

立德教育有限公司

Leader Education Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1449



INTERIM REPORT **2021**

Contents

2	Corporate Information
4	Financial Highlights
5	Management Discussion and Analysis
15	Other Information
22	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
24	Interim Condensed Consolidated Statement of Financial Position
26	Interim Condensed Consolidated Statement of Changes in Equity
27	Interim Condensed Consolidated Statement of Cash Flows
29	Notes to the Interim Condensed Consolidated Financial Information
50	Definitions

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Liu Laixiang
Mr. Chang Eric Jackson

COMPANY SECRETARY

Mr. Chang Eric Jackson

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

HEAD OFFICE IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 26, 14/F., Solo Building
41-43 Carnarvon Road
Tsimshatsui
Kowloon, Hong Kong

CORPORATE INFORMATION

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F CITIC Tower, 1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

STOCK CODE

1449

COMPANY WEBSITE

www.leader-education.cn

FINANCIAL HIGHLIGHTS

	Six months ended 28 February 2021 RMB' 000	Six months ended 29 February 2020 RMB' 000	Percentage change
Revenue	97,943	89,146	+9.9%
Gross profit	48,714	49,485	-1.6%
Profit before tax from continuing operations	30,530	30,510	-
Profit for the period	<u>30,530</u>	<u>29,033</u>	<u>+5.2%</u>

For the six months ended 28 February 2021 (the "Period"), our total revenue amounted to approximately RMB97.9 million, representing an increase of approximately 9.9% as compared with the six months ended 29 February 2020. Our profit for the six months ended 28 February 2021 amounted to approximately RMB30.5 million, representing an increase of approximately 5.2% as compared with the six months ended 29 February 2020.

As at 28 February 2021, we had a total of 9,554 full-time students, representing an increase of approximately 8.5% as compared with the number of students enrolled in the school year 2019/2020; and our average tuition fees for our undergraduate college programs increased by approximately 7.5% for the six months ended 28 February 2021, as compared with the six months ended 29 February 2020.

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 RMB8.8 million or 9.9% from RMB89.1 million for the six months ended 29 February 2020 to RMB97.9 million for the six months ended 28 February 2021. The increase was mainly due to the following reasons: (i) revenue from tuition fees has increased by RMB7.0 million or 8.5% from RMB82.8 million for the six months ended 29 February 2020 to RMB89.8 million for the six months ended 28 February 2021; and (ii) revenue from boarding fees has increased by RMB1.8 million or 28.1% from RMB6.3 million for the six months ended 29 February 2020 to RMB8.1 million for the six months ended 28 February 2021. For the 2020/21 school year, the tuition fee standards are RMB20,000 per year for general majors and RMB22,000 per year for art majors, respectively (2019/20 school year: RMB19,000 and RMB20,000, respectively). The new tuition fee standards are only applicable for new students admitted for 2020/21 school year and other students are subject to the tuition fee standards then applicable at their year of admission. The boarding fee rate for the 2020/21 school year is in the range of RMB2,000 to RMB2,200 per year (2019/20 school years: RMB1,600 to RMB1,800 per year). The total number of students enrolled has increased from 8,807 for the 2019/20 school year to 9,554 for the 2020/21 school year.

Cost of Sales

Cost of sales primarily consists of remunerations and benefits of our employees, depreciation and amortisation, heating costs, training expenses, maintenance costs, teaching expenses and utilities, as well as property management cost, cleaning and greenery fees, travel expenses, office expenses, student activity costs and others.

Cost of sales increased by RMB9.6 million or 24.1% from RMB39.7 million for the six months ended 29 February 2020 to RMB49.2 million for the six months ended 28 February 2021. The increase was mainly due to: (i) staff costs increased by RMB4.1 million or 24.1% from RMB17.1 million for the six months ended 29 February 2020 to RMB21.2 million for the six months ended 28 February 2021, mainly due to the combined effects of the increase in remuneration and benefits payable to the teachers of the Group as well as the increase in the number of teachers; (ii) increase in teaching expenses of RMB1.5 million related to the cooperation with Phoenix Digital Media (Beijing) Education Technology Co., Ltd.* (鳳凰數媒(北京)教育科技有限公司) and the service fee for Rain Classroom (雨課堂) deployment of RMB0.6 million; (iii) training expenses increased by RMB0.9 million, mainly due to the increase in number of teachers and more training were conducted to enhance our teaching quality; and (iv) a service fee of RMB1 million for college students' entrepreneurship guidance and practice base occurred in the period, and there was no such expenditure in the previous corresponding period.

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 decreased by RMB0.8 million or 1.6% from RMB49.5 million for the six months ended 29 February 2020 to RMB48.7 million for the six months ended 28 February 2021, mainly due to fact that the growth of revenue was lower than that of corresponding cost despite the increase in revenue in line with the increase in average tuition fees. Gross profits margin has decreased from 55.5% for the six months ended 29 February 2020 to 49.7% for the six months ended 28 February 2021. The increase in the student number led to a corresponding increase in teaching expenses and remunerations and salaries of teaching staff. Furthermore, with a view to enhancing our teaching quality continuously, our Group incurred expenses for sending teachers to participate in training, expenses in relation to the establishment of Phoenix Academy through cooperation with Phoenix Digital Media (Beijing) Education Technology Co., Ltd.* (鳳凰數媒(北京)教育科技有限公司), and expenses for establishing the broadcasting and television program production and visual communication design majors, etc.. The combined effects of the abovementioned factors led to the decrease in gross profits margin.

Other Income and Gains

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

With respect to other income and gains, the amount for the six months ended 28 February 2021 increased by RMB0.3 million as compared to the amount for six months ended 29 February 2020 which mainly was due to sponsorship fee of RMB0.2 million received from Kunshan local government due to Excellent College Award obtained from the Kunshan Municipal School-Enterprise Cooperation Annual Meeting.

