



China Liberal Education Holdings Limited Reports Financial Results for Fiscal Year 2023

April 15, 2024 at 5:00 PM EDT

BEIJING, April 15, 2024 /PRNewswire/ -- China Liberal Education Holdings Limited (Nasdaq: CLEU) ("China Liberal", the "Company", "we", "our", or "us"), a China-based company that provides technological consulting services for smart campus solutions and other educational services, today announced its audited financial results for the fiscal year ended December 31, 2023.

Ms. Ngai Ngai Lam, Chairwoman and CEO of China Liberal, commented, "Our revenue experienced a decline in fiscal year 2023 due to termination of education programs offered by joint ventures of the PRC and foreign institutions ("Sino-foreign Jointly Managed Academic Programs"), but we still managed to maintain a relatively high gross margin level at around 57.1% during the fiscal year. Despite the major business restructuring under way, it is worth noting that our existing business has witnessed a rapid growth, with the revenue from tailored job readiness training services and technological consulting services for smart campus solutions surging by 74.2% and 144.5%, respectively, compared to fiscal year 2022. Meanwhile, our total cash had risen substantially to \$20.34 million as of December 31, 2023. These solid data showcase the resilience of our business model and operation which is moving in the right direction. Looking ahead, we will strive to keep the current momentum, expand our partnerships, and develop new growth drivers, with the goal of generating greater profits for our shareholders. Service quality is at the core of our journey for long-term development, which we believe will continue to push us forward for faster growth."

Fiscal Year 2023 Financial Highlights

(\$ millions, except for percentages or per share data)	For the Years Ended December 31,		
	2023	2022	%Change
Revenue	2.89	5.22	(44.7 %)
Gross profit	1.65	4.03	(59.1 %)
Gross margin	57.1 %	77.2 %	(20.1pp)
Loss from operations	(0.93)	(1.55)	40.0 %
Net loss	(4.96)	(1.69)	(193.6 %)
Basic and diluted loss per share	(1.65)	(1.94)	14.9 %

Note: pp represents percentage points.

- Revenue was \$2.89 million for fiscal year 2023, compared to \$5.22 million for fiscal year 2022.
- Gross profit was \$1.65 million for fiscal year 2023, compared to \$4.03 million for fiscal year 2022.
- Gross margins were 57.1% and 77.2% for fiscal year 2023 and 2022, respectively.
- Loss from operations was \$0.93 million for fiscal year 2023, compared to \$1.55 million for fiscal year 2022.
- Net loss was \$4.96 million for fiscal year 2023, compared to \$1.69 million for fiscal year 2022.
- Basic and diluted loss per share were \$1.65 for fiscal year 2023, compared to \$1.94 for fiscal year 2022.

Fiscal Year 2023 Financial Results

Revenue

Revenue decreased by \$2.33 million, or 44.7%, to \$2.89 million for fiscal year 2023 from \$5.22 million for fiscal year 2022. The decrease in our revenue was mainly attributable to the discontinued revenue from Sino-foreign Jointly Managed Academic Programs as this service was terminated after disposal of colleges in December 2023.

The Company did not generate revenue from Sino-foreign Jointly Managed Academic Programs for fiscal year 2023. Revenue from Sino-foreign Jointly Managed Academic Programs was \$3.34 million for fiscal year 2022. This decrease was primarily attributable to two factors (i) revenue generated from Sino-foreign Jointly Managed Academic Programs were accounted for as transactions between Wanwang Investment Limited ("Wanwang") and China Liberal (Beijing) Education Technology Co., Ltd. ("China Liberal Beijing") and were eliminated upon consolidation, and (ii) the termination of this line of service after disposition of two colleges in 2023.

Revenue from tailored job readiness training services increased by \$0.94 million, or 74.2%, to \$2.20 million for fiscal year 2023, from \$1.26 million for fiscal year 2022, mainly attributable to revenue contribution from our newly acquired entity, Oriental Wisdom Cultural Development Co., Ltd. ("Oriental Wisdom") in July 2022. Oriental Wisdom contributed only five months of revenue in 2022, as opposed to 12 months of revenue in 2023. On July 14, 2022, the Company closed the transactions contemplated by the stock purchase agreement entered into on June 9, 2022 by and among the Company, China Liberal Beijing, Oriental Wisdom, the acquired company, and Beijing Cloud Class Technology Co., Ltd., the seller of the acquired company, and 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.

