

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 2023



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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
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Cayman Islands

HEAD OFFICE IN PRC

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CORPORATE INFORMATION

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Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place,
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LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

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No.41, Bei Shi Liu Dao Jie
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PRC

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No. 500, Shimao Da Dao
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PRC

STOCK CODE

1449

COMPANY WEBSITE

www.leader-education.cn





FINANCIAL HIGHLIGHTS



	Six months ended 28 February 2023 RMB'000	Six months ended 28 February 2022 RMB'000	Percentage change
Revenue	152,125	131,756	16%
Gross profit	73,508	51,905	42%
Profit before tax from continuing operations	41,067	36,354	13%
Profit for the period	41,067	36,354	13%

For the six months ended 28 February 2023, our total revenue amounted to approximately RMB152.1 million, representing an increase of approximately 15.5% as compared with the six months ended 28 February 2022. Our profit for the six months ended 28 February 2023 amounted to approximately RMB41.1 million, representing an increase of approximately 13.0% as compared with the six months ended 28 February 2022.

As at 28 February 2023, we had a total of 11,010 full-time students, representing an increase of approximately 11.4% as compared with the number of students enrolled in the school year 2021/2022; and our average tuition fees for our undergraduate college programs increased by approximately 18.4% for the six months ended 28 February 2023, as compared with the six months ended 28 February 2022.



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 RMB20.3 million or 15.5% from RMB131.8 million for the six months ended 28 February 2022 to RMB152.1 million for the six months ended 28 February 2023. The increase was mainly due to the following reasons: (i) revenue from tuition fees has increased by RMB18.2 million or 15.0% from RMB121.5 million for the six months ended 28 February 2022 to RMB139.7 million for the six months ended 28 February 2023; and (ii) revenue from boarding fees has increased by RMB2.1 million or 20.4% from RMB10.3 million for the six months ended 28 February 2022 to RMB12.4 million for the six months ended 28 February 2023. For the 2022/23 school year, the tuition fee standards are RMB25,800 per year for engineering major, RMB24,800 per year for liberal arts majors and RMB27,800 per year for art majors respectively (2021/22 school year: RMB29,800 per year for general majors and RMB29,800 per year for art majors). The new tuition fee standards are applicable for new students admitted for 2022/23 school year, the tuition fee standard for students of grade 2022 had been adjusted to be consistent with that for new students admitted for 2022/23 school year, the paid tuition fees collected in 2022 will not be adjusted and students of grades 2021, 2020 and 2019 are subject to the tuition fee standards then applicable at their year of admission. The boarding fee rate for the 2022/23 school year is in the range of RMB2,200 to RMB2,400 per year (2021/22 school years: RMB2,200 to RMB2,400 per year). The total number of students enrolled has increased from 9,879 for the 2021/22 school year to 11,010 for the 2022/23 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 decreased by RMB1.2 million or 1.5% from RMB79.8 million for the six months ended 28 February 2022 to RMB78.6 million for the six months ended 28 February 2023. The decrease was mainly due to the combined effects of: (i) staff costs increased by RMB2.8 million or 9.1% from RMB30.7 million for the six months ended 28 February 2022 to RMB33.5 million for the six months ended 28 February 2023, mainly due to 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 depreciation and amortisation of RMB4.1 million, mainly due to the increase in campus buildings and teaching facilities; (iii) decrease in maintenance costs of RMB1.6 million, mainly due to less maintenance on campus buildings occurred in current period; (iv) decrease in teaching expenses of RMB3.7 million as less courses production costs occurred; (v) student activity costs decreased by RMB2.6 million, mainly due to the student activity costs of RMB2.6 million related to the Winter Olympic Games occurred in previous period, and no such costs occurred in current period; and (vi) Other costs of sales decreased due to the impact of the COVID-19 on reducing teacher training.