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 increased by RMB0.5 million or 92.6% from RMB0.6 million for the six months ended 29 February 2020 to RMB1.1 million for the six months ended 28 February 2021, which was to due to the combined effects of (i) the increase in number of enrolled students; (ii) the intensification of enrollment publicity and increase in investment; and (iii) technical service fees and employment practice cooperation fees in relation to graduates' employment quality survey of RMB0.2 million in total incurred for the period which with assist student enrollment in the future.

Administrative Expenses

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

Listing expenses recognised for the six months ended 29 February 2020 was RMB13.1 million, while no such expenses were incurred for the six months ended 28 February 2021. Excluding the effect of listing expenses (being a non-recurring item), administrative expenses has increased by RMB4.9 million or 91.8% from RMB5.3 million for the six months ended 29 February 2020 to RMB10.2 million for the six months ended 28 February 2021, mainly due to (i) the increase in staff costs as a result of the combined effects of the increase in the number of administrative staff of the Group and the increase in remunerations and benefits payable to them, (ii) the increase in depreciation and amortisation by RMB1.1 million or 60.9% from RMB1.8 million for the six months ended 29 February 2020 to RMB2.9 million for the six months ended 28 February 2021 primarily due to the increase in the fixed assets for administration use in order to keep up with business development and the increase in the number of administrative staff; (iii) the increase in consultation fee by RMB2.7 million, which mainly represented attorney's fee, financial advisory and corporate consulting fees; and (iv) the increase in other professional services costs, office expenses and miscellaneous expenses to support the business growth of the Group.

Finance Costs

Finance costs primarily consist of (i) interest on bank loans and other borrowings; and (ii) interest on sale and leaseback liabilities. Finance costs increased from nil for the six months ended 29 February 2020 to RMB6.8 million for the six months ended 28 February 2021. Our interest expenses increased by approximately RMB4.9 million from approximately RMB19.6 million for the six months ended 29 February 2020 to approximately RMB24.5 million for the six months ended 28 February 2021. For the six months ended 29 February 2020, all the interest expenses on bank loans and other borrowings and sale and leaseback liabilities which were applied solely for the purpose of constructing our campus facilities have been fully capitalised and recognised as part of fixed assets. During the six months ended 28 February 2021, among all interest expenses, a total amount of RMB6.8 million was not capitalised, which were related to (among others): (a) borrowing from Huatai Principal Investment Group Limited primarily for repaying other loans from certain other financial institutions, and (b) borrowings from certain banks in China which were mainly used for daily working capital or purposes not related to construction of property, plant and equipment, while interest expenses on other borrowings and sale and leaseback liabilities of approximately RMB17.7 million was fully capitalised.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

During the six months ended 28 February 2021, the Group did not record any taxation, which remained the same as the corresponding period in 2020. 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 RMB30.5 million for the six months ended 28 February 2021, representing an increase of approximately 5.2% as compared to RMB29.0 million for the six months ended 29 February 2020.

Property, Plant and Equipment

As at 28 February 2021, the Group's property, plant and equipment amounted to approximately RMB1,547.2 million, representing an increase of RMB95.8 million from approximately RMB1,451.4 million as at 31 August 2020. 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 2021, our Directors are of the view that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this interim report, based on the following considerations:

- we have been accumulating net profits;
- we expect to generate cash flow from our operations with payment of tuition fees by our students in the upcoming 2021/2022 school year; and
- as at the date of this interim report, we had unutilised facilities of RMB169.0 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 2021, the Group's cash and cash equivalents were approximately RMB245.9 million, as compared with approximately RMB337.6 million as at 31 August 2020. The decrease was mainly attributable to the expansion of Hanan Campus in connection with its second phase construction and payment related to the acquisition of land use rights in Hai'an City, Jiangsu Province to develop the Yangtze River Delta Industry-Education Integrated Base* (長三角產教融合基地).

As at 28 February 2021, the Group's bank and other borrowings and interest accruals amounted to approximately RMB861.5 million (as at 31 August 2020: RMB820.8 million), of which approximately RMB9.1 million (equivalent to US\$1.5 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 28 February 2021, our bank and other borrowings borne effective interest rates ranging from 3.99% to 14.09% per annum.

Gearing Ratio

As at 28 February 2021, 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 2020.

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 2021, the Group's capital expenditures were RMB110.5 million.

Capital Commitments

As at 28 February 2021, the Group had contracted but not provided for capital commitments of approximately RMB12.8 million, which were primarily related to the to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 28 February 2021, 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 2021, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments, Acquisitions and Disposals, Future Plan for Material Investments and Capital Assets

During the six months ended 28 February 2021, the Group has entered into framework agreement to acquire 100% sponsorship interest in a junior college, namely Qiqihar Institute of Technology* (齊齊哈爾理工學院) (“Qiqihar College”). The Group has also entered into the Land Use Rights Grant Contract to acquire the land use rights of 86,056 sq.m. in Hai’an City, Jiangsu Province to develop the Yangtze River Delta Industry-Education Integrated Base* (長三角產教融合基地). Both acquisitions are still in process and the Group will monitor the development closely. For details, please refer to the announcements of the Company dated 6 January 2021 and 12 January 2021, respectively.

Save as disclosed above, the Group had no other material acquisitions or disposals during the Period.

Save as disclosed herein, as of the date of this interim report, the Group did not have other plans for material investments or capital assets.

Pledge of Assets

As at 28 February 2021, the Group’s sale and leaseback liabilities of approximately RMB287.1 million (as at 31 August 2020: RMB231.2 million) were guaranteed by the Group’s total fixed assets of approximately RMB175.9 million (as at 31 August 2020: RMB168.5 million).