The Company did not generate revenue from Overseas Study Consulting Services for fiscal year 2023. Revenue from Overseas Study Consulting Services was \$0.32 million for fiscal year 2022. We discontinued our Overseas Study Consulting Services in January 2023 after all existing contracts with Beijing Foreign Studies University came to completion and all existing performance obligations were satisfied, in accordance with the administration guidelines issued by General Office of the Ministry of Education in December 2021, which provide that universities and colleges shall cease projects and cooperation with external parties.

Revenue from smart campus related technological consulting services and technical support services for other entities increased by \$0.40 million, or

144.5%, to \$0.68 million for fiscal year 2023, from \$0.28 million for fiscal year 2022. The increase was primarily attributable to an increase of projects undertaken from six projects in 2022 to seven projects in 2023. The increase in revenue was also attributable to the increase in average project size from \$46,563 per project in 2022, to \$97,579 per project in 2023.

The Company did not generate revenue from textbooks and course material sales for fiscal year 2023. Revenue from textbooks and course material sales was \$13,948 for fiscal year 2022. The decrease was mainly attributable to decreased demand for our textbooks and course materials. According to our agreement with the publisher, we will be able to receive a fee only when the number of copies printed by the publisher exceed a pre-determined volume of 5,100 copies. In 2023, 24,841 copies were printed.

Cost of Revenue

Cost of revenue increased by \$0.05 million, or 4.3%, to \$1.24 million for fiscal year 2023, from \$1.18 million for fiscal year 2022. The increase was primarily due to the increase in cost of revenue associated with tailored job readiness training services by \$0.3 million and cost of revenue associated with technological consulting services for smart campus related projects by \$0.3 million. The increase was partially offset by a decrease of cost of revenue associated with Sino-foreign jointly managed academic programs by \$0.5 million and cost of revenue associated with overseas study consulting services by \$0.1 million.

Gross Profit

Gross profit decreased by \$2.38 million, or 59.1%, to \$1.65 million in fiscal year 2023, from \$4.03 million in fiscal year 2022, while gross profit margin decreased by 20.1%, to 57.1% for fiscal year 2023, from 77.2% for fiscal year 2022. The decrease in gross profit was primarily due to decreased gross profit contribution of \$2.9 million from Sino-foreign Jointly Managed Academic Programs and gross contribution of \$0.2 million from overseas study consulting services. The decrease was partially offset by increased gross profit contribution of \$0.6 million from tailored job readiness training services and gross profit contribution of \$0.1 million from technological consulting services for smart campus.

Operating Expenses

Selling expenses decreased by \$0.05 million, or 18.4%, to \$0.23 million for fiscal year 2023, from \$0.28 million for the fiscal year 2022. The decrease in selling expenses was primarily attributable to a reduction of headcount in our sales and marketing force and related travelling expenses.

General and administrative expenses decreased by \$1.88 million, or 41.2%, to \$2.68 million for the fiscal year 2023, from \$4.57 million for the fiscal year 2022, primarily due to decreased in share-based compensation of \$2.8 million. The decrease was partially offset by an increase in staff salaries and related benefit expenses of \$0.9 million due to full year impact of Oriental Wisdom staff expenses in 2023 as compared to six months impact in 2022 as Oriental Wisdom was newly acquired in June 2022.

Interest Expenses

Interest expenses increased by \$0.15 million, or 112.1%, to \$0.29 million for fiscal year 2023 from \$0.14 million for fiscal year 2022, primarily due to interest expenses on short-term bank loan, loans from third parties and loans from related parties.

Other Income (Expense)

Other income was \$0.12 million for fiscal year 2023, as compared to other expenses of \$0.15 million for fiscal year 2022. Other income related to forfeiture of advance from a supplier of \$0.1 million due to project cancellation. Other expenses in 2022 related to miscellaneous non-operating expenses incurred in 2022.

Income Tax Expenses

Income tax expenses were \$1,973 and \$0.46 million for fiscal year 2023 and fiscal year 2022, respectively. The decrease in income tax expenses was due to a net loss incurred by the Company and its subsidiaries.