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 RMB21.6 million or 41.6% from RMB51.9 million for the six months ended 28 February 2022 to RMB73.5 million for the six months ended 28 February 2023, mainly due to fact that the growth of revenue was higher than that of corresponding cost. Gross profits margin has increased from 39.4% for the six months ended 28 February 2022 to 48.3% for the six months ended 28 February 2023. The 11.4% increase in student numbers resulted in a 15.4% increase in income. Furthermore, due to meet the qualification evaluation of undergraduate teaching work in previous period, our Group incurred expenses for constructing and maintaining campus buildings and teaching facilities, less maintenance on campus buildings occurred in current period, the impact of the COVID-19, student activity costs and teacher training expenses have decreased in current period. etc. The combined effects of the abovementioned factors led to the increase 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 2023 decreased by RMB4.0 million as compared to the amount for six months ended 28 February 2022 which was mainly due to government grant of RMB5.0 million received from Harbin Finance Bureau during prior year while there is no relevant event incurred during current ended 28 February 2023.

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 2022.

Administrative Expenses

Administrative expenses consist of administrative staff's salaries costs, depreciation and amortization, 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 RMB9.6 million or 65.8% from RMB14.6 million for the six months ended 28 February 2022 to RMB24.2 million for the six months ended 28 February 2023, mainly due to (i) the increase in staff costs of RMB2.2 million as a result of the combined effects of the increase in the number of administrative staff of the Group and the increase in remunerations and benefits payable to them; (ii) the increase in consultation fee by RMB5.8 million, which mainly represented attorney's fee, financial advisory and corporate consulting fees; and (iii) 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 increased from RMB4.3 million for the six months ended 28 February 2022 to RMB6.7 million for the six months ended 28 February 2023. Our interest expenses increased by approximately RMB1.4 million from approximately RMB25.4 million for the six months ended 28 February 2022 to approximately RMB26.8 million for the six months ended 28 February 2023. During the six months ended 28 February 2023, among all interest expenses, a total amount of RMB6.7 million (six months ended 28 February 2022: RMB4.3 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 RMB20.2 million (six months ended 28 February 2022: RMB21.1 million) was fully capitalised.

Income Tax Expenses

During the six months ended 28 February 2023, the Group did not record any taxation, which remained the same as the corresponding period in 2022. 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 RMB41.1 million for the six months ended 28 February 2023, representing an increase of approximately 13.0% as compared to RMB36.4 million for the six months ended 28 February 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Property, Plant and Equipment

As at 28 February 2023, the Group's property, plant and equipment amounted to approximately RMB1,741.7 million, representing an increase of RMB64.4 million from approximately RMB1,677.4 million as at 31 August 2022. 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 2023, 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 2023/2024 school year; and
- as at the date of this interim report, we had unutilised facilities of RMB93.0 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 2023, the Group's cash and cash equivalents were approximately RMB200.8 million, as compared with approximately RMB253.1 million as at 31 August 2022. The decrease was mainly attributable to the expansion of Hanan Campus in connection with its third 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 2023, the Group's bank and other borrowings and interest accruals amounted to approximately RMB928.7 million (as at 31 August 2022: RMB855.6 million), of which approximately RMB4.3 million (equivalent to US\$0.5 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 28 February 2023, our bank and other borrowings borne effective interest rates ranging from 4.00% to 14.09% per annum (as at 31 August 2022: 4.00%–14.09%).



Gearing Ratio

As at 28 February 2023, 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 2022.

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 2023, the Group's capital expenditures were RMB88.3 million (six months ended 28 February 2022: RMB153.4 million).

Capital Commitments

As at 28 February 2023, the Group had contracted but not provided for capital commitments of approximately RMB29.8 million (as at 31 August 2022: RMB29.5 million), which were primarily related to the to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 28 February 2023, 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 2023, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

Significant Investments, Acquisitions and Disposals

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 2023, the Group's sale and leaseback liabilities of approximately RMB322.4 million (as at 31 August 2022: RMB306.7 million) were guaranteed by the Group's total fixed assets of approximately RMB182.1 million (as at 31 August 2022: RMB176.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the six months ended 28 February 2023, 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 acquired the land-use rights of a lot in Hai'an City, Jiangsu Province in January 2021 to build the Yangtze River Delta Industry-Education Integration Base. The construction has commenced. The phase 1 project with a floor area of 36,296 sq.m. is expected to be put into operation at the end of 2024.

As at 28 February 2023, the school covered a total area of approximately 542,009 sq.m. with a gross floor area (GFA) of 310,480 sq.m. The property, plant and equipment were totally valued at RMB1,741.7 million.