BUSINESS REVIEW

Overview

During the six months ended 28 February 2021, our Group operated one school, namely, Heilongjiang College of Business and Technology in Harbin City, Heilongjiang Province. Heilongjiang College of Business and Technology comprises two campuses, namely Songbei Campus and Hanan Campus.

In addition, the Group entered into the land use rights grant contract to acquire the land use rights of 86,056 sq.m. in Hai’an City, Jiangsu Province in January 2021 to develop the Yangtze River Delta Industry-Education Integrated Base* (長三角產教融合基地), which is currently under preparation; and entered into a framework agreement for acquisition of 100% sponsorship interest in Qiqihar College in January 2021. For details, please refer to the announcements of the Company dated 12 January 2021 and 6 January 2021, respectively.

As at 28 February 2021, our school occupied an aggregated gross site area of approximately 542,009 sq.m. and gross floor area (GFA) of 310,480 sq.m., with a total property, plant and equipment value of RMB1,547.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 28 February 2021, our school had 540 teachers and 9,554 full-time students enrolled in bachelor's degree programs. The table below sets out the statistics of students enrollment in the past three school years (excluding students who subsequently withdrew during the respective school years):

School Years	Number of students enrolled
2018/2019	8,233
2019/2020	8,807
2020/2021	9,554

As at 28 February 2021, the utilisation rate of our school was 75.3% (as at 29 February 2020: 69.5%), which is calculated by dividing the number of students enrolled in the bachelor's degree program by the maximum student capacity for the current school year.

Our school offered 26 undergraduate majors in 2020/21 school year, including 10 majors in engineering, 5 majors in management, 3 majors in economics, 3 majors in literature, and 5 majors in art, while majors offered in 2019/20 school year were 24. The majors newly offered this year are transportation and vehicle engineering.

For the six months ended 28 February 2021, the average tuition fees of our school amounted to RMB18,994 (six months ended 29 February 2020: RMB17,661), while our average boarding fees amounted to RMB1,706 (six months ended 29 February 2020: RMB1,449).

During the Period, we continued to offer quality education, and our graduates continued to perform well in the job market. The year-end employment rate of our 2020 graduates reached 83.6%, and employer satisfaction over our graduates reached 94% overall. Our school highlighted “double innovation” education, and continued to achieve outstanding results. For example, a team representing our school, FuDongBo Famous Teacher Studio* (富東博名師工作室) won the championship in the National Learn Entrepreneurship Cup Competition for four consecutive years, which is the best in the whole province. Wang Bo, a graduate in 2020, was recognised as a role model of college student employment and entrepreneurship in the National 3rd “Shining Days – What Youth Should Be* (閃亮的日子 – 青春該有的模樣)” Competition.

The teaching department of our school proactively explores a new path of application-oriented talent cultivation via industry-education integration and coordination with industry college as the carrier. Our school recommended over 200 graduates to Kunshan High-tech Zone* (昆山高新區) in 2020, and therefore won the title of “Excellent College for Government-school-enterprise Cooperation in Kunshan High-tech Zone” and received an incentive of RMB0.2 million from the local government. The online course named “I win the workplace (我贏職場)” developed by the ideological and political theory teaching department was recognised as a provincial-level quality employment course. By leveraging on the network platform, the employment department extensively carried out “cloud-based” services, focused on implementing four “uninterrupted” employment services including post recommendation, guidance and training, key assistance and continuous services, facilitated the implementation of policy-based posts, and actively developed market-based posts to achieve a ratio of about 20:1 between the number of vacancy and graduates. Various departments organised and divided teachers, teaching assistants and counsellors into groups to ensure every graduate will get employed, we also established employment assistance accounts, with “one policy for one graduate” to deal with the employment issue for each student and close the account only when the graduate is employed.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPACT OF COVID-19 PANDEMIC

There has been an outbreak of the coronavirus disease 2019 (the “COVID-19”) that was first reported in China in December 2019. The outbreak has endangered the health of many citizens in China and significantly disrupted travel and the local economy across the country. However, with the joint efforts from the PRC government and the entire society, the pandemic has been basically controlled in China at the beginning of September 2020, and schools across the country have also resumed their normal classes in a comprehensive manner. Afterwards, there were sporadic outbreaks in certain places of China at the end of December 2020, which, however, were soon brought under control with unremitting effort. As at the end of February 2021, there have been no pandemic-stricken areas in Mainland China.

The outbreak of COVID-19 has no significant impact on our revenue and financial position for the six months ended 28 February 2021. First of all, we have collected tuition fees and boarding fees in advance at the beginning of the school year 2020/2021 in September 2020. Second, during the outbreaks in certain places of China from the end of December 2020 to the end of February 2021, our students were on winter vacation, and therefore, their classes and boarding were not affected. Third, as detailed in the section headed “IMPACT OF COVID-19 PANDEMIC” in the Annual Report, to prevent and cope with the outbreak of COVID-19, we have expanded our online teaching capability and resources by, among others, entering into a service agreement with Beijing Muhua Information Technology Co., Ltd.* (北京慕華信息科技有限公司) for a term of three years commencing from August 2020, to enable us to offer online education services and apply various intelligent teaching tools. Accordingly, even with another outbreak of COVID-19, we expect that we can generally continue to render education services without the need for refund of tuition fees.

