 million (31 August 2021: RMB179.0 million). Leased assets were pledged as security for the related sale and leaseback liabilities.

Except for the 14.09% (31 August 2021: 14.09%) secured other borrowings which are denominated in United States dollars, all borrowings are in RMB.

The Group's other borrowing are unsecured, bear interest at a rate of 4.00% (31 August 2021: 4.00%) and will be repayable in 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

14. SHARE CAPITAL

Shares

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Authorised:		
1,000,000,000 ordinary shares of US\$0.01 each as at 28 February 2022 (31 August 2021: 1,000,000,000 ordinary shares)	<u>69,714</u>	<u>69,714</u>
Issued and fully paid:		
666,667,000 ordinary shares as at 28 February 2022 (31 August 2021: 666,667,000 ordinary shares)	<u>46,292</u>	<u>46,292</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 August 2021 (audited) and 28 February 2022 (unaudited)	<u>666,667,000</u>	<u>46,292</u>

15. COMMITMENTS

The Group had the following capital commitments at the end of the Period:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	<u>47,833</u>	<u>35,135</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

16. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Ms. Dong Ling 董玲	One of the controlling shareholders
Mr. Liu Laixiang 劉來祥	One of the controlling shareholders
Mr. Che Wenge 車文閣	One of the directors
Mr. Wang Yunfu 王雲福	One of the directors
Daqing Xiangge Enterprise Management Limited (“Daqing Xiangge”) 大慶市祥閣企業管理有限公司	Company controlled by Mr. Liu Laixiang
Yincheng Zhiye	Company controlled by Ms. Dong Ling
Junfengda Property	A subsidiary of Harbin Xiangge until 20 January 2020 and of Yincheng Zhiye since 20 January 2020

(b) Guarantees provided by related parties

Related parties provided guarantees for the Group’s interest-bearing bank and other borrowings and interest accruals free of charge.

Certain of the Group’s interest-bearing bank and other borrowings and interest accruals with aggregate carrying amounts as at 28 February 2022 of RMB34,990,000 (31 August 2021: RMB65,836,000) were secured by pledges over the properties owned by related parties.

(c) Compensation of key management personnel of the Group:

	Six months ended 28 February 2022 RMB’000 (Unaudited)	Six months ended 28 February 2021 RMB’000 (Unaudited)
Salaries, allowances and benefits in kind	1,309	1,105
Pension contributions	22	21
	<u>1,331</u>	<u>1,126</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	28 February 2022	
	Carrying amounts RMB'000 (Unaudited)	Fair values RMB'000 (Unaudited)
Financial assets		
Financial assets at fair value through profit or loss		
– Debt securities listed in Hong Kong	8,263	8,263
Other non-current assets	11,296	9,270
	<u>19,559</u>	<u>17,533</u>
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities)	874,974	770,299
	<u>874,974</u>	<u>770,299</u>
	31 August 2021	
	Carrying amounts RMB'000 (Audited)	Fair values RMB'000 (Audited)
Financial assets		
Other non-current assets	8,000	6,386
	<u>8,000</u>	<u>6,386</u>
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities)	877,545	774,279
Other long term liability	18,404	18,404
	<u>895,949</u>	<u>792,683</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

At the end of each period, the finance department analyses the movements in the values of financial instruments.

The fair values of other non-current assets, interest-bearing bank and other borrowings and interest accruals and other long term liability have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in the Group's own non-performance risk for other non-current assets, interest-bearing bank and other borrowings and interest accruals, payables for purchase of property, plant and equipment and other long term liability as at the end of each year/period were assessed to be insignificant.

Fair value hierarchy

The group did not have any financial liabilities measured at fair value as at 31 August 2021 and 28 February 2022.

During the year ended 31 August 2021 and the Period, there were no transfers of fair value measurement between Level 1 and Level 2, or transfers into or out of Level 3 for both financial assets and financial liabilities. The Group's policy is to recognize transfers between levels of the fair value hierarchy as at the end of each year/period in which they occur.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 28 February 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss				
– Debt securities listed in Hong Kong	–	8,263	–	8,263

Assets for which fair values are disclosed

As at 28 February 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Other non-current assets	–	9,270	–	9,270

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed *(Continued)*

As at 31 August 2021

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Other non-current assets	—	6,386	—	6,386

Liabilities for which fair values are disclosed

As at 28 February 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities)	—	770,299	—	770,299

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed *(Continued)*

As at 31 August 2021

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities)	—	774,279	—	774,279
Other long term liability	—	18,404	—	18,404
	<u>—</u>	<u>792,683</u>	<u>—</u>	<u>792,683</u>

18. EVENTS AFTER THE PERIOD

There were no significant events of the Group after the Period.

DEFINITIONS

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

“Annual Report”	the 2021 annual report published by the Company on 30 December 2021
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Leader Education Limited (立德教育股份有限公司) with the former dual foreign name in Chinese as “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
“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”	a 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 Zhiye Co Ltd.* (哈爾濱祥閣置業有限公司), a limited liability company established under the laws of the PRC and 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), a private regular undergraduate institution approved and established under the laws of PRC and a consolidated affiliated entity of the Company

“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards (which include all International Financial Reporting Standards, International Accounting Standards and interpretations) issued by the International Accounting Standards Board
“Junhua Education”	Junhua Education Limited (竣華教育有限公司), a company incorporated under the laws of the BVI on 18 June 2019 and wholly-owned by Mr. Liu, our Controlling Shareholder
“Listing Date”	6 August 2020, since which the Shares of the Company have been listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Mr. Liu”	Mr. Liu Laixiang (劉來祥), the Chairman, the Chief Executive Officer, an executive Director and a Controlling Shareholder and the spouse of Ms. Dong
“Ms. Dong”	Ms. Dong Ling (董玲), an executive Director and a Controlling Shareholder and the spouse of Mr. Liu
“Prospectus”	the prospectus of the Company dated 27 July 2020
“Qiqihar College”	Qiqihar Institute of Technology* (齊齊哈爾學院), a junior college (普通專科學校) with its existing campus in Qiqihar, Heilongjiang Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Share Option Scheme”	The Company’s share option scheme which was conditionally approved by the then Shareholders on 22 July 2020 and was adopted pursuant a resolution of the Board passed on 22 July 2020.

DEFINITIONS

“Shuren Education”	Shuren Education Limited (樹人教育有限公司), a company incorporated under the laws of the BVI on 18 June 2019 and wholly-owned by Ms. Dong, our Controlling Shareholder
“Songbei Campus”	a 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 thereto under Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with “*” and the Chinese translation of company or entity names in English which are marked with “*” is for identification purpose only.