As at 28 February 2023, the school had 686 teachers and 11,010 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	Number of enrolled students
2020/2021	9,554
2021/2022	9,879
2022/2023	11,010

As at 28 February 2023, the utilisation rate of our school was 86.83% (as at 28 February 2022: 77.9%), 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 2022/23 academic year, including 11 in engineering, 5 in management, 3 in economics, 2 in literature, and 5 in art. The majors offered in the 2020/2021 academic year were transportation and vehicle engineering. And the major added in the 2021/2022 academic year was digital media art.

For the six months ended 28 February 2023, the average tuition fees of our school amounted to RMB26,413 (six months ended 28 February 2022: RMB22,316), while our average boarding fees amounted to RMB2,533 (six months ended 28 February 2022: RMB2,018).





MANAGEMENT DISCUSSION AND ANALYSIS

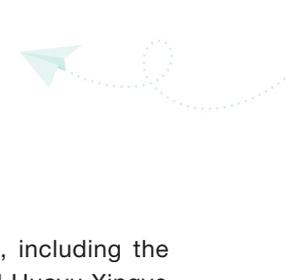
During the Reporting Period, the school took “cultivating people with virtue, fostering high-quality application-oriented talents, serving the society, and running a school satisfactory to the people” as its educational purpose; it also adhered to the operating philosophy of “education-oriented, quality-based,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

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

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

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

New breakthroughs were made in integration of industry and education. Our school takes advantage of modern industry academies as the carrier to promote the integration of industry, education and research, realize the integration of “industry, specialty and entrepreneurship”, innovate the talent training model, and realize the synchronous operation of industry college teaching and conventional teaching.



MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, Heilongjiang College of Business and Technology built modern industry academies, including the Phoenix Digital Media Creative Academy, Q Tech Electronic Information Industry Academy and Huayu Xingye Software Technology and Application Industry Academy as well as Longtie Industry Academy; the school also comprehensively promoted the building up of relevant majors in modern industry academies, such as curriculum establishment, cultivation of teachers, internship and training, employment and entrepreneurship, and provided a platform to enable our development as an “education-oriented, quality-based” school and our students’ development under the mode of “school-enterprise integration and development with innovation”.

Our professional training base is scaling up. There are 4 live broadcast studios. We’ve established cooperation with more than 10 suppliers. In this way, campus professional practice, internship, operation and live broadcast are all connected. And the contribution to the local economy and society started paying off.

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

Impact of COVID-19 Pandemic

It has been three years since the outbreak of the COVID-19 pandemic across the world (including China) at the end of 2019, which has caused a material impact to various aspects in countries around the world. As of the end of February 2023, the outbreak in China is basically over. The COVID-19 pandemic did not have a material impact on our revenue and financial condition as of 28 February 2023. In order to cope with the impact of the COVID-19 pandemic, the Company established presence in online education services and began to apply various intelligent teaching tools in advance, and cooperated with MOOC-CN Education, an online education strategic platform under Tsinghua University, to continuously carry out online education work. After more than two years of practice and exploration, our online education model has become very mature, and our teachers and students have been well adapted. Upon the outbreak of the pandemic, we can transit immediately from offline teaching to online teaching with no impact on our education and teaching. We also engaged in strategic cooperation with MOOC-CN Education in terms of academic resource sharing, teacher development, and application research, and deeply integrated online and offline learning scenarios by focusing on the improvement of teaching effects to achieve the diversified and broad expansion of educational services. Therefore, even if the outbreak of the pandemic occurs, we are always capable of providing online education services without the need of refunding tuition fees.

Update on acquisition of Qiqihar College

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

PROSPECTS

Market Overview

The Company is a large private formal higher education service provider in Heilongjiang Province, ranking top in the private education sector of the province. And it grew rapidly over the last few years.

As of 28 February 2023, the state issued many policy documents to support and encourage the development of education, including vocational and private education.

Policy documents that were published in recent years included the *Overall Plan for Coordinating and Promoting the Construction of World-Class Universities and First-class Disciplines*, *Implementation Plan for the Reform on National Vocational Education*, *Proposal of the Central Committee of the Communist Party of China and the State Council on Comprehensively Deepening the Reform of Teacher Force Construction in the New Era*, *China's Education Modernization 2035*, and *Proposal of the Central Committee of the Communist Party of China and the State Council on Comprehensively Strengthening the Labor Education in Universities, Middle Schools and Primary Schools in the New Era*, which have made top-level design and strategic deployment for the development of higher education in China.