PROSPECT

Expand Business Scale

The first phase construction of Hanan Campus has been completed and the second phase construction is at the final stage. Its completion will expand the space of our campus and improve our school operating condition, thereby further increasing our capacity to accommodate more students, optimising pricing strategies and improving profitability. Our Group is actively pushing forward the acquisition of school sponsorship interest in Qiqihar College to increase market penetration. After the second phase of Hanan Campus is put into operation by around 2023, there will be idle capacity in the existing Songbei Campus. It is currently planned that the new campus for Qiqihar College will be established on the existing Songbei Campus to utilize the facilities therein. By operating both institutions, the Group believes that it will also bring synergy effects to the Group and increase the number of students and income stream of our Group as a whole. For further details of the benefits to the Group from the acquisition of sponsorship interest in Qiqihar College, please refer to the announcement of the Company dated 6 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, the Group has engaged in the development of the Yangtze River Delta Industry-Education Integrated Base. We expect such base will, upon commencement of operation, improve our abilities in student enrollment and student employment, and effectively increase our income level and profitability. In addition, in order to realise its functions and objectives as soon as possible, the local government of Shanghu District, Hai'an City has approved the provision of a vacant building which was previously occupied by a local secondary school to us for temporary use before the completion of the construction of the base. We expect that the use of such vacant school will basically not involve significant capital expenditure, and the Group has arranged our senior students to Hai'an for internship, which is expected to generate extra income for us in the second half of the year. Furthermore, on 5 March 2021, the base has been recognised by the Education Department of Heilongjiang Province and was upgraded to be the Yangtze River Delta (Shanghu New District) Employment and Entrepreneurship Base for University Students in Heilongjiang Province* (黑龍江省大學生長三角(上湖新區)就業創業基地). The Education Department of Heilongjiang Province also encouraged all other higher education institutions located in Heilongjiang Province to make good use of the advantages of the base, which will in return expand the range of our potential partners of the base. For further details of the benefits to the Group from the development of the base, please refer to the announcement of the Company dated 12 January 2021.

Enhance the Group's Publicity

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

Strengthen Internal Construction and Teaching Quality

Heilongjiang College of Business and Technology will continue to implement a full-school accountability system, accelerate information construction, and enhance employment information services, while optimising the development of courses related to employment and entrepreneurship with an aim to cultivating "dual-innovation" capability of students. We will further innovate and carry out industry-university-research cooperation, promote the integration of industry and education and nurture talents. We will develop employment bases with enterprises to offer internship and practical training opportunities and leverage on the advantages of such platforms to improve students' practical skills, enhance the overall quality and competitiveness of students and promote quality employment for our graduates, which will lead to popularity in recruitment of new students. With the solid support from the Ministry of Education of Heilongjiang Province, the Provincial Party Committee and Provincial Government and competent authorities, we will strive to achieve the target that the employment rate of our 2021 graduates will not be lower than the average employment rate of graduates from higher education institutions in China, and endeavor to become a model for employment of private higher education institutions in the entire province, thereby making due contributions to the employment stability in the entire province.

In close connection with the transportation professionals, our School of Railway has commenced student enrollment, and we are honored to be a council member of China Association of Metros* (中國城市軌道交通協會). We will also further develop and refine the construction and development of specialisation in railways, high-speed rail, light rail, urban rail, and civil aviation services, to improve the concentration and recognition of advantageous industries in the province.

MANAGEMENT DISCUSSION AND ANALYSIS

Updates to the Plan to Comply With the Qualification Requirement

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

As disclosed in the Prospectus and the Annual Report, we have adopted a specific plan and have taken concrete steps which we believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. On 15 October 2019, Leader Education LLC was established in Chicago, Illinois and is an indirect wholly-owned subsidiary of the Company. Leader Education LLC plans to operate and manage a higher education institution (the “US School”) in the State of Illinois, US to be established, which is planned to provide programs focusing on business studies. On 21 February 2020, we filed a notice of intent for operation to the Illinois Board of Higher Education (IBHE). On 22 May 2020, we entered into a service agreement with an Independent Third Party, with an aim to design the education program to be offered by the US School and submit applications with the IBHE regarding the establishment of the US School. Due to the seriousness and volatility of COVID-19 in the US, we are still in the process of relevant preliminary preparation for the establishment of the US School. In view of this, we have applied to IBHE, the local education authority in the US, for an extension of the validity of the notice of intent for operation, and have obtained its approval for an extension to 31 December 2021. Subject to development of the COVID-19 situation in the US, we expect that formal application will be filed to IBHE before the expiry of the new notice of intent for operation.

EMPLOYEES AND REMUNERATION POLICY

As at 28 February 2021, the Group had 540 full-time employees and 281 part-time employees (as at 29 February 2020: 468 full-time employees and 217 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 2021 was RMB24.7 million (six months ended 29 February 2020: RMB19.0 million).

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES

As at 28 February 2021, 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/Name 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.

OTHER INFORMATION

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

Name of Director	Name of associated corporation	Capacity/ Name 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)

Notes:

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

Save as disclosed above and to the best knowledge of the Directors, as at 28 February 2021, 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 28 February 2021, 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 (L)	29.5% (L)
Shuren Education Limited ⁽⁴⁾⁽⁵⁾	Beneficial owner	300,000,000 (L)	45.0% (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 of Leader Education held by Junhua Education under the SFO.
- (3) Mr. Liu is the spouse of Ms. Dong. Mr. Liu is deemed to be interested in all the shares of Leader Education 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 Leader Education 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 Leader Education in which Mr. Liu is interested under the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 28 February 2021, 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 reporting 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.

OTHER INFORMATION

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 2021.

Other than the Share Option Scheme, 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 2021 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" 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.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There has been no change in Directors' information for the six months ended 28 February 2021 and up to the date of this interim report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2021, 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 A.2.1

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

Our Directors will continue to review and consider splitting the roles of the Chairman of our Board and the Chief Executive Officer of our Company at an appropriate time if necessary.

CG CODE C.2.5

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

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 2021.

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 "Report of the Directors – 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 2021 and no options were exercised or cancelled or lapsed during the six months ended 28 February 2021.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 28 February 2021. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

SUBSEQUENT EVENTS

As at the date of this interim report, there was no significant event subsequent to 28 February 2021.

