



China Liberal Education Holdings Limited Reports Financial Results for Fiscal Year 2022

May 15, 2023

BEIJING, May 15, 2023 /PRNewswire/ -- China Liberal Education Holdings Limited (Nasdaq: CLEU) ("China Liberal", the "Company", "we", "our", or "us"), a China-based company that operates two colleges and provides smart campus solutions and other educational services, today announced its audited financial results for the fiscal year ended December 31, 2022.

Ms. Ngai Ngai Lam, Chairwoman and CEO of China Liberal, commented, "Fiscal year 2022 is a year of expansion and exploration for China Liberal, as we completed two major acquisitions and enhanced our service infrastructure and capabilities. The acquisition of Wanwang Investment Limited ("Wanwang") marks a transformational milestone for China Liberal to directly operate colleges and further expand business scale toward our growth goals, and the acquisition of Oriental Wisdom Cultural Development Co., Ltd. ("Oriental Wisdom") represents the implementation of the Company's business strategy to drive business growth in the vocational education industry through integrating enterprises and developing vocational education across various industries. We are glad to see the success of these expansion efforts reflected in our financial results. Our revenue reached \$11.60 million for fiscal year 2022, representing an increase of 196.8% from \$3.91 million for fiscal year 2021. Our gross profit increased by 117.6% to \$6.01 million for fiscal year 2022. What's more, we actively sought partnerships in the education industry and achieved satisfying results in securing clients and market share during this period. We are positive about our long-term development to be brought by these strategic initiatives in 2022. Looking ahead, we will continue searching for potential acquisition targets to extend our business reach in the education industry, while remain committed to improving our existing services and optimizing our strategic initiatives. We believe we have laid a solid foundation for long-term growth and value-creation for shareholders."

Fiscal Year 2022 Financial Highlights

	For the Years Ended December 31,		
(\$ millions, except for percentages or per share data)	2022	2021	%Change
Revenue	11.60	3.91	196.8 %
Gross profit	6.01	2.76	117.6 %
Gross margin	51.8 %	70.6 %	-18.8pp
Loss from operations	(1.38)	(1.17)	18.3 %
Net loss	(1.69)	(1.25)	35.1 %
Basic and diluted loss per share	(0.07)	(0.12)	41.7 %

Note: pp represents percentage points.

- Revenue increased by 196.8% year-over-year to \$11.60 million for fiscal year 2022, from \$3.91 million for fiscal year 2021.
- Gross profit increased by 117.6% to \$6.01 million for fiscal year 2022, from \$2.76 million for fiscal year 2021.
- Gross margins were 51.8% and 70.6% for fiscal years 2022 and 2021, respectively.
- Loss from operations was \$1.38 million for fiscal year 2022, compared to \$1.17 million for fiscal year 2021.
- Net loss was \$1.69 million for fiscal year 2022, compared to \$1.25 million for fiscal year 2021.
- Basic and diluted loss per share were \$0.07 for fiscal year 2022, compared to \$0.12 for fiscal year 2021.

Fiscal Year 2022 Financial Results

Revenue

Revenue increased by 196.8% year-over-year to \$11.60 million for fiscal year 2022 from \$3.91 million for fiscal year 2021. The increase in revenue was mainly attributable to revenue contribution from acquired entities in 2022.

Revenue from course fees primarily derived from providing educational programs to college students. On September 2, 2022, the Company completed its acquisition of Wanwang. Wanwang, through its subsidiaries, operates two colleges, Fuzhou Melbourne Polytechnic ("FMP") and Strait College of Mingjiang University ("Strait College"). Course fees are generally received in advance prior to the beginning of each applicable course or program. Course fees are recognized proportionately over the terms of the applicable course or program because the students simultaneously receive and consume the benefits provided by the Company. The portion of course fees received from students but not earned is recorded as deferred revenue in contract liabilities. Since the completion of acquisition in September 2022, both FMP and Strait College collectively enrolled 4,967 students, and \$6.4 million in course fees were earned from September 2022 to December 2022. The remaining course fees of \$7.5 million, which was received in advance, will be recognized as revenue from January 2023 to June 2023.

