

PROSPECTUS

1,333,333 Ordinary Shares  
 China Liberal Education Holdings Limited



This is an initial public offering of our ordinary shares. We are offering our ordinary shares, US\$0.001 par value per share (“Ordinary Shares”). Prior to this offering, there has been no public market for our Ordinary Shares. The initial public offering price is \$6.00 per Ordinary Share. We have been approved for listing on the Nasdaq Capital Market (“NASDAQ”) under the symbol “CLEU”.

**Investing in our Ordinary Shares involves a high degree of risk, including the risk of losing your entire investment. See “Risk Factors” beginning on page 10 to read about factors you should consider before buying our Ordinary Shares.**

We are an “emerging growth company” as defined under the federal securities laws and will be subject to reduced public company reporting requirements. Please read the disclosures beginning on page 3 of this prospectus for more information.

	PER SHARE	TOTAL WITHOUT OVER- ALLOTMENT OPTION	TOTAL WITH OVER- ALLOTMENT OPTION
Initial public offering price	\$ 6.00	\$ 8,000,000	\$ 9,200,000
Underwriting discounts and commissions <sup>(1)</sup>	\$ 0.42	\$ 560,000	\$ 644,000
Proceeds, before expenses, to us	\$ 5.58	\$ 7,440,000	\$ 8,556,000

(1) We have agreed to issue, on the closing date of this offering, underwriter’s warrants to the Underwriter in an amount equal to 7% of the aggregate number of ordinary shares sold by us in this offering. For a description of other terms of the Underwriter’s warrants and a description of the other compensation to be received by the Underwriter, see “Underwriting” beginning on page 133.

**Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. Neither we, nor the underwriters have authorized anyone to provide you with different information. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus, or any free writing prospectus, as the case may be, or any sale of shares in the Company.

*No dealer, salesperson or any other person is authorized to give any information or make any representations in connection with this Offering other than those contained in this prospectus and, if given or made, the information or representations must not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the securities offered by this prospectus, or an offer to sell or a solicitation of an offer to buy any securities by anyone in any jurisdiction in which the offer or solicitation is not authorized or is unlawful.*

This offering is being conducted on a firm commitment basis. The underwriter, Boustead Securities, LLC, is obligated to take and pay for all of the shares if any such shares are taken. We have granted the Underwriter an option for a period of 45 days from the date of this prospectus to purchase up to 15% of the total number of our ordinary shares to be offered by us pursuant to this offering (excluding shares subject to this option), solely for the purpose of covering over-allotments, at the initial public offering price less the underwriting discount. If the underwriter exercises the option in full, the total underwriting discounts and commissions payable will be \$644,000 based on the initial offering price of \$6.00 per ordinary share, and the total gross proceeds to us, before underwriting discounts and commissions and expenses, will be \$9,200,000. If we complete this offering, net proceeds will be delivered to us on the closing date. We will not be able to use such proceeds in China, however, until we complete capital contribution procedures which require prior approvals, registration or filings, i.e., making a filing with the local branch of China’s Ministry of Commerce, and registering with the local branch of the State Administration for Market Regulation, and the approval of and registration with a local bank authorized by the State Administration of Foreign Exchange. See remittance procedures in the section titled “Use of Proceeds” beginning on page 36.

The Underwriter expects to deliver the Ordinary Shares against payment as set forth under “Underwriting”, on or about April 30, 2020.



The date of this prospectus is March 31, 2020.

## About this Prospectus

This prospectus is part of a registration statement we filed with the SEC. We and the Underwriter have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses prepared by us or on our behalf or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information contained in this prospectus is current only as of the date on the front cover of the prospectus. You should not assume that the information contained in this prospectus, any prospectus supplement or the documents incorporated by reference are accurate as of any date other than their respective dates, regardless of the time of delivery of this prospectus or of any sale of the Ordinary Shares. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless otherwise indicated or the context requires otherwise, references in this prospectus to:

- “Affiliated Entities” are to our subsidiaries;
- “Boya Hong Kong” are to China Boya Education Group Co., Limited, a Hong Kong limited liability company;
- “China” or the “PRC” are to the People’s Republic of China, excluding Taiwan and the special administrative regions of Hong Kong and Macau for the purposes of this prospectus only;
- “China Liberal” are to China Liberal Education Holdings Limited, a Cayman Islands exempted company;
- “China Liberal Beijing” or “PRC Subsidiary” are to China Liberal (Beijing) Education Technology Co., Ltd., a PRC limited liability company and our operating subsidiary;
- “Company,” “we” and “us” are to one or more of China Liberal Education Holdings Limited, and its Affiliated Entities, as the case may be;
- “EAP” are to Australia English for Academic Purposes, which prepares international students for vocational or tertiary-level study in Australia and other contexts where English is the language of instruction, and it aims to develop student awareness, knowledge and skills in the use of English as the language of teaching and learning in a vocational and/or university environment;
- “FMP” are to Fuzhou Melbourne Polytechnic;
- “FPEC” are to Fujian Preschool Education College;
- “FUT” are to Fujian University of Technology;
- “IELTS” are to International English Language Testing System, an international standardized test of English language proficiency for non-native English language speakers, and accepted by most Australian, British, Canadian and New Zealand academic institutions;
- “IGEC” are to International General Education Courses, a Sino-foreign joint education program developed and introduced by the Chinese Service Center for Scholarly Exchange, a public organization under the Ministry of Education of the PRC, in order to improve the overall reform and internationalization of PRC’s higher education;
- “ISEC” are to International Scholarly Exchange Curriculum, a PRC government sponsored and highly profiled program affiliated with the China Scholarship Council directly under the Ministry of Education in the PRC;
- “NZTC” are to New Zealand Tertiary College;
- “shares,” “Shares,” or “Ordinary Shares” are to the Ordinary Shares of the Company, par value US\$0.001 per share;
- “Sino-foreign Jointly Managed Academic Programs” are to education programs offered by joint ventures of the PRC and foreign institutions;
- “TOEFL” are to Test of English as Foreign Language, an international standardized test of English language proficiency for non-native English language speakers, and commonly accepted by American academic institutions; and
- “Yi Xin BVI” are to Yi Xin International Investment Limited, a company incorporated in the British Virgin Islands.

Our business is conducted by China Liberal Beijing in the PRC, using Renminbi, or RMB, the currency of China. Our consolidated financial statements are presented in United States dollars. In this prospectus, we refer to assets, obligations, commitments and liabilities in our consolidated financial statements in United States dollars. These dollar references are based on the exchange rate of RMB to United States dollars, determined as of a specific date or for a specific period. Changes in the exchange rate will affect the amount of our obligations and the value of our assets in terms of United States dollars which may result in an increase or decrease in the amount of our obligations (expressed in dollars) and the value of our assets, including accounts receivable (expressed in dollars).

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## PROSPECTUS SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements included elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our Ordinary Shares, discussed under “Risk Factors,” before deciding whether to buy our Ordinary Shares.*

*Unless otherwise indicated, all dollar amounts included herein are recorded in United States dollars.*

*Unless otherwise indicated, all share amounts and per share amounts in this prospectus have been presented giving effect to a stock split of our Ordinary Shares at a ratio of 1,000-for-1, which occurred on July 8, 2019, and an issuance of 3,999,000 Ordinary Shares on July 15, 2019.*

### **Our Business**

#### **Overview**

We are an exempted company incorporated in the Cayman Islands on February 25, 2019. Through our operating company, China Liberal (Beijing) Education Technology Co., Ltd., or China Liberal Beijing, incorporated in the PRC on August 10, 2011, we are an educational service provider operating under the “China Liberal” brand in the PRC. Our mission is to provide China’s students with the tools to excel in a global environment. We strive to meet the needs of the ever growing number of young talents in China.

We provide a wide variety of educational services and products intended to address the needs of our partnering schools and our students:

- Services provided under Sino-foreign jointly managed academic programs (“Sino-foreign Jointly Managed Academic Programs”), which services represent the core of our business;
- Overseas study consulting services (“Overseas Study Consulting Services”);
- Technological consulting services provided to targeted Chinese universities to improve their campus information and data management system and to optimize their teaching, operating and management environment, creating a “smart campus”; these consulting services include campus intranet solution buildout, school management software customization, smart devices (mainly Internet of things, or IoT devices, extending the Internet connectivity to physical devices) installation and testing, and school management data collection and analysis, all of which can be specifically tailored to meet a client’s particular needs (“Technological Consulting Services for Smart Campus Solutions”); and
- Tailored job readiness training to graduating students (“Integration of Enterprises and Vocational Education”), acting as the key bridge between our partner schools and employers. However, we did not start generating revenue from this line of business until January 2019.

We also develop and provide textbooks and other course materials to students enrolled under the Sino-foreign Jointly Managed Academic Programs to ensure the quality of students’ learning outcomes.

We started generating revenue in the year ended December 31, 2012 through our services provided under certain Sino-foreign Jointly Managed Academic Programs. We continued to maintain and expand this core business throughout the years, giving us revenues stream of \$2,821,602, \$2,410,781 and \$1,240,856 for the years ended December 31, 2017 and 2018, and the six months ended June 30, 2019, respectively, representing 72.6%, 50.11% and 66.0% of our net revenues for those respective periods. A vast majority of these revenues derives from our two major partners, Fuzhou Melbourne Polytechnic, or FMP and Minjiang University. Additionally, since we started our Overseas Study Consulting Services in 2017, this line of business has been a source of growing revenue. We generated \$60,947 and \$547,521 in revenues from our Overseas Study Consulting Services for the years ended December 31, 2017 and 2018, respectively, representing a sharp increase from 2% to 11% of our total revenue of that respective year. For the six months ended June 30, 2019, we did not report revenue from providing overseas study consulting services, because we recruited 55 students in May and June 2019 and expect to complete the consulting services between October and November 2019, at which point, we may generate revenue of approximately \$384,604 when our performance obligations are fulfilled. We also started generating revenues from our Technological Consulting Services for Smart Campus Solutions business in 2017, with revenues of \$950,992, \$1,820,974 and \$625,896, representing 25%, 38% and 33.3% for the years ended December 31, 2017 and 2018, and the six months ended June 30, 2019, respectively. We did not generate any revenue during the years ended December 2017 and 2018 from our Integration of Enterprises and Vocational Education business because this line of business was newly added in December 2018. For the six months ended June 30, 2019, the revenue generated from this line of business was immaterial.

We started our operations in Beijing where our headquarters are located. We established our first branch in Fujian Province in 2011 and subsequently expanded to various locations in the PRC, covering the cities of Hangzhou, Fuzhou and Ji’nan on the east coast of China.

As of the date of this prospectus, there is no public trading market for our Ordinary Shares and there is no assurance that a trading market for our Ordinary Shares will ever develop.

#### **Competitive Strengths**

We believe that the following competitive strengths enhance our position in the PRC market:

- Innovative and visionary management team with a proven track record;
- Innovative, flexible and cost-effective smart campus solutions; and
- Strong and experienced sales team with a focus on art students.

**Business Strategy**

We intend to continue to generate revenue from our core businesses, while expanding to related territories maximizing our existing resources, as well as striving to meet the needs of our clients. We intend to diversify our income model in the coming years by growing our four lines of business simultaneously. We are dedicated to enabling our students to capture life-changing opportunities by delivering transformative education services and by working with our partners. Our goal is to become a nationally recognized education services company that offers modernized and internationalized higher education solutions to students, with a focus on academic areas of art and computer science. We intend to achieve our goal by pursuing the following strategies:

- Continue to invest in technology and leverage our intellectual property;
- Offer our smart campus solutions to a growing number of partnering schools;
- Expand our focus to include computer science major;
- Continue to invest in sales and marketing activities to recruit art students for our one-on-one consulting services;
- Expand classroom-based pre-session training services based on our current proven one-on-one consulting model; and
- Establish our own-branded schools.

**Our History and Corporate Structure**

China Liberal Education Holdings Limited, or China Liberal, was incorporated in the Cayman Islands on February 25, 2019.

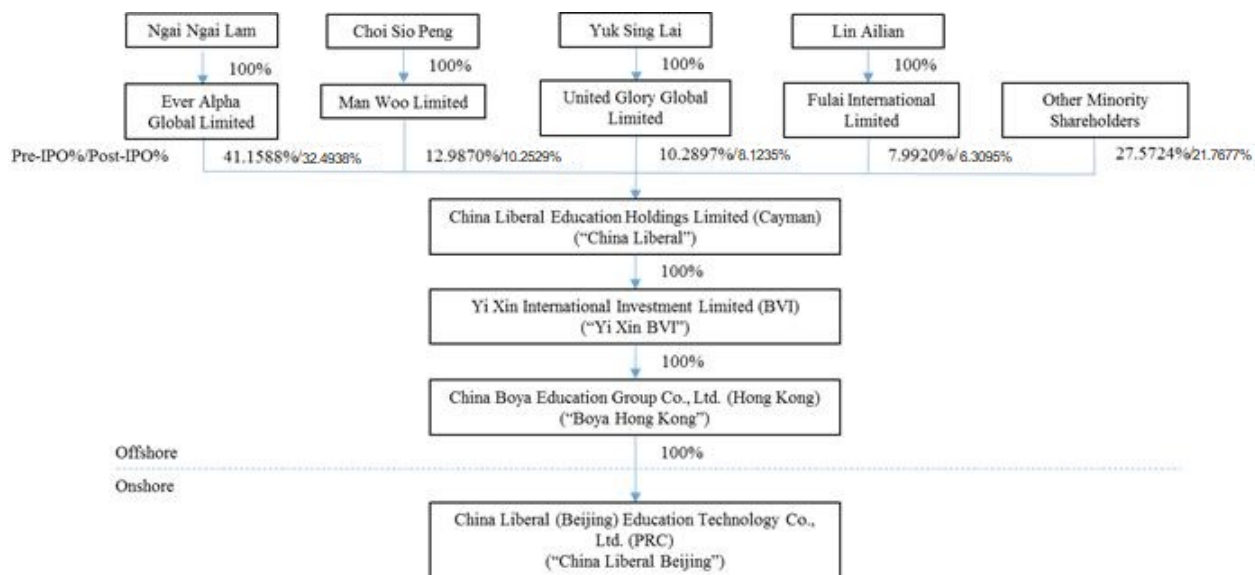
On July 8, 2019, our shareholders approved a stock split of our outstanding Ordinary Shares at a ratio of 1,000-for-1, which became effective immediately. All references to Ordinary Shares, options to purchase Ordinary Shares, share data, per share data, and related information have been retroactively adjusted, where applicable, in this prospectus to reflect the split of our Ordinary Shares as if it had occurred at the beginning of the earlier period presented.

On July 15, 2019, our sole director approved a stock issuance increasing our Ordinary Shares by 3,999,000 to 5,000,000, effective immediately. All references to Ordinary Shares, options to purchase Ordinary Shares, share data, per share data, and related information have been retroactively adjusted, where applicable, in this prospectus to reflect the split of our Ordinary Shares as if it had occurred at the beginning of the earlier period presented.

As of the date of this prospectus, our authorized share capital is \$50,000 divided into 50,000,000 ordinary shares. We directly hold 100% of the equity interests of Yi Xin International Investment Limited, a company incorporated in the British Virgin Islands (“Yi Xin BVI”), which in turn holds 100% of China Boya Education Group Co., Limited, a Hong Kong limited liability company (“Boya Hong Kong”). Boya Hong Kong originally holds 91.1772% equity interests of China Liberal Beijing, our PRC operating entity. On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing. After these transactions, Boya Hong Kong owns 100% interest of China Liberal Beijing.

We commenced our operations in August 2011 through China Liberal Beijing.

The following diagram illustrates our corporate structure as of the date of this prospectus and upon completion of the Offering based on 1,333,333 Ordinary Shares being offered:



### **Corporate Information**

Our principal executive office is located at Huateng Century Park Headquarters, Building A, Level 2, Beijing, PRC, and our phone number is +86-10-6597-8118. We maintain a corporate website at <http://www.chinaliberal.com>. The information contained in, or accessible from, our website or any other website does not constitute a part of this prospectus.

### **Implications of Being an “Emerging Growth Company”**

As a company with less than \$1.07 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An “emerging growth company” may take advantage of reduced reporting requirements that are otherwise generally applicable to public companies. In particular, as an emerging growth company, we:

- may present only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A;
- are not required to provide a detailed narrative disclosure discussing our compensation principles, objectives and elements and analyzing how those elements fit with our principles and objectives, which is commonly referred to as “compensation discussion and analysis”;
- are not required to obtain an attestation and report from our auditors on our management’s assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;
- are not required to obtain a non-binding advisory vote from our shareholders on executive compensation or golden parachute arrangements (commonly referred to as the “say-on-pay,” “say-on frequency” and “say-on-golden-parachute” votes);
- are exempt from certain executive compensation disclosure provisions requiring a pay-for-performance graph and CEO pay ratio disclosure;
- are eligible to claim longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act; and
- will not be required to conduct an evaluation of our internal control over financial reporting until our second annual report on Form 20-F following the effectiveness of our initial public offering.

We intend to take advantage of all of these reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act. Our election to use the phase-in periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the phase-in periods under §107 of the JOBS Act.

Under the JOBS Act, we may take advantage of the above-described reduced reporting requirements and exemptions for up to five years after our initial sale of common equity pursuant to a registration statement declared effective under the Securities Act, or such earlier time that we no longer meet the definition of an emerging growth company. The JOBS Act provides that we would cease to be an “emerging growth company” if we have more than \$1.07 billion in annual revenues, have more than \$700 million in market value of our Ordinary Share held by non-affiliates, or issue more than \$1 billion in principal amount of non-convertible debt over a three-year period.

## THE OFFERING

Following is a brief summary of this Offering.

Ordinary Shares outstanding prior to the completion of this Offering	5,000,000 Ordinary Shares
Ordinary Shares offered by us	1,333,333 <sup>(1)</sup> Ordinary Shares
Ordinary Shares Outstanding Immediately After the Offering	6,333,333 Ordinary Shares assuming no exercise of the Underwriter's over-allotment option and excluding 93,333 <sup>(1)</sup> ordinary shares underlying the Underwriter's warrants.
Price per Ordinary Shares	\$6.00 per ordinary share
Use of proceeds	We intend to use the proceeds from this offering for working capital and general corporate purposes, including investment in smart campus solutions, research and development, integration of enterprises and vocation education and establishment of big data calculation training school. See "Use of Proceeds" for more information.
Nasdaq Symbol	"CLEU"
Transfer Agent	Transhare Corporation
Risk Factors	An investment in the Ordinary Shares is subject to a number of risks. You should carefully consider the information set forth in the "Risk Factors" section below and the other sections of this Prospectus.

(1) The Underwriter has been granted an over-allotment option pursuant to which we may sell an additional 200,000 Ordinary Shares. We assume no exercise of the Underwriter's over-allotment option herein.

## SUMMARY FINANCIAL DATA

The following table sets forth selected historical statements of operations for the years ended December 31, 2018 and 2017, and balance sheet data as of December 31, 2018 and 2017, which have been derived from our consolidated audited financial statements included elsewhere in this prospectus. The following summary consolidated financial data for the six months ended June 30, 2019 and 2018 and as of June 30, 2019 have been derived from our unaudited condensed consolidated interim financial statements included elsewhere in this prospectus and have been prepared on the same basis as our audited consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read this data together with our consolidated financial statements and related notes appearing elsewhere in this prospectus as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” appearing elsewhere in the prospectus.

### Selected Statements of Operations Information:

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
<b>REVENUE, NET</b>	\$ 1,880,068	\$ 1,447,787
<b>COST OF REVENUE</b>	1,022,655	701,653
<b>GROSS PROFIT</b>	<b>857,413</b>	<b>746,134</b>
<b>OPERATING EXPENSES</b>		
Selling expenses	156,061	234,580
General and administrative expenses	511,024	286,672
Total operating expenses	667,085	521,252
<b>INCOME FROM OPERATIONS</b>	<b>190,328</b>	<b>224,882</b>
<b>OTHER INCOME</b>		
Interest income	3,617	48,526
Other income (expense), net	(2,179)	10,729
Total other income, net	1,438	59,255
<b>INCOME BEFORE INCOME TAXES</b>	<b>191,766</b>	<b>284,137</b>
<b>INCOME TAX PROVISION</b>	52,756	43,709
<b>NET INCOME</b>	<b>139,010</b>	<b>240,428</b>
Less: net income attributable to non-controlling interest	-	21,214
<b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>	<b>\$ 139,010</b>	<b>\$ 219,214</b>



	For the years ended December 31,	
	2018	2017
<b>REVENUE, NET</b>	\$ 4,808,993	\$ 3,885,886
<b>COST OF REVENUE</b>	2,702,297	2,161,322
<b>GROSS PROFIT</b>	<u>2,106,696</u>	<u>1,724,564</u>
<b>OPERATING EXPENSES</b>		
Selling expenses	704,060	541,424
General and administrative expenses	579,500	408,762
Total operating expenses	<u>1,283,560</u>	<u>950,186</u>
<b>INCOME FROM OPERATIONS</b>	<u>823,136</u>	<u>774,378</u>
<b>OTHER INCOME</b>		
Interest income	88,926	70,743
Other income, net	180,191	187,794
Total other income, net	<u>269,117</u>	<u>258,537</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,092,253</b>	<b>1,032,915</b>
<b>INCOME TAX PROVISION</b>	<u>167,813</u>	<u>158,109</u>
<b>NET INCOME</b>	<b>924,440</b>	<b>874,806</b>
Less: net income attributable to non-controlling interest	81,779	5,800
<b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>	<u>\$ 842,661</u>	<u>\$ 869,006</u>

**Selected Balance Sheet Information:**

	As of,	
	June 30, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,992,487	\$ 2,077,166
Accounts receivable, net	925,730	833,174
Contract receivable, net	1,072,266	960,237
Advance to suppliers	355,365	19,885
Deferred initial public offering costs	321,005	-
Due from a related party	-	72,700
Prepaid expenses and other current assets	793,943	286,052
<b>TOTAL CURRENT ASSETS</b>	<b>5,460,796</b>	<b>4,249,214</b>
Property and equipment, net	94,156	101,205
Contract receivable, net	1,214,797	1,617,186
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,308,953</b>	<b>1,718,391</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,769,749</b>	<b>\$ 5,967,605</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 188,302	\$ 121,558
Deferred revenue	614,641	149,560
Taxes payable	334,046	244,142
Due to related parties	504,040	22,591
Accrued expenses and other current liabilities	187,553	178,175
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,828,582</b>	<b>716,026</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized; 5,000,000 shares issued and outstanding*	5,000	5,000
Additional paid in capital	4,579,116	4,579,116
Statutory reserve	322,770	294,158
Retained earnings	286,603	88,967
Accumulated other comprehensive income (loss)	(252,322)	(234,237)
Total China Liberal's equity	4,941,167	4,733,004
Non-controlling interest	-	518,575
<b>Total shareholders' equity</b>	<b>4,941,167</b>	<b>5,251,579</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 6,769,749</b>	<b>\$ 5,967,605</b>

	As of December 31,	
	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,077,166	\$ 7,970
Accounts receivable, net	833,174	632,724
Contract receivable, net	960,237	160,270
Advance to suppliers	19,885	1,529,865
Loan receivable	-	1,997,726
Due from a related party	72,700	-
Prepaid expenses and other current assets	286,052	169,864
<b>TOTAL CURRENT ASSETS</b>	<b>4,249,214</b>	<b>4,498,419</b>
Property and equipment, net	101,205	68,155
Contract receivable, net	1,617,186	684,780
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,718,391</b>	<b>752,935</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,967,605</b>	<b>\$ 5,251,354</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 121,558	\$ 171,976
Deferred revenue	149,560	104,181
Taxes payable	244,142	177,722
Due to related parties	22,591	14,956
Accrued expenses and other current liabilities	178,175	171,526
<b>TOTAL CURRENT LIABILITIES</b>	<b>716,026</b>	<b>640,361</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized; 5,000,000 shares issued and outstanding*	5,000	5,000
Additional paid in capital	4,579,116	1,643,527
Statutory reserve	294,158	201,468
Retained earnings	88,967	2,274,585
Accumulated other comprehensive income (loss)	(234,237)	26,746
Total China Liberal's equity	4,733,004	4,151,326
Non-controlling interest	518,575	459,667
<b>Total shareholders' equity</b>	<b>5,251,579</b>	<b>4,610,993</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,967,605</b>	<b>\$ 5,251,354</b>

\* The Company issued 5,000,000 ordinary shares in the aggregate in July 2019. These shares are presented on a retroactive basis to reflect the nominal share issuance.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and “Business,” contains forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- implementation of our business strategy;
- our anticipated capital requirements and future operating performance; and
- our use of the net proceeds from this Offering.

Any statements that relate to future events or conditions, including, without limitation, the statements included in this prospectus that are not historical facts, that relate to industry prospects and that concern our prospective results of operations or financial position, may be deemed to be forward-looking statements. Often, however, our uses of the words “believe,” “anticipate,” “plan,” “expect,” “intend” and similar expressions will identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Although we believe that the expectations reflected in the forward-looking statements contained in this prospectus are reasonable, these statements represent our current expectations and are inherently uncertain. The factors discussed above under “Risk Factors,” among others, could cause actual results, levels of activity, performance or achievements to differ materially from those indicated by these forward-looking statements. Forward-looking statements represent our views as of the date of this prospectus. While we may elect to update these forward-looking statements in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. For all of these reasons, you should not unduly rely on any forward-looking statements.

## RISK FACTORS

*You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below and our consolidated financial statements and related notes, before making an investment in our Ordinary Shares. Any of the following risks and uncertainties could have a material adverse effect on our business, financial condition, results of operations and prospects. The market price of our Ordinary Shares could decline significantly as a result of any of these risks and uncertainties, and you may lose all or part of your investment.*

### **Risks Related to Our Business**

***We partner with a limited number of Chinese host universities for certain Sino-foreign Jointly Managed Academic Programs and our revenues are concentrated from a limited number of major partners. If we are not able to continue to secure agreements with some or all of our existing partners, or secure new agreements with additional partners, our results of operations and financial condition may be materially and adversely affected.***

Our revenues generated under Sino-foreign Jointly Managed Academic Programs represented 72.6%, 50.11% and 66.0% of our net revenues for the years ended December 31, 2017 and 2018, and the six months ended June 30, 2019, respectively. Although we continue to introduce new projects and to diversify our core business, the Sino-foreign Jointly Managed Academic Programs we actively service still generated a majority of our net revenues. In addition, for 2017 and 2018, and for the six months ended June 30, 2019, we generated a vast majority of our Sino-foreign Jointly Managed Academic Program revenues from our major partners, Fuzhou Melbourne Polytechnic, or FMP and Minjiang University. We expect that this line of business will continue to generate approximately one-third of our annual net revenue in the next three years. During the years ended December 31, 2017 and 2018, we operated five such programs with four universities. However, we have ceased to provide services in connection with two of the existing programs because we assessed that these two programs are not profitable. More specifically, we have ceased to offer our courses under the International Scholarly Exchange Curriculum program with Fujian University of Technology, or the FUT ISEC Program, after the then existing students graduated in July 2018. We also have ceased to offer our courses under the New Zealand Tertiary College Program with Fujian Preschool Education College, or the NZTC Program, after the then existing students graduated in July 2019. Despite our long term working relationships with FMP and Minjiang University, one or more of these universities may decide to terminate their agreements with us and discontinue our cooperation for reasons such as expiration of Sino-foreign program permits, a change or expiration of programs, students' inability to achieve the targeted level of language proficiency, undersubscription of students due to a global economic down-turn or otherwise, or simply decline to renew the agreements upon their expiration. If any of these situations occur, we cannot assure you that we will be able to timely secure other cooperation agreements with other programs, if at all, and therefore, our results of operations and financial condition may be materially and adversely affected.

***The services we provide under the Sino-foreign Jointly Managed Academic Programs may be subject to regulatory and policy changes, as well as the continuous approval of and supervision by relevant PRC authorities.***

We provide services to Sino-foreign Jointly Managed Academic Programs offered by our partner schools. According to PRC laws and regulations, schools offering Sino-foreign Jointly Managed Academic Programs are required to obtain permits to operate schools from the relevant education authorities or the authorities that regulate labor and social welfare in the PRC, depending on the type of diploma or degrees granted. The Sino-foreign Jointly Managed Academic Programs we service are subject to approvals by the Ministry of Education, or MOE. Additionally, these programs are subject to continuous supervision by relevant PRC authorities, including the MOE, the Ministry of Human Resources and Social Security and their local counterparts. Such supervision may include a verification system for the foreign degrees/diplomas awarded by Sino-foreign Jointly Managed Academic Programs, and an annual report system and periodic evaluation system for those Sino-foreign institutions and programs that offer undergraduate or higher degrees.

In 2018, the MOE approved the termination of certain Sino-foreign Jointly Managed Academic Programs as a move to improve quality, tighten regulatory control, and promote reforms in China's educational systems. Such actions were taken because problems had appeared in institutions and projects (none of which we service) that were previously approved by the relevant authorities. These problems included insufficient utilization of high quality educational resources, low instructional quality, weak specialized capabilities in academic departments, lack of content-based development mechanisms, low student satisfaction and poor attractiveness of programs. These problems made it difficult for those institutions and projects to continue operating and they were therefore closed down. This action by the MOE was taken to close down institutions and projects that were originally approved but at the time of termination did not have enrolled students any more. Thus, this action was also taken to improve the overall quality of the industry. In light of this, Fujian Province, the province where all of the Sino-foreign Jointly Managed Academic Programs we service are located, set a minimum score for English (as a subject) for those students who are applying for any four-year Sino-foreign joint programs that offer undergraduate degrees. As a result of these new regulatory controls and policy adjustments, even though none of the programs we service were terminated by MOE, overall student recruiting and enrollment under our Sino-foreign joint education programs was negatively impacted, because some potential candidates could not meet the minimum score for English. For example, student enrollments under our joint education programs with Strait College of Minjiang University actually decreased by 300 students from 2017 to 2018 and by 109 students from 1,712 students in the six months ended June 30, 2018 to 1,603 students in the six months ended June 30, 2019 due to the higher eligibility requirements for students to enroll in any Sino-foreign joint education programs in Fujian Province. We cannot assure you that the local government in Fujian Province or the MOE will not set an even higher eligibility standard for students to enroll in these joint education programs in the future, in which case our student enrollment numbers, result of operations and financial conditions may be negatively impacted.