Net Loss

Net loss was \$4.96 million for fiscal year 2023, compared to a net loss of \$1.69 million for fiscal year 2022. Basic and diluted loss per share were \$1.65 for fiscal year 2023, compared to basic and diluted loss per share of \$1.94 for fiscal year 2022.

Financial Condition

As of December 31, 2023, the Company had cash of \$20.34 million, compared to \$12.12 million as of December 31, 2022.

Net cash used in operating activities was \$3.78 million for fiscal year 2023, compared to net cash provided by operating activities of \$0.42 million for fiscal year 2022.

Net cash used in investing activities was \$2.24 million for fiscal year 2023, compared to \$32.55 million for fiscal year 2022.

Net cash provided by financing activities was \$12.72 million for fiscal year 2023, compared to \$12.90 million for fiscal year 2022.

Recent Development

On December 28, 2023, the Company entered into a share transfer agreement (the "Share Transfer Agreement") with Wanwang and Xiaoshi Huang, pursuant to which the Company agreed to transfer all of the equity interests in Wanwang to Xiaoshi Huang in consideration for US\$40 million. Xiaoshi Huang also agreed to unconditionally and irrevocably release and discharge the Company and all of the Company's related parties from any and all claims, debts, obligations and liabilities arising from or in connection with the Contingent Payments under the Stock Purchase Agreement. Additionally, parties to the Share Transfer Agreement agreed that the results of operations of Wanwang from the closing of the transactions contemplated by the Stock Purchase Agreement up to August 31, 2023 shall be consolidated into the Company's results of operations, and since September 1, 2023, results of operations of Wanwang and any income or losses incurred by Wanwang shall be borne by Xiaoshi Huang.

The Company expects the transactions to close on or before June 30, 2024.

About China Liberal Education Holdings Limited

China Liberal is an educational services provider headquartered in Beijing, China. China Liberal provides a wide range of services, including technological consulting for Chinese universities to improve their campus information and data management systems, designed to enhance the teaching, operating, and management environment of the universities, thus establishing a "smart campus." Additionally, China Liberal offers tailored job readiness training for graduating students. For more information, please visit the Company's website at <http://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 using terminology such as "may," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "hopes" or the negative of these or similar terms. When 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 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 required by law. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can provide no assurance that these expectations will prove to be accurate, and it cautions investors that actual results may differ materially from the anticipated results. Investors are encouraged to review the risk factors that may affect future results in the Company's registration statement and in its other filings with the U.S. Securities and Exchange Commission.

Investor Relations Contact

China Liberal Education Holdings Limited
Email: ir@chinaliberal.com

Ascent Investor Relations LLC

Tina Xiao
President
Phone: +1 646-932-7242
Email: investors@ascent-ir.com

CHINA LIBERAL EDUCATION HOLDINGS LIMITED CONSOLIDATED BALANCE SHEETS

	As of December 31, 2023	As of December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 20,337,847	\$ 12,121,824
Account receivables, net	1,453,230	954,603
Advance to suppliers	3,521,176	-
Inventories, net	167,493	193,738
Prepaid expenses and other current assets, net	114,732	122,407
Receivable from disposal of subsidiaries	40,000,000	-
Current assets from discontinued operations	-	5,018,865
TOTAL CURRENT ASSETS	\$ 65,594,478	\$ 18,411,437
NON-CURRENT ASSETS		
Goodwill on acquisitions	6,747,543	9,481,547
Property and equipment, net	5,157	19,785
Intangible assets, net	351,680	423,272
Right-of-use assets	102,509	13,107
Non-current assets from discontinued operations	-	75,639,404
TOTAL NON-CURRENT ASSETS	\$ 7,206,889	\$ 85,577,115
TOTAL ASSETS	\$ 72,801,367	\$ 103,988,552
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		

Account payables	\$ 571,432	\$ 762,366
Contract liabilities	212,473	251,368
Short-term bank loan	32,191	20,784
Taxes payable	1,438,658	1,346,992
Due to related parties	1,395,225	390,550
Lease liabilities	63,410	10,887
Loans from third parties	1,589,702	975,716
Accrued expenses and other current liabilities	928,816	1,869,946
Current liabilities from discontinued operations	-	14,359,841
TOTAL CURRENT LIABILITIES	\$ 6,231,907	\$ 19,988,450