Revenue from Sino-foreign Jointly Managed Academic Programs increased by \$0.67 million, or 24.9%, to \$3.34 million for fiscal year 2022, from \$2.68 million for fiscal year 2021. This increase was primarily attributed to an increase in the average tuition fees by 24.9%, which was mainly caused by a change in student mix enrolled in different academic programs with the universities / colleges. The increase is also caused by an increase in the number of students by 1 from 2,488 students for the year ended December 31, 2021 to 2,489 students for the year ended December 31, 2022.

Revenue from tailored job readiness training services increased by \$1.13 million, or 817.8%, to \$1.26 million for fiscal year 2022, from \$0.14 million for fiscal year 2021. The increase was mainly attributed to the revenue contribution from our newly acquired entity, Oriental Wisdom. On July 14, 2022, the Company completed its acquisition of Oriental Wisdom, an integrated education services provider focusing on operating jointly-managed academic programs in the vocational higher education industry in China.

Revenue from Overseas Study Consulting Services increased by \$0.28 million, or 777.0%, to \$0.32 million for fiscal year 2022, from \$0.04 million for the same period last year. The increase was mainly because our performance obligations for our service contract with Beijing Foreign Studies University were satisfied for the year ended December 31, 2022. According to the administration guidelines issued by General Office of the Ministry of Education in December 2021, universities and colleges shall cease projects and cooperation with external parties and, as a result, after all existing contracts with Beijing Foreign Studies University came to completion and all existing performance obligations were completely satisfied, we discontinued our Overseas Study Consulting Services.

Revenue from providing smart campus related technological consulting service and technical support services decreased by \$0.78 million, or 73.6%, to \$0.28 million for fiscal year 2022, from \$1.06 million for fiscal year 2021. The decrease was primarily because we did not obtain smart campus projects of large size for the year ended December 31, 2022. For the year ended December 31, 2022, six projects were completed as compared with 18 completed projects for the year ended December 31, 2021. Many Chinese universities/colleges put on hold their "smart campus" project plans due to continued uncertainties associated with the COVID-19 pandemic during 2022, prior to the relaxation of the COVID-19 related restrictions imposed by the government. The decrease in revenue was also attributable to the decrease in average project size from \$58,859 per project in 2021 to \$46,563 per project in 2022.

Revenue from textbooks and course material sales increased to \$13,948 for fiscal year 2022 from nil for fiscal year 2021. The increase was mainly attributed to increased demand for our textbooks and course materials.

Cost of Revenue

Cost of revenue increased by \$4.45 million, or 387.1%, to \$5.60 million for fiscal year 2022, from \$1.15 million for fiscal year 2021, primarily due to \$4.4 million cost associated with providing educational programs to college students.

Gross Profit

Gross profit increased by \$3.24 million, or 117.6%, to \$6.01 million for fiscal year 2022, from \$2.76 million for fiscal year 2021, while gross profit margin decreased by 18.8%, to 51.8% for fiscal year 2022, from 70.6% for fiscal year 2021. The increase in gross profit was primarily due to \$2.0 million gross profit contribution from two colleges. Also, gross profit contribution from tailored job readiness training services increased by \$0.9 million in the fiscal year 2022 compared to the fiscal year 2021, mainly as a result of gross profit contribution from our newly acquired entity, Oriental Wisdom.

Operating Expenses

Selling expenses increased by \$0.23 million, or 152.0%, to \$0.38 million for fiscal year 2022, from \$0.15 million for fiscal year 2021. The increase in selling expenses was primarily attributable to \$0.1 million cost incurred in recruiting new students for two colleges and \$0.1 million increase in selling expenses, resulting from expansion of our sales and marketing force.