***Our partnering schools have the ability to withhold our portion of tuition payments in certain circumstances, and to the extent that our portion is withheld, our revenue, results of operations and financial condition may be materially and adversely affected.***

Our results of operations are directly affected by the level of the tuition we charge to our students. Typically, students pay to the Sino-foreign Joint Managed Academic Programs tuition fees ranging from RMB15,000 (approximately US\$2,268) to RMB28,000 (approximately US\$4,233) per student per academic school year. Our contracts with host Chinese universities/ colleges are fixed price contracts, pursuant to which, we are to receive a fixed portion of tuition for services rendered. As a result of us servicing our partnering schools, we are entitled to receive approximately 30% to 50% of such student tuitions depending on different jointly managed academic programs. Our contracts with Chinese host universities/colleges provide that (1) the host universities/colleges will withhold the tuition collected from students for one to three months after the academic school year starts in September, and then remit the portion of tuition fees to us after the student headcounts have been finalized, and (2) the portion of tuition fee that we are entitled to receive is calculated based on the final actual number of students retained with the universities/colleges after any student dropout has been adjusted. Accordingly, any tuition refund has already been deducted by host universities/colleges before we receive our portion of the tuition fees. For accounting purposes, at the beginning of each academic school year, we initially accrue the estimated refund based on an historical 1% student dropout rate, and make subsequent true-up adjustments after the final number of students retained with the host universities/colleges is determined. Such adjustments were immaterial for the years ended December 31, 2018 and 2017, and the six months ended June 30, 2019.

However, our ability to receive our portion of tuition fee from Chinese host universities/colleges largely depends on whether Chinese host universities/colleges are satisfied with our teaching services, or whether we can maintain positive communication with Chinese host universities/colleges to resolve any service deficiency on a timely manner. Any extended tuition withholding or delayed tuition payment to us from Chinese host universities/colleges due to our service deficiency, may materially affect our revenue, results of operations and financial condition.

***We rely heavily on the continuous reputation of our partnering schools in order to attract and maintain a significant number of students enrolled in our courses offered in these schools.***

We partner with schools to provide courses within Sino-foreign Jointly Managed Academic Programs, including offering language courses and/or major specific courses to their students who intend to study abroad. These schools then pay us directly based on the headcount of the students enrolled in the Sino-foreign Jointly Managed Academic Programs. If these schools experience a decrease in the number of their enrolled students due to student or parent dissatisfaction, negative publicity, poor track records, or other disruption of their reputation out of our control, they may experience withdrawals of currently enrolled students and a decrease in the enrollment of perspective students, which could in turn materially and adversely affect our results of operations and financial condition.

***If one or more of the Sino-foreign Jointly Managed Academic Programs were to lose their Sino-foreign program permits, our results of operations and financial condition may suffer substantially.***

Universities or colleges who host Sino-foreign programs in the PRC are required to obtain and maintain Sino-foreign program permits from the appropriate education authorities at the PRC central government, provincial, municipal or local level, depending on the certifications required to offer these programs. We cannot assure you that the Sino-foreign Jointly Managed Academic Programs we service will maintain their permits in good standing within the permit periods, or that these permits will be renewed or extended after the permit periods. If one or more of the Sino-foreign Jointly Managed Academic Programs were to lose their Sino-foreign program permits and we are not able to timely secure new partnering programs, our results of operations and financial condition may suffer substantially.

***Our track record of successfully assisting students to obtain student visas to study abroad may fall and satisfaction with our consulting services may otherwise decline.***

The success of our business depends on our students' ability to obtain student visas for their overseas study. Although almost all of our students were granted student visas in the past, we cannot ensure that our students will be granted student visas and be accepted to overseas schools at rates we have experienced in the past, and parents and students may not be satisfied with our ability to help students gain admission to universities. Any such negative developments could result in a student's withdrawal or decrease in future enrollment, and therefore, our business, financial condition and results of operations may be materially and adversely affected.

***Changes to immigration policies in the countries our students plan to attend schools in may negatively affect our results of operations and financial condition.***

A significant portion of our business relies upon our students' confidence in, among other things, their ability to obtain student visas from the countries they intend to study in, including Italy and Germany. We cannot assure you that immigration policies of the popular destination countries among our students will remain the same or become friendlier to overseas students, and there is no assurance that our students will be granted visas to study in the countries of their choices. Any such negative developments could result in a student's withdrawal or decrease in future enrollment, and therefore, our business, financial condition and results of operations may be materially and adversely affected.

***If we fail to increase student enrollments, our net revenues may decline, and we may not be able to maintain growth.***

Our growing one-on-one consulting services offered to students (mostly art students) generate revenue from the tuition we collect from these students. It is critical for us to enroll prospective students in a cost-effective manner. Some of the factors, many of which are largely beyond our control, could prevent us from successfully increasing enrollments of new students in a cost-effective manner, or at all. These factors include, among other things, (i) reduced interest in the degrees, professions or schools which our services are targeting (art and computer science); (ii) improved quality and number of art schools in the PRC; (iii) the inability of students to pay tuition; (iv) increasing market competition, particularly price reductions by competitors that we are unable or unwilling to match; and (v) adverse changes in relevant government policies or general economic conditions. If one or more of these factors reduce market demand for our services, our student enrollments could be negatively affected or our costs associated with student acquisition and retention could increase, or both, any of which could materially affect our ability to grow our gross billings and net revenues. These developments could also harm our brand and reputation, which would negatively impact our ability to expand our business.

***If fewer Chinese students, particularly art students, choose to study abroad, demand for our international program may decline.***

One of the principal drivers of the growth of our business is the increasing number of Chinese students, particularly art students who choose to study abroad, reflecting the growing Chinese students demand for higher education in overseas countries. As such, any restrictive changes in immigration policy, terrorist attacks, geopolitical uncertainties and any international conflicts involving countries of popular demand could make it more difficult for Chinese students to obtain student visas to study overseas, or decrease the appeal of studying in such countries to Chinese students. Any significant changes in admission standards adopted by overseas educational institutions could also affect the demand for overseas education by Chinese students. Additionally, Chinese students may also become less attracted to studying abroad for other reasons, such as improving domestic educational or employment opportunities associated with increased economic development in China. These factors could cause declines in the demand for our international program, which may adversely affect our revenue and profitability.

***We face risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt our operations.***

In the past, China has experienced significant natural disasters, including earthquakes, extreme weather conditions, as well as health scares related to epidemics, and any similar event could materially impact our business in the future. If a disaster or other disruption were to occur in the future that affects the regions where we operate our business, our operations could be materially and adversely affected due to loss of personnel, damages to property and insufficient student enrollments. Even if we are not directly affected, such a disaster or disruption could affect the operations or financial condition of our ecosystem participants, which could harm our results of operations.

Our business could be affected by public health epidemics. If any of our employees or if one or more of our students who receive our services in person (for example, those students who enrolled in our one-on-one consulting services program) is suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our offices or other disruptions of our business operations and adversely affect our results of operations.

The outbreak of the novel coronavirus, commonly referred to as “COVID-19”, first found in mainland China, then in Asia and eventually throughout the world, has significantly affected business and other activities within China, including travel restrictions or quarantines within China, and postponement of the spring semester of 2020. Additionally, countries that our students will study in, including the U.S., Australia, Italy and Spain are currently affected by COVID-19, which led to measures taken by the respective governments trying to contain the spread of COVID-19, such as a lockdown, closure of schools and travel restrictions. Additional travel and other restrictions may be put in place to further control the outbreak. These measures may cause suspension of our one-on-one consulting services, as well as postponement of payment from our partnering schools. Students seeking to enroll in international educational institutions may choose to remain in China, thereby not seeking our services. In addition, the execution of the Company’s smart campus contracts and collection of the payment may be delayed. Accordingly, our business, results of operations and financial condition may be adversely affected.

Due to the continuous and rapid development of the COVID-19 outbreak, which was categorized as a pandemic by the World Health Organization on March 11, 2020, the potential negative impact of COVID-19 outbreak on our business is currently unknown.

***We cannot assure you that the new China Liberal-branded schools that we intend to open in Beijing and in Italy will be opened as scheduled, if at all.***

We intend to open our own branded schools in Beijing at our current headquarters as well as in Italy in 2020. However, we cannot assure you that either or both schools can obtain permits or licenses, if required, can enroll the viable number of students to ensure profits, can hire qualified teachers to teach the courses, or for our Italian location, can successfully cooperate with our local partner. Failure to accomplish any one or more of these factors could substantially delay the schools’ openings, if the schools can be opened at all, and our results of operations and financial prospects may suffer substantially.

***Our smart campus solutions may not be accepted by the intended users of our products, which could harm our future financial performance.***

There can be no assurance that our smart campus solutions systems will achieve wide acceptance by our intended users, including management, teachers, and students of our current and future partnering schools. The degree of acceptance for products and services based on our technology will also depend upon a number of factors, such as whether we are able to meet and exceed the expectation of our users in speed and safety, availability of various functions, user-friendliness and the ability to integrate different user platforms and data. Long-term subscription of our products and services will also depend, in part, on the capabilities and operating features of our products and technologies as compared to those of other available products and services. As a result, there can be no assurance that currently available solutions will be able to achieve revenue growth or profitability, which could harm our future financial performance.

***We depend upon the development of new solutions and enhancements to existing solutions for our current and future partnering schools. If we fail to predict and respond to emerging technological trends and clients' and intended users' changing needs, our operating results and market share may suffer.***

The market for our smart campus solutions is characterized by rapidly changing technology, evolving industry standards, new product introductions, and evolving methods of building and maintaining our products. Our operating results depend on our ability to develop and introduce innovative products and to maintain the integrated system we have implemented. The process of developing new technology, including Software as a Service, or SaaS model cloud computing technology, more programmable, flexible and virtual networks, and technology related to other market transitions- such as security, digital transformation and IoT and IoE (Internet of Everything), and cloud- is complex and uncertain, and if we fail to accurately predict clients' and intended end users' changing needs and emerging technological trends our business could be harmed.

We may need to commit significant resources, including monetary investments and developer personnel to developing new products before knowing for sure whether such investments will result in products the intended end users' will accept. Similarly, our business could be harmed if we fail to develop, or fail to develop in a timely fashion, offerings to address other evolving needs, or if the offerings addressing these other transitions that ultimately succeed are based on technology, or an approach to technology, different from ours. In addition, our business could be adversely affected in periods surrounding the launch of new products if customers delay their purchasing decisions to evaluate the new product offerings.

Furthermore, we may not execute successfully on our vision or strategy because of challenges with regard to product planning and timing, technical hurdles that we fail to overcome in a timely fashion, or a lack of necessary resources. This could result in competitors, some of which are technology giants in the PRC, providing those solutions before we do, which in turn, causes us loss of market share, revenue, and earnings.

***Historically, the gross margin from the smart campus solutions line of business was lower than our other lines of business, and we cannot assure you that such line of business will be profitable in the foreseeable future, if at all.***

While the gross margin from the smart campus solutions line of business was 23.4% in the six months ended June 30, 2019, historically, it was lower than our other lines of business, with gross margin of 6.5% in 2017 and 19.7% in 2018. This is due to the nature of the smart campus solutions business, that is, higher cost associated with the customization of software, higher hardware facilities and device costs, and higher investment into the research and development of the technology serving the smart campus solutions. We cannot assure you that the profit margin will become higher in the future. Therefore, there can be no assurance that we can generate income from the smart campus solutions line of business, or that any income that we achieve can be sustained.



***We provide our technology consulting services to a limited number of schools for their smart campus solutions, and if we are not able to continue to secure agreements with some or all of these schools, or secure new agreements with other schools, our results of operations and financial condition may be materially and adversely affected.***

Currently, we provide our technology consulting services to two universities for smart campus hardware and software build-out or servers upgrade. We also provide smart campus solutions equipment procurement and installment services to three other universities. However, one or more of these universities may decide to terminate their agreements with us for reasons such as dissatisfaction of our services, a change of programs or curriculum, hiring of in-house tech support personnel, or simply not to choose us as their service provider after a project is completely. If any of these situations occur, we cannot assure you that we will be able to timely secure other service agreements with other schools, if at all, and therefore, our results of operations and financial condition may be materially and adversely affected.

***Our reputation in the job readiness training market relies heavily upon the student-employees trained by us remaining in their respective positions and performing in a satisfactory manner, which is not within our control. If these student-employees are not able to stay in their respective positions for a reasonable amount of time or are consistently not able to meet the employers' criteria, our reputation in the job readiness training market may suffer.***

While our job readiness training services are highly tailored in order to train the student-employees to meet the specific requirements of our contracted employers, there may be situations not within our control which may lead to a student-employee's leaving his/her position before the end of required length of services. Such situations may include a student-employee's voluntary resignation without good reason or his/her violation of the employer's internal guidelines and rules. Although such situations are not within our control, our reputation may be damaged if similar situations occur repeatedly.

***We do not generate revenues under our job readiness training until a student is successfully placed and we will not be fully paid by the employer until such student-employee stay with the employer for a set period of time. If a student-employee fails to stay in his/her position for an agreed upon amount of time, our results of operations and financial condition may be materially and adversely affected.***

Our business model under the job readiness training line of business is such that we will not start generating revenues until a student is successfully placed and starts working for the target employer. Once these conditions have been met, the employer will start paying us monthly starting at the end of the first month of employment for the fixed period of time set forth in our agreement with the employer. However, if a student-employee leaves due to voluntary resignation without good reason or is asked to leave before the end of the applicable length of services, we will not be compensated for the remaining months that such student-employee is not providing services. Although we typically sign a separate agreement with a student before providing training services whereby the student is required to pay us for any of such remaining months, we cannot assure you that he/she will perform this obligation fully according to such agreement, in which case our results of operations and financial condition may be materially and adversely affected.

***We have grown steadily and expect to continue to invest in our operations for the foreseeable future. If we fail to manage this growth effectively, the success of our business model will be compromised.***

We have experienced steady growth in net revenues in recent years, primarily driven by the diversifying of our core business while leveraging our network of trusted schools. Our net revenues grew by 22.8% from RMB 21 million (\$3,163,302) in 2016 to RMB 26.26 million (\$3,885,886) in 2017 and further increased by 23.8% to RMB 31.82 million (\$4,808,993) in 2018. Our net revenue was RMB 12.76 million (\$1,880,068) in the six months ended June 30, 2019.

Our growth may place a significant strain on our sales and marketing capacities, administrative and operating infrastructure, facilities and other resources. To maintain our growth, we need to continue to acquire more partnering Sino-foreign programs or institutes, enroll more students, increase our academic and administrative faculty, as well as further developing and strengthening our software and systems. We will also be required to refine our operational, financial and management controls and reporting systems and procedures. If we fail to efficiently manage this expansion of our business, our costs and expenses may increase more than anticipated and we may not successfully attract a sufficient number of students and qualified academic and administrative faculty in a cost-effective manner, respond to competitive challenges, or otherwise execute our business plans. In addition, we may, as part of carrying out our growth strategies, adopt new initiatives to offer additional course packages and educational content and to implement new pricing models and strategies. We cannot assure you that these initiatives may achieve the anticipated results. These proposed changes may not be well received by our existing and prospective students, in which case their experience with our education services may suffer, which could damage our reputation and business prospect.

Our ability to effectively implement our strategies and manage any significant growth of our business will depend on a number of factors, including our ability to: (i) effectively market our products and services to potential partners and students with sufficient growth potential; (ii) develop and improve educational content to appeal to existing and prospective partners and students; (iii) maintain and increase our student enrollments; (iv) effectively recruit, train and motivate a large number of new employees, including our faculty members, foreign teachers and sales and marketing personnel; (v) successfully implement enhancements and improvements to our software and systems; (vi) continue to improve our operational, financial and management controls and efficiencies; (vii) protect and further develop our intellectual property rights; and (viii) make sound business decisions in light of the scrutiny associated with operating as a public company. These activities require significant capital expenditures and investment of valuable management and financial resources, and our growth will continue to place significant demands on our management. There are no guarantees that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. Our growth in a relatively short period of time is not necessarily indicative of results that we may achieve in the future. If we do not effectively manage the growth of our business and operations, our reputation, results of operations and overall business and prospects could be negatively impacted.

***If we are unable to conduct sales and marketing activities cost-effectively, our results of operations and financial condition may be materially and adversely affected.***

We rely heavily on our sales and marketing efforts to increase student enrollment. Our sales and marketing expenses consist primarily of employee salaries and student enrollment. We incurred approximately \$541,424, \$704,060 and \$156,061, respectively, in sales and marketing expenses in 2017 and 2018, and in the six months ended June 30, 2019. We expect our sales and marketing expenses to continue to increase in the future as we further expand our operations.

Our sales and marketing activities may not be well received by the market and may not result in the levels of sales that we anticipate. We also may not be able to retain or recruit a sufficient number of experienced sales and marketing personnel, or to train newly hired sales and marketing personnel, which we believe is critical to implementing our sales and marketing strategies cost-effectively. Further, sales and marketing approaches and tools in China's private education market are evolving rapidly. This requires us to continually enhance our sales and marketing approaches and experiment with new methods to keep pace with industry developments and student preferences.

Failure to engage in sales and marketing activities in a cost-effective manner may reduce our market share, cause our revenues and gross billings to decline, negatively impact our profitability, and materially harm our business, financial condition and results of operation.

***Part of our core business is seasonal and we have increased risk from disruption during peak periods which makes our operating results difficult to predict.***

We derive a significant portion of our net revenues from our Sino-foreign Jointly Managed Academic Programs, which typically occur around the commencement of an academic year in October and November. In addition, we typically see a "rush" to subscribe to our one-on-one consulting services by art students in June to December due to the annual registration cycle of overseas art schools, and thus, our net revenues from this core business fluctuate substantially accordingly. In addition, payments from our technology consulting services provided under the smart campus solutions typically settle at the end of a calendar year. Any shortfalls or disruptions in our operations during these peak periods, therefore, will have a disproportionately large impact on our annual operating results and the potential future growth of our business.

As a result of this seasonality, which corresponds to the academic calendar, our revenues fluctuate significantly quarter to quarter depending upon the timing of where we are in our "rush" cycle and sequential quarter-over-quarter comparisons of our revenues and operating results are to some extent not likely to be meaningful. In addition, our operating results from these two core businesses for any given quarter cannot be used as an accurate indicator of our results for the year. In particular, we anticipate that our ability to accurately forecast financial results for future periods will be most limited at the time we present our third quarter financial results, which will generally occur after the "rush" to subscription to our one-on-one courses in the spring and precede the fall academic year.

We base our operating expense budgets on expected net revenue trends. Operating expenses, similar to revenues and cost of revenues, fluctuate significantly quarter to quarter due to the seasonality of our business and are generally higher during the first and second quarters as we incur marketing expense in connection with our peak periods before the registration deadlines for art schools overseas as well as at the beginning of each academic year in the PRC. As a result, sequential quarterly comparison of our financial results has not been meaningful. We expect our seasonality to shift as a result of our continuous diversifying of our business by offering and maintaining our smart campus solution. Further, a portion of our expenses, such as office space lease obligations and personnel costs, are largely fixed and are based on our expectations of our peak levels of operations. We also intend to start enrolling students and offering preparation services to more art students on a much larger scale by operating our own branded schools in the PRC and in Italy, from which we expect more revenues to offset potential shortfall during off-peak periods. Nonetheless, we expect to continue to incur significant marketing expenses during peak periods and to have fixed expenses for office space and personnel and as such, we may be unable to adjust spending quickly enough to offset any unexpected revenues shortfall. Accordingly, any shortfall in net revenues may cause significant variation in operating results in any quarter.

***We face regulatory risks and uncertainties surrounding PRC laws and regulations governing the education industry in general, including the amendments to the Implementation Rules for the Law for Promoting Private Education.***

Our provision of Overseas Study Consulting Services offered language and art training to students, as advised by Tian Yuan Law Firm, our PRC legal counsel, is not considered running a private school, because we are not currently engaging in education that would lead to the issuance of a diploma, pre-school education, study assistance to students enrolled to take examinations for specific courses in order to obtain college degrees without attending conventional classroom-based universities, other cultural education or training of professional skills, or vocational qualifications, and thus, we are not a private school. Therefore, we are not required to hold a private school permit required under the Law for Promoting Private Education (2018) and the Implementation Rules for the Law for Promoting Private Education (2004) (collectively, “Private Education Law”).

Our plan to open and operate a China Liberal school, i.e., a for-profit private school, will subject us to the Private Education Law. Nonetheless, as advised by Tian Yuan Law Firm, the current PRC laws and regulations, including the Private Education Law, remain unclear as to whether the requirement for a private school operating permit is applicable to us, because in practice, private schools providing language and art training are usually not required to hold this permit.

The issuance of the draft submitted for approval for the amendment to the Implementation Rules for the Law for Promoting Private Education (the “MOJ Draft Amendments”) will make it clear that our planned China Liberal school in the PRC will not require a permit or approval, because this school will be providing language and art training to students, which is exempted from a permit or approval, and only a regular business recording with authority is required.

Nevertheless, we cannot assure you that the MOJ Draft Amendments will be adopted into law in its entirety without any revisions. Therefore, we cannot assure you that we will not be required to obtain a private school operating permit in the future. If the PRC government requires us to obtain a private school operating permit, and if we fail to do so and still operate the school, we may be subject to monetary fines up to five times the illegitimate gains generated from the provision of training services without a proper license, other administrative sanctions, such as being ordered to stop conducting our educational activities, refund tuition payments to the students, or criminal liabilities, for our lack of a private school operating permit.

We may also be subject to regulatory requirements that are more stringent than the ones currently applicable to us, including those relating to sales and marketing, courses and educational content offerings, teachers’ qualification, as well as tuition fee rates and tuition refund policies, or laws and regulations that require us to obtain and maintain additional licenses and permits, and we may incur substantial expenses or alter or change our business to comply with these requirements.

***We face regulatory risks and uncertainties associated with our teachers’ lack of teaching qualifications.***

Pursuant to the Detailed Rules for the Implementation of Supervision and Administration of For-profit Private Schools issued by the Ministry of Education, the Ministry of Human Resources and Social Security and the then State Administration for Industry and Commerce (the “Detailed Rules”), teachers employed by a for-profit private school shall obtain teaching licenses or hold relevant professional skill qualifications. The Detailed Rules do not specifically provide whether “teachers”, “tutors”, or however they may be called in practice (collectively, “teachers”) of non-school tutoring institutions shall obtain teaching licenses or other relevant teaching qualifications. However, the Detailed Rules require that for-profit private tutoring institutions shall also be regulated by reference to the Detailed Rules. Further, PRC laws and regulations do not explicitly set forth what “relevant professional skill qualifications” other than teaching licenses the teachers in private schools or tutoring institutions shall obtain. In practice, there may be various interpretations and implementations by local education authorities as to whether and what qualifications are to be obtained by such teachers.

As advised by Tian Yuan Law Firm, our PRC counsel, we do not believe that we are subject to the regulations of for-profit private schools because we do not provide education for diploma, pre-school education, study assistance to students enrolled to take examinations for specific courses in order to obtain college degrees without attending conventional classroom-based universities, other cultural education or training of professional skills, or vocational qualifications. However, since we also deliver language and art training to prepare students for their studies abroad, we may be deemed a for-profit tutoring institution by local education authorities. In such case, we may be subject to the Detailed Rules, and thus, our teachers may be required to obtain relevant professional skill qualifications by local education authorities. Although we have been maintaining high standards to recruit skilled and qualified employees, we cannot assure you that the teachers responsible for the foregoing language and art training would obtain all relevant qualifications required by local education authorities from time to time.

As of the date of this prospectus, we have not received any notice of warning or been subject to any penalties or disciplinary action from government authorities due to the teachers’ lack of qualifications. In the event that our teachers are required by laws or local education authorities to obtain certain specific qualifications, we may not be able to ensure that our teachers do so timely, if at all. Therefore, we may be ordered to rectify such noncompliance or subject to penalties under the then-effective PRC laws and regulations, in which case our business may be disrupted, and our financial condition, reputation and prospects would be materially and adversely affected.

***Our failure to obtain and maintain approval and permit related to publishing and selling our textbooks could have a material adverse impact on our business, financial conditions and results of operations.***

Pursuant to PRC laws and regulations related to publication, the publication and sale of our textbooks require government approval and permit, even though we limit the use of our textbooks to students enrolled under some of our Sino-foreign Jointly Managed Academic Programs. We have not applied for such government approval or permit. Although we are a course provider printing and distributing our own teaching materials at a small scale without obtaining any permit for publication and distribution, and although as of the date of this prospectus, we have not been subject to any fines or other form of regulatory or administrative penalties or sanctions due to the lack of any the above-mentioned approvals or permits, we cannot guarantee that the government authorities will not impose any penalties or sanctions on us in the future for any incompliance in the past, which may include fines, mandates to remedy any violations, confiscation of the gains derived from the services for which approval or permit is required, an order to cease to provide such services and/or criminal liabilities, in which case, we could be subject to operational disruption and our financial condition and results of operations could be adversely affected.

***We have a limited history of operating some of our business lines.***

We have been operating the Sino-foreign Jointly Managed Academic Programs since 2011. However, we have only been offering one-on-one consulting services and technological consulting services for smart campus solutions since 2017, and job readiness training since late 2018. Our limited history of operating part or all of our business may not serve as an adequate basis for evaluating our future prospects and operating results, including gross billings, net revenue, cash flows and profitability.

***We may not be able to continue to recruit, train and retain a sufficient number of qualified faculty members.***

Our faculty members are key to the quality of our educational services, as well as our brand and reputation. Our ability to continue to attract faculty members with the necessary experience and qualifications is a key driver in the success of our business. We seek to recruit qualified faculty members who are dedicated to teaching and are able to stay up-to-date with ever-changing teaching methods and approaches.

Additionally, given that our services are provided to students with goals to study abroad, we tend to hire teachers with strong education background and qualifications. The market for the recruitment of faculty members in the PRC is competitive. In order to attract and recruit talents, we must provide candidates with competitive compensation packages and offer attractive career development opportunities. Although we have not experienced major difficulties in recruiting or training qualified teachers in the past, we cannot guarantee that we will be able to continue to recruit, train and retain a sufficient number of qualified faculty members in the future as we continue to expand our business, which may have a material adverse effect on our business, financial condition and results of operations.

***Our failure to obtain and maintain permit related to human resources services could have a material adverse impact on our business, financial conditions and results of operations.***

Pursuant to the Interim Regulations on Human Resources Market, effective as of October 1, 2018, any for-profit human resources service provider shall obtain approval from the administrative department of human resources and social security to conduct human resources services. We recommend foreign teachers based on certain standards found in our agreements with partner universities or programs. We recommended three foreign teachers in 2016, three foreign teachers in 2017 and one foreign teacher in 2018, which may subject us to the qualification requirements of a human resources services provider. However, we have ceased to recommend new foreign teachers since 2019. Besides, as of the date of this prospectus, we have not been subject to any fines or other form of regulatory or administrative penalties or sanctions due to the lack of such approval or permit. Nevertheless, due to the broad provisions and discretionary implementation of the PRC laws, we cannot guarantee that the government authorities will not impose any penalties or sanctions on us in the future for any incompliance in the past, which may include fines, mandates to remedy any violations, confiscation of the gains derived from the services for which approval or permit is required, and/or an order to cease to provide such services, in which case, we could be subject to operational disruption and our financial condition and results of operations could be adversely affected.

***Failure to adequately and promptly respond to changes in the exams our students must take or in the requirements our students must meet to pursue their desired degrees or schools could cause our education services to be less attractive to our students.***

There have been continuous changes in the curriculum requirements associated with, and the format of, the exams our existing and prospective students must take to pursue their desired degrees or schools, the manner in which the exams are administered, topics frequently tested in the exams, as well as the materials and documents students must submit for admission. These changes require us to continually update and enhance our course offerings, our educational and consultancy content and our teaching methods. Any inability to track and respond to these changes in a timely and cost-effective manner would make our education services less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students without a significant decrease in our tuition.

***Delays or failures in responding to issues raised by end users of our platforms could harm our operations.***

The performance and reliability of our platforms used by management, teachers and students is critical to our operations and reputation. We provide our campus management, teaching and/or learning platforms to our partnering schools and we rely on our end users to promptly give us feedback regarding their user experience as well as any issues in connection with such platforms. However, there may be delay in feedback from these end users, or delay or failure on our end to address such issues. These could damage our reputation, decrease end user satisfaction, negatively impact our current cooperating relationships, adversely impact our ability to attract new partners, and materially disrupt our operations. If any of these occur, our business operations, reputation and prospects could be harmed.

***Our business depends on the continued success of our brand “China Liberal,” and if we fail to maintain and enhance recognition of our brand, we may face difficulty enrolling new students, and our reputation and operating results may be harmed.***

We believe that market awareness of our brand “China Liberal” has contributed significantly to the success of our business. Maintaining and enhancing our brand are critical to our efforts to grow our business. Failure to maintain and enhance our brand recognition could have a material and adverse effect on our business, operating results and financial condition. We have devoted significant resources to our brand promotion efforts in recent years, but we cannot assure you that these efforts will be successful. If we are unable to further enhance our brand recognition, or if we incur excessive marketing and promotion expenses, or if our brand image is negatively impacted by any negative publicity, our business and results of operations may be materially and adversely affected.

***If we fail to effectively identify, pursue and consummate strategic alliances or acquisitions, our ability to grow and to achieve profitability could be impacted.***

We may from time to time engage in evaluations of, and discussions with, possible domestic and international acquisition or alliance candidates. We may not be able to identify suitable strategic alliances or acquisition opportunities, complete such transactions on commercially favorable terms, or successfully integrate business operations, infrastructure and management philosophies of acquired businesses and companies. There may be particular complexities, regulatory or otherwise, associated with our expansion into new markets, and our strategies may not succeed beyond our current markets. If we are unable to effectively address these challenges, our ability to execute acquisitions as a component of our long-term strategy will be impaired, which could have an adverse effect on our growth.