NON-CURRENT LIABILITIES

Lease liabilities	32,525	-
Non-current liabilities from discontinued operations	-	21,515,801
TOTAL LIABILITIES	\$ 6,264,432	\$ 41,504,251

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Ordinary shares, \$0.015 par value, 7.5 million shares authorized, 3,351,336 and 2,151,336 shares issued and outstanding at December 31, 2023 and 2022, respectively*

	\$ 5,028	\$ 3,228
Additional paid-in capital*	72,142,580	63,219,380
Statutory reserve	1,006,384	1,006,384
Accumulated deficits	(6,786,949)	(1,828,205)
Accumulated other comprehensive income	169,892	83,514
Total shareholders' equity	\$ 66,536,935	\$ 62,484,301

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$ 72,801,367	\$ 103,988,552
----------------------	-----------------------

* Retrospectively restated for effect of share re-designation on November 30, 2023 and 1-for-15 reverse share split on January 19, 2024.

CHINA LIBERAL EDUCATION HOLDINGS LIMITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the years ended December 31,		
	2023	2022	2021
REVENUE	\$ 2,886,222	\$ 5,218,283	\$ 3,909,546
COST OF REVENUE	(1,235,370)	(1,184,185)	(1,149,148)
GROSS PROFIT	1,650,852	4,034,098	2,760,398
OPERATING EXPENSES			
Allowance for doubtful accounts	329,589	(734,750)	-
Selling expenses	(230,061)	(282,099)	(152,759)
General and administrative expenses	(2,684,903)	(4,566,187)	(3,778,329)
Total operating expenses	<u>(2,585,375)</u>	<u>(5,583,036)</u>	<u>(3,931,088)</u>
LOSS FROM OPERATIONS	(934,523)	(1,548,938)	(1,170,690)
OTHER (EXPENSES) INCOME			
Goodwill impairment	(2,734,004)	-	-
Interest income	2,043	10,155	94,195
Interest expenses	(289,677)	(136,588)	(3,145)
Government subsidy income	11,254	6,887	-
Other income, net	122,828	(149,728)	129,793
Total other (expenses) income, net	<u>(2,887,556)</u>	<u>(269,274)</u>	<u>220,843</u>

Loss before income taxes	(3,822,079)	(1,818,212)	(949,847)
Income tax expenses	<u>(1,973)</u>	<u>(460,040)</u>	<u>(300,034)</u>
Net loss from continuing operations	\$ (3,824,052)	\$ (2,278,252)	\$ (1,249,881)
Discontinued operations			
Net (loss) income from discontinued operations, net of tax	<u>(1,134,692)</u>	<u>589,349</u>	<u>-</u>
Net loss	<u><u>\$ (4,958,744)</u></u>	<u><u>\$ (1,688,903)</u></u>	<u><u>\$ (1,249,881)</u></u>
COMPREHENSIVE INCOME (LOSS)			
Total currency translation differences arising from consolidation	<u>86,378</u>	<u>(307,633)</u>	<u>232,001</u>
TOTAL COMPREHENSIVE LOSS	<u><u>\$ (4,872,366)</u></u>	<u><u>\$ (1,996,536)</u></u>	<u><u>\$ (1,017,880)</u></u>
Loss per share			
Basic and diluted	<u>\$ (1.65)</u>	<u>\$ (1.94)</u>	<u>\$ (1.81)</u>
Weighted average number of shares outstanding			
Basic and diluted	<u>2,321,643</u>	<u>1,175,156</u>	<u>691,238</u>

* Retrospectively restated for effect of share re-designation on November 30, 2023 and 1-for-15 reverse share split on January 19, 2024.