General and administrative expenses increased by \$2.49 million, or 66.0%, to \$6.27 million for the fiscal year 2022, from \$3.78 million for fiscal year 2021, primarily due to \$1.8 million general and administrative expense incurred in running the two colleges and an increase in share-based compensation to employees of \$0.6 million.

Interest Income

Interest income decreased by \$72,045, or 76.5%, to \$22,150 for fiscal year 2022, from \$94,195 for fiscal year 2021. In connection with the technological consulting services for smart campus projects, we recognized financing component resulted from a timing difference between when control was transferred and when we collected cash consideration from the customer. For the years ended December 31, 2022 and 2021, we recognized nil and \$87,589 in interest income in connection with the aforementioned financing component, respectively. The decrease was partially offset by interest income of \$22,150 and \$6,606 from bank deposit balance in the years ended December 31, 2022 and 2021, respectively.

Other Income (Expense)

Other income was \$133,874 and \$126,648 for fiscal years 2022 and 2021, respectively.

Provision for Income Tax

Income tax provision was \$0.46 million for fiscal year 2022, increased from \$0.30 million for fiscal year 2021. Effective income tax rate was 37.4% and 31.6% for the years ended December 31, 2022 and 2021, respectively. The significant change in effective income tax rate comparing the two years is mainly due to the fact that significant expenses incurred by non-PRC entities and net loss incurred by the two colleges and Oriental Wisdom.

Net Loss

Net loss was \$1.69 million for fiscal year 2022, compared to a net loss of \$1.25 million for fiscal year 2021, primarily due to the increase in general and administrative expenses as discussed above. Basic and diluted loss per share were \$0.07 for fiscal year 2022, compared to basic and diluted loss per share of \$0.12 for fiscal year 2021.

Financial Condition

As of December 31, 2022, the Company had cash of \$13.65 million, compared to \$32.68 million as of December 31, 2021.

Net cash provided by operating activities was \$0.42 million for fiscal year 2022, compared to net cash used in operating activities of \$1.41 million for fiscal year 2021.

Net cash used in investing activities was \$32,551,228 for fiscal year 2022, compared to \$7,543 for fiscal year 2021.

Net cash provided by financing activities was \$12.90 million for fiscal year 2022, compared to \$29.06 million for fiscal year 2021.

Impact of the COVID-19 Pandemic on Our Performance and Financial Indicators

Our results of operations and financial conditions in 2022 were affected by the COVID-19 pandemic. The COVID-19 pandemic has impacted China's

study abroad consulting and training services industry and the business operations of our Company. The extent to which COVID-19 impacts our results of operations in the future will depend on the future developments of the pandemic, including new information concerning the global severity of and actions taken to contain the pandemic, which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that the pandemic harms the Chinese and global economy in general.

The pandemic and related travel restrictions have affected and may continue to adversely affect our business and results of operations, including the demand for our services and the ability of partner schools to pay back accounts receivable on a timely basis. Beginning in January 2023, China no longer conducted nucleic acid tests and centralized quarantines for all inbound travelers, and measures to control the number of international passenger flights were lifted. However, there are still uncertainties of COVID-19's future impact. Therefore, while we do not expect the COVID-19 pandemic to negatively impacting our business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

Recent Developments

On November 2, 2022, the Company entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with AIWAYS Holdings Limited ("AIWAYS"), pursuant to which AIWAYS will merge with a wholly-owned subsidiary of the Company, and the issued and outstanding share capital of AIWAYS will be cancelled in exchange for newly issued shares of the Company on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933, as amended ("the Transaction"). Upon consummation of the Transaction, AIWAYS will become a wholly-owned subsidiary of the Company, and the existing AIWAYS shareholders and existing Company shareholders will own approximately 99.2% and 0.8%, respectively, of the outstanding shares of the combined company. For the purposes of consummating the transactions contemplated by the Merger Agreement, Aiways Automobile Holdings Limited and Aiways Merger Sub Limited were both formed on September 29, 2022.