***We face intense competition in our industry, which could divert student to our competitors, lead to pricing pressure and loss of market share, and significantly reduce our gross billings and net revenues.***

China’s education market targeting students going overseas is intensely competitive. We compete with other Chinese education service providers engaged in Sino-foreign Jointly Managed Academic Programs and overseas study consultancy, for student enrollments and acquisition, high-quality academic and administrative faculty, and sales and marketing personnel, among other things. Some of our current and future competitors may have substantially greater name recognition and financial and other resources than we do, which may enable them to compete more effectively for potential students and decrease our market share. We also expect to face competition as a result of new entrants particularly those who provide consultancy services targeting art students.

We may not be able to compete successfully against current or future competitors and may face competitive pressures that could adversely affect our business or results of operations. The increasingly competitive landscape may also result in longer and more complex sales cycles with a prospective student or a decrease in our market share, any of which could negatively affect our gross billings and net revenues and our ability to grow our business.

***If our security measures are breached or fail and result in unauthorized disclosure of data by our employees, we could lose existing partners, fail to attract new partners and be exposed to protracted and costly litigation.***

Maintaining software and system security is of critical importance to our partnering schools and our end users because the system stores and transmits proprietary and confidential information, including sensitive personally identifiable information that may be subject to stringent legal and regulatory obligations. As a technology driven smart campus solutions provider, we face continuous security threats to our system, including unauthorized activity and access by our employees, system viruses, worms, malicious code and organized cyberattacks, which could breach our security and disrupt our business. We take the proprietary and confidential information of our Company, our partners and our end users seriously. Each of our employees is required to sign and abide by an employment agreement that contains standard confidentiality agreements. Our employees are also required to attend internal continuing training sessions. Additionally, our research and development personnel regularly monitor and maintain our software and system. We intend to, in the near future, establish a team of maintenance personnel to conduct real-time monitoring. These measures, however, may not be as effective as we anticipate. If our security measures are breached or fail as a result of third-party action, employee error, malfeasance or otherwise, we could be subject to liability or our business could be interrupted, potentially over an extended period of time. Any or all of these issues could harm our reputation, adversely affect our ability to maintain existing partners or attract prospective partners, or subject us to third-party lawsuits, regulatory fines or other action or liability. Further, any reputational damage resulting from breach of our security measures could create distrust of our company by prospective partners or investors. We may be required to expend significant additional resources to protect against the threat of these disruptions and security breaches or to alleviate problems caused by such disruptions or breaches.

***We rely heavily on Aliyun, a cloud-based server provider to provide server service to us. Any interruption to such service could significantly disrupt our operations.***

A vast majority of our data, codes and solutions is stored on the cloud-based service platform, Aliyun, we subscribe to. Although the use of such service is perceived to have lower risks than a conventional physical server, we may still face risks such as closure or discontinuity of services without adequate notice, financial difficulties (such as bankruptcy) faced by the server provider or their contractor(s), or any system vulnerability or security risk that are not timely fixed by Aliyun, which may have negative effects on our business, the nature and extent of which are difficult to predict.

***Privacy concerns could limit our ability to collect and leverage our user data and disclosure of user data could adversely impact our business and reputation.***

In the ordinary course of our business and in particular in connection with the technological consulting services provided under smart campus solutions, we collect and utilize data supplied by our users. We currently face certain legal obligations regarding the manner in which we treat such information. Increased regulation of data utilization practices, including self-regulation or findings under existing laws that limit our ability to collect, transfer, integrate and use data, could have an adverse effect on our business. Failure to comply with these obligations could subject us to liability, and to the extent that we need to alter our business model or practices to adapt to these obligations, we could incur additional expenses.

***Our success depends on the continuing efforts of our senior management team and other key employees.***

We depend on the continued contributions of our senior management and other key employees. The loss of the services of any of our senior management or other key employees could harm our business. Competition for qualified talents in the PRC is intense. If one or more of our senior management or other key employees are unable or unwilling to continue in their present positions, we may not be able to find replacements in a timely manner, or at all, and our business may be disrupted. Moreover, if any member of our senior management team or any of our other key personnel joins a competitor or forms or invests in a competing business, we may lose student enrollment, qualified teaching faculty members and other key sales and marketing personnel to our competitors. Our future success is also dependent on our ability to attract a significant number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected. Our need to significantly increase the number of our qualified employees and retain key employees may cause us to materially increase compensation-related costs, including share-based compensation.

***We may from time to time be subject to infringement claims relating to intellectual properties of third parties.***

We cannot assure you that our course offerings, educational contents, textbooks, software and platforms do not or will not infringe upon copyrights or other intellectual property rights held by third parties. We may encounter disputes from time to time over rights and obligations concerning intellectual properties, and we may not prevail in those disputes.

We have adopted policies and procedures to prohibit our users, students and employees from infringing upon third-party copyright or intellectual property rights. However, we cannot ensure that they will not, against our policies, use third-party copyrighted materials or intellectual property without proper authorization. We may incur liability for unauthorized duplication or distribution of materials posted used in our classes or posted on our platforms. Any intellectual property infringement claim could result in costly litigation and divert our management attention and resources, which in turn could negatively affect our business, financial condition and prospect.

***If we fail to protect our intellectual property rights, our brand and business may suffer.***

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Although we seek to obtain copyright or trademark protection for our intellectual property when applicable, it is possible that we may not be able to do so successfully or that the copyright or trademark we have obtained may not be sufficient to protect all of our intellectual property rights. In particular, we rely, to a significant extent, upon our educational content developed in-house, including textbooks and teaching materials, course syllabi and outlines, quiz banks, and teaching notes, to provide high-quality education services. Additionally, we have developed and will continue to develop and maintain our copyrighted software offered within our smart campus solution. Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or duplicate our intellectual property or otherwise use our intellectual properties without obtaining our consent. For example, unauthorized third parties may use our “China Liberal” brand to operate similar businesses, or to make illegal copies of our textbooks and teacher materials for market resale. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot be certain that the steps we have taken will effectively prevent misappropriation of our intellectual properties. If we are not successful in protecting our intellectual property rights, our business and results of operations may be adversely affected.

***Our end users may engage in intentional or negligent misconduct or other improper activities or misuse our software and systems, which could harm our brand and reputation.***

We are exposed to the risk of fraud or other misconduct committed by the end users of our software and systems. The PRC laws governing the fair use of these third-party materials are imprecise and adjudicated on a case-by-case basis, which makes it challenging for us to adopt and implement policies governing these practices. We could, as a result, incur liability to third parties for the unauthorized duplication, distribution or other use of these materials. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and attention of management personnel regardless of whether the claims have merit. Additionally, we may be required to alter or cease our uses of such materials, which may include changing or removing content from courses or altering the functionality of our platform, or to pay monetary damages. Fraud or other misconduct by our students, employees or third parties may also involve engaging in unauthorized misrepresentation to our potential students and misappropriating third-party intellectual property and other proprietary rights during marketing activities, misusing sensitive personal information of our students, and engaging in bribery or other unlawful payments, any of which could result in customer complaints, regulatory and legal liabilities, as well as serious harm to our brand and reputation.

***If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our Ordinary Shares may be materially and adversely affected.***

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our management has not completed an assessment of the effectiveness of our internal controls over financial reporting, and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the course of auditing our consolidated financial statements as of December 31, 2018 and for the year ended December 31, 2017, we and our independent registered public accounting firm identified four material weaknesses in our internal control over financial reporting and other control deficiencies as of December 31, 2018. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified relate to (i) a lack of accounting staff and resources with appropriate knowledge of generally accepted accounting principles in the United States (“U.S. GAAP”) and SEC reporting and compliance requirements; (ii) a lack of sufficient documented financial closing policies and procedures; (iii) a lack of independent directors and an audit committee; and (iv) a lack of an effective review process by the accounting manager.

Following the identification of the material weaknesses and control deficiencies, we plan to continue to take remedial measures including (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework; (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; (iii) setting up an internal audit function as well as engaging an external consulting firm to assist us with assessment of Sarbanes-Oxley compliance requirements and improvement of overall internal control; and (iv) appointing independent directors, establishing an audit committee, and strengthening corporate governance.

We have taken measures and plan to continue to take measures to remedy these material weaknesses. The implementation of these measures may not fully address the material weaknesses in our internal control over financial reporting, and we cannot conclude that they have been fully remedied. Our failure to correct these material weaknesses or our failure to discover and address any other material weaknesses could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our Ordinary Shares, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

Upon the completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report from management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2019. In addition, once we cease to be an “emerging growth company” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. Generally speaking, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our Ordinary Shares, if and when they trade. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

***Failure to qualify for or obtain any preferential tax treatments that are available in China could adversely affect our results of operations and financial condition.***

The modified Enterprise Income Tax Law, effective on February 24, 2017, or the EIT Law, and its implementation rules generally impose a uniform income tax rate of 25% on all enterprises, but grant preferential treatment to “high and new technology enterprises strongly supported by the state,” or HNTEs, to enjoy a preferential enterprise tax rate of 15%. China Liberal Beijing is currently accredited as an HNTE. According to the relevant administrative measures, to qualify as an “HNTE,” China Liberal Beijing must meet certain financial and non-financial criteria and complete verification procedures with the administrative authorities. Continued qualification as an HNTE is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification. In the event that China Liberal Beijing fails to obtain accreditation as HNTE or are not verified by the local tax authorities, it will be subject to the standard PRC enterprise income tax rate of 25%.



***We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company.”***

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the NASDAQ, impose various requirements on the corporate governance practices of public companies. As a company with less than US\$1.07 billion in revenues for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting. The JOBS Act also permits an emerging growth company to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

After we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our Board of Directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

***We may grant share incentives, which may result in increased share based compensation expenses.***

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we may grant share-based awards in the future. As a result, we may start to incur expenses associated with share-based compensation, which may have an adverse effect on our results of operations.

***Failure to make adequate contributions to various government-sponsored employee benefits plans as required by PRC regulations may subject us to penalties.***

Companies operating in China are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to specified percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. The requirements of employee benefit plans have not been implemented consistently by the local governments in China given the different levels of economic development in different regions. We did not pay, or were not able to make, certain social insurance or housing fund contributions for all of our employees and the amount we paid was lower than the requirements of relevant PRC regulations. Our failure in making contributions to social security and housing providence fund plans and in complying with applicable PRC labor-related laws may subject us to penalties and/or late payment fees, as the case maybe, in addition to the payment of outstanding contributions for these plans, e.g., the failure to contribute full payment to the social security funds and subsequent refusal to make up the payment within specified time limit may lead to fines amounting to one to three times the unpaid amount. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected. In addition, to the extent that we can make a reasonable estimate of the liability arising from our failure in making full contributions to various employee benefit plans, we record a related contingent liability. However, the amount of our estimates may be inaccurate, in which case our financial condition and cash flow may be adversely affected if we were to pay late fees or fines in relation to the underpaid employee benefits.

***Increases in labor costs in the PRC may adversely affect our business and results of operations.***

The currently effective PRC Labor Contract Law was first adopted on June 29, 2007 and later amended on December 28, 2012. The PRC Labor Contract Law has reinforced the protection of employees who, under the PRC Labor Contract Law, have the right, among others, to have written employment contracts, to enter into employment contracts with no fixed term under certain circumstances, to receive overtime wages and to terminate or alter terms in labor contracts. Furthermore, the PRC Labor Contract Law sets forth additional restrictions and increases the costs involved with dismissing employees. To the extent that we need to significantly reduce our workforce, the PRC Labor Contract Law could adversely affect our ability to do so in a timely and cost-effective manner, and our results of operations could be adversely affected. In addition, for employees whose employment contracts include noncompetition terms, the PRC Labor Contract Law requires us to pay monthly compensation after such employment is terminated, which will increase our operating expenses.

In addition, we are required by PRC laws and regulations to maintain social insurance registration and open housing fund accounts with the relevant governmental authorities and pay for various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. If we fail to make adequate social insurance and housing fund contributions, we may be subject to fines and legal sanctions, and our business, financial condition and results of operations may be adversely affected. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers by increasing the prices of our products and services, our financial conditions and results of operations would be materially and adversely affected.

***We may not be able to renew leases or control rent increases at our existing locations at reasonable terms.***

We lease all real properties used by us, except our Hangzhou office, where we are allowed to use the office free of charge because of our cooperation relationship with China Academy of Art. We lease from Beijing Sino-U.S. Star International Film & Television Culture Media Co., Ltd. for our headquarters location, which is currently the location where we provide one-on-one consultancy services, as well as the location we intend to host our school in the near future.

The term of this lease is for four years, expiring May 31, 2022, and is renewable upon six-month notice by the Company. However, there is no assurance that the lessor will agree to renew the lease at the level of rent or at a price that is acceptable to us. Similarly, leases for our Beijing Tongzhou District location and our Fuzhou location require us to re-negotiate in order to keep those leases, and the lease for our Ji'nan location does not set forth terms and provisions relating to renewal. Therefore, there is no assurance that the lessors of these locations will agree to sign new leases with us at the level of rent or at a price that is acceptable to us, if at all. There is also no assurance that China Academy of Art will continue to allow us to use their office free of charge. As a result, we may fail to reach agreements for rental prices or otherwise fail to continue to lease or use one or more of these properties. We may be forced to relocate the affected operations to a new location or pay substantially higher rent, which could involve substantial rent increases and material business interruptions.

In addition, we cannot assure you that the lessors or the owner of our offices have duly obtained the title certificates of the properties subject to our leases or otherwise have the right to lease the properties. If any of our leases or our rights to occupy and use were terminated as a result of challenges by third-parties or governmental authorities, we may be forced to relocate the affected operations and incur significant expenses. There is no assurance that we may find suitable replacement sites in a timely manner on terms acceptable to us.

As of the date of this prospectus, we are not aware of any actions, claims or investigations being contemplated by or pending before any governmental authorities with respect to our leased or occupied properties. We have not received any notice of claim from any third-party for our use of such leased or occupied properties. However, if any of these risks materializes, our business, financial condition and results of operations may be materially and adversely affected. See "Business—Facilities/Properties" for more information.

***Accidents or injuries may occur at our properties, which could affect our reputation and student retention and enrollment.***

We could be held liable for the accidents or injuries or other harm to students or other people at our locations, including those caused by or otherwise arising in connection with our facilities or employees. We could also face claims alleging that we were negligent, provided inadequate maintenance to our facilities or supervision to our employees and therefore should be held liable for accidents or injuries suffered by our students or other people at our schools. Our schools may be perceived to be unsafe, which may discourage prospective students from enrolling in our services. Although we maintain certain liability insurance, this insurance coverage may not be adequate to fully protect us from these kinds of claims. In addition, we may not be able to obtain liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management.

***We currently do not have any business insurance coverage.***

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. Currently, we do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not have any liability, business interruption, litigation or property insurance coverage for our operations in China. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

## Risks Related to Our Corporate Structure

***The beneficial owners have substantial influence over our Company. Their interests may not be aligned with the interests of the Company and our other shareholders, and these beneficial owners, if voting as a group, could prevent or cause a change of control or other transactions that could be beneficial to our Company and other minority shareholders.***

As of the date of this prospectus, although no single shareholder currently own more than 41.16% of our outstanding Ordinary Shares, our beneficial owners Ngai Ngai Lam, Choi Sio Peng, Yuk Sing Lai and Lin Ailian beneficially own an aggregate of 72.4276% of our outstanding Ordinary Shares. Upon completion of this Offering, our beneficial owners will beneficially own approximately 3,621,380 Ordinary Shares, or approximately 57% of our outstanding Ordinary Shares.

Accordingly, these beneficial owners could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations, the election of directors and other significant corporate actions. In cases where their interests are aligned and they vote together, these beneficial owners will also have the power to prevent or cause a change in control. Without the consent of some or all of these shareholders, we may be prevented from entering into transactions that could be beneficial to us or our minority shareholders. The interests of these beneficial owners may differ from the interests of our other shareholders. The concentration in the ownership of our Ordinary Shares may cause a material decline in the value of our Ordinary Shares. For more information regarding our beneficial owners and their affiliated entities, see “Principal Shareholders.”

***In the event we are presented with business combination opportunities, we may be unable to complete such transactions efficiently or on favorable terms due to complicated merger and acquisition regulations and certain other PRC regulations***

On August 8, 2006, six PRC regulatory authorities, including MOFCOM, the State Assets Supervision and Administration Commission, SAT, the State Administration for Industry and Commerce, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which became effective on September 8, 2006 and was amended in June 2009. The M&A Rules, governing the approval process by which foreign investors merge with PRC business entities or acquire PRC assets and/or equity interests in PRC business entities, require the PRC parties to make a series of applications and supplemental applications to PRC government authorities, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisal of the target business and evaluation of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in cross-border business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our shareholders or sufficiently protect their interests in such transaction.

The M&A Rules allow PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets in order to prevent disguised transfer of capital from China to foreign countries, and in certain structures, among others, in the structures where foreign investors merge with Chinese enterprises and establish foreign-invested enterprises, require that considerations must be paid within defined periods, generally not in excess of a year after the business license of the foreign-invested enterprise has been issued. In addition, the M&A Rules also limit our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Moreover, the Anti-Monopoly Law of the People’s Republic of China, effective as of August 1, 2008, and relevant implementation rules require that the MOC be notified in advance of any of concentrations of undertaking if certain turnover thresholds are triggered. Besides, Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, issued on February 3, 2011 and became effective on March 3, 2011 establishes a security review system for merger and acquisition of domestic companies by foreign investors. These security review rules specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on legal and/or financial terms that satisfy our investors and protect our shareholders’ economic interests.

***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.***

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law (2018 Revision) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands have a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association that will become effective immediately prior to completion of this offering to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Description of Securities to be Registered.”

***You may be unable to present proposals before annual general meetings or extraordinary general meetings not called by shareholders.***

Cayman Islands law provides shareholders with only limited rights to convene a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company’s articles of association. Our articles of association allow our shareholders holding shares representing in aggregate not less than one third of our voting share capital in issue, to convene a general meeting of our shareholders, in which case our directors are obliged to call such meeting. Advance notice of at least ten clear days is required for the convening of our general meetings. A quorum required for a meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in the Company.

***Recently introduced economic substance legislation of the Cayman Islands may impact the Company or its operations***

The Cayman Islands, together with several other non-European Union jurisdictions, have recently introduced legislation aimed at addressing concerns raised by the Council of the European Union as to offshore structures engaged in certain activities which attract profits without real economic activity. Effective January 1, 2019, the International Tax Co-operation (Economic Substance) Law, 2018 (the “Substance Law”) and issued Regulations and Guidance Notes came into force in the Cayman Islands introducing certain economic substance requirements for “relevant entities” which are engaged in certain “relevant activities,” which in the case of exempted companies incorporated before January 1, 2019, will apply in respect of fiscal years commencing July 1, 2019, onwards. A “relevant entity” includes an exempted company incorporated in the Cayman Islands; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, it is not required to satisfy the economic substance test. Although it is presently anticipated that the Substance Law will have little material impact on the Company or its operations, as the legislation is new and remains subject to further clarification and interpretation it is not currently possible to ascertain the precise impact of these legislative changes on the Company.

***Certain judgments obtained against us by our shareholders may not be enforceable.***

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and the PRC, see “Enforceability of Civil Liabilities.”

## **Risks Related to Doing Business in China**

### ***Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.***

Substantially all of our assets and operations are located in the PRC. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in the PRC generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over the PRC's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in the PRC, in the policies of the Chinese government or in the laws and regulations in the PRC could have a material adverse effect on the overall economic growth of the PRC. Such developments could adversely affect our business and operating results, lead to a reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in the PRC, which may adversely affect our business and operating results.

### ***Uncertainties with respect to the PRC legal system could adversely affect us.***

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters generally. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. In addition, these regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in the PRC may be protracted, resulting in substantial costs and diversion of resources and management attention.

### ***You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the prospectus based on foreign laws.***

We conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, our CEO, Mr. Jianxin Zhang and our CFO, Mr. Wenhui Zhuang reside within China for a significant portion of the time and are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside the PRC. In addition, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

***We may rely on dividends and other distributions on equity paid by our PRC Subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC Subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business.***

We rely principally on dividends and other distributions on equity from our PRC Subsidiary for our cash requirements, including for services of any debt we may incur.

Our PRC Subsidiary's ability to distribute dividends is based upon its distributable earnings. Current PRC regulations permit our PRC Subsidiary to pay dividends to its respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC Subsidiary is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Our PRC Subsidiary, as a Foreign Invested Enterprise, or FIE, is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at its discretion. These reserves are not distributable as cash dividends. If our PRC operating subsidiary incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC Subsidiary to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are incorporated.

***The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.***

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC industry and commerce authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application through our office automation system and the application will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of our PRC operating subsidiary. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take significant corporate or legal actions, which could involve significant time and resources to resolve and divert management from our operations.

***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay us from using the proceeds of this offering to make loans or additional capital contributions to our PRC Subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

Any funds we transfer to our PRC Subsidiary, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, or FIEs, in China, capital contributions to our PRC Subsidiary are subject to the approval of or filing with the Ministry of Commerce, or MOFCOM or its local branches and registration with a local bank authorized by the State Administration of Foreign Exchange, or SAFE. In addition, (i) any foreign loan procured by our PRC Subsidiary is required to be registered with SAFE or its local branches and (ii) our PRC Subsidiary may not procure foreign loans which exceed the difference between its total investment amount and registered capital, or 2.5 times of the amount of the PRC Subsidiary's net assets, whichever is larger. As of the date of this prospectus, such maximum amount of foreign loans that our PRC Subsidiary is allowed to procure, based on the audited net asset value of our PRC Subsidiary as of December 31, 2018, is RMB 101,091,423.50 (approximately \$14,425,352). For more information on restrictions and limitations on the amount of loans, please see "Regulations—Regulations on loans to and direct investment in the PRC entities by offshore holding companies". Any medium or long-term loan to be provided by us to our PRC operating entity, i.e., China Liberal Beijing, must be registered with the NDRC and the SAFE or its local branches. We may not be able to complete such registrations on a timely basis, with respect to future capital contributions or foreign loans by us to our PRC Subsidiary. If we fail to complete such registrations, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capital for expenditure beyond their business scopes, providing entrusted loans or repaying loans between nonfinancial enterprises. The SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective in June 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. As this circular is relatively new, there remains uncertainty as to its interpretation and application and any other future foreign exchange related rules. Violations of these Circulars could result in severe monetary or other penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to use Renminbi converted from the net proceeds of this offering to fund our PRC operating subsidiary, to invest in or acquire any other PRC companies through our PRC Subsidiary, which may adversely affect our business, financial condition and results of operations.

***Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.***

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on exchange rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi solely to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, however, this appreciation halted and the Renminbi was traded within a narrow range against the U.S. dollar. Between July 2010 and November 2015, the Renminbi fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of IMF completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that effective October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the Renminbi depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows from China. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollar during this one-year period. Since February 2018, the RMB has depreciated significantly, over 8% against the U.S. dollar. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may announce further changes to the exchange rate system in the future, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces, PRC or U.S. government policies may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. The net proceeds from this offering will be denominated in U.S. dollars. Fluctuations in exchange rates, primarily those involving the U.S. dollar, may affect the relative purchasing power of these proceeds. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of earnings from and the value of any U.S. dollar-denominated investments we make in the future.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure, if at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

***If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.***

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with its "de facto management body" within the PRC is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation, or SAT, issued the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management, known as SAT Notice 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Notice 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe our company is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that our company is a PRC resident enterprise for enterprise income tax purposes, we will be subject to PRC enterprise income on our worldwide income at the rate of 25%. Furthermore, we be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax on gains realized on the sale or other disposition of ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders and any gain realized on the transfer of or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). These rates may be reduced by an applicable tax treaty, but it is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ordinary shares.

***There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC Subsidiary, and dividends payable by our PRC Subsidiary to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.***

Under the PRC EIT Law and its implementation rules, the profits of a foreign invested enterprise generated through operations, which are distributed to its immediate holding company outside the PRC, will be subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, this rate may be reduced to 5% if a Hong Kong resident enterprise owns more than 25% of the equity interest in the PRC company. Our PRC Subsidiary is wholly-owned by our Hong Kong subsidiary. Moreover, under the Notice of the State Administration of Taxation on Issues regarding the Administration of the Dividend Provision in Tax Treaties promulgated on February 20, 2009, the tax payer needs to satisfy certain conditions to enjoy the benefits under a tax treaty. The beneficial owner of the relevant dividends and the corporate shareholder to receive dividends from the PRC Subsidiary must have continuously met the direct ownership thresholds during the 12 consecutive months preceding the receipt of the dividends. Further, the State Administration of Taxation promulgated the Announcement on Issues Concerning “Beneficial Owners” in Tax Treaties in February 2018, which stipulates that a “beneficial owner” means a person who owns and has the right to dispose of the income and the rights or property generated from the said income, and sets forth certain detailed factors in determining the “beneficial owner” status. In current practice, a Hong Kong enterprise must obtain a tax resident certificate from the relevant Hong Kong tax authority to apply for the 5% lower PRC withholding tax rate. As the Hong Kong tax authority will issue such a tax resident certificate on a case-by-case basis, we cannot assure you that we will be able to obtain the tax resident certificate from the relevant Hong Kong tax authority. As of the date of this prospectus, we have not commenced the application process for a Hong Kong tax resident certificate from the relevant Hong Kong tax authority, and there is no assurance that we will be granted such a Hong Kong tax resident certificate.

Even after we obtain the Hong Kong tax resident certificate, we are required by applicable tax laws and regulations to file the required forms and materials with the relevant PRC tax authorities to prove that we can enjoy 5% lower PRC withholding tax rate. Boya Hong Kong intends to obtain the required materials and file with the relevant tax authorities when it plans to declare and pay dividends, but there is no assurance that the PRC tax authorities will approve the 5% withholding tax rate on dividends received from Boya Hong Kong.

***We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprise by its non-PRC holding companies.***

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Bulletin 7. SAT Bulletin 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017 and was amended in 2018. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.



We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is a transferor in such transactions, and may be subject to withholding obligations if our company is a transferee in such transactions, under SAT Bulletin 7 and/or SAT Bulletin 37. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC Subsidiary may be requested to assist in the filing under SAT Bulletin 7 and/or SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

***Regulation and censorship of information disseminated over the internet in China may adversely affect our business and reputation and subject us to liability for information displayed on our website.***

The PRC government has adopted regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses, and the closure of the concerned websites. The website operator may also be held liable for such censored information displayed on or linked to the websites. If our website is found to be in violation of any such requirements, we may be penalized by relevant authorities, and our operations or reputation could be adversely affected.

### **Risks Related to this Offering and the Trading Market**

***An active trading market for our Ordinary Shares may not develop and the trading price for our Ordinary Shares may fluctuate significantly.***

We have applied to list our Ordinary Shares on the Nasdaq Capital Market. Prior to the completion of this offering, there has been no public market for our Ordinary Shares, and we cannot assure you that a liquid public market for our Ordinary Shares will develop. If an active public market for our Ordinary Shares does not develop following the completion of this offering, the market price and liquidity of our Ordinary Shares may be materially and adversely affected. The initial public offering price for our Ordinary Shares will be determined by us and the Underwriter based upon several factors, and we can provide no assurance that the trading price of our Ordinary Shares after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their holding of our Ordinary Shares.

***The trading price of our Ordinary Shares is likely to be volatile, which could result in substantial losses to investors.***

The trading price of our Ordinary Shares is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for our Ordinary Shares may be highly volatile for factors specific to our own operations and our industry, including the following:

- variations in our revenues, earnings and cash flows;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new offerings, solutions and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- announcements of new regulations, rules or policies relevant for our business;
- additions or departures of key personnel;
- release of lockup or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our Ordinary Shares will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were to be involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

***The initial public offering price for our Ordinary Shares may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.***

The initial public offering price for our Ordinary Shares has been determined by negotiations between us and the underwriter, and does not bear any relationship to our earnings, book value or any other indicia of value. We cannot assure you that the market price of our Ordinary Shares will not decline significantly below the initial public offering price. The financial markets in the United States and other countries have experienced significant price and volume fluctuations in the last few years. Volatility in the price of our Ordinary Shares may be caused by factors outside of our control and may be unrelated or disproportionate to changes in our results of operations.

***Because our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.***

If you purchase our Ordinary Shares in this offering, you will pay more for your Ordinary Shares than the amount paid by our existing shareholders for their ordinary shares per share. As a result, you will experience immediate and substantial dilution of approximately \$4.25 per Ordinary Share, representing the difference between the initial public offering price of \$6.00 per share and our net tangible book value per share as of June 30, 2019, after giving effect to the net proceeds to us from this offering. See "Dilution" for a more complete description of how the value of your investment in our Ordinary Shares will be diluted upon the completion of this offering.

***The offering price of the primary offering and resale offering could differ.***

The offering price of our Ordinary Shares in the initial public offering has been determined by negotiations between the Company and the underwriter. The offering price in the initial public bears no relationship to our assets, earnings or book value, or any other objective standard of value. The selling shareholder may sell the resale shares at prevailing market prices or privately negotiated prices after close of the offering and listing of the Ordinary Shares on NASDAQ. Therefore, the offering prices of the initial public and resale offering could differ. As a result, the purchasers in the resale offering could pay more or less than the offering price in the primary offering.

***The Resale by the Selling Shareholder may cause the market price of our Ordinary Shares to decline.***

The resale of Ordinary Shares by the selling shareholder, as well as the issuance of Ordinary Shares in this Offering could result in resales of our Ordinary Shares by our current shareholders concerned about the potential dilution of their holdings. In addition, the resale by the selling shareholder after expiration of the lock-up period could have the effect of depressing the market price for our Ordinary Shares.

***If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding the Ordinary Shares, the market price for the Ordinary Shares and trading volume could decline.***

The trading market for our Ordinary Shares will be influenced by research or reports that industry or securities analysts publish about our business. If industry or securities analysts decide to cover us and in the future downgrade our Ordinary Shares, the market price for our Ordinary Shares would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our Ordinary Shares to decline.