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

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.

Decree No. 741 of the *Implementing Regulations of the Law of the People's Republic of China on the Promotion of Private Education*, which came into effect on 1 September 2021, expressly encourages enterprises to organise or participate in 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.

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

Business Progress

Multi-measures were adopted to ensure student enrollment and employment

- (I) The enrollment results were remarkable. In 2022, the school was open to enrollment in 24 majors in 22 provinces (cities) across China. It planned to enroll 3,787 students, an increase of 460 students from the previous year. The total number of enrolled students increased by 976 students as compared to last year.



MANAGEMENT DISCUSSION AND ANALYSIS

(II) New achievements were made in employment

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

In addition, the school hosted the 2023 private university job fair, which attracted many high-quality enterprises including those based in the Yangtze River Delta region. The job fair offered not only a wide space and platform for students’ employment but also talent support for employers. The year-end graduate placement rate of the class of 2022 reached 86.67%, and the overall satisfaction rate of employers with graduates reached 94.61%. The employment rate ranked first among private colleges and universities in Heilongjiang Province.

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

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

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

(IV) New progress was attained in open schooling

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



DEVELOPMENT STRATEGY

Development Direction and Targets

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

Development Plan

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

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

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

Fourth, we will develop a digital lifelong learning system, and create a digital “future learning centre”.

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

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

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

In accordance with the *Implementation Rules for the Classification and Registration of Private Schools* issued by the Ministry of Education and other four agencies and relevant documents, as well as the implementation opinion on “encouraging social forces to engage in education to promote the healthy development of private schools” announced successively in various provinces, classified management is about to be officially implemented, and regulations are emphasised in addition to encouragement. The “20 Principles of Vocational Education” is expected to have a positive influence on application-oriented undergraduate colleges and universities such as diversified sources of students and income, and will also help application-oriented undergraduate colleges and universities to solve problems such as integration of industry and education, teacher introduction and employment evaluation.



MANAGEMENT DISCUSSION AND ANALYSIS

The Heilongjiang College of Business and Technology has made significant progress in its application for transformation into a for-profit school, and its application has been approved by the Ministry of Education. In compliance with relevant documents and policies to be issued by the competent education authorities, the school will firmly protect the legal rights of students during the three-year transition period, complete the transfer of assets from non-profit to for-profit school, and enforce the property rights of legal entities. We will complete the procedures of credit and debt disposal, and transfer of teachers' employment contracts and employment affiliation. We will improve the school operation and management plan during the transition period to achieve smooth non-profit to for-profit transformation.

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. This has severely disrupted transportation and restricted flights between China and the United States, and seriously affected personnel exchanges between the two countries. Therefore, the application for establishment of the US School cannot proceed as scheduled. The Company would accelerate the process of application in the United States after the epidemic ends or improves.

EMPLOYEES AND REMUNERATION POLICY

As at 28 February 2023, the Group had 686 full-time employees and 206 part-time employees (as at 28 February 2022: 641 full-time employees and 301 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 2023 was RMB38.8 million (six months ended 28 February 2022: RMB34.4 million).



INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES

As at 28 February 2023, 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 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 2023, 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 2023, 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%

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 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 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 2023, 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 2023.

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 2023 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.

UPDATE ON DIRECTORS' INFORMATION

Mr. Chan Ngai Fan has been appointed as the company secretary of Zhengwei Group Holdings Company Limited (HKEX stock code: 2147, the shares of which have been listed on the Main Board of the Stock Exchange since 13 January 2023) since 5 May 2022.





OTHER INFORMATION

Save as disclosed above, there is no other changes in Directors' information for the six months ended 28 February 2023 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 2023 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 2023.

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 2023 and no options were exercised or cancelled or lapsed during the six months ended 28 February 2023.