OTHER INFORMATION

GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

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

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

As at 28 February 2021, the utilisation of the net proceeds is as follows:

	Percentage of total nets proceeds	Net proceeds HK\$ million	Utilised up to 28 February 2021 HK\$ million	Unutilised up to 28 February 2021 HK\$ million	Expected timeline for full utilisation of the relevant proceeds
Expand Hanan Campus in connection with the construction of the second phase	40%	133.2	52.7	80.5	31 December 2023
Repay principals and interests of borrowings from financial institutions	30%	100.0	84.9	15.1	31 December 2021 ⁽²⁾
Acquire other schools to expand the Group's school network	20%	66.6	3.6	63.0	31 December 2022 ⁽³⁾
Fund the Group's working capital and general corporate purposes	10%	33.4	33.4	0	N/A
Total		333.2	174.6	158.6	

Notes:

- (1) The above figures are subject to rounding.
- (2) We have extended the term of an existing loan with a financial institution and it is expected that the unutilised portion of net proceeds will be utilised for repayment of interest and/or principal thereunder by 31 December 2021.
- (3) As at 28 February 2021, the Group has utilised an amount of approximately HK\$3.60 million as deposit in connection with the proposed acquisition of the sponsorship interest in Qiqihar College and the total consideration for the transaction of RMB35.0 million is expected to be fully funded by the net proceeds. Save as disclosed above, we have not identified other acquisition targets. The remainder of net proceeds earmarked for acquisition of other schools will be applied after the Group has identified and entered into legally binding agreement to acquire the same.

CHANGE OF COMPANY NAME

In order to enhance the corporate image of the Company and benefit the Company's business development and communication with relevant stakeholders which is in the interests of the Company and the Shareholders as a whole, the Shareholders of the Company approved to change the dual foreign name in Chinese of the Company from “立德教育有限公司” to “立德教育股份有限公司” while the English name of the Company “Leader Education Limited” remains unchanged on the annual general meeting of the Company held on 26 February 2021. The Change of Company Name has become effective following the issue of the certificate of incorporation on change of name by the Registrar of Companies in Cayman Islands on 2 March 2021. For further details, please refer to the announcements of the Company dated 8 March 2021 and 8 April 2021, respectively.

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 2021 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 2021

	Notes	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
CONTINUING OPERATIONS			
REVENUE	4	97,943	89,146
Cost of sales		<u>(49,229)</u>	<u>(39,661)</u>
Gross profit		48,714	49,485
Other income and gains	4	957	642
Selling expenses		(1,065)	(553)
Administrative expenses		(10,247)	(18,434)
Other expenses, net		(1,079)	(630)
Finance costs	6	<u>(6,750)</u>	<u>–</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	30,530	30,510
Income tax expense	7	<u>–</u>	<u>–</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		30,530	30,510
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	9	<u>–</u>	<u>(1,477)</u>
PROFIT FOR THE PERIOD		<u><u>30,530</u></u>	<u><u>29,033</u></u>

continued/...

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

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	Notes	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on transaction of financial statements		3,745	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		3,745	–
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on transaction of financial statements		(10,242)	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(10,242)	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(6,497)	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		24,033	29,033
Profit attributable to:			
Owners of the parent		30,530	29,033
Total comprehensive income attributable to:			
Owners of the parent		24,033	29,033
Earnings per share attributable to ordinary equity holders of the parent:	10		
Basic and diluted			
– For profit for the period		RMB0.0458	RMB0.0581
– For profit from continuing operations		RMB0.0458	RMB0.0610

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2021

	Notes	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,547,231	1,451,372
Right-of-use assets		15,739	15,981
Other intangible assets		3,255	3,035
Prepayments for purchase of property, plant and equipment and right-of-use assets		75,254	24,082
Other non-current assets		7,775	4,200
Total non-current assets		<u>1,649,254</u>	<u>1,498,670</u>
CURRENT ASSETS			
Prepayments, other receivables and other assets		14,076	34,892
Cash and cash equivalents		<u>245,915</u>	<u>337,554</u>
Total current assets		<u>259,991</u>	<u>372,446</u>
CURRENT LIABILITIES			
Contract liabilities	12	98,487	102,129
Other payables and accruals	13	103,865	68,158
Interest-bearing bank and other borrowings and interest accruals	14	173,801	95,356
Deferred income		249	–
Total current liabilities		<u>376,402</u>	<u>265,643</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(116,411)</u>	<u>106,803</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,532,843</u>	<u>1,605,473</u>

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 FEBRUARY 2021

	Notes	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings and interest accruals	14	687,661	725,460
Payables for purchase of property, plant and equipment	13	–	61,042
Deferred income		2,178	–
Other long term liability	13	<u>18,404</u>	<u>18,404</u>
Total non-current liabilities		<u>708,243</u>	<u>804,906</u>
Net assets		<u>824,600</u>	<u>800,567</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	46,292	46,292
Reserves		<u>778,308</u>	<u>754,275</u>
Total equity		<u>824,600</u>	<u>800,567</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	Attributable to owners of the parent					Total RMB' 000
	Share capital RMB' 000 Note 15	Capital reserve RMB' 000	Statutory surplus reserve RMB' 000	Retained profits RMB' 000	Exchange fluctuation reserve RMB' 000	
As at 1 September 2019 (audited)	–	76,000	106,969	277,819	–	460,788
Profit and total comprehensive income for the period	–	–	–	29,033	–	29,033
Demerger of the non-listing business	–	(36,000)	–	43,770	–	7,770
Transfer from retained profits	–	–	8,923	(8,923)	–	–
As at 29 February 2020 (audited)	–	40,000	115,892	341,699	–	497,591