***The sale or availability for sale of substantial amounts of our Ordinary Shares could adversely affect their market price.***

Sales of substantial amounts of our Ordinary Shares in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our Ordinary Shares and could materially impair our ability to raise capital through equity offerings in the future. The Ordinary Shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 under the Securities Act and the applicable lockup agreements. There will be 6,333,333 ordinary shares outstanding immediately after this offering, assuming the Underwriter has not exercised its over-allotment option and 6,533,333 ordinary shares assuming full exercise of the over-allotment option. In connection with this offering, we, our directors, executive officers and existing shareholders have agreed, subject to certain exceptions, not to sell any Ordinary Shares for six months to one year after the date of this prospectus without the prior written consent of the Underwriter. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our Ordinary Shares. See "Underwriting" and "Shares Eligible for Future Sale" for a more detailed description of the restrictions on selling our securities after this offering.

***Techniques employed by short sellers may drive down the market price of our Ordinary Shares.***

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in the PRC have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations, and any investment in our Ordinary Shares could be greatly reduced or even rendered worthless.

***Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on a price appreciation of our Ordinary Shares for a return on your investment.***

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Ordinary Shares as a source for any future dividend income.

Our Board of Directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board of Directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board of Directors. Accordingly, the return on your investment in our Ordinary Shares will likely depend entirely upon any future price appreciation of our Ordinary Shares. There is no guarantee that our Ordinary Shares will appreciate in value after this offering or even maintain the price at which you purchased our Ordinary Shares. You may not realize a return on your investment in our Ordinary Shares and you may even lose your entire investment in our Ordinary Shares.

***We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies, including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we remain an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

***We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.***

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of NASDAQ. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

***Because we are a foreign private issuer and are exempt from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer.***

Nasdaq Listing Rules require listed companies to have, among other things, a majority of its board members be independent. As a foreign private issuer, however, we are permitted to, and we may, follow home country practice in lieu of the above requirements, or we may choose to comply with the Nasdaq requirement within one year of listing. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors. Since a majority of our board of directors will not consist of independent directors, fewer board members will be exercising independent judgment and the level of board oversight on the management of our company may decrease as a result. In addition, the Nasdaq listing rules also require U.S. domestic issuers to have a compensation committee, a nominating/corporate governance committee composed entirely of independent directors, and an audit committee with a minimum of three members. We, as a foreign private issuer, are not subject to these requirements. The Nasdaq listing rules may require shareholder approval for certain corporate matters, such as requiring that shareholders be given the opportunity to vote on all equity compensation plans and material revisions to those plans, certain ordinary share issuances. We intend to comply with the requirements of Nasdaq Listing Rules in determining whether shareholder approval is required on such matters and to appoint a nominating and corporate governance committee. However, we may consider following home country practice in lieu of the requirements under Nasdaq listing rules with respect to certain corporate governance standards which may afford less protection to investors.

***If we are classified as a passive foreign investment company, United States taxpayers who own our Ordinary Shares may have adverse United States federal income tax consequences.***

A non-U.S. corporation such as ourselves will be classified as a passive foreign investment company, which is known as a PFIC, for any taxable year if, for such year, either

- At least 75% of our gross income for the year is passive income; or
- The average percentage of our assets (determined at the end of each quarter) during the taxable year which produce passive income or which are held for the production of passive income is at least 50%.

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. taxpayer who holds our Ordinary Shares, the U.S. taxpayer may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements.

Depending on the amount of cash we raise in this offering, together with any other assets held for the production of passive income, it is possible that, for our 2018 taxable year or for any subsequent year, more than 50% of our assets may be assets which produce passive income, in which case we would be deemed a PFIC, which could have adverse US federal income tax consequences for US taxpayers who are shareholders. We will make this determination following the end of any particular tax year.

## ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. We are incorporated under the laws of the Cayman Islands because of certain benefits associated with being a Cayman Islands corporation, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of foreign exchange control or currency restrictions and the availability of professional and support services. However, the Cayman Islands has a less developed body of securities laws as compared to the United States and provides significantly less protection for investors than the United States.

Substantially all of our assets are located in the PRC. In addition, a majority of our directors and officers are nationals or residents of the PRC and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed Hunter Taubman Fischer & Li LLC as our agent to receive service of process with respect to any action brought against us in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any state in the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

Campbells, our counsel to the laws of Cayman Islands, and Tian Yuan Law Firm, our counsel to PRC law, have advised us that there is uncertainty as to whether the courts of the Cayman Islands or the PRC would (i) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States or (ii) entertain original actions brought in the Cayman Islands or the PRC against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Campbells has further advised us that the United States and the Cayman Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters and that a final judgment for the payment of money rendered by any general or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, may not be recognized and enforceable in the Cayman Islands on the grounds that such provisions are penal in nature. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, courts of the Cayman Islands will recognize and enforce a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum, provided it is not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands' judgment in respect of the same matters, and was not obtained in a manner which is contrary to the public policy of the Cayman Islands. In addition, a Cayman Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

Tian Yuan Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. Tian Yuan Law Firm has advised us further that there are no treaties between China and the United States for the mutual recognition and enforcement of court judgments, thus making the recognition and enforcement of a U.S. court judgment in China difficult.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering, after deducting the estimated underwriting discounts and the estimated offering expenses payable by us and based upon the initial public offering price of US\$6.00 per Ordinary Share, of \$6,159,445. If the underwriter exercises its over-allotment option in full, we estimate that the net proceeds to us from this offering will be \$7,275,445, after deducting the underwriting discounts and estimated offering expenses payable by us.

	<b>Use of Proceeds</b>
Cash Flow for Smart Campus Solutions	US\$ 907,773.61
Research and Development	US\$ 1,500,000
Integration of Enterprises and Vocational Education	US\$ 1,500,000
Establishment of Big Data Calculation Training School, As Support to Integration of Enterprises and Vocational Education	US\$ 1,500,000

In the event that the Underwriter's over-allotment option is exercised, we intend to use 50% of such additional proceeds (up to \$1,116,000) for cash flow for smart campus solutions, and the remaining 50% for research and development.

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this Offering. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this Offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this Offering differently than as described in this prospectus. To the extent that the net proceeds we receive from this Offering are not immediately used for the above purposes, we intend to invest our net proceeds in short-term, interest-bearing bank deposits or debt instruments.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC Subsidiary through loans or capital contributions, subject to applicable regulatory approvals. We currently cannot make loans or capital contributions to our PRC Subsidiary without first obtaining regulatory approvals, registration or filings, i.e., making a filing with the local branch of the MOFCOM, and registering with the local branch of the State Administration for Market Regulation, or SAMR, and the approval of and registration with a local bank authorized by the SAFE. As of March 20, 2020, the maximum amount of loans that our PRC Subsidiary is allowed to procure, based on the audited net asset value of our PRC Subsidiary as of December 31, 2018, is RMB 101,091,423.50 (approximately \$14,425,352), which is higher than the maximum amount that we expect to raise from this Offering. However, there is no such restriction on capital contributions. Although to the best of our knowledge there is no material regulatory obstacles for us to obtain such approvals, registration or filings, we cannot assure you that we will be able to obtain these approvals, registration or filings in a timely manner. See "*Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay us from using the proceeds of this offering to make loans or additional capital contributions to our PRC Subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.*"

## DIVIDEND POLICY

We intend to keep any future earnings to finance the expansion of our business, and we do not anticipate that any cash dividends will be paid in the foreseeable future.

Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profit or share premium amount, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts due in the ordinary course of business.

If we determine to pay dividends on any of our Ordinary Shares in the future, as a holding company, we will be dependent on receipt of funds from our BVI subsidiary, Yi Xin International Investment Limited.

Current PRC regulations permit our PRC Subsidiary to pay dividends to Boya Hong Kong from the revenues from the operations of our PRC operating entity, China Liberal Beijing, if any, determined in accordance with Chinese accounting standards and regulations. In addition, China Liberal Beijing is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. China Liberal Beijing is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.

The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any. Furthermore, if our subsidiaries and affiliates in the PRC incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments. If we or our subsidiaries are unable to receive all of the revenues from the operations of our PRC operating entity, China Liberal Beijing, we may be unable to pay dividends on our Ordinary Shares.

Cash dividends, if any, on our Ordinary Shares will be paid in U.S. dollars. Boya Hong Kong may be considered a non-resident enterprise for tax purposes, so that any dividends China Liberal Beijing pays to Boya Hong Kong may be regarded as China-sourced income and as a result may be subject to PRC withholding tax at a rate of up to 10%. See *“Taxation—People’s Republic of China Enterprise Taxation.”*

In order for us to pay dividends to our shareholders, we will rely on payments made from China Liberal Beijing to Boya Hong Kong. Certain payments from China Liberal Beijing to Boya Hong Kong are subject to PRC taxes, including business taxes and VAT. In addition, if China Liberal Beijing or its subsidiaries or branches incur debt on their own behalves in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement, the 10% withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC project. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied, including without limitation that (a) the Hong Kong project must be the beneficial owner of the relevant dividends; and (b) the Hong Kong project must directly hold no less than 25% share ownership in the PRC project during the 12 consecutive months preceding its receipt of the dividends. In current practice, a Hong Kong project must obtain a tax resident certificate from the Hong Kong tax authority to apply for the 5% lower PRC withholding tax rate. As the Hong Kong tax authority will issue such a tax resident certificate on a case-by-case basis, we cannot assure you that we will be able to obtain the tax resident certificate from the relevant Hong Kong tax authority and enjoy the preferential withholding tax rate of 5% under the Double Taxation Arrangement with respect to dividends to be paid by China Liberal Beijing to its immediate holding company, Boya Hong Kong. As of the date of this prospectus, we have not applied for the tax resident certificate from the relevant Hong Kong tax authority. Boya Hong Kong intends to apply for the tax resident certificate when China Liberal Beijing plans to declare and pay dividends to Boya Hong Kong. See *“Risk Factors—There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC Subsidiary, and dividends payable by our PRC Subsidiary to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.”*



## CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2019:

- on an actual basis;
- on an as adjusted basis to reflect the issuance and sale of 1,333,333 Ordinary Shares by us in this Offering at the initial public offering price of \$6.00 per Ordinary Share, after deducting the estimated discounts to the Underwriter and the estimated offering expenses payable by us.

You should read this capitalization table in conjunction with “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	<b>June 30, 2019</b>	
	<b>Actual</b>	<b>Pro Forma As adjusted (1)</b>
	<b>US\$</b>	<b>US\$</b>
<b>Equity</b>		
Share capital US\$0.001 par value, 50,000,000 Ordinary Shares authorized, 5,000,000 Ordinary Shares issued and outstanding as of June 30, 2019; Pro forma without over-allotment reflects 6,333,333 Ordinary Shares issued and outstanding	5,000	6,333
Additional paid-in capital	4,579,116	10,737,228
Statutory reserve	322,770	322,770
Retained earnings	286,603	286,603
Accumulated other comprehensive income	(252,322)	(252,322)
Total equity	4,941,167	11,100,612
<b>Total capitalization</b>	<b>4,941,167</b>	<b>11,100,612</b>

- (1) Reflects the sale of ordinary shares in this offering at the initial public offering price of \$6.00 per share, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us, assuming the Underwriter’s over-allotment option has not been exercised. Additional paid-in capital reflects the net proceeds we expect to receive, after deducting the underwriting discounts and estimated offering expenses payable by us. We estimate that such net proceeds will be approximately \$6,159,445 assuming the Underwriter has not exercised the over-allotment option. The net proceeds of \$6,159,445 are calculated as follows: \$8,000,000 gross offering proceeds, less underwriting discounts and commissions of \$560,000 and estimated offering expenses of \$1,280,555. The pro forma as adjusted total equity of \$11,100,612 is the sum of the net proceeds of \$6,159,445 and the actual equity of \$4,941,167.

## DILUTION

*Unless otherwise indicated, all share amounts and per share amounts in this prospectus have been presented giving effect to a stock split of our outstanding Ordinary Shares at a ratio of 1,000-for-1 that occurred on July 8, 2019, and an issuance of 3,999,000 Ordinary Shares on July 15, 2019.*

If you invest in our Ordinary Shares, your interest will be diluted for each Ordinary Share you purchase to the extent of the difference between the initial public offering price per Ordinary Share and our net tangible book value per Ordinary Share after the Offering. Dilution results from the fact that the initial public offering price per Ordinary Share is substantially in excess of the net tangible book value per Ordinary Share attributable to the existing shareholders for our presently outstanding Ordinary Shares.

After giving effect to the sale of 1,333,333 ordinary shares in this offering at the initial public offering price of \$6.00 per ordinary share and after deducting the underwriting discounts and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at June 30, 2019 would have been \$11,100,612, or \$1.75 per ordinary share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$0.76 per ordinary share to existing investors and immediate dilution of \$4.25 per ordinary share to new investors. The following table illustrates such dilution to new investors purchasing ordinary shares in this offering:

	Post- Offering (1)	Full Exercise of Over- allotment Option
Initial public offering price per ordinary share	\$ 6.00	\$ 6.00
Net tangible book value per ordinary share as of June 30, 2019	\$ 0.99	\$ 0.99
Increase in pro forma as adjusted net tangible book value per ordinary share attributable to new investors purchasing ordinary shares in this offering	\$ 0.76	\$ 0.88
Pro forma as adjusted net tangible book value per ordinary share after this offering	\$ 1.75	\$ 1.87
Dilution per ordinary share to new investors in this offering	\$ 4.25	\$ 4.13

If the underwriter exercises the over-allotment option in full, the pro forma as adjusted net tangible book value per ordinary share after the offering would be \$1.87, the increase in net tangible book value per ordinary share to existing shareholders would be \$0.88, and the immediate dilution in net tangible book value per ordinary share to new investors in this offering would be \$4.13.

The table and discussion above is based on 5,000,000 ordinary shares outstanding as of June 30, 2019.

To the extent that we issue additional ordinary shares in the future, there will be further dilution to new investors participating in this offering.

(1) Assumes that the underwriter's over-allotment option has not been exercised.

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See “Disclosure Regarding Forward-Looking Statements” for a discussion of the uncertainties, risks, and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

Unless otherwise indicated, all share amounts and per share amounts in this prospectus have been presented giving effect to a stock split of our Ordinary Shares at a ratio of 1,000-for-1, which occurred on July 8, 2019, and an issuance of 3,999,000 Ordinary Shares on July 15, 2019.

**Overview**

We are an educational service provider operating under the “China Liberal” brand in the People’s Republic of China (the “PRC”).

We offer a wide range of educational services and programs to our customers, consisting primarily of Sino-foreign jointly managed and delivered academic programs (“Sino-foreign Jointly Managed Academic Programs”), overseas study consulting services (“Overseas Study Consulting Services”), technological consulting services provided for targeted Chinese universities to improve their campus information and data management system and to optimize their teaching, operating and management environment, under the concept of “creating a smart campus” (“Technological Consulting Services for Smart Campus Solutions”). We also develop and provide textbooks and other course materials to students enrolled under the Sino-foreign Jointly Managed Academic Programs to ensure the quality of students’ learning outcomes. Since December 2018, we started to provide job readiness training services acting as the key bridge between our partner schools and employers, and to provide tailored job readiness training to graduating students (“Integration of Enterprises and Vocational Education”). We did not start generating revenue from this line of business until January 2019. However, revenue generated from this new business segment was immaterial during the six months ended June 30, 2019 since we need time to accumulate experience, explore the appropriate approach and adjust our strategy accordingly in order to better serve our customers with tailored job training demand in the future. We anticipate revenue from this new business segment will diversify our service offerings to become a new profit driver in the foreseeable future.

Our revenues increased by \$923,107, or 23.8%, from \$3,885,886 for the fiscal year ended December 31, 2017, to \$4,808,993 for the fiscal year ended December 31, 2018. Revenues from our services provided for joint education programs accounted for 66.0%, 50.1% and 72.6% of our total revenues for the six months ended June 30, 2019, and for the fiscal years ended December 31, 2018 and 2017, respectively; revenues from our study abroad consulting services accounted for 0.0%, 11.4% and 1.6% of our total revenues for the six months ended June 30, 2019, and for the fiscal years ended December 31, 2018 and 2017, respectively; while revenue from providing technological consulting services accounted for 33.3%, 37.9% and 24.5% of our total revenue for the six months ended June 30, 2019, and for the years ended December 31, 2018 and 2017, respectively. Revenues from sales of textbooks and course materials accounted for 0.7%, 0.6% and 1.3% of our total revenue for the six months ended June 30, 2019, and for the years ended December 31, 2018 and 2017, respectively.

The following table illustrates the amount and percentage of our revenue derived from our different services provided:

	<b>For the six months ended June 30,</b>				<b>For the years ended December 31,</b>			
	<b>2019</b>		<b>2018</b>		<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Revenue from Sino-foreign Jointly Managed Academic Programs	\$ 1,240,856	66.0%	\$ 1,256,083	86.8%	\$ 2,410,781	50.1%	\$ 2,821,602	72.6%
Revenue from textbook and course material sales	13,316	0.7%	23,485	1.6%	29,717	0.6%	52,345	1.3%
Revenue from Overseas Study Consulting Services	-	0.0%	10,370	0.7%	547,521	11.4%	60,947	1.6%
Revenue from Technological Consulting Services for Smart Campus Solutions	625,896	33.3%	157,849	10.9%	1,820,974	37.9%	950,992	24.5%
<b>Total revenue</b>	<b>\$ 1,880,068</b>	<b>100.0%</b>	<b>\$ 1,447,787</b>	<b>100.0%</b>	<b>\$ 4,808,993</b>	<b>100.0%</b>	<b>\$ 3,885,886</b>	<b>100.0%</b>

## **Key Factors that Affect Our Results of Operations**

We believe the following key factors may affect our financial condition and results of operations:

### ***Demand for International Education from Chinese Students***

Education services are an investment for the future. We are optimistic that the Chinese economy's steady growth will likely drive incomes and consumption levels for Chinese citizens, who will have more capital for their children's educations. We believe that tuition fees are impacted less by volatility in the overall economy as people in China generally cut back on other spending before they reduce spending on their children's education.

We have benefited from Chinese students' increasing demand for international education. Such demand is primarily driven by an increasing number of Chinese students seeking quality educations and who aspire to study abroad, which is in turn driven by factors such as: (i) an increasing number of affluent families in China, (ii) the rising recognition of the quality of higher education overseas, (iii) the emphasis placed by Chinese parents on the importance of enrollment in globally-recognized universities to improve their children's career prospects, and (iv) other economic and political factors. Any material change to these factors will significantly affect our operation results.

### ***Number of Student Enrollments***

Our revenues primarily consist of tuition and fees from students enrolled in the Sino-foreign Jointly Managed Academic Programs in which we are engaged to provide coordination, teaching and supporting services, as well as our consulting service fees charged to students contemplating studying abroad. The number of student enrollments is largely driven by the demand for the educational services and programs offered by us, the amount of fees we charge, the effectiveness of our marketing and brand promotion efforts, our ability to maintain the consistency and quality of our teaching, as well as our ability to respond to competitive pressures. The level of students enrolled in our Sino-foreign Jointly Managed Academic Programs, and the number of students who come to us for study abroad consulting services directly affects our revenue and profitability.

### ***Our Tuition and Service Fees Charged***

Our results of operations are directly affected by the level of the tuition and service fees we charge to our students. Under our cooperation with Chinese host universities/colleges for Sino-foreign Jointly Managed Education Programs, the Chinese host universities/colleges determine on the amount of tuitions and fees charged to enrolled students, ranging from RMB 15,000 (USD 2,268) per student per school year to RMB 28,000 (USD 4,233) per student per school year, depending on the applicable education programs. The total fees we receive from tuition collected by these universities and colleges varies based on the terms of our contracts with the Chinese host universities we partner with, and are based on our services rendered and can range from RMB 2,250 (USD 340) to RMB 11,200 (USD 1,693) per student per school year. With respect to Sino-foreign Jointly Managed Academic Programs, our contracts with Chinese host universities/colleges provide that (1) the host universities/ colleges will withhold the tuition collected from students for one to three months after the academic school year starts in September, and then remit the portion of tuition fees to us after the student headcounts have been finalized, and (2) the portion of tuition fee that we are entitled to receive is calculated based on the final actual number of students retained with the universities/colleges after any student dropout has been adjusted. Accordingly, any tuition refund has already been deducted by host universities/ colleges before we receive our portion of the tuition fees. For accounting purposes, at the beginning of each academic school year, we initially accrue the estimated refund based on an historical 1% student dropout rate, and make subsequent true-up adjustments after the final number of students retained with the host universities/colleges is determined. Such adjustments were immaterial for the years ended December 31, 2018 and 2017, and the six months ended June 30, 2019. Our ability to receive our portion of tuition fee from Chinese host universities/ colleges largely depends on whether Chinese host universities/ colleges are satisfied with our teaching services, or whether we can maintain positive communication with Chinese host universities/colleges to resolve any service deficiency on a timely manner. Any extended tuition withholding or delayed tuition payment to us from Chinese host universities/ colleges due to our service deficiency, may negatively impact our revenue, results of operations and financial condition.

We determine overseas study consulting service fees based on services provided to each individual student to satisfy his or her needs. Under the smart campus solutions, our fees are based on the scope of services specified in our agreements with the Chinese universities we service. Any change in our service fees would have a material impact on our revenue and profitability.

### ***Our Ability to Control Costs and Expenses and Improve Our Operating Efficiency***

Staffing costs and administrative expenses have a direct impact on our profitability. The size of our staff, particularly our foreign faculty teachers appointed to selected Chinese host universities/colleges, generally increases as the student base expands, while other expenses, particularly those relating to administrative functions, are relatively fixed. With respect to Sino-foreign Jointly Managed Academic Programs, our contracts with Chinese host universities/colleges provide that foreign teachers assigned by us should be substituted, and teaching textbooks, course materials and curriculums should be adjusted in a timely manner in order to ensure a satisfactory teaching result. The Chinese host universities/ colleges have the right to withhold our portion of the tuition if we do not take corrective action when our service deficiency is identified. Any costs related to teacher substitution, textbooks, course materials and curriculums adjustment should be borne by us. Historically, we have maintained active communications with the host universities/ colleges in order to obtain feedback on the quality of the services performed, and any identified service deficiency has been corrected on a timely manner, which led to immaterial costs associated with teacher substitution, textbooks, course materials and curriculums adjustment for the years ended December 31, 2018 and 2017, and the six months ended June 30, 2019. Our ability to drive the productivity of our staff and enhance our operating efficiency affects our profitability. If we fail to implement initiatives to control costs (including teacher substitution, textbooks, course materials and curriculums adjustment related costs) and improve our operating efficiency over time, our profitability will be negatively impacted.

***If we are unable to compete successfully, our financial condition and results of operations may be harmed.***

The education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We face competition in each service segment we offer. Significant competition could reduce our operating margins and profitability and result in a loss of market share. Some of our existing and potential competitors may have competitive advantages, such as significantly greater brand recognition, financial, marketing, or other resources and may be able to mimic and adopt our business model. Significant competition could lead to lower prices and decreased revenues, gross margins and profits, any of which could have a material and adverse effect on our results of operations.

***A severe or prolonged slowdown in the global or Chinese economy could materially and adversely affect our business and our financial condition.***

The rapid growth of the Chinese economy has slowed down since 2012 and this slowdown may continue in the future. There is considerable uncertainty over trade conflicts between the United States and China and the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. The withdrawal of these expansionary monetary and fiscal policies could lead to a contraction. There continue to be concerns over unrest and terrorist threats in the Middle East, Europe, and Africa, which have resulted in volatility in oil and other markets. There are also concerns about the relationships between China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes. The eruption of armed conflict could adversely affect global or Chinese discretionary spending, either of which could have a material and adverse effect on our business, results of operation in financial condition. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy would likely materially and adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

### **COVID-19**

In December 2019, a novel strain of coronavirus, or COVID-19, was reported in Wuhan, China. On March 11, 2020, the World Health Organization categorized it as a pandemic. The COVID-19 outbreak is causing lockdowns, travel restrictions, and closures of businesses and schools. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on our customers and schools, all of which are uncertain and cannot be predicted. Although the outbreak has not significantly impacted the enrollment, tuitions received or drop outs through March 27, 2020, such recent developments are expected to exert a negative impact our financial condition and results of operations, the extent of which is dependent on the duration of the outbreak and other uncertainties and, therefore, the total financial impact is unknown at this time.

### **Key Financial Performance Indicators**

Our key financial performance indicators consist of the number of student enrollment, average tuition fees we received from students enrolled under the Sino-foreign Jointly Managed Academic Programs, average service fees we charged to students for our Overseas Study Consulting Services, as well as the number of contracts we signed for smart campus solution projects, which significantly impacted our net revenues, cost of revenues and operating expenses, as discussed in greater detail under "Results of Operations" below.

We derived net revenues from our four operating segments in terms of percentages of our total net revenues from continuing operations as follows in fiscal year 2018 and 2017, and the six months ended June 30, 2019:

	<b>For the six months ended June 30,</b>		<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>
Revenue from Sino-foreign Jointly Managed Academic Programs	66.0%	86.8%	50.1%	72.6%
Revenue from textbook and course material sales	0.7%	1.6%	0.6%	1.3%
Revenue from Overseas Study Consulting Services	0.0%	0.7%	11.4%	1.6%
Revenue from Technological Consulting Services for Smart Campus Solutions	33.3%	10.9%	37.9%	24.5%
<b>Total revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Revenues from our services provided for the Sino-foreign Jointly Managed Academic Programs accounted for 66.0%, 50.1% and 72.6% of our total revenues for the six months ended June 30, 2019, and the fiscal years ended December 31, 2018 and 2017, respectively; revenues from our Overseas Study Consulting Services accounted for 0.0%, 11.4% and 1.6% of our total revenues for the six months ended June 30, 2019, and the fiscal years ended December 31, 2018 and 2017, respectively; revenues from providing Technological Consulting Services for Smart Campus Solutions accounted for 33.3%, 37.9% and 24.5% of our total revenue for the six months ended June 30, 2019, and the years ended December 31, 2018 and 2017, respectively; and revenues from sales of textbooks and course materials accounted for 0.7%, 0.6% and 1.3% of our total revenue for the six months ended June 30, 2019, and the years ended December 31, 2018 and 2017, respectively.

Our revenues from the Sino- foreign Jointly Managed Academic Programs and Overseas Study Consulting Services segments are primarily generated from tuition fees or service fees we charged to students. Those revenues are linked to the number of student enrollments. Our students enrollment is affected by a mix of factors including the number and variety of our programs or service offerings, overall demand for our programs or service offerings, the geographic markets where the programs or services are offered, the pricing of our education programs or services, the fees charged by our competitors for the same or similar programs or services, any changes in the regulatory regime applicable to the education industry in China, and our reputation.

The total number of students enrolled under our Sino-foreign Jointly Managed Academic Programs were 2,337 in the six months ended June 30, 2019, 2,390 in fiscal year 2018 and 2,877 in fiscal year 2017. We did not have any students who signed up for our Overseas Study Consulting Services in the six months ended June 30, 2019, had 49 students signed up in fiscal year 2018 and 7 students signed up in fiscal year 2017. In terms of tuition fee, our Chinese host universities/colleges determine the amount of tuitions and fees charged to enrolled students, ranging from RMB 15,000 (USD 2,268) per student per school year to RMB 28,000 (USD 4,233) per student per school year, depending on the applicable education programs. The total fees we receive from tuition collected by these universities and colleges vary based on the terms of our contracts with the Chinese host universities we partner with, and are based on our services rendered and can range from RMB 2,250 (USD 340) to RMB 11,200 (USD 1,693) per student per school year. Consulting fees we charge students to provide Overseas Study Consulting Services range from RMB 50,000 (\$7,558) per person to RMB 80,000 (\$12,093) per person, depending on different majors that our students are planning to pursue in foreign countries, which majors then determine the level of customized tutoring services we provide.

Our revenue from the sale of textbooks and course material is largely affected by the number of students enrolled under the Sino-foreign joint education programs. Revenue from this segment only accounted for 0.7%, 0.6% and 1.3% of our total revenue for the six months ended June 30, 2019, and the fiscal year 2018 and 2017, respectively. We expect revenue in this segment to keep a steady pace in the foreseeable future.

Our revenue from Technological Consulting Services for Smart Campus Solutions largely depends on the number of contracts we may enter into with customers, and on our ability to customize our solutions in a cost-effective way. Our “smart campus” related technological consulting service contracts are primarily on a fixed-price basis, which require us to perform services including project planning, project solution and design, data management application customization, installations of hardware equipment and components, integration of hardware and software application, and post-contract continuous maintenance support, based on the specific needs of each customer. For the fiscal years ended December 31, 2018 and 2017, we have successfully provided smart campus solutions to FMP and several other Chinese universities, namely Strait College of Minjiang University, Capital Normal University, Beijing University of Chinese Medicine and University of International Business and Economics. During the six months ended June 30, 2019, based on our experience and reputation, we have entered into additional smart campus solution contracts with a larger number of Chinese universities/ colleges, including Capital Normal University, Shougang Technician College, Beijing Institute of Technology, North China Electric Power University, University of Chinese Academy of Sciences, Beijing Advanced Technical School of Arts and Craft and China University of Mining & Technology (Beijing), etc., to provide smart campus solution consulting services to these universities/ colleges, including but not limit to internet network improvement, digital classroom solutions, and educational management system customization. Some of these new smart campus contracts have been executed, completed, and accepted by these universities/ colleges to help us generate increased revenue for the six months ended June 30, 2019, while some of the contracts are still in performance as of June 30, 2019 and we expect to generate increased revenue during the second half of fiscal year 2019 based on the progress of these projects. To manage and support our growth and profitability in this segment, we plan to enhance our operational, administrative and technological systems and our financial and management controls. If we cannot achieve these operational improvements, our financial condition and results of operations may be materially adversely affected.