INTERIM DIVIDEND

The Board has recommended the distribution of an interim dividend of HK10.5 cents per ordinary share for the six months ended 28 February 2023 (six months ended 28 February 2022: Nil) to shareholders on the register of members of the Company on 31 May 2023, in aggregate amounting to approximately HK\$70 million out of the share premium account of the Company which will be subject to the approval of the Company's shareholders in an extraordinary general meeting to be held on Monday, 22 May 2023 (the "EGM"). Subject to the approval by the shareholders of the Company, the interim dividend will be paid to the eligible shareholders of the Company on or around 14 June 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 17 May 2023 to Monday, 22 May 2023, both dates inclusive, during which period no transfer of shares will be effected. To be eligible and attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 May 2023.

To determine the entitlement to the proposed interim dividend, the register of members of the Company will be closed from Monday, 29 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no transfers of Shares shall be effected. To be eligible to receive the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 25 May 2023.

OTHER INFORMATION

SUBSEQUENT EVENTS

Subsequent to the end of the six months ended 28 February 2023, the board of directors recommended the payment of a final dividend of HK10.5 cents per share totalling HK\$70 million (approximately RMB61.4 million) for the six months ended 28 February 2023. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting.

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

The following table sets out the revised allocation of the unutilised net proceeds and the actual amounts of net proceeds used for the six months ended 28 February 2023:

	Original use of proceeds	Revised use of proceeds	Remaining proceeds as at 30 November 2022	Actual used proceeds from 1 December 2022 to 28 February 2023	Unutilised up to 28 February 2023
Expand Hanan Campus in connection with the construction of the second phase	133.2	133.2	—	—	—
Repay principals and interests of the relevant borrowings or loans incurred from the investments and operations of the Company (including but not limited to principals and interests from banks, financial institutions and other sources)	100.0	156.6	61.4	61.4	—
Acquire other schools to expand the Group's school network	66.6	—	—	—	—
Fund the Group's working capital and general corporate purposes	33.4	43.4	10.0	10.0	—
Total	<u>333.2</u>	<u>333.2</u>	<u>71.4</u>	<u>71.4</u>	<u>—</u>



OTHER INFORMATION

All the remaining net proceeds have been utilised during the six months ended 28 February 2023 and applied in the manner set out in the announcement of the Company dated 30 November 2022.

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

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 2023 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 2023

	Notes	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
REVENUE	4	152,125	131,756
Cost of sales		(78,617)	(79,851)
Gross profit		73,508	51,905
Other income and gains	4	1,993	6,027
Selling expenses		(1,085)	(1,008)
Administrative expenses		(24,239)	(14,585)
Other expenses, net		(2,438)	(1,700)
Finance costs	6	(6,672)	(4,285)
PROFIT BEFORE TAX	5	41,067	36,354
Income tax expense	7	—	—
PROFIT FOR THE PERIOD		41,067	36,354

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

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

	Notes	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on transaction of financial statements		(1,566)	3,893
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(1,566)	3,893
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on transaction of financial statements		4,908	(3,298)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		4,908	(3,298)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		3,342	595
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		44,409	36,949
Profit attributable to:			
Owners of the parent		41,067	36,354
Total comprehensive income attributable to:			
Owners of the parent		44,409	36,949
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted	9		
— For profit for the period		RMB0.0616	RMB0.0545

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2023

	Notes	28 February 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,741,739	1,677,368
Right-of-use assets		66,403	66,590
Other intangible assets		3,142	3,037
Prepayments for purchase of property, plant and equipment and right-of-use assets		29,506	27,331
Other non-current assets		20,325	7,625
Total non-current assets		1,861,115	1,781,951
CURRENT ASSETS			
Prepayments, other receivables and other assets		20,340	30,314
Cash and cash equivalents		200,801	253,087
Total current assets		221,141	283,401
CURRENT LIABILITIES			
Contract liabilities	11	122,557	213,019
Other payables and accruals	12	59,675	74,871
Interest-bearing bank and other borrowings and interest accruals	13	249,231	227,004
Deferred income		11,218	7,335
Total current liabilities		442,681	522,229
NET CURRENT LIABILITIES		(221,540)	(238,828)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,639,575	1,543,123

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2023

	Notes	28 February 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings and interest accruals	13	679,443	628,566
Deferred income		2,971	1,805
Total non-current liabilities		<u>682,414</u>	<u>630,371</u>
Net assets		<u>957,161</u>	<u>912,752</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	46,292	46,292
Reserves		910,869	866,460
Total equity		<u>957,161</u>	<u>912,752</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

	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)	46,292	286,007	135,988	423,296	(5,952)	885,631