CHINA LIBERAL EDUCATION HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Net loss	\$ (4,958,744)	\$ (1,688,903)	\$ (1,249,881)
Net (loss) income from discontinued operations	<u>\$ (1,134,692)</u>	<u>\$ 589,349</u>	<u>-</u>
Net loss from continuing operations	\$ (3,824,052)	\$ (2,278,252)	\$ (1,249,881)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Allowance for accounts receivable	(413,669)	611,819	-
Allowance for inventory	18,975	5,392	1,101
Allowance for prepaid expenses and other current assets	65,105	122,930	-
Depreciation of property and equipment	10,657	47,056	18,652
Amortization of intangible assets	63,111	32,365	-
Loss on disposal of subsidiaries	2,285,309	-	-
Non-cash lease expenses	37,399	86,911	91,386
Loss from disposal of property and equipment	-	-	607
Share-based compensation	-	2,832,500	2,288,251
Goodwill impairment	2,734,004	-	-
Changes in operating assets and liabilities:			
Accounts receivable, net	3,560,308	1,416,032	(1,504,828)
Contract receivable, net	-	1,898,236	2,781,603
Advance to suppliers	(3,530,625)	4,262,151	(4,355,926)
Inventories net	1,794	(13,760)	(9,469)
Prepaid expenses and other current assets	(60,837)	(54,548)	33,653
Accounts payable	(169,622)	(400,750)	40,239
Contract liabilities	(974,788)	654,742	462,253
Taxes payable	130,472	642,372	90,150
Lease liabilities	(41,829)	97,222	(67,754)
Accrued expenses and other current liabilities	<u>(272,172)</u>	<u>35,656</u>	<u>(40,842)</u>
Net cash provided by (used in) operating activities from continuing operations	(380,460)	9,998,074	(1,420,805)
Net cash used in operating activities from discontinued operations	<u>(3,404,155)</u>	<u>(9,574,477)</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u><u>(3,784,615)</u></u>	<u><u>423,597</u></u>	<u><u>(1,420,805)</u></u>

Cash flows from investing activities			
Purchase of property and equipment	-	-	(4,439)
Prepayment for acquisitions	-	-	(1,474,217)
Acquisitions of subsidiaries, net of cash	-	(31,938,273)	-
Disposal of subsidiaries, net of cash	(2,173,659)	-	-
Repayment of advance from related parties	-	-	1,471,113
Net cash used in investing activities from continuing operations	(2,173,659)	(31,938,273)	(7,543)
Net cash used in investing activities from discontinued operations	(63,930)	(612,955)	-
Net cash used in investing activities	(2,237,589)	(32,551,228)	(7,543)
Cash flows from financing activities			
Proceeds from advance from a related party	320,041	-	9,415
Proceeds from loans from third parties	1,336,837	996,610	-
Repayment of loans from third parties	(313,177)	-	-
Repayment of due to a related party	-	(91,308)	-
Proceeds from short-term bank loans	26,155	-	-
Net proceeds from issuance of ordinary shares	8,925,000	11,989,949	29,047,088
Net cash provided by financing activities from continuing operations	10,294,856	12,895,251	29,056,503
Net cash provided by financing activities from discontinued operations	2,422,573	-	-
Net cash provided by financing activities	12,717,429	12,895,251	29,056,503
Effect of changes of foreign exchange rates on cash	(7,449)	204,030	34,250
Net increase (decrease) in cash	6,687,776	(19,028,350)	27,662,405
Cash, beginning of year	13,650,071	32,678,421	5,007,449
Cash, end of year	\$ 20,337,847	\$ 13,650,071	\$ 32,678,421
Reconciliation of cash, beginning of year			
Cash from continuing operations	\$ 12,121,824	\$ 32,678,421	\$ 5,007,449
Cash from discontinued operations	1,528,247	-	-
Cash, beginning of year	<u>\$ 13,650,071</u>	<u>\$ 32,678,421</u>	<u>\$ 5,007,449</u>
Reconciliation of cash, end of year			
Cash from continuing operations	\$ 20,337,847	\$ 12,121,824	\$ 32,678,421
Cash from discontinued operations	-	1,528,247	-
Cash, end of year	<u>\$ 20,337,847</u>	<u>\$ 13,650,071</u>	<u>\$ 32,678,421</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest expense	<u>\$ 2,648</u>	<u>\$ 2,399</u>	<u>\$ 40,555</u>
Cash paid for income tax	<u>-</u>	<u>-</u>	<u>-</u>
Supplemental disclosure of non-cash investing and financing activities			
Right-of-use assets obtained in exchange for operating lease obligations	<u>\$ 61,988</u>	<u>-</u>	<u>-</u>
Acquisition in the form of shares	<u>-</u>	<u>\$ 7,700,000</u>	<u>-</u>

View original content: <https://www.prnewswire.com/news-releases/china-liberal-education-holdings-limited-reports-financial-results-for-fiscal-year-2023-302117213.html>

SOURCE China Liberal Education Holdings Limited