#### ***Cost of revenues***

Our cost of revenues consists of salary, welfare and insurance costs for our faculty, rent expense for foreign faculty, textbook and course materials costs, travel, meals and entertainment expenses associated with teaching activities, consulting fees paid to third-parties for course design and teacher training, hardware parts and components purchase costs as well as labor costs incurred to undertake the software application customization for the smart campus projects, and business taxes. Our cost of revenues accounted for 54.4%, 56.2% and 55.6% of our total revenue for the six months ended June 30, 2019, the fiscal year 2018 and 2017, respectively. In April 2019, we submitted our application to local township to apply for using our current location for opening the school, which has been approved by local township in July 2019. After this approval, we further submitted our application for school license and permit to local governmental education committee. We originally expected to receive the permit and license before September 2019. However, due to delayed review and approval procedures by local governmental education committee, as well as the impact of the outbreak of COVID-19, we are unsure when such review and approval procedures will be resumed and when we will receive the approval. Once we open our China Liberal School in Beijing, we will further open our China Liberal School in Italy. We expect our cost of revenues to increase as we further expand our operations by opening our China Liberal Schools in Beijing and Italy, driven in large part by a planned increase in the number of our teachers and study advisors and increased utility and lease payment for our schools to support our study abroad consulting service business segment. In addition, in anticipation of the increase in our smart campus solution contracts with additional Chinese universities/ colleges, we expect our costs associated with hardware equipment and facilities purchase as well as data management application system customization will further increase in the foreseeable future.

#### ***Operating expenses***

Our operating expenses consist of selling and marketing expenses and general and administrative expenses.

Our selling expenses primarily include expenses incurred for various sales activities, advertising, payroll expense paid to our sales and marketing personnel as well as shipping and delivery expenses. As a percentage of revenues, our selling expenses accounted for 8.3%, 14.6% and 13.9% of our total revenue for the six months ended June 30, 2019, and the years ended December 31, 2018 and 2017, respectively. We expect that our overall sales and marketing expenses, including but not limited to, advertising expenses, brand promotion expenses and salaries, will continue to increase in the foreseeable future if our business further grows.

Our general and administrative expenses primarily consist of employee salaries, welfare and insurance expenses, depreciation and professional service expenses. As a percentage of revenues, general and administrative expenses were 27.2%, 12.1% and 10.5% of our revenue for the six months ended June 30, 2019, and for fiscal year 2018 and 2017, respectively. We expect our general and administrative expenses, including, but not limited to, salaries and business consulting expenses, to continue to increase in the foreseeable future, as we hire additional personnel and incur additional expenses in connection with the expansion of our business operations. We expect our professional fees for legal, audit, and advisory services to increase as we become a public company upon the completion of this offering.

## Results of Operations

### Comparison of Results of Operations for the Six Months Ended June 30, 2019 and 2018

	For the Six Months Ended June 30,				Amount Increase (Decrease)	Percentage Increase (Decrease)
	2019		2018			
	Amount	As % of Sales	Amount	As % of Sales		
Revenue	\$ 1,880,068	100.0%	\$ 1,447,787	100.0%	\$ 432,281	29.9%
Cost of revenue	1,022,655	54.4%	701,653	48.5%	321,002	45.7%
Gross profit	857,413	45.6%	746,134	51.5%	111,279	14.9%
Operating expenses						
Selling expenses	156,061	8.3%	234,580	16.2%	(78,519)	(33.5)%
General and administrative expenses	511,024	27.2%	286,672	19.8%	224,352	78.3%
Total operating expenses	667,085	35.5%	521,252	36.0%	145,833	28.0%
Income from operations	190,328	10.1%	224,882	15.5%	(34,554)	(15.4)%
Other income (expenses)						
Interest income	3,617	0.2%	48,526	3.4%	(44,909)	(92.5)%
Other income (expense),net	(2,179)	(0.1)%	10,729	0.7%	(12,908)	(120.3)%
Total other income, net	1,438	0.1%	59,255	4.1%	(57,817)	(97.6)%
Income before income taxes	191,766	10.2%	284,137	19.6%	(92,371)	(32.5)%
Provision for income taxes	52,756	2.8%	43,709	3.0%	9,047	20.7%
Net income	\$ 139,010	7.4%	\$ 240,428	16.6%	\$ (101,418)	(42.2)%
Less: net income attributable to non-controlling interest	-	0.0%	21,214	1.5%	(21,214)	(100.0)%
Net income attributable to the Company	\$ 139,010	7.4%	\$ 219,214	15.1%	\$ (80,204)	(36.6)%

**Revenues.** Revenues increased by \$432,281, or 29.9%, to \$1,880,068 in the six months ended June 30, 2019 from \$1,447,787 in the six months ended June 30, 2018. The increase in our revenue was due to the fact that the Company rendered more consulting services in the six months ended June 30, 2019 as compared to the same period of 2018.

Our revenue by service type is as follows:

	For the six months ended June 30,					
	2019		2018		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from Sino-foreign Joint Managed Academic Programs	\$ 1,240,856	66.0%	\$ 1,256,083	86.8%	\$ (15,227)	-1.2%
Revenue from textbook and course material sales	13,316	0.7%	23,485	1.6%	(10,169)	-43.3%
Revenue from Overseas Study Consulting Services	-	0.0%	10,370	0.7%	(10,370)	-100.0%
Revenue from Technological Consulting Services for Smart Campus Solutions	625,896	33.3%	157,849	10.9%	468,047	296.5%
Total	\$ 1,880,068	100.0%	\$ 1,447,787	100.0%	\$ 432,281	29.9%

### Revenue from Sino-foreign Jointly Managed Academic Programs

Our revenue from Sino-foreign Jointly Managed Academic Programs primarily consists of our cooperation with the following Chinese universities:

(i) Fuzhou Melbourne Polytechnic (FMP)

FMP is currently hosting the Australia English for Academic Purposes Program, or the FMP EAP Program. Before FMP rebranded in January 2017, FMP's former entity operating under the name IEN College of Minjiang University also hosted the International General Education Courses, or IGEC program.

(ii) Strait College of Minjiang University (Strait College)

Strait College is currently hosting the Fujian-Taiwan Universities Joint Talent Training Program. Since January 2017, Strait College has also been hosting the IGEC program after it took over this program from the then IEN College of Minjiang University.

(iii) Fujian University of Technology (FUT)

FUT hosted the Fujian University of Technology International Scholarly Exchange Curriculum Program, or FUT ISEC Program. However, as discussed below, we made a decision to cease recruitment and enrollment activity, and the program was discontinued after the then last class of students graduated in July 2018. Accordingly, there was no revenue generated from FUT for the six months ended June 30, 2019.

(iv) Fujian Preschool Education College

Fujian Preschool Education College is currently hosting the New Zealand Tertiary College, or NZTC Program. However, as discussed below, we made a decision to cease recruitment and enrollment activity, and the program will be discontinued after the last class of students graduate in July 2019.

	For the six months ended June 30,							
	2019		2018		Changes			
	Amount	%	Amount	%	Amount	%		
Fuzhou Melbourne Polytechnic	\$ 349,612	28.2%	\$ 183,888	14.6%	\$ 165,724	90.1%		
Strait College of Minjiang University	851,968	68.7%	930,896	74.1%	(78,928)	-8.5%		
Fujian University of Technology	-	0.0%	56,776	4.5%	(56,776)	-100.0%		
Fujian Preschool Education College	39,276	3.2%	84,523	6.7%	(45,247)	-53.5%		
<b>Total</b>	<b>\$ 1,240,856</b>	<b>100.0%</b>	<b>\$ 1,256,083</b>	<b>100.0%</b>	<b>\$ (15,227)</b>	<b>-1.2%</b>		

#### Number of students under joint education programs

Fuzhou Melbourne Polytechnic	673	490	183	37.3%
Strait College of Minjiang University	1,603	1,712	(109)	-6.4%
Fujian University of Technology	-	76	(76)	-100.0%
Fujian Preschool Education College	61	137	(76)	-55.5%
<b>Total number of students</b>	<b>2,337</b>	<b>2,415</b>	<b>(78)</b>	<b>-3.2%</b>

#### Average tuition fee the Company received per student

Fuzhou Melbourne Polytechnic	\$ 519	\$ 375	\$ 144	38.4%
Strait College of Minjiang University	\$ 531	\$ 544	\$ (13)	-2.4%
Fujian University of Technology	\$ -	\$ 747	\$ (747)	-100.0%
Fujian Preschool Education College	\$ 644	\$ 617	\$ 27	4.4%



Our revenues from Sino-foreign Jointly Managed Academic Programs decreased by \$15,227 or 1.2% from \$1,256,083 in the six months ended June 30, 2018 to \$1,240,856 in the six months ended June 30, 2019. This decrease can be primarily attributed to a decrease in the number of students by 78 or 3.2%, from 2,415 students in the six months ended June 30, 2018 to 2,337 students in the six months ended June 30, 2019, and affected by the changes in average tuition fees we collected from Chinese host universities/ colleges. The following factors impact the revenue we generate from services provided for joint education programs for the six months ended June 30, 2019 and 2018:

(1) In 2018, China's Ministry of Education, or MOE, approved the termination of certain Sino-foreign cooperative education programs as a move to improve quality, tighten regulatory control, and promote reforms in China's educational system. These changes were made because problems had appeared in certain institutions and projects (none of which we service) that were previously approved by the relevant authorities. These problems included insufficient utilization of high quality educational resources, low instructional quality, weak specialized capabilities in academic departments, lack of content-based development mechanisms, low student satisfaction and poor attractiveness of programs, making it difficult for those institutions and projects to continue operating and they were therefore closed down. In order to clarify the above described action by MOE, we made an anonymous phone call inquiry with the MOE. We were informed by the MOE that this action was never taken by MOE before, and that this action was taken to close down institutions and projects that were originally approved but at the time of termination did not have enrolled students any more. We were further informed that the purpose of this action was to improve the overall quality of the industry. In light of this, Fujian Province, the province where all of the Sino-foreign Jointly Managed Academic Programs we service are located, set a minimum score for English (as a subject) for those students who are applying for any four-year Sino-foreign joint programs that offer undergraduate degrees. As a result of these new regulatory controls and policy adjustments, even though none of the programs we service were terminated by the MOE, overall student recruiting and enrollment under our Sino-foreign joint education programs was negatively impacted, because some potential candidates could not meet the minimum score for English. For example, student enrollments under our joint education programs with Strait College of Minjiang University decreased by 109 students from 1,712 students in the six months ended June 30, 2018 to 1,603 students, which led to our revenue generated from joint education programs with Strait College of Minjiang University decreased by \$78,928 in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, due to the higher eligibility requirements for students to enroll in any Sino-foreign joint education programs in Fujian Province. We cannot assure you that the local government in Fujian Province or the MOE will not set an even higher eligibility standard for students to enroll in these joint education programs in the future, in which case our enrollment numbers, result of operations and financial conditions could be negatively impacted.

(2) FMP was formerly known as IEN College of Minjiang University, and our IGEC program (the "Strait IGEC Program") was previously hosted by IEN College of Minjiang University from September 2013 to July 2017. In January 2017, IEN College of Minjiang University was approved by the provincial government of Fujian and became the first Sino-foreign joint institution with independent legal status in Fujian Province and accordingly changed its name to FMP. As a result of this rebranding, FMP stopped hosting the IGEC program beginning September 2017 and the program was taken over by Strait College of Minjiang University going forward. This led to a decrease in the total number of students enrolled with FMP. Starting September 2017, FMP only continued to provide the FMP EAP Program. As of June 30, 2018, there were only 490 students enrolled FMP EAP program. During our fiscal year ended December 31, 2018, FMP completed its smart campus projects. With advanced digital classrooms, improved internet network and business school experiment center, the teaching environment of FMP's EAP program becomes more attractive to encourage student enrollment. At the same time, FMP conducted a series of marketing campaign in order to attract more students to the FMP EAP program. This led to total number of students enrolled with FMP increased to 673 students as of June 30, 2019, representing an increase of 183 students, or 37.3% as compared to six months ended June 30, 2018. In addition, we normally charge higher tuition fee to freshman students during their first year of college study because more English lectures are conveyed to them during this academic year. The portion of tuition fee we receive from first year freshman students is RMB 9,000 per student, and the portion of tuition fee we receive lowers down to RMB 3,000 per student in the second academic year. During the September 2018 to 2019 academic school year, we have enrolled more students into FMP's EAP program due to our good reputation, attractive learning environment and strengthened marketing efforts. As a result, average tuition fee collected from FMP EAP program increased by \$144 per student or 38.4% during the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The increase in number of students enrollment and increase in average tuition fee led to an increase in revenue of \$165,724 of our revenue generated under the FMP EAP programs during the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

(3) Our joint programs with Fujian University of Technology (FUT) and Fujian Preschool Education College (FPEC) were originally designed to improve students' English language skills. However, due to the overall low language proficiency backgrounds of the students enrolled, we noted that most students could not adapt to the high standards of an English teaching environment. For example, a total of 193 students were recruited by FUT under the architecture, civil engineering and software engineering majors in our joint programs with FUT. According to the curriculum designs and outlines, some core courses had to be taught by foreign teachers in English. Therefore, students who could follow the course lecture were those who had adequate English reading, writing and listening skills. However, after those 193 students started these programs, we noted that their overall English language proficiency was low and we had to add Chinese teachers in the classrooms to conduct simultaneous translation and interpretation in order to help the students fully understand the course content. Adding extra teachers for translation doubled our teaching costs as qualified translators were difficult to find and salaries paid to translators roughly amounted to the amount of salaries paid to foreign teachers. In addition, any inappropriate translation could have negatively impacted how our course was perceived and the value of such course to our existing and prospective students. Our joint program with FPEC provides Chinese students with the opportunity to enroll in courses delivered by New Zealand Tertiary College ("NZTC"). Upon completion of this program, students would receive a Ministry of Education, or MOE, Diploma in Early Childhood Education in the PRC and a certificate in Early Childhood Teaching issued by NZTC. This program is a three-year education degree program in which students may choose to complete their first two-years of education in China and go to NZTC for their third-year and final year in the program, or, alternatively, to stay with the Chinese host college for the entire three years of study. Since we launched this program, approximately 300 students have been recruited into this program. However, most of the enrolled students had low English language proficiency, which led to limited number of students choosing to study abroad in New Zealand. As of the date of this prospectus, only 3 students have decided to go to New Zealand after finishing the first two-year education with the Chinese host college. NZTC did request that we send more students to NZTC for purposes of increasing their revenue. However, based on our assessment, in order for us to train existing students to meet the minimum language requirements for studying abroad, we would have to add one more year of English courses to existing students, which would significantly increase our teaching costs. Additionally, most of our existing students are reluctant to extend their education by an additional year since they can find a job in the market relatively easily after obtaining the certificate in Early Childhood Teaching issued by FPEC.

Therefore, the Sino-foreign Jointly Managed Academic Programs with these two institutions became increasingly less attractive and less profitable. As a result, we decided to stop recruiting and enrolling new students into the FUT ISEC Program after the Class of July 2018 graduated. We also decided to suspend recruiting for the NZTC Program after current students graduate in July 2019. As a result of such business decision, the number of students enrolled in FUT decreased by 100.0% from 76 students in the six months ended June 30, 2018 to Nil student in the six months ended June 30, 2019, and the number of students enrolled in FPEC decreased by 55.5% from 137 students in the six months ended June 30, 2018 to 61 students in the six months ended June 30, 2019. The average tuition fee we collected from Sino-foreign Jointly Managed Academic Programs was adjusted. As a result, average tuition fee collected from FPEC slightly increased by 4.4% in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. Consequently, the decrease in tuition revenue from FPEC resulted from decrease in number of enrolled students was offset by the increase in average tuition fee to certain extent.

In December 2019, a novel strain of coronavirus, COVID-19, was reported in Wuhan, China. On March 11, 2020, the World Health Organization categorized it as a pandemic. The COVID-19 outbreak is causing lockdowns, travel restrictions, and closures of businesses and schools. However, our revenue from Sino-foreign Jointly Managed Academic Programs was not significantly impacted because the host Chinese universities/colleges have been closed for winter break in December 2019 before the outbreak of COVID-19. Although the host Chinese universities/colleges remain closed at this time due to COVID-19, we have been providing remote teaching services to students and as of the date of this prospectus no dropout has been reported to us during this temporary school closure period. Currently enrolled students are expected to return to school in April 2020. Despite the COVID-19 outbreak, our revenue from Sino-foreign Jointly Managed Education Programs is expected to remain stable as compared to the revenue in the first quarter of fiscal year 2019, at an estimated amount of \$660,000 in the first quarter of fiscal year 2020.

### Revenue from textbooks and course material sales

In order to ensure the quality of the course content delivered to students and to meet international standards, we have developed and edited more than 16 English textbooks and course materials with an emphasis on language training, and distributed these materials to students enrolled under our Sino-foreign joint education programs. Revenue from sales of textbooks and course materials decreased by \$10,169 or 43.3% from \$23,485 in the six months ended June 30, 2018 to \$13,316 in the six months ended June 30, 2019. The decrease in textbook and course material sales was primarily attributable to the total number of students enrolled under the joint education programs which decreased from 2,415 students in the six months ended June 30, 2018 to 2,337 students in the six months ended June 30, 2019. As discussed above, we stopped recruiting and enrolling new students into the FUT ISEC Program with FUT after the then existing students graduated in July 2018. We also suspended recruiting for the NZTC Program with FPEC after current students graduated in July 2019. As a result of such business decision, the number of students enrolled with FUT decreased by 100% from 76 students in the six months ended June 30, 2018 to Nil students in the six months ended June 30, 2019, and the number of students enrolled with FPEC decreased by 55.5% from 137 students in the six months ended June 30, 2018 to 61 students in the six months ended June 30, 2019. As a result of this business decision, for the academic school year starting from September 2018, there were no additional new students recruited into the joint education programs with these two academic institutions. Accordingly, we reduced the textbooks and course material sales in the six months ended June 30, 2019. The total number of textbooks and course materials sold decreased by 41.4% from 3,576 in the six months ended June 30, 2018 to 2,097 in the six months ended June 30, 2019. In addition, for our Sino-foreign Jointly Managed Academic Programs with FMP, since 2018, FMP made some teaching course content and curriculum settings adjustment, which led to FMP purchase textbooks and course materials from other vendors in order to match the new curriculum settings. As a result, our textbook sales to FMP reduced accordingly.

The outbreak of COVID-19 delayed our sales of textbooks and course materials to students because the host Chinese universities/colleges closed for winter break in December 2019 and will remain closed until reopening, currently estimated to take place in April 2020. During the temporary school closure period, we have been providing remote teaching services to students. We did not record textbooks and course materials sales revenue for the first quarter of fiscal year 2020. When compared to the first quarter of fiscal year 2019, we estimate the reduction of our textbooks and course materials sales in the first quarter of fiscal year 2020 is around \$7,000.

### Revenue from Overseas Study Consulting Services

	For the six months ended June 30,			
	2019	2018	Changes	
			Amount	%
Revenue from overseas study consulting services	\$ -	\$ 10,370	\$ (10,370)	(100.0)%
Number of students for study abroad consulting service	-	1	(1)	(100.0)%
Average consulting service fee per student	\$ -	\$ 10,370	\$ (10,370)	(100.0)%

Our Overseas Study Consulting Services target those students who wish to study in foreign countries to enrich their learning experiences, expand their horizons, and gain exposure to a broader array of employment opportunities. We provide customized consulting services to students on an individual basis. Fees we charge students to provide overseas study consulting services range from RMB 50,000 (\$7,558) per person to RMB 80,000 (\$12,093) per person. We typically charge higher consulting service fees to students planning to pursue art majors in foreign countries than we do for students pursuing general majors such as business, technology and other majors, because art programs typically require demonstration of a student's specialty in art, which is usually reflected in an art portfolio that the student submits along with other application materials. We have to assign qualified teachers to provide more detailed and customized tutoring to these students pursuing art majors and accordingly we charge them higher consulting service fee.

Revenue from providing Overseas Study Consulting Services decreased by \$10,370 or 100.0%, from \$10,370 in the six months ended June 30, 2018 to \$Nil in the six months ended June 30, 2019. The decrease was due to the fact that the number of students who sought study abroad consulting services from us decreased, from 1 student pursuing art major in Italy in the six months ended June 30, 2018 to Nil students in the six months ended June 30, 2019. However, in May and June 2019, we have recruited 55 students who will be pursuing art majors in Italy, Japan, Russia and Germany. We received consulting service fees of approximately \$384,604 (RMB 2.64 million) and recorded it as deferred revenue, because our study abroad consulting services have not been completed and our performance obligation has not been satisfied as of June 30, 2019, and as a result, we did not recognize study abroad consulting service revenue for the six months ended June 30, 2019. It normally takes about four to six months for us to complete the related consulting services under the one-on-one private tutoring model, including, but not limit to providing school information to help students make informed decisions about which institution and major to choose from, helping them prepare for school application and admission; providing study plans, language training and test preparation courses to help students improve their foreign language ability and help them achieve higher scores in international admission and assessment tests, and helping students on visa application and paperwork, and offering overseas extended services such as finding accommodation and travel assistance. We expect to complete related consulting services between October and November 2019. Once our services are rendered and performance obligations are satisfied, we expect to recognize revenue of \$384,604 in the second half of fiscal year 2019, which would potentially help us to increase our net income by approximately \$146,000 assuming these numbers.

Our Overseas Study Consulting Services are subject to seasonality impact to a certain extent. Typically, we start to recruit students in May and June each year, with the largest student enrollments in our third and fourth fiscal quarters, which run from July 1 to December 31 each year, primarily because many students enroll in our courses to prepare for admissions and assessment tests in subsequent school terms. As a result, we did not record significant revenue from our study abroad consulting services for the first quarter of fiscal 2020 and 2019, and we originally expected to see seasonal growth in our revenue from study abroad consulting service in the latter half of fiscal 2020. However, the recent outbreak of COVID-19 may affect our revenues in this segment for fiscal year 2020, since school closure and international travel bans may restrict students from pursuing their overseas education in Europe, Australia, the United States and other foreign countries, which may result in a reduced number of students needing our services, temporary suspension of our one-on-one consulting services, and postponement of payment from the Company's partnering schools. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak or the impact on the Company's customers and schools, all of which are uncertain at this point.

#### Revenue from Technological Consulting Services for Smart Campus Projects

	For the six months ended June 30,			
	2019	2018	Changes	
	Amount	Amount	Amount	%
Fuzhou Melbourne Polytechnic	\$ 95,482	\$ 152,459	\$ (56,977)	-37.4%
Capital normal university	117,484	-	117,484	100.0%
Shougang Technician College	9,454	-	9,454	100.0%
Beijing Institute of Technology	3,900	-	3,900	100.0%
North China Electric Power University	279,645	-	279,645	100.0%
Beijing Normal University	6,486	-	6,486	100.0%
University of Chinese Academy of Sciences and others	113,445	-	113,445	100.0%
Others	-	5,390	(5,390)	-100.0%
<b>Total</b>	<b>\$ 625,896</b>	<b>\$ 157,849</b>	<b>\$ 468,047</b>	<b>296.5%</b>

Revenue from providing smart campus related technological consulting service increased by \$468,047 or 296.5% from \$157,849 in the six months ended June 30, 2018 to \$625,896 in the six months ended June 30, 2019, primarily due to the fact that the number of smart campus projects we have undertaken increased during current period. In 2017, we entered into a contract with Fuzhou Melbourne Polytechnic ("FMP") to provide a total solution for its smart campus project, which includes a big data center, digital classrooms, and an experience-based simulation teaching center for its business school. These facilities will be linked and bundled with the campus data management application system software to create a smart campus for FMP. In addition to the installation of hardware and software to allow the smart campus system to meet its expected operational conditions, we are also responsible for maintenance and providing continuing technological support during the period of 2019 to 2021. The total contract price under the FMP "smart campus" project is RMB 16.68 million (approximately \$2.4 million) for completion of the software and hardware installation. Post-installation maintenance and continuing technical support fees amount to RMB 5.05 million (approximately \$0.74 million). Based on the contract payment terms, after completion of the required smart campus project, FMP is obligated to make three installment payments of RMB 5.56 million (approximately \$809,865) each in 2019, 2020 and 2021, respectively. Among the RMB 5.05 million maintenance and support fee, RMB 1.04 million (USD \$151,644) contract receivable for maintenance and technical support services rendered in 2018 has been received in January 2019. The remaining RMB 4.01 million (approximately \$0.58 million) post-contract maintenance and technical support fee will be paid in three equal installments in 2019 to 2021 when services are rendered.

For the six months ended June 30, 2018, we recognized revenue of \$152,459 from the technology services we provided to FMP for its smart campus project. Services we provided included upgrading the experiment centers for FMP's business school. These services were completed, passed inspection and were accepted by FMP. All contracted smart campus projects with FMP has been completed in December 2018. For the six months ended June 30, 2019, we recognized \$95,482 revenue from FMP projects which represents the post-completion maintenance and technical support services we rendered during the six months ended June 30, 2019.

In addition to the smart campus project with FMP, during the six months ended June 30, 2019, based on our experience and reputation, we have entered into additional smart campus solution contracts with a larger number of Chinese universities/ colleges, including Capital Normal University, Shougang Technician College, Beijing Institute of Technology, North China Electric Power University, University of Chinese Academy of Sciences, and China University of Mining & Technology (Beijing), etc., to provide smart campus solution consulting services to these universities/ colleges, including but not limit to internet network improvement, digital classroom solutions, and educational management system customization. Some of these new smart campus contracts have been executed, completed, and accepted by these universities/ colleges to help us to generate increased revenue for the six months ended June 30, 2019, while some of the contracts are still under performance as of June 30, 2019 and we expect to generate increased revenue during the second half of fiscal year 2019 based on the progress of these projects. Revenue from above mentioned new smart campus solution contracts amounted to \$530,414 for the six months ended June 30, 2019.

Subsequent to June 30, 2019, we have signed additional “smart campus” solution contract with Zhengzhou University and will be engaged to customize their teaching management system and digital classrooms for aggregate contract amount of RMB 0.5 million. In addition, we also signed a contract with Beijing Advanced Technical School of Arts and Craft for a contract price of RMB 1.1 million to update its server rooms and art and craft product showroom. Also, we have confirmed with FMP to enter into new service contract with FMP to provide solutions for its hotel management experiment center and information technology experiment center for contract price of approximately RMB 11 million. These engagement requires us to provide solutions and improvement for the digital classrooms, internet network improvement and big data and cloud computing facility update. Assuming those numbers, the above mentioned new smart campus contracts could potentially bring in RMB 12.6 million (approximately \$1.9 million) service revenue in the second half of 2019 based on the progress of these projects, which may generate net income of approximately \$230,000 (approximately RMB 1.6 million) in the second half of 2019. Therefore, the increase in our exposure and cooperation with more academic institutions on smart campus-related projects will help us increase our revenue and cash flows going forward.

Due to school closure and travel restrictions caused by the COVID-19 outbreak, our revenues from providing smart campus related technological consulting services are expected to decrease by approximately 43%, to an estimated amount of \$74,000 in the first quarter of fiscal year 2020 as compared to the first quarter of fiscal 2019. We originally expected to complete the execution of three “smart campus” contracts before March 31, 2020 with Beijing Institute of Graphic Communication, Beijing Foreign Studies University and FMP related to their digital classrooms setup, server room, big data and computing facility update. However, due to school closures, we only partially completed these contracts and have to delay the performance of the remaining contracts until these universities commence the spring semester, which is expected to happen in April 2020, and most of these projects are expected to be completed during the summer of 2020. Therefore, we expect the negative impact of the COVID-19 outbreak on our smart campus services to be temporary and our revenues to grow once we are able to resume our normal business activities. However, the extent of the impact of COVID-19 on our operational and financial performance for the remaining 2020 fiscal year will depend on certain developments, including the duration and spread of the outbreak, all of which are uncertain at this point.

### Cost of Revenues

	For the six months ended June 30,			
	2019	2018	Changes	%
Teacher salary, welfare benefit and insurance	\$ 511,967	\$ 445,575	\$ 66,392	14.9%
Textbook and course materials	7,633	3,831	3,802	99.2%
Travel, meals and entertainment expense relating to teaching activities	12,658	4,334	8,324	192.1%
Apartment rent expense for teachers	86,722	60,234	26,488	44.0%
Hardware and software application costs for “smart campus” projects	291,910	92,572	199,338	215.3%
Professional fees for course design, teacher training	104,887	79,735	25,152	31.5%
Business tax	2,473	13,068	(10,595)	-81.1%
Others	4,405	2,304	2,101	91.2%
<b>Total cost of revenue</b>	<b>\$ 1,022,655</b>	<b>\$ 701,653</b>	<b>\$ 321,002</b>	<b>45.7%</b>

Our cost of revenues consists of salary, welfare and insurance costs for our faculty, rent expense for foreign faculty, textbook and course materials costs, travel, meals and entertainment expenses associated with teaching activities, consulting fees paid to third-parties for course design and teacher training, hardware parts and components purchase costs as well as labor costs incurred to undertake the software application customization for the smart campus projects, and business taxes. Our overall cost of revenue increased by \$321,002 or 45.7% from \$701,653 in the six months ended June 30, 2018 to \$1,022,655 in the six months ended June 30, 2019, primarily due to increased hardware and software costs associated with the smart campus projects of \$199,338, increased rent expense of \$26,488 because we leased larger office space since 2018 in order to meet our expanded business operation, and increased salary, welfare and insurance costs for teachers and faculty by \$66,392 because we hired and appointed more qualified teachers to the Sino-foreign jointly managed programs in order to ensure the teaching quality students’ learning results. In connection with the identification of qualified teachers, our professional fees for teaching training and course design also increased by \$25,152 during the six months ended June 30, 2019 as compared to the same comparative period of 2018. Our cost of revenue accounted for 54.4% and 48.5% of our total revenue for the six months ended June 30, 2019 and 2018, respectively.