	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 2022 (audited)	46,292	286,007	139,411	439,544	1,498	912,752
Profit for the period	—	—	—	41,067	—	41,067
Other comprehensive income for the period:						
Exchange differences on translation of financial statements	—	—	—	—	3,342	3,342
Total comprehensive income for the period	—	—	—	41,067	3,342	44,409
Transfer from retained profits	—	—	6,179	(6,179)	—	—
As at 28 February 2023 (unaudited)	46,292	286,007	145,590	474,432	4,840	957,161

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

	Notes	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		41,067	36,354
Adjustments for:			
Finance costs	6	6,672	4,285
Bank interest income	4	(129)	(24)
Fair value gains on financial statements at fair value through profit or loss	4	—	(170)
Depreciation of property, plant and equipment	5	21,795	17,284
Depreciation of right-of-use assets	5	1,650	1,274
Amortisation of other intangible assets	5	603	577
		<u>71,658</u>	<u>59,580</u>
Decrease/(increase) in prepayments, other receivables and other assets		9,974	(391)
Increase/(decrease) in other payables and accruals		4,108	(27,681)
Decrease in contract liabilities		(90,462)	(62,767)
Increase/(decrease) in deferred income		5,049	(124)
		<u>327</u>	<u>(31,383)</u>
Cash generated from/(used in) operations			
Interest received		129	24
Tax paid		—	—
		<u>456</u>	<u>(31,359)</u>
Net cash flows from/(used in) operating activities			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayments for purchase of property, plant and equipment and right-of-use assets	(2,175)	(3,939)
Purchase of items of property, plant and equipment	(85,302)	(80,499)
Additions to other intangible assets	(708)	(1,215)
Addition to right-of-use assets	(1,463)	—
Purchase of financial assets at fair value through profit or loss	—	(8,093)
	<hr/>	<hr/>
Net cash flows used in investing activities	(89,648)	(93,746)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other borrowings	175,621	57,970
Repayment of bank loans and other borrowings	(121,407)	(80,584)
Interest paid	(6,276)	(4,654)
Interest element of sale and leaseback liabilities	(10,332)	(20,156)
Principal portion of sale and leaseback liabilities	10,417	22,751
Principle portion of rental payments	(1,789)	—
Payment for other non-current assets	(12,700)	(3,296)
	<hr/>	<hr/>
Net cash flows from/(used in) financing activities	33,534	(27,969)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	253,087	303,934
Effect of foreign exchange rate changes, net	3,372	377
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	200,801	151,237



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

1. CORPORATE AND GROUP INFORMATION

Leader Education Limited (the “Company”) was incorporated in the Cayman Islands on 17 June 2019 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 28 February 2023 (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 2022. 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 RMB221,540,000 as at 28 February 2023. Included therein were the contract liabilities of RMB122,557,000, 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 RMB93,000,000, 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 2023

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 2022, except for the adoption of the following revised IFRSs for the first time for the Period's financial information:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 September 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 September 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.





NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:
(Continued)

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 September 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 September 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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, all of the Group's 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 information is presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

3. OPERATING SEGMENT INFORMATION *(Continued)*

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.

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
Revenue from contracts with customers		
Tuition fees	139,664	121,463
Boarding fees	12,461	10,293
	<hr/>	<hr/>
Total revenue from contracts with customers	152,125	131,756
	<hr/>	<hr/>
Other income and gains		
Rental income	425	323
Bank interest income	129	24
Government grants*		
— Related to income	448	5,125
— Related to assets	255	124
Fair value gains on financial assets at fair value through profit or loss	—	170
Others	736	261
	<hr/>	<hr/>
	1,993	6,027
	<hr/>	<hr/>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
<i>Timing of revenue recognition</i>		
Tuition fees recognised over time	139,664	121,463
Boarding fees recognised over time	12,461	10,293
	<u>152,125</u>	<u>131,756</u>

5. PROFIT BEFORE TAX

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

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	32,518	28,410
Pension scheme contributions	5,841	5,310
	<u>38,359</u>	<u>33,720</u>
Depreciation of property, plant and equipment	21,795	17,284
Depreciation of right-of-use assets	1,650	1,274
Amortisation of other intangible assets	603	577
Central heating cost	4,964	4,878
Bank interest income	(129)	(24)
Fair value gains on financial assets at fair value through profit or loss	—	(170)
Government grants		
— related to income	(448)	(5,125)
— related to assets	(255)	(124)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

6. FINANCE COSTS

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	11,945	10,484
Interest on sale and leaseback liabilities	14,896	14,930
Total interest expense	26,841	25,414
Less: Interest capitalised	(20,169)	(21,129)
	<u>6,672</u>	<u>4,285</u>

7. INCOME TAX

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 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 Act 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

7. INCOME TAX (Continued)

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.