	Attributable to owners of the parent					Total RMB' 000
	Share capital RMB' 000 Note 15	Capital reserve RMB' 000	Statutory surplus reserve RMB' 000	Retained profits RMB' 000	Exchange fluctuation reserve RMB' 000	
As at 1 September 2020 (audited)	46,292	286,007	124,559	346,358	(2,649)	800,567
Profit for the period	–	–	–	30,530	–	30,530
Other comprehensive income for the period:						
Exchange differences on translation of financial statements	–	–	–	–	(6,497)	(6,497)
Total comprehensive income for the period	–	–	–	30,530	(6,497)	24,033
Transfer from retained profits	–	–	9,645	(9,645)	–	–
As at 28 February 2021 (unaudited)	46,292	286,007	134,204	367,243	(9,146)	824,600

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	Notes	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		30,530	30,510
From a discontinued operation		-	2,824
Adjustments for:			
Finance costs	6	6,750	-
Bank interest income	4	(110)	(140)
Depreciation of property, plant and equipment		13,745	12,993
Depreciation of right-of-use assets		242	242
Amortisation of other intangible asset		700	468
Provision for expected credit losses on trade receivables		-	79
Provision for expected credit losses on other receivables		-	10
Reversal of impairment of other receivables		-	(10)
		51,857	46,976
Decrease in inventories		-	7,010
Increase in trade receivables		-	(41)
Decrease/(increase) in prepayments, other receivables and other assets		20,816	(6,334)
Decrease in restricted bank deposits		-	80
Decrease in trade payables		-	(129)
(Decrease)/increase in other payables and accruals		(22,536)	4,969
Decrease in contract liabilities		(3,642)	(55,340)
Increase in deferred income		2,427	-
		48,922	(2,809)
Cash generated from/(used in) operations			
Interest received		110	140
Tax paid		-	(4,301)
		49,032	(6,970)
Net cash flows from/(used in) operating activities			

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

	Notes	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in prepayments for purchase of property, plant and equipment and right-of-use assets		(49,029)	(4,563)
Purchase of items of property, plant and equipment		(96,831)	(114,244)
Additions to other intangible assets		(920)	(2,438)
Demerger of non-listing business		-	(1,242)
		<u>-</u>	<u>(1,242)</u>
Net cash flows used in investing activities		<u>(146,780)</u>	<u>(122,487)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		20,000	-
Repayment of bank loans and other borrowings		(44,990)	(44,000)
Interest paid		(3,702)	(8,391)
Interest element of sale and leaseback liabilities		(9,811)	(4,930)
Principal portion of sale and leaseback liabilities		54,684	88,830
Payment for other non-current assets		(3,575)	(1,200)
Repayment to shareholders		-	(2,800)
Advance from a related party		-	7,150
Repayment to a related party		-	(15,312)
		<u>-</u>	<u>(15,312)</u>
Net cash flows from financing activities		<u>12,606</u>	<u>19,347</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		337,554	141,234
Effect of foreign exchange rate changes, net		(6,497)	-
		<u>(6,497)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>245,915</u></u>	<u><u>31,124</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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 2021 (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 2020. 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 RMB116,411,000 as at 28 February 2021. Included therein were the contract liabilities of RMB98,487,000, 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 RMB169,000,000, 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 2021

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 2020, except for the adoption of the following revised IFRSs for the first time for the Period's financial information:

Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

- (a) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment did not have any significant impact on the Group's unaudited interim condensed consolidated financial information.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 September 2020. The amendment did not have any significant impact on the Group's unaudited interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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

- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group did not have any interest rate hedge relationships.
- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

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

Geographical information

During the Period, the Group operated within one geographical segment because all of its revenue was generated in the PRC and over 90% of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
<i>Revenue from contracts with customers</i>		
Tuition fees	89,794	82,787
Boarding fees	8,149	6,359
	<u>97,943</u>	<u>89,146</u>
Total revenue from contracts with customers		
Other income and gains		
Rental income	363	377
Bank interest income	110	140
Government grants*		
– Related to income	210	64
– Related to assets	62	–
Others	212	61
	<u>957</u>	<u>642</u>

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
<i>Timing of revenue recognition</i>		
Tuition fees recognised over time	89,794	82,787
Boarding fees recognised over time	8,149	6,359
	<u>97,943</u>	<u>89,146</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

5. PROFIT BEFORE TAX

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

	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	20,602	16,198
Pension scheme contributions	3,048	2,303
	<u>23,650</u>	<u>18,501</u>
Depreciation of property, plant and equipment	13,745	12,991
Depreciation of right-of-use assets	242	242
Amortisation of other intangible assets	700	468
Central heating cost	3,401	3,715
Bank interest income	(110)	(140)
Government grants		
– related to income	(210)	(64)
– related to assets	(62)	–
Listing expenses	–	13,092

6. FINANCE COSTS

	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
Interest on bank loans and other borrowings	13,420	14,211
Interest on sale and leaseback liabilities	11,044	5,428
Total interest expense	24,464	19,639
Less: Interest capitalised	(17,714)	(19,639)
	<u>6,750</u>	<u>–</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

7. INCOME TAX

	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
Current income tax – Mainland China	–	–
Total tax charge for the period from continuing operations	–	–
Total tax charge for the period from a discontinued operation PRC LAT	–	–
	–	4,301
Total	–	4,301

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, it is not subject to income tax from business carried out in the Cayman Islands.

Leader Education (HK) Limited, which was incorporated in Hong Kong, was subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

7. INCOME TAX *(Continued)*

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

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, except for Heilongjiang College, and the preferential rate of 20% under the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs) available to Heilongjiang Liankang Business Information Consulting Limited, other companies of the Group which operate in Mainland China are subject to Corporate Income Tax (“CIT”) at a rate of 25% on their respective taxable income.

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

8. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 28 February 2021 (six months ended 29 February 2020: nil).