Our cost of revenue by business segment is as follows:

	<b>For the six months ended June 30,</b>			
	<b>2019</b>	<b>2018</b>	<b>Changes</b>	<b>%</b>
Cost associated with Sino-foreign Jointly Managed Academic Programs	\$ 535,638	\$ 561,606	\$ (25,968)	-4.6%
Cost associated with Overseas Study Consulting Services	-	23,696	(23,696)	-100.0%
Cost associated with Technological Consulting Services for Smart Campus related	479,384	112,520	366,864	326.0%
Cost associated with textbooks and course materials sales	7,633	3,831	3,802	99.2%
<b>Total cost of revenue</b>	<b>\$ 1,022,655</b>	<b>\$ 701,653</b>	<b>\$ 321,002</b>	<b>45.7%</b>

Cost of revenues associated with Sino-foreign Jointly Managed Academic Programs decreased by \$25,968 or 4.6% from \$561,606 in the six months ended June 30, 2018 to \$535,638 in the six months ended June 30, 2019, primarily due to decreased costs associated with faculty involvement as the total number of students enrolled under the Sino-foreign joint education programs decreased from 2,415 students in the six months ended June 30, 2018 to 2,337 students in the six months ended June 30, 2019, especially when we stopped recruiting and enrolling new students into the FUT ISEC Program after the Class of July 2018 graduated, and when we suspended recruiting for the NZTC Program after current students graduate in July 2019, as discussed above. Our cost of revenue associated with Sino-foreign Jointly Managed Academic Programs is expected to remain at a stable level as compared to the first quarter of fiscal year 2019, in an estimated amount of \$132,000 in the first quarter of fiscal year 2020.

Cost of revenues associated with Overseas Studying Consulting Services decreased by \$23,696 or 100.0% when comparing the six months ended June 30, 2019 to the six months ended June 30, 2018, because we did not report revenue from this business segment during the six months ended June 30, 2019 since our performance obligation under the contract has not been satisfied. In the six months ended June 30, 2018, we provided study abroad consulting service to one student, while during the six months ended June 30, 2019 we recruited 55 students in May and June 2019 and our consulting services are still ongoing. It normally takes about four to six months for us to complete the related consulting services under one-on-one private tutoring model. We expect to complete related consulting services between October and November 2019. Once our services are rendered and our performance obligations are satisfied, we expect to recognize revenue of \$384,604 and allocate related costs in the second half of fiscal year 2019. Due to the recent COVID-19 outbreak, we estimate that our Overseas Studying Consulting Services may be negatively impacted in fiscal year 2020. Although we did not report revenue and cost of revenue associated with our Overseas Studying Consulting Services for the first quarter of fiscal year 2020 due to seasonality impact as discussed above, we anticipate a significant decrease in business activities associated with our Overseas Studying Consulting Services in the remaining period of fiscal 2020 as we expect a sharp decrease in the number of students who wish to pursue overseas study in Europe, Australia and the United States. The extent of the impact will depend on the duration and spread of the outbreak, which is uncertain at this point.

Cost of revenues associated with Technological Consulting Services for Smart Campus Solutions increased by \$366,864 or 326.0%, from \$112,520 in the six months ended June 30, 2018 to \$479,384 in the six months ended June 30, 2019. This increase was in line with the increased revenue we recognized in the six months ended June 30, 2019. In 2017, we entered into a contract with FMP to help FMP implement a comprehensive solution for its smart campus project, which includes a big data center, digital classrooms, and an experience-based simulation teaching center for its business school. During the six months ended June 30, 2018, our technological consulting services to FMP primarily included upgrade the experiment centers for FMP's business school. We recognized related revenue of \$152,459 and allocated associated cost of revenue of \$112,520, which primarily included hardware facility and installation. We fully completed the hardware and software projects for FMP by the end of 2018. During the six months ended June 30, 2019, we recognized \$95,482 revenue from FMP projects which represents the post-completion maintenance and technical support services we rendered during the six months ended June 30, 2019. Our costs of revenue associated with the FMP project maintenance and technical support revenue amounted to \$36,143, primarily included labor costs incurred on performing such maintenance service. In addition to the FMP smart campus projects, during the six months ended June 30, 2019, we have also entered into additional smart campus solution contracts with a larger number of Chinese universities/ colleges, such as Capital Normal University, Shougang Technician College, Beijing Institute of Technology, North China Electric Power University, University of Chinese Academy of Sciences and others, to provide smart campus solution consulting services to these universities/ colleges, including but not limit to internet network improvement, digital classroom solutions, and educational management system customization. The increase in our revenues corresponds to the increased cost of revenues associated with these smart campus projects in the six months ended June 30, 2019 as compared to the same comparative period of 2018. Due to the recent COVID-19 outbreak, the execution of our "smart campus" contracts with several Chinese universities/ colleges have been temporarily delayed because of school closures. As discussed above under "Revenue from Technological Consulting Services for Smart Campus Solutions", our revenue is expected to decrease by approximately 43%, to an estimated amount of \$74,000 in the first quarter of fiscal year 2020 as compared to the first quarter of fiscal 2019, and as a result, related cost of revenue also expected to decrease by 16% to an estimated amount of \$52,000 in the first quarter of fiscal year 2020. However, we expect the negative impact of the COVID-19 outbreak on our "smart campus" services to be temporary and we expect our revenues and cost of revenue to increase once we resume our normal business activities, with most of our existing "smart campus" projects expected to be completed during the summer of 2020.

Cost of revenue associated with textbook and course material sales increased by \$3,802 or 99.2% from \$3,831 in the six months ended June 30, 2018 to \$7,633 in the six months ended June 30, 2019. Over the past years, our textbook and course materials used by Strait College of Minjiang University and FMP were not officially published books and course materials. In response to recent requirement from Chinese universities/ colleges, we are required to formally press and publish these textbooks in order to supply better quality textbooks to students. Accordingly we are engaged with a third-party press agent to formally print our textbooks, which led to increased textbook re-design and printing costs during the six months ended June 30, 2019.

The outbreak of COVID-19 delayed our sales of textbooks and course materials to students because the host Chinese universities/colleges have been closed for winter break in December 2019 and remain closed as of the date of this prospectus, with universities/colleges reopening expected in April 2020. During the temporary school closure period, we have been providing remote teaching services to students. We did not record textbooks and course materials sales revenue and related costs of revenue for the first quarter of fiscal year 2020. When compared to the first quarter of fiscal year 2019, we estimate the reduction of our textbooks and course materials sales in the first quarter of fiscal year 2020 is around \$7,000, and as a result, related cost of revenue is estimated to decrease by around \$3,000.

### Gross profit

	For the six months ended June 30,					
	2019		2018		Changes	
	Amount	%	Amount	%	Amount	%
Gross profit from Sino-foreign Jointly Managed Academic Programs	\$ 705,218	56.8%	\$ 694,477	55.3%	\$ 10,741	1.5%
Gross profit from textbook and course material sales	5,683	42.7%	19,654	83.7%	(13,971)	-41.0%
Gross profit (loss) from Overseas Study Consulting Services	-	0.0%	(13,326)	-128.5%	13,326	128.5%
Gross profit from Technological Consulting Services for Smart Campus	146,512	23.4%	45,329	28.7%	101,183	-5.3%
<b>Total</b>	<b>\$ 857,413</b>	<b>45.6%</b>	<b>\$ 746,134</b>	<b>51.5%</b>	<b>\$ 111,279</b>	<b>-5.9%</b>

Our overall gross profit increased by \$111,279 or 14.9% from \$746,134 in the six months ended June 30, 2018 to \$857,413 in the six months ended June 30, 2019 while gross profit margin decreased by 5.9% from 51.5% in the six months ended June 30, 2018 to 45.6% in the six months ended June 30, 2019.

Our gross profit associated with Sino-foreign Jointly Managed Academic Programs increased by \$10,741, from \$694,477 in the six months ended June 30, 2018 to \$705,218 in the six months ended June 30, 2019, primarily due to decreased costs associated with faculty involvement as the total number of students enrolled under the Sino-foreign joint education programs decreased from 2,415 students in the six months ended June 30, 2018 to 2,337 students in the six months ended June 30, 2019, when we stopped recruiting and enrolling new students into the FUT ISEC Program after the Class of July 2018 graduated, and when we suspended recruiting for the NZTC Program after current students graduate in July 2019, as discussed above. As a result of a decrease in faculty cost, gross profit increased during the six months ended June 30, 2019.

Our gross profit associated with sales of textbook and course material decreased by \$13,971, from \$19,654 in the six months ended June 30, 2018 to \$5,683 in the six months ended June 30, 2019. As discussed above, recently, Strait College of Minjiang University and FMP are trying to make some teaching course content and curriculum settings adjustment, which requires us to make some textbook content change accordingly. This led to an increase in our cost of revenue associated with textbook and course materials sales because additional cost incurred on the textbook re-design and content update. In addition, our textbook printing costs were higher in the six months ended June 30, 2019 than in the six months ended June 30, 2018. As a result, our gross profit associated with the textbook sales decreased in the six months ended June 30, 2019.

We did not report revenue and gross profit associated with Overseas Study Consulting Services during the six months ended June 30, 2019 because our performance obligations under our contract with enrolled students have not been satisfied. Gross loss associated with study abroad consulting services in the six months ended June 30, 2018 amounted to \$13,326 because we only provided consulting service to one student, our limited revenue could not absorb the fixed overhead cost such as rent expense and teacher salary associated with providing such consulting service.

Our gross profit associated with Technological Consulting Services for Smart Campus Solutions increased by \$101,183, from \$45,329 in the six months ended June 30, 2018 to \$146,512 in the six months ended June 30, 2019. The smart campus projects normally leverage hardware such as sensors, internet of things devices such as digital portals, electronic blackboards, smartboards, projectors, LED display panels, high definition classroom audio and sound systems and other lab-based equipment, together with data management applications, to create total solutions for targeted Chinese universities. In order to complete each individual project, we need to purchase parts and hardware components from outside vendors, to be used in conjunction with our data management software or other solutions. Our profit margin is affected by the fluctuation of the purchase price of the applicable hardware, purchase channels, and the price we paid to laborers in the installation process. Additionally, our engagement under each contract may include different tasks and jobs, some of them only require limited hardware purchase and put more focus on the software side, while others may require more hardware components to be included. Normally, software components have higher margin than hardware components. All of these factors impact our gross margin for each reporting period. Our gross profit in the six months ended June 30, 2018 was lower because we were primarily engaged to upgrade the experiment centers for FMP's business school which required more hardware components (such as digital portal, electronic blackboards, smartboards, projectors, LED display panels, high definition classroom audio and sound system) purchase. In the six months ended June 30, 2019, in addition to provide post-completion maintenance and technical support service to FMP, we have entered into additional smart campus solution contracts with a larger number of Chinese universities/ colleges, such as Capital Normal University, Shougang Technician College, Beijing Institute of Technology, North China Electric Power University, University of Chinese Academy of Sciences and others, to provide smart campus solution consulting services to these universities/ colleges, including but not limit to internet network improvement, digital classroom solutions, and educational management system customization. The increase in number of smart campus solution related projects led to increased revenue and gross profit for the six months ended June 30, 2019. However, these new projects require both hardware and software application, as a result, our cost of revenue associated with undertaking these projects was still high. This reduced the profit margin to certain extent. Consequently, our gross profit margin on smart campus projects was 23.4%, while the gross profit margin in the six months ended June 30, 2018 was 28.7%.

### **Operating expenses**

The following table sets forth the breakdown of our operating expenses for the six months ended June 30, 2019 and 2018

	For the six months ended June 30,				Change	
	2019	%	2018	%	Amount	%
Selling expenses	\$ 156,061	23.4%	\$ 234,580	45.0%	\$ (78,519)	(33.5)%
General and administrative expenses	511,024	76.6%	286,672	55.0%	224,352	78.3%
Total operating expenses	\$ 667,085	100.0%	\$ 521,252	100.0%	\$ 145,833	28.0%

### **Selling expenses**

Our selling expenses primarily include expenses incurred for various sales activities, advertisings, payroll expense paid to our sales and marketing personnel as well as shipping and delivery expenses. Selling expenses decreased by \$78,519 or 33.5% from \$234,580 in the six months ended June 30, 2018 to \$156,061 in the six months ended June 30, 2019. In the six months ended June 30, 2018, in order to develop our study abroad consulting service business and technological consulting service for “smart campus” solutions, we hired more sales and marketing personnel to promote our business, accordingly, we incurred more salary and employee welfare expenses than that of in the six months ended June 30, 2019 when our brand awareness among customers have been strengthened. The decrease in our selling expense can be attributed primarily due to a decrease in our brand advertising expenses by \$4,423, a decrease in salary and employee welfare benefit expenses by \$41,974, a decrease of travel and transportation expenses by \$28,020 resulting from reduced marketing and promotion activities. As a percentage of revenues, our selling expenses accounted for 8.3% and 16.2% of our total revenue for the six months ended June 30, 2019 and 2018, respectively. We expect that our overall sales and marketing expenses, including but not limited to, advertising expenses, brand promotion expenses and salaries, will continue to increase in the foreseeable future if our business further grows.

### **General and Administrative Expenses**

Our general and administrative expenses primarily consist of employee salaries, welfare and insurance expenses, depreciation and professional service expenses. General and administrative expenses increased by \$224,352 or 78.3% from \$286,672 in the six months ended June 30, 2018 to \$511,024 in the six months ended June 30, 2019, primarily due to an increase in salaries, welfare expenses and insurance expenses by \$66,476, when we hired more administrative employees and expanded our management team to meet the business growth demand, an increase of audit fee and other professional consulting service fees by \$143,400 and increased property management fees by \$9,556. As a percentage of revenues, general and administrative expenses were 27.2% and 19.8% of our revenue in the six months ended June 30, 2019 and 2018, respectively. We expect our general and administrative expenses, including, but not limited to, salaries and business consulting expenses, to continue to increase in the foreseeable future, as our business further grows. We expect our professional fees for legal, audit, and advisory services to increase as we become a public company upon the completion of this offering.



### ***Interest Income***

Our interest income decreased by \$44,909 or 92.5%, from \$48,526 in the six months ended June 30, 2018 to \$3,617 in the six months ended June 30, 2019. On March 17, 2017, we advanced a \$1,997,726 (RMB 13 million) interest bearing short-term loan to a third party Jinjiang Hengfeng Trading Co., Ltd. (“Hengfeng”) as working capital, with interest rate of 4.8% per annum and a maturity date of September 19, 2017. Immediately before the maturity date, on September 5, 2017, the Company and Hengfeng signed a supplemental agreement to extend the maturity date to December 19, 2018 with adjusted interest rate of 5% per annum. The loan was guaranteed by a third party Fujian Rongde Cotton Spinning Co., Ltd. The loan receivable was fully collected in December 31, 2018 and we did not have such loan receivable during the six months ended June 30, 2019. This led to interest income on third-party loan decreased in six months ended June 30, 2019 as compared to six months ended June 30, 2018.

### ***Other Income (expenses)***

Other income, net, decreased by \$12,908 or 120.3% when comparing six months ended June 30, 2019 to six months ended June 30, 2018. We reported other expense of \$2,179 in the six months ended June 30, 2019 primarily included bank charges during this period. For the same comparative period of 2018, we reported other income of \$10,729 primarily includes government subsidies in the form of immediate refund of the levied VAT tax back to us, as an incentive to encourage education service provider like us to expand the business.

### ***Provision for Income Taxes***

Our provision for income taxes was \$52,756 in the six months ended June 30, 2019, an increase of \$9,047 from \$43,709 in the six months ended June 30, 2018 due to our increased taxable income generated from our major operating subsidiary China Liberal Beijing. The principal business of our subsidiary, China Liberal Beijing, is performed in the PRC, and is therefore subject to PRC income tax, which is computed according to the relevant laws and regulations in the PRC. As a High and New Technology Enterprises (“HNTEs”), China Liberal Beijing is entitled to a reduced income tax rate of 15% instead of 25%, beginning December 2016, which is valid for three years. Accordingly, our income taxes provision for the six months ended June 30, 2019 and 2018 were reported at a reduced rate of 15% as a result of China Liberal Beijing being approved as a HNTE. The impact of the tax holidays noted above decreased foreign taxes by \$32,820 and \$27,330 for the six months ended June 30, 2019 and 2018, respectively. The benefit of the tax holidays on net income per share (basic and diluted) was \$0.01 and \$0.00 for the six months ended June 30, 2019 and 2018, respectively.

### ***Net Income***

As a result of the foregoing, we reported a net income of \$139,010 for the six months ended June 30, 2019, representing a \$101,418 decrease from a net income of \$240,428 for the six months ended June 30, 2018, primarily due to increased operating expense as described above.

As discussed above, as a result of the recent COVID-19 outbreak, we expect our revenues from several business segments to be affected. On the other hand, our fixed operating costs such as employee salary and office rent costs did not decrease even during the temporary business shutdown period. As a result, our net income is expected to decrease by approximately \$100,000, or 30% when comparing the first quarter of fiscal year 2020 to the first quarter of fiscal year 2019. However, as the spread of COVID-19 in China seems to be under control and businesses and some schools have already started to reopen, we expect the negative impact of the COVID-19 coronavirus outbreak on our business to be temporary.

### ***Net income attributable to non-controlling interest***

Non-controlling interests represent five minority shareholders’ 8.8228% ownership interest in our major operating subsidiary China Liberal Beijing for the six months ended June 30, 2018. In December 2017, five minority shareholders contributed an aggregate of RMB 2,952,206 (approximately \$453,669) cash into China Liberal Beijing, for an aggregate of 8.8228% ownership interest. On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, for a total price of RMB 2.95 million (approximately \$453,669). The total value of the non-controlling interest amounted to \$540,907 as of the acquisition date. After this transaction, China Liberal Beijing became a 100% owned subsidiary of Boya Hong Kong. As a result, net income attributable to non-controlling interest decreased by \$21,214 when comparing six months ended June 30, 2019 to the six months ended June 30, 2018.

### ***Net income attributable to the Company***

As a result of the above, net income attributable to the Company decreased by \$80,204, or 36.6%, from \$219,214 in the six months ended June 30, 2018 to \$139,010 in the six months ended June 30, 2019.

### Comparison of Results of Operations for the Years Ended December 31, 2018 and 2017

The following table summarizes the results of our operations during the fiscal years ended December 31, 2018 and 2017, respectively, and provides information regarding the dollar and percentage increase or (decrease) during such years.

	For the Years Ended December 31,					
	2018		2017		Amount Increase (Decrease)	Percentage Increase (Decrease)
	Amount	As % of Sales	Amount	As % of Sales		
Revenue	\$ 4,808,993	100.0%	\$ 3,885,886	100.0%	\$ 923,107	23.8%
Cost of revenue	2,702,297	56.2%	2,161,322	55.6%	540,975	25.0%
Gross profit	2,106,696	43.8%	1,724,564	44.4%	382,132	22.2%
Operating expenses						
Selling expenses	704,060	14.6%	541,424	13.9%	162,636	30.0%
General and administrative expenses	579,500	12.1%	408,762	10.5%	170,738	41.8%
Total operating expenses	1,283,560	26.7%	950,186	24.5%	333,374	35.1%
Income from operations	823,136	17.1%	774,378	19.9%	48,758	6.3%
Other income (expenses)						
Interest income	88,926	1.8%	70,743	1.8%	18,183	25.7%
Other income	180,191	3.7%	187,794	4.8%	(7,603)	(4.0)%
Total other income, net	269,117	5.6%	258,537	6.7%	10,580	4.1%
Income before income taxes	1,092,253	22.7%	1,032,915	26.6%	59,338	5.7%
Provision for income taxes	167,813	3.5%	158,109	4.1%	9,704	6.1%
Net income	\$ 924,440	19.2%	\$ 874,806	22.5%	\$ 49,634	5.7%
Less: net income attributable to non-controlling interest	81,779	1.7%	5,800	0.1%	75,979	1310.0%
Net income attributable to the Company	\$ 842,661	17.5%	\$ 869,006	22.4%	\$ (26,345)	(3.0)%

**Revenues.** Revenues increased by \$923,107, or 23.8%, to \$4,808,993 in 2018 from \$3,885,886 in 2017. The increase in our revenue was due to more consulting services have been rendered in 2018 as compared to 2017.

Our revenue by service type is as follows:

	For the years ended December 31,					
	2018		2017		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from Sino-foreign Joint Managed Academic Programs	\$ 2,410,781	50.1%	\$ 2,821,602	72.6%	\$ (410,821)	-14.6%
Revenue from textbook and course material sales	29,717	0.6%	52,345	1.3%	(22,628)	-43.2%
Revenue from Overseas Study Consulting Services	547,521	11.4%	60,947	1.6%	486,574	798.4%
Revenue from Technological Consulting Services for Smart Campus Solutions	1,820,974	37.9%	950,992	24.5%	869,982	91.5%
Total	\$ 4,808,993	100.0%	\$ 3,885,886	100.0%	\$ 923,107	23.8%

#### Revenue from Sino-foreign Jointly Managed Academic Programs

Our revenue from Sino-foreign Jointly Managed Academic Programs primarily consists of our cooperation with the following Chinese universities:

(i) Fuzhou Melbourne Polytechnic (FMP)

FMP is currently hosting the Australia English for Academic Purposes Program, or the FMP EAP Program. Before FMP rebranded in January 2017, FMP's former entity operating under the name IEN College of Minjiang University also hosted the International General Education Courses, or IGEC program.

(ii) Strait College of Minjiang University (Strait College)

Strait College is currently hosting the Fujian-Taiwan Universities Joint Talent Training Program. Since January 2017, Strait College has also been hosting the IGEC program after it took over this program from the then IEN College of Minjiang University.

(iii) Fujian University of Technology (FUT)

FUT hosted the Fujian University of Technology International Scholarly Exchange Curriculum Program, or FUT ISEC Program. However, as discussed below, we made a decision to cease recruitment and enrollment activity, and the program was discontinued after the then last class of students graduated in July 2018.

(iv) Fujian Preschool Education College

Fujian Preschool Education College is currently hosting the New Zealand Tertiary College, or NZTC Program. However, as discussed below, we made a decision to cease recruitment and enrollment activity, and the program will be discontinued after the last class of students graduate in July 2019.

	For the years ended December 31,					
	2018		2017		Changes	
	Amount	%	Amount	%	Amount	%
Fuzhou Melbourne Polytechnic	\$ 465,081	19.3%	\$ 1,455,013	51.6%	\$ (989,932)	-68.0%
Strait College of Minjiang University	1,744,233	72.4%	943,447	33.4%	800,786	84.9%
Fujian University of Technology	70,799	2.9%	210,686	7.5%	(139,887)	-66.4%
Fujian Preschool Education College	130,668	5.4%	212,456	7.5%	(81,788)	-38.5%
Total	\$ 2,410,781	100.0%	\$ 2,821,602	100.0%	\$ (410,821)	-14.6%

**Number of students under joint education programs**

Fuzhou Melbourne Polytechnic	551	1,307	(756)	-57.9%
Strait College of Minjiang University	1,676	1,220	456	37.3%
Fujian University of Technology	51	154	(103)	-67.1%
Fujian Preschool Education College	112	196	(84)	-42.9%
Total number of students	2,390	2,877	(487)	-17.0%

**Average tuition fee the Company received per student**

Fuzhou Melbourne Polytechnic	\$ 844	\$ 1,113	\$ (269)	-24.2%
Strait College of Minjiang University	\$ 1,041	\$ 773	\$ 268	34.6%
Fujian University of Technology	\$ 1,397	\$ 1,368	\$ 29	2.1%
Fujian Preschool Education College	\$ 1,170	\$ 1,086	\$ 84	7.8%

Our revenues from Sino-foreign Jointly Managed Academic Programs decreased by \$410,821 or 14.6% from \$2,821,602 in fiscal year 2017 to \$2,410,781 in fiscal year 2018. This decrease can be primarily attributed to a decrease in the number of students by 488 or 17.0%, from 2,877 students in fiscal year 2017 to 2,389 students in fiscal year 2018, and affected by the changes in average tuition fees we collected from Chinese host universities/colleges. The following factors impact the revenue we generate from services provided for joint education programs for the years ended December 31, 2018 and 2017:

(1) In 2018, China's Ministry of Education, or MOE, approved the termination of certain Sino-foreign cooperative education programs as a move to improve quality, tighten regulatory control, and promote reforms in China's educational system. These changes were made because problems had appeared in certain institutions and projects (none of which we service) that were previously approved by the relevant authorities. These problems included insufficient utilization of high quality educational resources, low instructional quality, weak specialized capabilities in academic departments, lack of content-based development mechanisms, low student satisfaction and poor attractiveness of programs, making it difficult for those institutions and projects to continue operating and they were therefore closed down. In order to clarify the above described action by MOE, we made an anonymous phone call inquiry with the MOE. We were informed by the MOE that this action was never taken by MOE before, and that this action was taken to close down institutions and projects that were originally approved but at the time of termination did not have enrolled students any more. We were further informed that the purpose of this action was to improve the overall quality of the industry. In light of this, Fujian Province, the province where all of the Sino-foreign Jointly Managed Academic Programs we service are located, set a minimum score for English (as a subject) for those students who are applying for any four-year Sino-foreign joint programs that offer undergraduate degrees. As a result of these new regulatory controls and policy adjustments, even though none of the programs we service were terminated by the MOE, overall student recruiting and enrollment under our Sino-foreign joint education programs was negatively impacted, because some potential candidates could not meet the minimum score for English. For example, student enrollments under our joint education programs with Strait College of Minjiang University only increased by 456 students from 2017 to 2018, such increase was resulted from the transfer of the 756 students under the IGEC programs originally enrolled with IEN College and not from new enrolled students. Without taking into account this IGEC program transfer from FMP to Strait College of Minjiang University, the total number of students enrolled with Strait College of Minjiang University would have actually decreased by 300 students from 2017 to 2018 due to the higher eligibility requirements for students to enroll in any Sino-foreign joint education programs in Fujian Province. We cannot assure you that the local government in Fujian Province or the MOE will not set an even higher eligibility standard for students to enroll in these joint education programs in the future, in which case our enrollment numbers, result of operations and financial conditions could be negatively impacted.

(2) FMP was formerly known as IEN College of Minjiang University, and our IGEC program (the “Strait IGEC Program”) was previously hosted by IEN College of Minjiang University from September 2013 to July 2017. In January 2017, IEN College of Minjiang University was approved by the provincial government of Fujian and became the first Sino-foreign joint institution with independent legal status in Fujian Province and accordingly changed its name to FMP. As a result of this rebranding, FMP stopped hosting the IGEC program beginning September 2017 and the program was taken over by Strait College of Minjiang University going forward. This led to a decrease in the total number of students enrolled with FMP, from 1,307 students in fiscal year 2017 to 551 students in fiscal year 2018 because students originally enrolled under the IGEC programs have been transferred to Strait College of Minjiang University. Starting September 2017, FMP only continued to provide the FMP EAP Program.

(3) The reason our revenue generated from the Sino-foreign Jointly Managed Academic Program with FMP decreased by \$989,932 or 68.0% from \$1,455,013 in fiscal year 2017 to \$465,081 in fiscal year 2018 can be attributed to two factors: (i) in connection with the transfer of IGEC program from FMP to Strait College of Minjiang University, the total number of enrolled students with FMP decreased by 756, or 57.2%; and (ii) we receive a lower percentage of tuition fees from the FMP EPA Program than from the IGEC program. Under the FMP EPA Program, our services and responsibility only cover the first two-year EAP trainings, but under the Strait IGEC Program, we are responsible for promoting the program, recruiting students, staffing foreign language teachers, and ensuring students are connected with appropriate foreign universities in North America or Europe. Under the FMP EAP Program, the average tuition that FMP charges enrolled students is RMB 18,000 (USD 2,721) per student per school year, of which we are entitled to receive RMB 9,000 (USD 1,360) per student per school year for their freshman years and RMB 3,000 (USD 453) per student per school year for their sophomore years. On the other hand, under the Strait IGEC Program, the average tuition fee that Strait College charges enrolled students is RMB 28,000 per student per school year, of which we receive RMB 9,800 (USD 1,481) per student per school year for the first two years, and then RMB 11,200 (USD 1,693) per student per school year for the remaining two years. Therefore, the tuition fee from Strait IGEC Program is higher than the tuition fee we receive from the FMP EAP Program. As a result of the transfer of the IGEC program from FMP to Strait College, our tuition revenue from FMP decreased by \$989,932 or 68.0% because the average tuition fee decreased from \$1,113 per student in fiscal year 2017 to \$844 per student in fiscal year 2018. On the other hand, our tuition revenue from Strait College increased by \$800,786 or 84.9% because the average tuition fee increased from \$773 per student in fiscal year 2017 to \$1,041 per student in fiscal year 2018.

(4) Our joint programs with Fujian University of Technology (FUT) and Fujian Preschool Education College (FPEC) were originally designed to improve students’ English language skills. However, due to the overall low language proficiency backgrounds of the students enrolled, we noted that most students could not adapt to the high standards of an English teaching environment. For example, a total of 193 students were recruited by FUT under the architecture, civil engineering and software engineering majors in our joint programs with FUT. According to the curriculum designs and outlines, some core courses had to be taught by foreign teachers in English. Therefore, students who could follow the course lecture were those who had adequate English reading, writing and listening skills. However, after those 193 students started these programs, we noted that their overall English language proficiency was low and we had to add Chinese teachers in the classrooms to conduct simultaneous translation and interpretation in order to help the students fully understand the course content. Adding extra teachers for translation doubled our teaching costs as qualified translators were difficult to find and salaries paid to translators roughly amounted to the amount of salaries paid to foreign teachers. In addition, any inappropriate translation could have negatively impacted how our course was perceived and the value of such course to our existing and prospective students. Our joint program with FPEC provides Chinese students with the opportunity to enroll in courses delivered by New Zealand Tertiary College (“NZTC”). Upon completion of this program, students would receive a Ministry of Education, or MOE, Diploma in Early Childhood Education in the PRC and a certificate in Early Childhood Teaching issued by NZTC. This program is a three-year education degree program in which students may choose to complete their first two-years of education in China and go to NZTC for their third-year and final year in the program, or, alternatively, to stay with the Chinese host college for the entire three years of study. Since we launched this program, approximately 300 students have been recruited into this program. However, most of the enrolled students had low English language proficiency, which led to limited number of students choosing to study abroad in New Zealand. As of the date of this prospectus, only 3 students have decided to go to New Zealand after finishing the first two-year education with the Chinese host college. NZTC did request that we send more students to NZTC for purposes of increasing their revenue. However, based on our assessment, in order for us to train existing students to meet the minimum language requirements for studying abroad, we would have to add one more year of English courses to existing students, which would significantly increase our teaching costs. Additionally, most of our existing students are reluctant to extend their education by an additional year since they can find a job in the market relatively easily after obtaining the certificate in Early Childhood Teaching issued by FPEC.