On April 30, 2023, the Company terminated the Merger Agreement with AIWAYS in accordance with the termination provisions of the Merger Agreement, effective the same day. By virtue of terminating the Merger Agreement, the Support Agreement, and the Company Voting Agreement, as such terms are defined in the Merger Agreement, were also terminated.

About China Liberal Education Holdings Limited

Headquartered in Beijing, China Liberal is an educational services provider in China. Currently, China Liberal operates two colleges, Fuzhou Melbourne Polytechnic and Strait College of Mingjiang University, and provides a wide range of services, including those under overseas study consulting services; technological consulting services for Chinese universities to improve their campus information and data management system and to optimize their teaching, operating and management environment, creating a "smart campus"; and tailored job readiness training to graduating students. For more information, please visit the company's website at ir.chinaliberal.com/.

Forward-Looking Statements

This document contains forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties and are based on the Company's expectations and projections about future events, which the Company derives from the information currently available to the Company. Such forward-looking statements relate to future events or our future performance, including: our financial performance and projections; our growth in revenue and earnings; and our business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "hopes" or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including: our ability to change the direction of the Company; our ability to keep pace with new technology and changing market needs; and the competitive environment of our business. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this press release and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward-looking statements are reasonable, it cannot assure you that such expectations will turn out to be correct, and the Company cautions investors that actual results may differ materially from the anticipated results and encourages investors to review risk factors that may affect its future results in the Company's registration statement and in its other filings with the U.S. Securities and Exchange Commission.

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China Liberal Education Holdings Limited Condensed Consolidated Balance Sheets

	As of December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$13,650,071	\$32,678,421
Account receivables, net	1,047,809	2,462,550

Contract assets	-	2,014,146
Advance to suppliers	44,105	4,525,794
Prepayment to acquire subsidiaries	-	1,492,772
Inventories, net	193,738	201,091
Prepaid expenses and other current assets, net	3,475,714	175,956
TOTAL CURRENT ASSETS	\$18,411,437	\$43,550,730
NON-CURRENT ASSETS		
Goodwill on acquisitions	73,676,370	-
Property and equipment, net	10,194,930	35,384
Land use right, net	1,269,436	-
Intangible assets, net	423,272	-
Right-of-use assets	13,107	47,617
TOTAL NON-CURRENT ASSETS	85,577,115	\$83,001
TOTAL ASSETS	\$103,988,552	\$43,633,731

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Account payables	\$878,429	\$169,137
Contract liabilities	7,772,227	291,833
Short-term bank loans	20,784	-
Taxes payable	1,354,965	740,966
Due to related parties	390,550	23,557
Lease liability	10,887	47,617
Loans from third parties	975,716	-
Accrued expenses and other current liabilities	8,584,891	402,233
TOTAL CURRENT LIABILITIES	\$19,988,450	\$1,675,343

NON-CURRENT LIABILITIES

Contingent consideration	21,515,801	-
TOTAL LIABILITIES	\$41,504,251	\$1,675,343

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Ordinary shares, \$0.001 par value, 50,000,000 shares authorized, 31,598,333 and 13,848,333 shares issued and outstanding at December 31, 2022 and 2021, respectively

	\$31,598	\$13,848
Additional paid-in capital	63,191,010	40,686,311
Statutory reserve	1,006,384	719,804
(Accumulated losses) retained earnings	(1,828,205)	147,278
Accumulated other comprehensive (loss) income	83,514	391,147
Total shareholders' equity	\$62,484,301	\$41,958,388

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$103,988,552	\$43,633,731
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China Liberal Education Holdings Limited Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	For the years ended December 31,		
	2022	2021	2020
REVENUE	\$11,603,300	\$3,909,546	\$5,023,099
COST OF REVENUE	(5,598,048)	(1,149,148)	(2,157,033)
GROSS PROFIT	6,005,252	2,760,398	2,866,066
OPERATING EXPENSES			