9. DISCONTINUED OPERATION

Harbin Xiangge Zhiye Co., Ltd (哈爾濱祥閣置業有限公司) (previously known as “Harbin Xiangge Enterprise Management Ltd. 哈爾濱祥閣企業管理有限公司”) (“Harbin Xiangge”) underwent a demerger in August 2019 to dispose of the property development business of the Group and the demerger was completed in January 2020. As a result of the demerger, Harbin Xiangge continued to hold Heilongjiang College, which forms the principal business of the Group, and Harbin Xiangzhen Yincheng Zhiye Limited (哈爾濱祥振引城置業有限公司) (“Yincheng Zhiye”) was established to hold the property development business then held by Harbin Xiangge. Immediately after the demerger, the total registered capital of Harbin Xiangge was reduced to RMB40 million, and all Harbin Xiangge’s assets and liabilities, including all equity interests in Harbin Junfengda Property Development Limited (哈爾濱竣峰達房地產開發有限公司) (“Junfengda Property”) and Harbin City Xinyuetong Micro-lending Limited (哈爾濱市鑫閱通小額貸款有限責任公司), except for the assets and liabilities related to Heilongjiang College and all the school sponsor’s interests therein (collectively the “Disposal Group”), were disposed of and transferred to Yincheng Zhiye by way of demerger.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

9. DISCONTINUED OPERATION *(Continued)*

The property development business undertaken by the Disposal Group was discontinued upon the authorisation of the demerger.

The operating results of the Disposal Group for each period are presented below:

	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
Revenue	-	10,422
Other income and gains	-	6
Cost of sales	-	(7,039)
Expenses	-	(486)
Write-back of impairment losses, net	-	(79)
	<hr/>	<hr/>
Profit before tax from the discontinued operation	-	2,824
Income tax: LAT	-	(4,301)
	<hr/>	<hr/>
Loss for the period from the discontinued operation	-	(1,477)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

10. 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 (29 February 2020 : 500,000,000) in issue during the Period, as adjusted for the assumption that 499,999,750 new shares issued pursuant to the Capitalisation Issue (as defined below) had been issued on 1 September 2019, which is made to be consistent with the basis of presentation of the financial statements for the period ended 29 February 2020.

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

The Group had no potentially dilutive ordinary shares in issue during the periods ended 28 February 2021 and 29 February 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2021, the Group acquired assets with a cost of RMB109,603,000 (29 February 2020: RMB76,226,000) as additions to property, plant and equipment.

12. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Tuition fees	90,783	94,682
Boarding fees	7,704	7,447
	<u>98,487</u>	<u>102,129</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

13. OTHER PAYABLES AND ACCRUALS

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Payables for purchase of property, plant and equipment	73,766	76,565
Payables for co-operation costs	24,004	26,404
Miscellaneous expenses received from students (note (i))	9,170	13,013
Payables for salaries and welfares	4,013	4,928
Payables for labour union expenditure	1,724	1,533
Payables for central heating cost	331	2,032
Payables for listing fee	–	13,689
Other tax payable	17	24
Refund liabilities	–	1,358
Other payables	9,244	8,058
	<u>122,269</u>	<u>147,604</u>
Current portion	103,865	68,158
Non-current portion:		
Payables for purchase of property, plant and equipment	–	61,042
Payables for co-operation costs included in other long term liability	18,404	18,404

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

Note :

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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

	28 February 2021			31 August 2020		
	Effective interest rate (%)	Maturity	RMB' 000 (Unaudited)	Effective interest rate (%)	Maturity	RMB' 000 (Audited)
Current						
Sale and leaseback liabilities	8.19-11.39	2021	87,051	8.19-11.39	2021	38,718
Bank loans – secured	3.99-4.35	2021	50,000	4.35	2021	30,000
Current portion of long term bank loans – secured	5.15	2021	12,375	5.15	2021	11,741
Other borrowings – secured	7.80-14.09	2021	24,375	7.80-14.09	2021	14,897
			<u>173,801</u>			<u>95,356</u>
Non-current						
Sale and leaseback liabilities	8.19-11.39	2023-2025	200,094	8.19-11.39	2022-2025	192,509
Bank loans – secured	5.15	2022-2025	54,000	5.15	2021-2025	61,000
Other borrowing – unsecured	4.00	2024	433,567	4.00	2024	456,951
Other borrowings – secured	-	-	-	7.80	2021	15,000
			<u>687,661</u>			<u>725,460</u>
			<u>861,462</u>			<u>820,816</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

14. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS *(Continued)*

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Analysed into:		
Sale and leaseback liabilities:		
Within one year	87,051	38,718
In the second year	124,374	77,657
In the third to fifth years, inclusive	<u>75,720</u>	<u>114,852</u>
	<u>287,145</u>	<u>231,227</u>
Bank loans repayable:		
Within one year	62,375	41,741
In the second year	12,000	11,000
In the third to fifth years, inclusive	<u>42,000</u>	<u>50,000</u>
	<u>116,375</u>	<u>102,741</u>
Other borrowings repayable:		
Within one year	24,375	14,897
In the second year	–	15,000
In the third to fifth years, inclusive	<u>433,567</u>	<u>456,951</u>
	<u>457,942</u>	<u>486,848</u>
	<u><u>861,462</u></u>	<u><u>820,816</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

14. 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 party pledged for bank and other borrowings and interest accruals of:

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Yincheng Zhiye	<u>15,228</u>	<u>22,369</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 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Zhonghong United Financing Guarantee Limited ("Zhonghong United Financing") 中鴻聯合融資擔保有限公司	<u>65,650</u>	<u>72,741</u>

- (b) Pledge of a 100% equity interest of Liankang Consulting for other loans and interest accruals of RMB9,147,000 and RMB7,528,000 as at 28 February 2021 and 31 August 2020, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

14. 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 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Jointly, Mr. Liu Laixiang and Ms. Dong Ling	69,271	-
Jointly, Mr. Che Wenge and Mr. Wang Yunfu	15,228	22,369
Yincheng Zhiye	91,982	57,620
Junfengda Property	90,617	63,530
Daqing Xiangge	14,336	-
	<u>281,434</u>	<u>143,519</u>

(ii) The following third party:

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Zhonghong United Financing	65,650	72,741

The carrying value of the Group's equipment held under sale and leaseback liabilities as at 28 February 2021 was RMB175.9 million (31 August 2020: RMB168.5 million). Leased assets were pledged as security for the related sale and leaseback liabilities.