Therefore, the Sino-foreign Jointly Managed Academic Programs with these two institutions became increasingly less attractive and less profitable. As a result, we decided to stop recruiting and enrolling new students into the FUT ISEC Program after the Class of July 2018 graduated. We also decided to suspend recruiting for the NZTC Program after current students graduate in July 2019. As a result of such business decision, the number of students enrolled in FUT decreased by 67.1% from 154 students in fiscal year 2017 to 51 students in fiscal year 2018, and the number of students enrolled in FPEC decreased by 42.9% from 196 students in fiscal year 2017 to 112 students in fiscal year 2018. The average tuition fee we collected from Sino-foreign Jointly Managed Academic Programs was adjusted. As a result, average tuition fee collected from FUT and FPEC slightly increased by 2.1% and 7.8% in fiscal year 2018 as compared to fiscal year 2017, respectively. Consequently, the decrease in tuition revenue from both FUT and FPEC resulted from decrease in number of enrolled students and was offset by the increase in average tuition fee.

### Revenue from textbooks and course material sales

In order to ensure the quality of the course content delivered to students and to meet international standards, we have developed and edited more than 16 English textbooks and course materials with an emphasis on language training, and distributed these materials to students enrolled under our Sino-foreign joint education programs. Revenue from sales of textbooks and course materials decreased by \$22,628 or 43.2% from \$52,345 in fiscal year 2017 to \$29,717 in fiscal year 2018. The decrease in textbook and course material sales was primarily attributable to the total number of students enrolled under the joint education programs which decreased from 2,877 students in fiscal year 2017 to 2,389 students in fiscal year 2018. As discussed above, we stopped recruiting and enrolling new students into the FUT ISEC Program with FUT after the then existing students graduated in July 2018. We also suspended recruiting for the NZTC Program with FPEC after current students graduated in July 2019. As a result of such business decision, the number of students enrolled with FUT decreased by 67.1% from 154 students in fiscal year 2017 to 51 students in fiscal year 2018, and the number of students enrolled with FPEC decreased by 42.9% from 196 students in fiscal year 2017 to 112 students in fiscal year 2018. As a result of this business decision, for the academic school year starting from September 2018, there were no additional new students recruited into the joint education programs with these two academic institutions. Accordingly, we reduced the textbooks and course material sales in 2018. The total number of textbooks and course materials sold decreased by 11.4% from 3,591 in fiscal year 2017 to 3,183 in fiscal year 2018. In addition, for our Sino-foreign Jointly Managed Academic Programs with FMP, in 2018, FMP made some teaching course content and curriculum settings adjustment, which led to FMP purchase textbooks and course materials from other vendors in order to match the new curriculum settings. As a result, our textbook sales to FMP reduced accordingly.

### Revenue from Overseas Study Consulting Services

	For the years ended December 31,			
	2018	2017	Changes	
			Amount	%
Revenue from overseas study consulting services	\$ 547,521	\$ 60,947	\$ 486,574	798.4%
Number of students for study abroad consulting service	49	7	42	600.0%
Average consulting service fee per student	\$ 11,174	\$ 8,707	\$ 2,467	28.3%

Our Overseas Study Consulting Services target those students who wish to study in foreign countries to enrich their learning experiences, expand their horizons, and gain exposure to a broader array of employment opportunities. We provide customized consulting services to students on an individual basis. Fees we charge students to provide overseas study consulting services range from RMB 50,000 (\$7,558) per person to RMB 80,000 (\$12,093) per person. We typically charge higher consulting service fees to students planning to pursue art majors in foreign countries than we do for students pursuing general majors such as business, technology and other majors, because art programs typically require demonstration of a student's specialty in art, which is usually reflected in an art portfolio that the student submits along with other application materials. We have to assign qualified teachers to provide more detailed and customized tutoring to these students pursuing art majors and accordingly we charge them higher consulting service fee.

Revenue from providing study abroad consulting services increased by \$486,574 or 798.4%, from \$60,947 in fiscal year 2017 to \$547,521 in fiscal year 2018. The increase was due to an increased number of students who came to us for study abroad consulting services, from 7 students in fiscal year 2017 to 49 students in fiscal year 2018. In addition, we served more students pursuing art major in fiscal year 2018 than in fiscal year 2017. As a result, our average service fee increased by 28.3% from \$8,707 per student in fiscal year 2017 to \$11,174 per student in fiscal year 2018.

### Revenue from Technological Consulting Services for Smart Campus Projects

	For the years ended December 31,			
	2018	2017	Changes	
	Amount	Amount	Amount	%
Fuzhou Melbourne Polytechnic	\$ 1,670,450	700,592	\$ 969,858	138.4%
Strait College of Minjiang University	-	215,642	(215,642)	-100.0%
Fujian High School and others	-	34,758	(34,758)	-100.0%
Capital normal university	84,574	-	84,574	100.0%
Beijing University of Chinese Medicine	38,365	-	38,365	100.0%
University of International Business and Economics and others	27,585	-	27,585	100.0%
Total	\$ 1,820,974	\$ 950,992	\$ 869,982	91.5%

Revenue from providing smart campus related technological consulting service increased by \$869,982 or 91.5% from \$950,992 in fiscal year 2017 to \$1,820,974 in fiscal year 2018, primarily due to increased revenues recognized from the smart campus project with Fuzhou Melbourne Polytechnic. In 2017, we entered into a contract with FMP to provide a total solution for its smart campus project, which includes a big data center, digital classrooms, and an experience-based simulation teaching center for its business school. These facilities will be linked and bundled with the campus data management application system software to create a smart campus for FMP. In addition to the installation of hardware and software to allow the smart campus system to meet its expected operational conditions, we are also responsible for maintenance and providing continuing technological support during the period of 2019 to 2021. The total contract price under the FMP “smart campus” project is RMB 16.68 million (approximately \$2.4 million) for completion of the software and hardware installation. Post-installation maintenance and continuing technical support fees amount to RMB 5.05 million (approximately \$0.73 million). Based on the contract payment terms, after completion of the required smart campus project, FMP is obligated to make three installment payments of RMB 5.56 million (approximately \$808,593) each in 2019, 2020 and 2021, respectively. Among the RMB 5.05 million maintenance and support fee, RMB 1.04 million (USD \$151,644) contract receivable for maintenance and technical support services rendered in 2018 has been received in January 2019. The remaining RMB 4.01 million (approximately \$0.58 million) post-contract maintenance and technical support fee will be paid in three equal installments in 2019 to 2021 when services are rendered. We recognized revenue of \$700,592 from the technology services we provided to FMP for its smart campus project in 2017. Services we provided included setting up the required hardware device and facilities such as digital portal, electronic blackboards, smartboards, projectors, LED display panels, high definition classroom audio and sound system, as well as data management software that could be linked together to bring the contracted digital classroom project to completion, which passed the inspection and was accepted by FMP. Therefore, our smart campus solutions revenue in 2017 was primarily generated from completion of the above-described digital classroom project for FMP. In 2018, we recognized more revenue from our FMP smart campus project. We upgraded the experiment centers for FMP’s business school and completed the big data center project through bundling of data management software with hardware facilities and device. We also bundled the data management software. These services were completed, passed inspection and were accepted by FMP. FMP put these facilities into use by November 2018. As a result, we recognized \$1,670,450 revenue in 2018 from FMP smart campus projects.

In addition to the smart campus project with FMP, we were also involved with a campus server rooms upgrade project for Strait College of Minjiang University in 2017, and generated revenue of \$215,642. We also provided smart campus solution consulting services to Capital Normal University, Beijing University of Chinese Medicine and University of International Business and Economics in 2018 and generated revenue of \$84,574, \$38,365 and \$27,585, respectively. The increase in our exposure and cooperation with more academic institutions on smart campus-related projects also helped us increase our revenue in 2018 as compared to 2017.

#### Cost of Revenues

	For the years ended December 31,			
	2018	2017	Changes	%
Teacher salary, welfare benefit and insurance	\$ 877,292	\$ 801,909	\$ 75,383	9.4%
Textbook and course materials	19,490	46,532	(27,042)	-58.1%
Travel, meals and entertainment expense relating to teaching activities	34,040	38,633	(4,593)	-11.9%
Apartment rent expense for teachers	145,225	109,106	36,119	33.1%
Hardware and software application costs for “smart campus” projects	1,249,445	774,347	475,098	61.4%
Professional fees for course design, teacher training	331,222	340,626	(9,404)	-2.8%
Business tax	31,776	29,063	2,713	9.3%
Others	13,807	21,106	(7,299)	-34.6%
<b>Total cost of revenue</b>	<b>\$ 2,702,297</b>	<b>\$ 2,161,322</b>	<b>\$ 540,975</b>	<b>25.0%</b>

Our cost of revenues consists of salary, welfare and insurance costs for our faculty, rent expense for foreign faculty, textbook and course materials costs, travel, meals and entertainment expenses associated with teaching activities, consulting fees paid to third-parties for course design and teacher training, hardware parts and components purchase costs as well as labor costs incurred to undertake the software application customization for the smart campus projects, and business taxes. Our overall cost of revenue increased by \$540,975 or 25.0% from \$2,161,322 in fiscal year 2017 to \$2,702,297 in fiscal year 2018, primarily due to increased hardware and software costs associated with the smart campus projects of \$475,098, increased rent expense of \$36,119 because we leased larger office space in 2018 in order to meet our expanded business operation, and increased salary, welfare and insurance costs for teachers and faculty by \$75,382 because we hired more qualified teachers to provide one-on-one tutoring to the students for our overseas studying consulting services. Our cost of revenue accounted for 56.2% and 55.6% of our total revenue for the years ended December 31, 2018 and 2017, respectively.

Our cost of revenue by business segment is as follows:

	For the years ended December 31,			
	2018	2017	Changes	%
Cost associated with Sino-foreign Jointly Managed Academic Programs	\$ 1,155,854	\$ 1,175,646	\$ (19,792)	-1.7%
Cost associated with Overseas Study Consulting Services	64,321	49,765	14,556	29.2%
Cost associated with Technological Consulting Services for Smart Campus related	1,462,435	889,379	573,056	64.4%
Cost associated with textbooks and course materials sales	19,687	46,532	(26,845)	-57.7%
<b>Total cost of revenue</b>	<b>\$ 2,702,297</b>	<b>\$ 2,161,322</b>	<b>\$ 540,975</b>	<b>25.0%</b>

Cost of revenues associated with Sino-foreign Jointly Managed Academic Programs decreased by \$19,792 or 1.7% from \$1,175,646 in fiscal year 2017 to \$1,155,854 in fiscal year 2018, primarily due to decreased costs associated with faculty involvement as the total number of students enrolled under the Sino-foreign joint education programs decreased from 2,877 students in fiscal year 2017 to 2,389 students in fiscal year 2018.

Cost of revenues associated with Overseas Studying Consulting Services increased by \$14,556 or 29.2%, from \$49,765 in fiscal year 2017 to \$64,321 in fiscal year 2018. We launched the study abroad consulting services in April 2017 and only provided consulting services to 7 students in fiscal year 2017, as compared to 49 students served in 2018. As a result, we incurred higher costs in fiscal year 2018 as we placed greater emphasis on student coaching efforts to help prepare students for school selection, school applications, language training, and visa applications.

Cost of revenues associated with Technological Consulting Services for Smart Campus Solutions increased by \$573,056 or 64.4%, from \$889,379 in fiscal year 2017 to \$1,462,435 in fiscal year 2018. This increase was in line with the increased revenue we recognized in 2018. In 2017, we entered into a contract with FMP to help FMP implement a comprehensive solution for its smart campus project, which includes a big data center, digital classrooms, and an experience-based simulation teaching center for its business school. We completed part of the hardware facility installation in 2017 and completed all of the remaining hardware and software projects by November 2018, all of which have passed inspection and were accepted by FMP. As a result, more hardware components purchase costs and installation related labor costs have been allocated in 2018 as compared to 2017. In addition to the FMP smart campus projects, in 2018, we also provided smart campus solution consulting services to Capital Normal University, Beijing University of Chinese Medicine and University of International Business and Economics. The increase in our revenues corresponds to the increased cost of revenues associated with these smart campus projects in 2018 as compared to fiscal year 2017.

Cost of revenue associated with textbook and course material sales decreased by \$26,845 or 57.7% from \$46,532 in fiscal year 2017 to \$19,687 in fiscal year 2018. The decrease was in line with a decrease in number of textbooks and course materials delivered, which resulted from a decrease in the number of students enrolled under the Sino-foreign jointly managed and delivered academic programs.

### Gross profit

	For the years ended December 31,					
	2018		2017		Changes	
	Amount	%	Amount	%	Amount	%
Gross profit from Sino-foreign Jointly Managed Academic Programs	\$ 1,254,927	52.1%	\$ 1,645,956	58.3%	\$ (391,029)	-6.2%
Gross profit from textbook and course material sales	10,030	33.8%	5,813	11.1%	4,217	22.7%
Gross profit from Overseas Study Consulting Services	483,200	88.3%	11,182	18.3%	472,018	70.0%
Gross profit from Technological Consulting Services for Smart Campus	358,539	19.7%	61,613	6.5%	296,926	13.2%
<b>Total</b>	<b>\$ 2,106,696</b>	<b>43.8%</b>	<b>\$ 1,724,564</b>	<b>44.4%</b>	<b>\$ 382,132</b>	<b>-0.6%</b>

Our overall gross profit increased by \$382,132 or 22.2% from \$1,724,564 in fiscal year 2017 to \$2,106,696 in fiscal year 2018, while gross profit margin decreased by 0.6% from 44.4% in fiscal year 2017 to 43.8% in fiscal year 2018.

Our gross profit associated with Sino-foreign Jointly Managed Academic Programs decreased by \$391,029, from \$1,645,956 in fiscal year 2017 to \$1,254,927 in fiscal year 2018, because tuition we received under the joint education programs decreased by \$410,821 when the total number of students enrolled under these programs decreased by 488 from 2,877 students in 2017 to 2,389 students in 2018. Although this decrease in the number of students led to a decreased associated cost of revenue by \$19,792 when we reduced the faculty involvement, we still carried higher overhead costs, such as rent expense, teaching and supporting related costs in order to keep the joint education programs running, irrespective of how many students were left within each joint education program. Our gross margin associated with such joint education programs also decreased by 6.2% from 58.3% in fiscal year 2017 to 52.1% in fiscal year 2018.

Our gross profit associated with sales of textbook and course material increased by \$4,218, from \$5,813 in fiscal year 2017 to \$10,030 in fiscal year 2018, because the cost of revenues associated with our textbook sales was \$46,532 in 2017, as compared to \$19,687 in 2018. The higher costs of revenue of \$26,845 in 2017 can be attributed to higher textbook printing costs in 2017 than in 2018. As a result, gross profit associated with the textbook sales in 2017 was lower than that of 2018.

Our gross profit associated with Overseas Study Consulting Services increased by \$472,018, from \$11,182 in fiscal year 2017 to \$483,200 in fiscal year 2018, due to increased recognized revenue of \$486,574 when the number of students subscribed to our study abroad consulting services increased from seven students in 2017 to 49 students in 2018. Gross profit margin in this segment increased by 70.0% from 18.3% in fiscal year 2017 to 88.3% in fiscal year 2018 because we assisted more students pursuing art majors, for whom we charged higher service fees than we normally charge to students pursuing other majors with international academic institutions.

Our gross profit associated with Technological Consulting Services for Smart Campus Solutions increased by \$296,926, from \$61,613 in fiscal year 2017 to \$358,539 in fiscal year 2018. The smart campus projects normally leverage hardware such as sensors, internet of things devices such as digital portals, electronic blackboards, smartboards, projectors, LED display panels, high definition classroom audio and sound systems and other lab-based equipment, together with data management applications, to create total solutions for targeted Chinese universities. In order to complete each individual project, we need to purchase parts and hardware components from outside vendors, to be used in conjunction with our data management software or other solutions. Our profit margin is affected by the fluctuation of the purchase price of the applicable hardware, purchase channels, and the price we paid to laborers in the installation process. Additionally, our engagement under each contract may include different tasks and jobs, some of them only require limited hardware purchase and put more focus on the software side, while others may require more hardware components to be included. Normally, software components have higher margin than hardware components. All of these factors impact our gross margin for each reporting period. Our gross margin in fiscal year 2018 was higher than in fiscal year 2017, because the 2017 smart campus projects with FMP primarily related to 40 digital classrooms, which required more hardware components (such as digital portal, electronic blackboards, smartboards, projectors, LED display panels, high definition classroom audio and sound system) purchase. In addition, the 2017 smart campus project with Strait College of Minjiang University primarily related to server rooms upgrade, which also required more hardware components purchased from external third-party suppliers. As more purchased hardware components instead of software components were used in these smart campus projects, our gross margin in 2017 was only 6.5%. In 2018, our smart campus project with FMP primarily consisted of upgrades of experiment centers for the business school and completion of the big data center through bundling of data management software with hardware facilities and device. Additionally, we gradually reduced hardware components for FMP and focused more on FMP's software and application, as well as maintenance and technical support. In addition, our other smart campus projects, i.e., projects with Capital Normal University, Beijing University of Chinese Medicine and University of International Business and Economics were all focused on higher-margin campus data management system upgrades, and as a result, our gross profit margin in 2018 from smart campus projects reached 19.7%.

### Operating expenses

The following table sets forth the breakdown of our operating expenses for the fiscal years ended December 31, 2018 and 2017

	For the years ended December 31,				Change	
	2018	%	2017	%	Amount	%
Selling expenses	\$ 704,060	54.9%	\$ 541,424	57.0%	\$ 162,636	30.0%
General and administrative expenses	579,500	45.1%	408,762	43.0%	170,738	41.8%
<b>Total operating expenses</b>	<b>\$ 1,283,560</b>	<b>100.0%</b>	<b>\$ 950,186</b>	<b>100.0%</b>	<b>\$ 333,374</b>	<b>35.1%</b>

### Selling expenses

Our selling expenses primarily include expenses incurred for various sales activities, advertisings, payroll expense paid to our sales and marketing personnel as well as shipping and delivery expenses. Selling expenses increased by \$162,636 or 30.0% from \$541,424 in 2017 to \$704,060 in 2018. This increase in selling expenses can be attributed primarily due to an increase in our brand advertising expenses by \$19,469, an increase in salary and employee welfare benefit expenses by \$117,907 resulting from our hiring of additional sales and marketing personnel to promote our business, an increase of entertainment expenses associated with sales activities by \$16,657, and an increase of business travel and transportation expenses by \$22,781 for marketing and promotion activities. As a percentage of revenues, our selling expenses accounted for 14.6% and 13.9% of our total revenue for the years ended December 31, 2018 and 2017, respectively. The increase in selling expenses is consistent with the increase of revenues. We expect that our overall sales and marketing expenses, including but not limited to, advertising expenses, brand promotion expenses and salaries, will continue to increase in the foreseeable future if our business further grows.



### **General and Administrative Expenses**

Our general and administrative expenses primarily consist of employee salaries, welfare and insurance expenses, depreciation and professional service expenses. General and administrative expenses increased by \$170,738 or 41.8% from \$408,762 in 2017 to \$579,500 in 2018, primarily due to an increase in salaries, welfare expenses and insurance expenses by \$74,926, when we hired more administrative employees and expanded our management team to meet the business growth demand, an increase of professional consulting fees by \$82,473 and increased property management fees by \$10,124. As a percentage of revenues, general and administrative expenses were 12.1% and 10.5% of our revenue in 2018 and 2017, respectively. We expect our general and administrative expenses, including, but not limited to, salaries and business consulting expenses, to continue to increase in the foreseeable future, as our business further grows. We expect our professional fees for legal, audit, and advisory services to increase as we become a public company upon the completion of this offering.

### **Interest Income**

Our interest income increased by \$18,183 or 25.7%, from \$70,743 in 2017 to \$88,926 in 2018. On March 17, 2017, we advanced a \$1,997,726 (RMB 13 million) interest bearing short-term loan to a third party Jinjiang Hengfeng Trading Co., Ltd. (“Hengfeng”) as working capital, with interest rate of 4.8% per annum and a maturity date of September 19, 2017. Immediately before the maturity date, on September 5, 2017, the Company and Hengfeng signed a supplemental agreement to extend the maturity date to December 19, 2018 with adjusted interest rate of 5% per annum. The loan was guaranteed by a third party Fujian Rongde Cotton Spinning Co., Ltd. As a result of the interest rate adjustment in 2018, we reported higher interest income on the third-party loan in 2018 as compared to 2017.

### **Other Income**

Our other income primarily includes government subsidies in the form of immediate refund of the levied VAT tax back to us, as an incentive to encourage education service provider like us to expand the business. Total government subsidy amounted to \$177,160 and \$158,625 for the years ended December 31, 2018 and 2017, respectively. In addition, we used cash to buy bank financial product and generated short-term investment income of \$3,500 and \$29,747 for the years ended December 31, 2018 and 2017. As a result, total other income was \$180,191 in 2018 and \$187,794 in 2017.

### **Provision for Income Taxes**

Our provision for income taxes was \$167,813 in 2018, an increase of \$9,704 from \$158,109 in 2017 due to our increased taxable income. The principal business of our subsidiary, China Liberal Beijing, is performed in the PRC, and is therefore subject to PRC income tax, which is computed according to the relevant laws and regulations in the PRC. As a High and New Technology Enterprises (“HNTEs”), China Liberal Beijing is entitled to a reduced income tax rate of 15% instead of 25%, beginning December 2016, which is valid for three years. Accordingly, our income taxes provision for fiscal 2018 and 2017 were reported at a reduced rate of 15% as a result of China Liberal Beijing being approved as a HNTE. The impact of the tax holidays noted above decreased foreign taxes by \$105,864 and \$100,549 for the years ended December 31, 2018 and 2017, respectively. The benefit of the tax holidays on net income per share (basic and diluted) was \$0.02 and \$0.02 for the years ended December 31, 2018 and 2017, respectively.

### **Net Income**

As a result of the foregoing, we reported a net income of \$924,440 for the fiscal year ended December 31, 2018, representing a \$49,634 increase from a net income of \$874,806 for the fiscal year ended December 31, 2017.

### **Net income attributable to non-controlling interest**

Non-controlling interests represent five minority shareholders’ 8.8228% ownership interest in our major operating subsidiary China Liberal Beijing. In December 2017, five minority shareholders contributed an aggregate of RMB 2,952,206 (approximately \$453,669) cash into China Liberal Beijing, for an aggregate of 8.8228% ownership interest. Net income attributable to non-controlling interest increased by \$75,979 for fiscal year 2018 as compared to fiscal year 2017, because five individual minority shareholders completed the cash injection and registration in December 2017 and only a small portion of our fiscal year 2017 net income was allocated to non-controlling shareholders in 2017. However, we allocated more net income to non-controlling shareholders in fiscal year 2018 because these minority shareholders still held the ownership interest in China Liberal Beijing as of December 31, 2018.

### Net income attributable to the Company

As a result of the above, net income attributable to the Company decreased by \$26,345, or 3.0%, from \$869,006 in fiscal year 2017 to \$842,661 in fiscal year 2018.

### B. Liquidity and Capital Resources

#### Cash Flows for the Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

As of June 30, 2019, we had \$1,992,87 in cash on hand as compared to \$2,077,166 as of December 31, 2018. We also had \$925,730 in accounts receivable for consulting services rendered, including \$49,834 in accounts receivable from overseas study consulting services, \$875,896 in tuition receivable from Sino-foreign Jointly Managed Academic Programs.

	June 30, 2019	December 31, 2018
Accounts receivable- Overseas Study Consulting Services	\$ 49,834	\$ 346,332
Accounts receivable- Sino-foreign Jointly Managed Academic Programs	875,896	486,842
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	<u>\$ 925,730</u>	<u>\$ 833,174</u>

Most of our accounts receivable as of June 30, 2019 were aged less than 3 months. Between August and early September 2019, we have fully collected the June 30, 2019 accounts receivable balances of \$875,896 associated with Sino-foreign Jointly Managed Academic Programs and \$49,834 associated with our overseas study consulting services.

As of June 30, 2019, we also had outstanding contract receivable of \$2,287,063 derived from providing smart campus technological consulting services to Chinese universities/ colleges:

	June 30, 2019	December 31, 2018
Contract receivable- "Smart Campus" related technological consulting services with FMP	\$ 2,235,522	\$ 2,425,779
Contract receivable- "Smart campus" project maintenance and technical support fee	-	151,644
Contract receivable – other "Smart Campus" related technological consulting services	51,541	-
Less: allowance for doubtful accounts	-	-
Total contract receivable, net	<u>2,287,063</u>	<u>2,577,423</u>
Less: current portion of contract receivable	1,072,266	960,237
Contract receivable, non-current	<u>\$ 1,214,797</u>	<u>\$ 1,617,186</u>

For contract receivable associated with FMP smart campus technological consulting services, our contract with FMP for providing smart campus solution related technological consulting services has the following payment schedule:

Payment term	RMB	USD
2019	5,561,180	\$ 809,865
2020	5,561,180	809,865
2021	5,561,180	809,865
Total	<u>16,683,540</u>	<u>\$ 2,429,595</u>

Based on the above schedule, \$809,865 contract receivable was scheduled to be settled by FMP within 2019. In April 2019, FMP made a payment of RMB 2 million (USD \$291,256) to the Company as part of the 2019 payment and the Company collected the remaining \$518,608 from FMP by December 2019. As of June 30, 2019, total outstanding contract receivable from FMP amounted to \$2,235,522, including non-current portion of \$1,214,797.

As of June 30, 2019 and December 31, 2018, no allowance for doubtful accounts was recorded as we considers all of the contract receivable on “smart campus” project from FMP fully collectible because in addition to the “smart campus” project, the Company has Sino-foreign Jointly Managed Academic Programs with FMP since 2011 and there was no payment default based on past experience with FMP. Accordingly, management believes that cash collection from FMP is reasonably assured.

During the six months ended June 30, 2019, we have entered into additional smart campus solution contracts with a larger number of Chinese universities/ colleges, including Capital Normal University, Shougang Technician College, Beijing Institute of Technology, North China Electric Power University, University of Chinese Academy of Sciences and others, to provide smart campus solution consulting services to these universities/ colleges, including but not limit to internet network improvement, digital classroom solutions, and educational management system customization. Some of these new smart campus contracts have been executed, completed, and accepted by these universities/ colleges, which led to increased revenue for the six months ended June 30, 2019, while some of these contracts are still under performance as of June 30, 2019 and we expect to generate increased revenue during the second half of fiscal year 2019 based on the progress of these projects.

We believe the contract receivable related to smart campus projects are fully collectible based on the payment terms and based on our continuing cooperation with our partner Chinese universities. The collection of our accounts and contract receivable will make cash available use in our operation as working capital, if necessary.

As of June 30, 2019, we also have deferred revenue of \$614,641 derived from customer deposits for consulting services. In May and June 2019, we have recruited 5 students who are pursuing art majors in Italy, Japan, Russia and Germany. We received consulting service fees of approximately \$384,604 (RMB 2.64 million) and recorded it as deferred revenue because our study abroad consulting services have not been completed and our performance obligation has not been satisfied. We expect to complete related consulting services between October and November 2019. Once our services are rendered and performance obligations are satisfied, our deferred revenue will be recognized as revenue.

As of June 30, 2019, we had positive working capital of \$3,632,214. Our working capital requirements are influenced by the level of our operations, the numerical volume and dollar value of our sales contracts, the progress of execution on our customer contracts, and the timing of accounts receivable collections.

Our cash and equivalents and working capital at the date of this filing approximate \$1.7 million and \$5.4 million respectively. We believe that our current cash and cash flows provided by operating activities, and loans from our principal shareholders will be sufficient to meet our working capital needs in the next 12 months from this filing.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization categorized it as a pandemic. The COVID-19 outbreak is causing lockdowns, travel restrictions, and closures of businesses and schools. The potential impact which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on our financial position, operations and cash flows. Based on our operating results from January 1, 2020 through the date of this filing, total revenue is lower than previously expected but our revenue from Sino-foreign jointly managed academic programs was not significantly impacted because the host Chinese universities/colleges closed for winter break in December 2019 the outbreak of COVID-19. Although the host Chinese universities/colleges remained closed from February to present due to COVID-19, we have been providing distance teaching services to students and no dropout has been reported to us during this temporary school closure period. Current enrolled students are expected to go back to school in April 2020. Our revenue from study abroad consulting services may be affected because school closure and international travel bans may restrict students from pursuing their overseas education in Europe, Australia, the United States and other foreign countries, which may cause suspension of our one-on-one consulting services, as well as postponement of payment from our partnering schools. In addition, the execution of our smart campus contracts with Chinese universities/colleges and collection of the payment may be delayed. These uncertainties may cause decrease in our revenue for fiscal year 2020. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers and schools, all of which are uncertain at this point.

As a result of the recent COVID-19 outbreak, our revenues from January 1, 2020 to date were below expectations. As discussed above, our revenue and cost of revenue associated with our Technological Consulting Services for Smart Campus Solutions is expected to decrease by approximately 43% and 16% to an estimated amount of approximately \$74,000 and \$52,000, respectively, in the first quarter of fiscal year 2020. On the other hand, our fixed operating costs such as employee salary and office rent expenses did not decrease even during the temporary business shutdown and school closure period, and as a result our net income is expected to decrease by approximately \$100,000 in the first quarter of fiscal 2020 as compared to the same period of fiscal year 2019. The extent to which the COVID-19 will impact our revenues, results of operations and financial condition is dependent on the duration of the outbreak and other uncertainties and, therefore, the total financial impact for our fiscal year 2020 is unknown at this time. We continued to provide teaching services under the Sino-foreign jointly managed academic programs. Additionally, we anticipate to recruit more students in the second half of 2020 because more Chinese students are expected to stay in China instead of studying overseas until the outbreak of COVID-19 is under permanent control. In addition, we have signed large smart campus project contracts with several Chinese universities/ colleges and we anticipate to start the projects after these Chinese universities/ colleges commence the spring semester in April 2020. Most of these projects are expected to be completed in the summer of 2020. In order to diversify our revenue source, we started to provide job readiness training services to customers since late 2019. Our job readiness training services are provided to students before their graduation in order to help them to find jobs. We did not record revenue from job readiness training services during first quarter of fiscal year 2020 because the Chinese universities/colleges closed for winter break in December 2019 and as of the date of this prospectus remain closed. The outbreak of COVID-19 delayed the estimated campus reopening to April 2020. Once students go back to school, we anticipate to expand the customer base to generate increased revenue from this business segment in the coming months.