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 Liankang Business Information Consulting Co., Ltd. (“Liankang Consulting”), Nantong Xumei Intelligent Information Technology Co., Ltd. (“Nantong Xumei”) and Hai’an Junhua Vocational Skills Training School Co., Ltd. that are subject to the preferential rate of 20% under the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs), other companies of the Group which operate in Mainland China are subject to Corporate Income Tax (“CIT”) at a rate of 25% on their respective taxable income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

8. INTERIM DIVIDEND

	Six months ended 28 February 2023 RMB'000	Six months ended 28 February 2022 RMB'000
Proposed interim — RMB9.21 cents (six months ended 28 February 2022: nil) per ordinary share	<u>61,400</u>	<u>—</u>

The proposed interim dividend for the Period is subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting.

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

The Group had no potentially dilutive ordinary shares in issue during the periods ended 28 February 2023 and 28 February 2022.

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

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>41,067</u>	<u>36,354</u>
	Number of shares	
Shares	2023	2022
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>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2023, the Group acquired assets with a cost of RMB86,166,000 (28 February 2022: RMB98,710,000) as additions to property, plant and equipment.

11. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	28 February 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Tuition fees	112,588	196,293
Boarding fees	9,969	16,726
	<u>122,557</u>	<u>213,019</u>

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

12. OTHER PAYABLES AND ACCRUALS

	28 February 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Payables for purchase of property, plant and equipment	15,134	34,438
Payables for co-operation costs	1,481	1,481
Miscellaneous expenses received from students (note (i))	14,052	16,215
Payables for salaries and welfares	8,568	6,690
Payables for labour union expenditure	3,069	2,826
Payables for central heating cost	—	710
Other tax payable	—	29
Other payables	17,371	12,482
	<u>59,675</u>	<u>74,871</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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

	28 February 2023			31 August 2022		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Sale and leaseback liabilities	5.51–13.35	2024	183,774	8.92–11.39	2023	178,030
Bank loans – secured	5.15	2024	11,000	–	–	–
Bank loans – unsecured	5.00–8.12	2024	45,450	5.25	2023	36,689
Current portion of long term bank loans – secured	5.15	2024	2,971	5.15	2023	6,345
Other borrowings – secured	14.09	2024	4,340	14.09	2023	4,298
Other borrowings – unsecured	–	–	–	–	–	–
Lease liabilities	6.64	2024	1,696	6.64	2023	1,642
			<u>249,231</u>			<u>227,004</u>
Non-current						
Sale and leaseback liabilities	5.51–13.35	2025–2026	138,671	8.92–11.39	2024–2025	128,692
Bank loans – secured	5.15–5.80	2025–2027	103,857	5.15	2024–2025	37,000
Other borrowing – unsecured	4.00	2024–2030	436,915	4.00	2030	461,123
Lease liabilities	–	–	–	6.64	2024	1,751
			<u>679,443</u>			<u>628,566</u>
			<u>928,674</u>			<u>855,570</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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

(Continued)

	28 February 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Analysed into:		
Sale and leaseback liabilities:		
Within one year	183,774	178,030
In the second year	125,535	111,463
In the third to fifth years, inclusive	13,136	17,229
	<u>322,445</u>	<u>306,722</u>
Lease liabilities		
Within one year	1,696	1,642
In the second year	—	1,751
	<u>1,696</u>	<u>3,393</u>
Bank loans repayable:		
Within one year	59,421	43,034
In the second year	10,000	37,000
In the third to fifth years, inclusive	73,857	—
Over five years	20,000	—
	<u>163,278</u>	<u>80,034</u>
Other borrowings repayable:		
Within one year	4,340	4,298
In the second year	6,882	—
In the third to fifth years, inclusive	430,033	—
Over five years	—	461,123
	<u>441,255</u>	<u>465,421</u>
	<u>928,674</u>	<u>855,570</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Mr. Liu Laixiang and Ms. Dong Ling	—	34,990
Yincheng Zhiye	—	—
	<u>—</u>	<u>34,990</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 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Zhonghong United Financing Guarantee Limited ("Zhonghong United Financing") 中鴻聯合融資擔保有限公司	<u>24,257</u>	<u>39,576</u>