Except for the 14.09% (31 August 2020: 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 2020: 4.00%) and will be repayable in 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

15. SHARE CAPITAL

Shares

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Authorised:		
1,000,000,000 ordinary shares of US\$0.01 each as at 28 February 2021 (31 August 2020: 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 2021 (31 August 2020: 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:

	Notes	Number of shares in issue	Share capital RMB' 000
Before the Capitalisation Issue		250	–
Capitalisation Issue	(a)	499,999,750	34,719
Global offering	(b)	<u>166,667,000</u>	<u>11,573</u>
At 31 August 2020 and 28 February 2021		<u>666,667,000</u>	<u>46,292</u>

- (a) 499,999,750 shares were allotted and issued to the shareholders of the Company, credited as fully paid at par value, immediately preceding the listing date on 6 August 2020 to the shareholders by way of capitalisation of the sum of US\$4,999,997.50 (approximately RMB34,719,000) standing to the credit of the capital reserve account of the Company;
- (b) On 6 August 2020, the Company was listed on the Main Board of the Stock Exchange with stock code 1449 and made an offering of 166,667,000 ordinary shares at a price of HK\$2.1 per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

16. COMMITMENTS

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

	28 February 2021 RMB' 000 (Unaudited)	31 August 2020 RMB' 000 (Audited)
Contracted, but not provided for:		
Buildings	<u>12,753</u>	<u>7,971</u>

17. 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

17. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
Repayment to shareholders Ms. Dong Ling and Mr. Liu Laixiang	-	2,800
Advance from a related party Daqing Xiangge	-	7,150
Repayment to a related party Daqing Xiangge	-	15,312

(c) Guarantees provided by related parties

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

Certain of the Group's interest-bearing bank and other borrowings and interest accruals with aggregate carrying amounts as at 28 February 2021 of RMB15,228,000 (2020: RMB22,369,000) were secured by pledges over the properties owned by related parties.

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

	Six months ended 28 February 2021 RMB' 000 (Unaudited)	Six months ended 29 February 2020 RMB' 000 (Audited)
Salaries, allowances and benefits in kind	1,105	603
Pension contributions	21	19
	<u>1,126</u>	<u>622</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

18. 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 2021	
	Carrying amounts RMB' 000 (Unaudited)	Fair values RMB' 000 (Unaudited)
Financial assets		
Other non-current assets	7,775	5,911
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals	861,462	784,788
Other long term liability	18,404	18,404
	<u>879,866</u>	<u>803,192</u>

	31 August 2020	
	Carrying amounts RMB' 000 (Audited)	Fair values RMB' 000 (Audited)
Financial assets		
Other non-current assets	4,200	2,955
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals	820,816	760,193
Payables for purchase of property, plant and equipment – non-current	61,042	61,042
Other long term liability	18,404	18,404
	<u>900,262</u>	<u>839,639</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

18. 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, financial liabilities included in other payables and accruals, amounts due to shareholders and an amount due to a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

Fair value hierarchy

The group did not have any financial assets or liabilities measured at fair value as at 31 August 2020 and 28 February 2021.

During the year ended 31 August 2020 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 2021

18. 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 2021

	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	–	5,911	–	5,911

As at 31 August 2020

	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	–	2,955	–	2,955

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

18. 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 2021

	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	–	784,788	–	784,788
Other long term liability	–	18,404	–	18,404
	–	803,192	–	803,192

As at 31 August 2020

	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	–	760,193	–	760,193
Payables for purchase of property, plant and equipment – non-current	–	61,042	–	61,042
Other long term liability	–	18,404	–	18,404
	–	839,639	–	839,639

19. EVENTS AFTER THE PERIOD

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

DEFINITIONS

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

“Annual Report”	the 2020 annual report published by the Company on 31 December 2020
“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 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
“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
“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 Property Development Ltd.* (哈爾濱祥閣房地產開發有限公司), a limited liability company established under the laws of the PRC and held as to 60% by Ms. Dong and 40% by Mr. Liu

DEFINITIONS

“Heilongjiang College of Business and Technology” or “our school”	Heilongjiang College of Business and Technology (黑龍江工商學院), a private regular undergraduate institution approved and established under the laws of PRC and a consolidated affiliated entity of the Company
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards (which include all International Financial Reporting Standards, International Accounting Standards and interpretations) issued by the International Accounting Standards Board
“Listing Date”	6 August 2020, since which the Shares of the Company have been listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Mr. Liu”	Mr. Liu Laixiang (劉來祥), the Chairman, the Chief Executive Officer, an executive Director and a Controlling Shareholder and the spouse of Ms. Dong
“Ms. Dong”	Ms. Dong Ling (董玲), an executive Director and a Controlling Shareholder and the spouse of Mr. Liu
“Prospectus”	the prospectus of the Company dated 27 July 2020
“Qiqihar College”	Qiqihar Institute of Technology* (齊齊哈爾理工職業學院), a junior college (普通專科學院校) 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

DEFINITIONS

“Shuren Education”	Shuren Education Limited (樹人教育有限公司), a company incorporated under the laws of the BVI on 18 June 2019 and wholly-owned by Ms. Dong, our Controlling Shareholder
“Songbei Campus”	a campus of Heilongjiang College of Business and Technology, located at Xinxing Dongguang Village, Zhoujia Dongyue Village, Shuangcheng District, Harbin City, Heilongjiang Province, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

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