Allowance for doubtful accounts	(734,750)	-	-
Selling expenses	(384,885)	(152,759)	(229,656)
General and administrative expenses	(6,270,504)	(3,778,329)	(1,199,690)
Total operating expenses	(7,390,139)	(3,931,088)	(1,429,346)
(LOSS) INCOME FROM OPERATIONS	(1,384,887)	(1,170,690)	1,436,720
OTHER INCOME			
Interest income	22,150	94,195	101,257
Other income (expenses), net	133,874	126,648	(26,035)
Total other income, net	156,024	220,843	75,222
(LOSS) INCOME BEFORE INCOME TAXES	(1,228,863)	(949,847)	1,511,942
INCOME TAX EXPENSE	(460,040)	(300,034)	(303,246)
NET (LOSS) INCOME	(\$1,688,903)	(\$1,249,881)	\$1,208,696
COMPREHENSIVE (LOSS) INCOME			
Total currency translation differences arising from consolidation	(307,633)	232,001	471,554
TOTAL COMPREHENSIVE (LOSS) INCOME	(\$1,996,536)	(\$1,017,880)	\$1,680,250
(Loss) earnings per share			
Basic and diluted	(\$0.07)	(\$0.12)	\$0.21
Weighted average number of shares outstanding			
Basic and diluted	23,687,374	10,368,563	5,852,459

China Liberal Education Holdings Limited
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the years ended December 31,		
	2022	2021	2020
Cash flows from operating activities			
Net (loss) income	(\$1,688,903)	(\$1,249,881)	\$1,208,696
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation of property and equipment	638,612	18,652	15,891
Amortization of intangible assets	32,365	-	-
Amortization of land use right	15,690	-	-
Non-cash lease expenses	86,911	91,386	41,524
Loss from disposal of property and equipment	-	607	37,468
Share-based compensation	2,832,500	2,288,251	-
Changes in operating assets and liabilities:			
Accounts receivable, net	1,932,649	(1,504,828)	(343,165)
Contract receivable, net	1,898,236	2,781,603	(719,615)
Advance to suppliers	4,223,766	(4,355,926)	756,846
Inventory, net	(8,368)	199	(185,985)
Prepaid expenses and other current assets	(3,050,385)	33,653	128,658
Accounts payable	(3,438,152)	40,239	66,961
Contract liabilities	8,336,652	462,253	(421,834)
Taxes payable	649,753	90,150	191,373
Operating lease liabilities	97,222	(67,754)	(60,907)
Accrued expenses and other current liabilities	(12,134,951)	(40,842)	(80,097)
Net cash provided by (used in) operating activities	423,597	(1,412,238)	635,814
Cash flows from investing activities			
Purchase of property and equipment	(612,955)	(4,439)	(21,230)
Prepayment for acquisitions	-	(1,474,217)	-

Advance to a related party	-	-	(1,374,895)
Acquisitions of subsidiaries, net of cash	(31,938,273)	-	-
Repayment of advance from related parties	-	1,471,113	-
Net cash used in investing activities	(32,551,228)	(7,543)	(1,396,125)
Cash flows from financing activities			
Proceeds from advance from a related party	-	9,415	-
Proceeds from loans from third parties	996,610	-	-
Repayment of due to a related party	(91,308)	-	(1,439,799)
Net proceeds from issuance of ordinary shares	11,989,949	29,047,088	5,405,451
Net cash provided by financing activities	12,895,251	29,056,503	3,965,652
Effect of changes of foreign exchange rates on cash	204,030	34,250	99,829
Net (decrease) increase in cash	(19,028,350)	27,670,972	3,305,170
Cash, beginning of year	32,678,421	5,007,449	1,702,279
Cash, end of year	\$13,650,071	\$32,678,421	\$5,007,449
Supplemental disclosure of cash flow information:			
Cash paid for interest expense	\$2,399	\$40,555	\$2,697
Cash paid for income tax	-	-	\$20,775
Supplemental disclosure of non-cash investing and financing activities			
Right-of-use assets obtained in exchange for operating lease obligations	-	-	\$180,528

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