(b) Pledge of a 100% equity interest of Liankang Consulting for other loans and interest accruals of RMB4,340,000 and RMB4,298,000 as at 28 February 2023 and 31 August 2022, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Jointly, Mr. Liu Laixiang and Ms. Dong Ling	291,548	261,287
Jointly, Mr. Che Wenge and Mr. Wang Yunfu	—	—
Yincheng Zhiye	73,760	54,470
Junfengda Property	123,157	39,576
Daqing Xiangge	63,052	5,675
	<u>551,517</u>	<u>361,008</u>

(ii) The following third party:

	28 February 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Zhonghong United Financing	<u>24,257</u>	<u>39,576</u>

The carrying value of the Group's equipment held under sale and leaseback liabilities as at 28 February 2023 was RMB182.1 million (31 August 2022: RMB176.6 million). Leased assets were pledged as security for the related sale and leaseback liabilities.

Except for the 14.09% (31 August 2022: 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 2022: 4.00%) and will be repayable in 2030.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

14. SHARE CAPITAL

Shares

	28 February 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Authorised: 1,000,000,000 ordinary shares of US\$0.01 each as at 28 February 2023 (31 August 2022: 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 2023 (31 August 2022: 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 2022 and 28 February 2023	<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 2023 RMB'000 (Unaudited)	31 August 2022 RMB'000 (Audited)
Contracted, but not provided for: Buildings	<u>29,837</u>	<u>29,544</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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
Huizhi Jinhe Software	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.

There were no interest-bearing bank and other borrowings and interest accruals secured by pledges over the properties owned by related parties as at 28 February 2023 (31 August 2022: RMB34,990,000).

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

	Six months ended 28 February 2023 RMB'000 (Unaudited)	Six months ended 28 February 2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	1,677	1,309
Pension contributions	20	22
	<u>1,697</u>	<u>1,331</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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 2023	
	Carrying amounts RMB'000 (Unaudited)	Fair values RMB'000 (Unaudited)
Financial assets		
Other non-current assets	<u>20,325</u>	<u>17,250</u>
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities)	<u>926,978</u>	<u>761,935</u>

	31 August 2022	
	Carrying amounts RMB'000 (Audited)	Fair values RMB'000 (Audited)
Financial assets		
Other non-current assets	<u>7,625</u>	<u>6,517</u>
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities)	<u>852,177</u>	<u>711,491</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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 and interest-bearing bank and other borrowings and interest accruals 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 and interest-bearing bank and other borrowings and interest accruals 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 2022 and 28 February 2023.

During the year ended 31 August 2022 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 2023

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 for which fair values are disclosed

As at 28 February 2023

	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	—	17,250	—	17,250

As at 31 August 2022

	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	—	6,517	—	6,517

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed

As at 28 February 2023

	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)	—	761,935	—	761,935

As at 31 August 2022

	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)	—	711,491	—	711,491

18. EVENTS AFTER THE PERIOD

Dividend

Subsequent to the end of the reporting period, the board of directors recommended the payment of an interim dividend of HK10.5 cents per share totaling HK\$70 million (approximately RMB61.4 million) for the six months ended 28 February 2023. The proposed interim dividend for the period was approved at the extraordinary general meeting held on 22 May 2023.



DEFINITIONS

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

“Annual Report”	the 2022 annual report published by the Company on 22 December 2022
“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 interim report, Hong Kong, Macau and Taiwan
“Companies Act”	the Companies Act, Cap. 22 of the Cayman Islands and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Leader Education Limited (立德教育股份有限公司) 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



DEFINITIONS

“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* (齊齊哈業學院), a junior college (普通專科院校) with its existing campus in Qiqihar, Heilongjiang Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	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.
“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



DEFINITIONS



“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.