Due to the effects of the outbreak of COVID-19 discussed above, to the extent we experience a further adverse operating environment or incur unanticipated capital expenditure requirements, or if we decide to accelerate our growth, then additional financing may be required. We cannot guarantee, however, that additional financing, if required, would be available at all or on favorable terms. Such financing may include the use of additional debt or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders.

In the coming years, we will be looking to other sources, such as raising additional capital by issuing shares of stock, to meet our cash needs. While facing uncertainties in regards to the size and timing of capital raises, we are confident that we can continue to meet operational needs solely by utilizing cash flows generated from our operating activities and shareholder working capital funding, as necessary.

The following table sets forth summary of our cash flows for the periods indicated:

	<b>For the Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Net cash provided by (used in) operating activities	\$ (103,403)	\$ 200,309
Net cash used in investing activities	(466,695)	(9,828)
Net cash provided by financing activities	481,431	(59)
Effect of exchange rate change on cash	3,988	(7,235)
Net increase (decrease) in cash	(84,679)	183,187
Cash, beginning of period	2,077,166	7,970
Cash, end of period	<u>\$ 1,992,487</u>	<u>\$ 191,157</u>

### **Operating Activities**

Net cash used in operating activities was approximately \$(103,403) in the six months ended June 30, 2019, primarily consisted of the following:

- Net income of \$139,010 for the period ;
- An increase in accounts receivable of \$99,777 because we had portion of tuition receivable from Sino-foreign Jointly Managed Academic Programs not collected back as of the balance sheet date. We fully collected our June 30, 2019 outstanding accounts receivable during the period of August to early September 2019.
- A decrease in contract receivable of \$297,936 because we provided technological consulting services to FMP for “smart campus” solutions, these amounts represent services rendered, billed but not received as of the balance sheet date. Based on our contract payment term with FMP, these outstanding contract receivable will be paid in three installment payment during 2019 to 2021. In January 2019, we received \$151,644 smart campus project maintenance support fee from FMP for our maintenance support services rendered in 2018. In addition, in April 2019, FMP made a payment of RMB 2 million (USD \$291,256) to us as part of the 2019 payment and we collected the remaining \$518,608 from FMP by December 2019.
- An increase in deferred initial public offering costs of \$321,569. In connection with our IPO effort, we have prepaid various service fees such as legal fees, underwriter due diligence fees, IR fees, capital market advisory fees, as well as secretary company services fees. These IPO related expenses will be offset against the estimated IPO proceeds we receive
- An increase in advance to suppliers by \$339,463 because during the six months ended June 30, 2019 we have entered into additional smart campus solution contracts with a larger number of Chinese universities/ colleges. We made advance payments to suppliers for purchase of materials and equipment to be used in these new smart campus projects. Some of these new smart campus contracts have been executed, completed, and accepted by these universities/ colleges to help us to generate increased revenue for the six months ended June 30, 2019, while some of the contracts are still under execution as of June 30, 2019 and we expect to generate increased revenue during the second half of fiscal year 2019 based on the progress of these projects.
- An increase of prepaid expenses and other current assets by \$511,104 primarily due to increased other receivable balance by \$484,980 because we increased advances to employees for business development during the six months ended June 30, 2019. Subsequently in early September 2019, approximately \$384,604 (RMB 2.64 million) other receivable has been collected back.
- An increase in deferred revenue by \$470,410, because, in May and June 2019, we have recruited 55 students who are pursuing art majors in Italy and Germany. We received consulting service fees of approximately \$384,604 (RMB 2.64 million) and recorded it as deferred revenue because our study abroad consulting services have not been completed and our performance obligation has not been satisfied as of June 30, 2019. We expect to complete related consulting services between October and November 2019. Once our services are rendered and performance obligations are satisfied, we expect to recognize revenue in the second half of fiscal year 2019; and
- An increase in taxes payable by \$90,591 due to increased taxable income generated from our major operating subsidiary China Liberal Beijing during the six months ended June 30, 2019.

Net cash provided by operating activities was approximately \$200,309 in the six months ended June 30, 2018, primarily consisted of:

- Net income of \$240,428 for the period; adjusted by
- A decrease in accounts receivable of \$154,425 because we collected portion of the December 31, 2017 tuition receivable from Sino-foreign Jointly Managed Academic Programs during the period of January to February 2018.
- An increase in contract receivable of \$157,033 because we started to provide technological consulting services to FMP for “smart campus” solutions in 2017, these amounts represent services rendered, billed but not received as of the balance sheet date. We completed the digital classroom projects for FMP in 2017 and further completed an experience-based simulation teaching center for its business school during the six months ended June 30, 2018, and accordingly, we recognized revenue when such services were completed, passed inspection and were accepted by FMP.
- A decrease in advance to suppliers by \$432,928, because we made advance payments to suppliers for purchase of materials and equipment to be used in the smart campus projects in 2017, and we received the purchased materials and equipment from suppliers and used such materials and equipment in the FMP smart campus projects during the six months ended June 30, 2018;
- An increase in prepaid expenses and other current assets by \$227,555 due to increased temporary cash advance to sales and marketing employees to expand our business, these amount were not reimbursed as of the balance sheet date and will be reimbursed in subsequent accounting period; and increased interest receivable on third party loan receivable when the interest rate was adjusted from original 4.8% per annum in 2017 to 5% per annum in 2018
- An increase in deferred revenue by \$261,654 because, in May 2018, we have recruited 78 students who are pursuing art majors in Italy. We received consulting service fees from these students and recorded it as deferred revenue because our study abroad consulting services have not been completed and our performance obligation has not been satisfied as of June 30, 2018. We completed related consulting services in the second half of 2018.

### ***Investing Activities***

Net cash used in investing activities amounted to \$466,695 for the six months ended June 30, 2019, including purchase of property and equipment of \$13,026 and cash paid for acquisition of 8.8228% non-controlling interest in China Liberal Beijing. On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, for a total value of RMB 2.95 million (approximately \$453,669). The total value of the non-controlling interest amounted to \$540,907 as of the acquisition date. We borrowed cash from related party to make this acquisition payment. After this transaction, China Liberal Beijing became a 100% owned subsidiary of Boya Hong Kong.

Net cash used in investing activities amounted to \$9,828 for the six months ended June 30, 2018, respectively, primarily consist of purchase of property and equipment for the period indicated.

### ***Financing Activities***

Net cash provided by financing activities amounted to \$481,431 for the six months ended June 30, 2019 and primarily consist of borrowings from related parties as working capital. In connection with our acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, we borrowed cash of \$453,669 from related party, Ms. Yiyi Lin, the controlling shareholder of the Company, and made the payment to original five non-controlling shareholders. Such borrowing are non-interest bearing and due on demand. We plan to make a repayment to related party in the fourth quarter of fiscal year 2019 using cash generated from operating activities.

Net cash used in financing activities amounted to \$59 for the six months ended June 30, 2018, representing a repayment of related party borrowing during this period.

### ***Contractual obligations***

Our main operating subsidiary China Liberal Beijing leases office spaces for its headquarter office and local branches under non-cancelable operating lease agreements with various expiration dates between 2019 and 2022. Rent expense For the six months ended June 30, 2019 and 2018 was \$144,857 and \$107,385, respectively.

As of June 30, 2019, the Company was obligated under operating leases for minimum rentals as follows:

#### **For the Twelve Months Ended June 30,**

2020	\$ 269,575
2021	281,775
2022	237,937
	<u>\$ 789,287</u>

**Cash Flows for the Fiscal Year Ended December 31, 2018, Compared to the Fiscal Year Ended December 31, 2017**

As of December 31, 2018, we had \$2,077,166 in cash on hand as compared to \$7,970 as of December 31, 2017. We also had \$833,174 in accounts receivable for consulting services rendered, including \$346,332 in accounts receivable from overseas study consulting services, \$486,842 in tuition receivable from Sino-foreign Jointly Managed Academic Programs.

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Accounts receivable- Overseas Study Consulting Services	\$ 346,332	\$ -
Accounts receivable- Sino-foreign Jointly Managed Academic Programs	486,842	632,724
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	<u>\$ 833,174</u>	<u>\$ 632,724</u>

Most of our accounts receivable as of December 31, 2018 and 2017 were aged less than 3 months. Between January and March 2019, we have fully collected the December 31, 2018 accounts receivable balances of \$486,842 associated with Sino-foreign Jointly Managed Academic Programs and \$346,332 associated with our overseas study consulting services.

As of December 31, 2018, we also had outstanding contract receivable of \$2,577,423 derived from providing smart campus technological consulting services to FMP:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Contract receivable- “Smart Campus” related technological consulting services	\$ 2,425,779	\$ 845,050
Contract receivable- “Smart campus” project maintenance and technical support fee	151,644	-
Less: allowance for doubtful accounts	-	-
Total contract receivable, net	2,577,423	845,050
Less: current portion of contract receivable	960,237	160,270
Contract receivable, non-current	<u>\$ 1,617,186</u>	<u>\$ 684,780</u>

For contract receivable associated with smart campus technological consulting services, our contract with FMP for providing smart campus solution related technological consulting services has the following payment schedule:

<b>Payment term</b>	<b>RMB</b>	<b>USD</b>
2019	5,561,180	\$ 808,593
2020	5,561,180	808,593
2021	5,561,180	808,593
Total	<u>16,683,540</u>	<u>\$ 2,425,779</u>

Based on the above schedule, as of December 31, 2018, \$808,593 contract receivable aged above 1 year was scheduled to be settled by FMP within 2019. Subsequently in April 2019, FMP made a payment of RMB 2 million (USD \$290,799) to us as part of the 2019 payment and we collected the remaining \$517,794 from FMP in December 2019.

We believe the contract receivable related to smart campus projects are fully collectible based on the payment terms and based on our continuing cooperation with our partner Chinese universities. The collection of our accounts and contract receivable will make cash available use in our operation as working capital, if necessary.

As of December 31, 2018, we also had deferred revenue of \$149,560 derived from customer deposits for consulting services. Such amounts will be recognized as revenue as our consulting services are rendered.

As of December 31, 2018, we had positive working capital of \$3,533,188. Our working capital requirements are influenced by the level of our operations, the numerical volume and dollar value of our sales contracts, the progress of execution on our customer contracts, and the timing of accounts receivable collections.

We believe that our current cash and cash flows provided by operating activities, loans from our principal shareholders, and the estimated net proceeds from this offering will be sufficient to meet our working capital needs in the next 12 months from the date the audited financial statements were issued. If we experience an adverse operating environment or incur unanticipated capital expenditure requirements, or if we decide to accelerate our growth, then additional financing may be required. We cannot guarantee, however, that additional financing, if required, would be available at all or on favorable terms. Such financing may include the use of additional debt or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders.

In the coming years, we will be looking to other sources, such as raising additional capital by issuing shares of stock, to meet our cash needs. While facing uncertainties in regards to the size and timing of capital raises, we are confident that we can continue to meet operational needs solely by utilizing cash flows generated from our operating activities and shareholder working capital funding, as necessary.

The following table sets forth a summary of our cash flows for the periods indicated:

	<b>For the Years Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Net cash provided by (used in) operating activities	\$ 261,816	\$ (3,715,193)
Net cash provided by investing activities	1,881,329	2,833,955
Net cash provided by financing activities	8,094	455,249
Effect of exchange rate change on cash	(82,043)	(4,738)
Net increase (decrease) in cash	2,069,196	(430,727)
Cash, beginning of year	7,970	438,697
Cash, end of year	<u>\$ 2,077,166</u>	<u>\$ 7,970</u>

### **Operating Activities**

Net cash provided by operating activities was approximately \$261,816 in 2018, primarily consisted of the following:

- Net income of \$924,440 for the year;
- An increase in accounts receivable of \$243,769 because we provided increased overseas study consulting services to students and we had portion of tuition receivable from Sino-foreign Jointly Managed Academic Programs not collected back as of the balance sheet date. We fully collected our December 31, 2018 outstanding accounts receivable during the period of January to March 2019.
- An increase in contract receivable of \$1,848,073 because we provided technological consulting services to FMP for “smart campus” solutions, these amounts represent services rendered, billed but not received as of the balance sheet date. Based on our contract payment term with FMP, these outstanding contract receivable will be paid in three installment payment during 2019 to 2021. Subsequently in January 2019, we received \$151,644 smart campus project maintenance support fee from FMP for our maintenance support services rendered in 2018. In addition, As of December 31, 2018, \$808,593 contract receivable aged above 1 year was scheduled to be settled by FMP within 2019. Subsequently in April 2019, FMP made a payment of RMB 2 million (USD \$290,799) to us as part of the 2019 payment and we collected the remaining \$517,794 from FMP in December 2019.
- A decrease in advance to suppliers by \$1,484,014 because in 2017 we made advance payments to suppliers for purchase of materials and equipment to be used in the smart campus projects and we received the purchase in 2018;
- An increase of prepaid expenses and other current assets by \$130,282 due to increased temporary cash advance to sales and marketing employees to expand our business, these amount were not reimbursed as of the balance sheet date and will be reimbursed in subsequent accounting period; and increased interest receivable on third party loan receivable when the interest rate was adjusted from original 4.8% per annum in 2017 to 5% per annum in 2018; and
- An increase in taxes payable by \$78,988 due to increased taxable income for 2018.

Net cash used in operating activities was approximately \$3,715,193 in 2017, primarily consisted of:

- Net income of \$874,806 for the year; offset by
- An increase in accounts receivable of \$552,457 because we had portion of tuition receivable from Sino-foreign Jointly Managed Academic Programs not collected back as of the balance sheet date. We fully collected our December 31, 2017 outstanding accounts receivable during the period of January to February 2018.
- An increase in contract receivable of \$813,737 because we started to provide technological consulting services to FMP for “smart campus” solutions in 2017, these amounts represent services rendered, billed but not received as of the balance sheet date. We completed the digital classroom projects for FMP in 2017 and accordingly recognized revenue when such services were completed, passed inspection and were accepted by FMP.
- An increase in advance to suppliers by \$1,471,166 because we made advance payments to suppliers for purchase of materials and equipment to be used in the smart campus projects;
- A decrease in deferred revenue by \$1,847,265 when previously received tuition payments from the Sino-foreign Jointly Managed Academic Programs have been recognized as revenue when revenue recognition criteria have been met.

## Investing Activities

Net cash provided by investing activities amounted to \$1,881,329 for the year ended December 31, 2018, primarily consist of:

- Purchase of property and equipment of \$83,515 and
- A collection of third-party loan receivables by \$1,964,844. On March 17, 2017, we advanced an interest-bearing short-term loan in the amount of \$1,964,844 (RMB 13 million) to an unrelated third party, Jinjiang Hengfeng Trading Co., Ltd. (“Hengfeng”), as working capital, bearing an interest rate of 4.8% per annum with a maturity date of September 19, 2017. Immediate before the maturity date, on September 5, 2017, the Company and Hengfeng signed a supplemental agreement to extend the maturity date to December 19, 2018 with an adjusted interest rate of 5% per annum. The loan was guaranteed by another non-related third party Fujian Rongde Cotton Spinning Co., Ltd.

Net cash provided by investing activities amounted to \$2,833,955 for the year ended December 31, 2017, primarily consisting of:

- Purchase of property and equipment of \$9,353;
- An increase in loan receivable by \$1,923,703 because, on March 17, 2017, we advanced an RMB 13 million interest bearing short-term loan to a non-related third party, Jinjiang Hengfeng Trading Co., Ltd. (“Hengfeng”), as working capital, bearing interest rate of 4.8% per annum with maturity date on September 19, 2017.
- At the same time, we collected back a short-term interest bearing loan of \$443,931 (RMB 3 million) that we advanced to another non-related third-party individual in 2016 at interest rate of 4.35% per annum.
- In addition, in late 2016, we planned to expand our business into the kindergarten education sector and made an investment deposit of RMB 11.2 million with third-party Haixi Baby Early Childhood Education Center (“Haixi”) in an attempt to acquire Haixi after the due diligence is completed. The intended acquisition was terminated in early 2017 and the investment deposit of RMB 11.2 million (USD \$1,659,491) was refunded back to us in 2017;
- Furthermore, in 2016, we used cash of RMB18 million (equivalent to \$2,663,589) to purchase a wealth management product from China Bank of Communication for 180 days in order to earn interest income at 4.8% interest rate per annum. This short-term investment was collected back upon maturity in 2017.

## Financing Activities

Net cash provided by financing activities amounted to \$8,094 for the year ended December 31, 2018 and primarily consist of borrowings from related parties as working capital. Such borrowing are non-interest bearing and due on demand.

Net cash provided by financing activities amounted to \$455,249 for the year ended December 31, 2017, primarily consisting \$453,669 capital contribution by five minority shareholders. In 2017, five individual shareholders contributed an aggregate of RMB2.95 million (approximately \$453,669) into our main operating subsidiary China Liberal Beijing for an 8.8228% ownership interest and such amount was used to increase the paid-in capital of China Liberal Beijing. In addition, we also borrowed \$1,580 from related parties as working capital.

## Contractual obligations

### Contractual Obligations for the Six Months Ended June 30, 2019 and 2018

Our main operating subsidiary China Liberal Beijing leases office spaces for its headquarter office and local branches under non-cancelable operating lease agreements with various expiration dates between 2019 and 2022. Rent expense For the six months ended June 30, 2019 and 2018 was \$144,857 and \$107,385, respectively.

As of June 30, 2019, the Company was obligated under operating leases for minimum rentals as follows:

### For the Twelve Months Ended June 30,

2020	\$ 269,575
2021	281,775
2022	237,937
	<u>\$ 789,287</u>



### **Contractual Obligations for the Fiscal Years Ended December 31, 2018 and 2017**

Our main operating subsidiary China Liberal Beijing leases office spaces for its headquarter office and local branches under non-cancelable operating lease agreements with various expiration dates between 2019 and 2022. Rent expense for the years ended December 31, 2018 and 2017 was \$271,585 and \$229,525, respectively.

As of December 31, 2018, our obligation under the operating leases for minimum rentals is as follows:

#### **For the Twelve Months Ended December 31,**

2019	\$ 305,808
2020	282,364
2021	277,078
2022	110,466
	<u>\$ 975,716</u>

### **Trend Information**

Other than as disclosed elsewhere in this prospectus, we are not aware of any trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on our net revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements as of June 30, 2019, December 31, 2018 and 2017.

### **Inflation**

Inflation does not materially affect our business or the results of our operations.

### **Seasonality**

Seasonality affects our business or the results of our operations to some extent. We have experienced, and expect to continue to experience, seasonal fluctuations in our operations, primarily due to seasonal changes in student enrollments. Historically, our one-on-one consulting services tend to have the largest student enrollments in our third and fourth fiscal quarters, which run from July 1 to December 31 of each year, primarily because many students enroll in our courses to prepare for admissions and assessment tests in subsequent school terms, and the Sino-foreign joint programs typically make payments to us for our language training courses in October or November based on their student enrollments in the fall.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. These financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of our assets and liabilities and revenues and expenses, to disclose contingent assets and liabilities on the date of the consolidated financial statements, and to disclose the reported amounts of revenues and expenses incurred during the financial reporting period. The most significant estimates and assumptions include the valuation of accounts receivable, advances to suppliers, useful lives of property and equipment, the recoverability of long-lived assets, provision necessary for contingent liabilities, and revenue recognition. We continue to evaluate these estimates and assumptions that we believe to be reasonable under the circumstances. We rely on these evaluations as the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We believe critical accounting policies as disclosed in this prospectus reflect the more significant judgments and estimates used in preparation of our consolidated financial statements.

The following critical accounting policies rely upon assumptions and estimates and were used in the preparation of our consolidated financial statements:

#### **Uses of estimates**

In preparing the consolidated financial statements in conformity with US GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the valuation of accounts receivable, advances to suppliers, useful lives of property and equipment, the recoverability of long-lived assets, provision necessary for contingent liabilities and revenue recognition. Actual results could differ from those estimates.

### ***Accounts and contract receivable, net***

Accounts and contract receivable are recognized and carried at original invoiced amount less an estimated allowance for uncollectible accounts.

The Company determines the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trend. The Company establishes a provision for doubtful receivables when there is objective evidence that the Company may not be able to collect amounts due. The allowance is based on management's best estimate of specific losses on individual exposures, as well as a provision on historical trends of collections. Actual amounts received may differ from management's estimate of credit worthiness and the economic environment. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of June 30, 2019, December 31, 2018 and 2017, there was no allowance recorded as the Company considers all of the accounts receivable fully collectible.

Our contract receivable represents balance derived from technological consulting services for "smart campus" solutions provided to Chinese university Fuzhou Melbourne Polytechnic ("FMP"), when the projects under the contract have been completed and accepted by FMP, but the balance has not been past due based on the contracted payment schedule. We offer longer credit terms to FMP for the purpose of maintaining long-term relationship. In addition to the "smart campus" solutions related services provided to FMP, we also have Sino-foreign Jointly Managed Academic Programs services with FMP since 2011. We had not incurred any bad debts with FMP in the past, and accordingly considers the contract receivable fully collectible. Thus, there was no allowance recorded on such outstanding contract receivable for the six months ended June 30, 2019 and 2018, and for the years ended December 31, 2018 and 2017.

### ***Revenue recognition***

Our revenues are primarily derived from providing a wide range of educational services and programs to customers. Revenues are reported net of all value added taxes.

On January 1, 2019, we adopted Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers ("ASC Topic 606") using the modified retrospective method for contracts that were not completed as of July 1, 2018. The adoption of this standard did not have a material impact on our consolidated financial statements, no adjustments to opening retained earnings were made as our revenue was recognized based on the amount of consideration expects to receive in exchange for satisfying the performance obligations.

ASC 606, Revenue from Contracts with Customers, establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

ASC 606 requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) we satisfy the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance did not result in significant changes in the way we record our revenue. We have assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, we concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of Topic 606 and therefore there was no material changes to our consolidated financial statements upon adoption of ASC 606.

We generate our revenue from the following sources:

- *Sino-foreign Jointly-Managed Academic Programs*

We recommend and coordinate accredited international universities/colleges to forge partnerships with Chinese host universities/colleges to establish international education programs at degree level. Chinese host universities/colleges then utilize their existing administrative ability, campus classrooms and facilities to recruit Chinese students into such programs. We also select, recruit and appoint qualified foreign faculty to teach major courses at selected Chinese host universities/colleges and bear all faculty related costs, provide continuing support to foreign faculty, develop and deliver major course content and materials to ensure teaching quality meeting international standards, and to optimize students' learning outcome and to prepare them for further education overseas and help them with course credit conversion in the event that any student decides to pursue further study overseas. We actively support and interact with enrolled students throughout their programs to ensure successful program completion. Our contracts with host Chinese universities/colleges are fixed price contracts, pursuant to which, we are to receive a fixed portion of tuition for services rendered. As a result of performing the above mentioned services, we are entitled to receive 30% to 50% of such student tuitions depending on the universities/colleges and jointly managed academic programs, which are collected first by Chinese host universities/ colleges from enrolled students at the beginning of each academic school year, and then remitted to us.

With respect to Sino-foreign Jointly Managed Academic Programs, we are not involved in recruiting students, collecting refunding tuition when students dropout, all of which are handled by the host universities/ colleges. The host universities/ colleges normally offer tuition refund if a student drops out from school within the first month of each academic school year. Collected tuition fees become non-refundable after the one-month refund policy window. Historically, for students enrolled under the Sino-foreign Jointly Managed Academic Programs, the average student dropout rate was below 1%. Our contracts with Chinese host universities/colleges provide that (1) the host universities/ colleges will withhold the tuition collected from students for one to three months after the academic school year starts in September, and then remit the portion of tuition fees to us after the student headcounts have been finalized, and (2) the portion of tuition fee that we are entitled to receive is calculated based on the final actual number of students retained with the universities/ colleges after any student dropout has been adjusted. Accordingly, any tuition refund has already been deducted by host universities/ colleges before we receive our portion of the tuition fees. For accounting purposes, at the beginning of each academic school year, we initially accrue the estimated refund based on an historical 1% student dropout rate, and makes subsequent true-up adjustments after the final number of students retained with the host universities/colleges is determined. Such adjustments were immaterial for the six months ended June 30, 2019 and 2018, and for the years ended December 31, 2018 and 2017.

Our contracts with Chinese host universities/colleges provide that foreign teachers assigned by us should be substituted, and teaching textbooks, course materials and curriculums should be adjusted in a timely manner in order to ensure a satisfactory teaching result. The Chinese host universities/ colleges have the right to withhold our portion of the tuition if we do not take corrective action when our service deficiency is identified. Any costs related to teacher substitution, textbooks, course materials and curriculums adjustment should be borne by us. We maintain active communications with the host universities/ colleges in order to obtain feedback on the quality of the services performed. Any service deficiency is being corrected and improved on in a timely manner so as to achieve satisfactory long-term cooperation with the host universities/ colleges. Historically, as a result of timely interaction with the host universities/colleges to address any service deficiency and to improve the teaching result, there were no estimable tuition withhold from the host universities/ colleges that needs to be accrued. There were no complaints received from the host universities/ colleges with respect to our services for the six months ended June 30, 2019 and 2018, and for the years ended December 31, 2018 and 2017, which required material adjustment to the amount of fees received by us.

The tuition fees received by us are initially recorded as deferred revenue and recognized ratably over applicable academic year as our performance obligations related to teaching, management and other supporting services are carried out over the whole academic year.

- *Sales of textbooks and course materials*

In order to ensure the quality of the course content to meet international standards, we have developed and edited more than 16 English textbooks and course materials with emphasis on language training, and sells these textbooks and course materials to students enrolled under the Sino-foreign joint education programs.

Revenue from sales of textbooks and related course materials is recognized upon delivery of textbooks and course materials, which is when the risks and titles are transferred and our performance obligation is satisfied.

- *Overseas Study Consulting Service*

Our Overseas Study Consulting Services target those students who wish to study in foreign countries to enrich their learning experiences and to expand their horizon and employment possibilities. Our overseas study consulting services are typically performed under one-on-one private tutoring model with duration of four to six months. We provide school information to help students make informed decisions about which institution and major to choose from, help them prepare for school application and admission; provides study plans, language training and test preparation courses to help students improve their foreign language ability and help them achieve higher scores in international admission and assessment tests. We also help students on visa application and paperwork, and offers overseas extended services such as finding accommodation and travel assistance. In connection with these services, we collect an up-front fee based on the scope of consulting services requested by students. 90% of the consulting service fee collected is non-refundable, and is recognized ratably as revenue over the service period, while 10% of the consulting fee is refundable and is deferred and recognized as revenue when students are successfully admitted by foreign institution and student visas are granted.

- *Technological Consulting Services for Smart Campus Solutions*

Under the concept of “creating smart campus”, our technological consulting services utilize the advanced information technology such as cloud computing, mobile internet and big data analytics to provide total solutions to targeted Chinese universities/colleges in order to integrate and improve their teaching, research, student data management, storage and processing, and campus life services, and to optimize their teaching and operating environment and improve operational efficiency. Our “smart campus” related technological consulting service contracts are primarily on a fixed-price basis, which require us to perform services including project planning, project solution and design, data management application customization, installations of hardware equipment and components for digital classrooms and academic experiment centers or labs, integration of hardware and software application, and post-contract continuous maintenance support, based on the specific needs from each customer. Upon delivery of services, project completion inspection and customer acceptance are generally required. In the same contract, it may also include provisions that require us to provide post-contract maintenance support for a period ranging from several months to three years after customized “smart campus” solutions and services are delivered.

We evaluate “smart campus” solution service contracts and determines whether these contracts contain multiple deliverable arrangements. An arrangement is separated, if (1) the delivered element(s) has (have) value to the customer on a stand-alone basis, (2) there is reliable evidence of the fair value of the undelivered element (s) and (3) if the arrangement includes a general right of return relative to the delivered element(s), delivery or performance of the undelivered element (s) is (are) considered probable and substantially in the control of us. If all three criteria are fulfilled, appropriate revenue recognition convention is then applied to each separate unit of accounting. If the three criteria are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

We determine “smart campus” solution and application customization service, installations of hardware and software components, and post-contract continuous maintenance support, as separated deliverables in same fixed-fee contract, because our promise to transfer each of these services is separately identifiable from other promises in the contract. We allocate contract revenue to the identified separate units based on their relative fair value.

Reliable fair values are sales prices for the component when it is regularly sold on a stand-alone basis, third-party prices for similar components or, under certain circumstances, cost plus, an adequate business specific profit margin related to the relevant element. The amount allocable to the delivered elements is limited to the amount that is not contingent upon delivery of additional elements or meeting other specified performance conditions. Revenue allocated to technological consulting services for “smart campus” solution is recognized upon completion of each unit of service. In instances where substantive completion inspection and customer acceptance provisions are specified in contracts, revenues are deferred until all inspection and acceptance criteria have been met.

*Contract Balances*

Contract balances typically arise when a difference in timing between the transfer of control to the customer and receipt of consideration occurs.

Our contract assets, consist primarily of accounts receivable related to providing educational services associated with our Sino-foreign jointly managed education programs and study abroad consulting services to enrolled students and contract receivable associated with providing technological consulting services for smart campus solutions, in which our contracted performance obligations have been satisfied, amount billed and we have an unconditional right to payment.

We had accounts receivable related to revenues from Sino-foreign jointly managed education programs and study abroad consulting services of \$925,730 and \$833,174 as of June 30, 2019 and December 31, 2018, respectively. We have fully collected the December 31, 2018 outstanding accounts receivable during the period of January to April 2019. For the outstanding accounts receivable of \$925,730 as of June 30, 2019, we have fully collected during the subsequent period of August to early September 2019.

In addition, we had contract receivable of \$2,287,063 (including current and non-current portion of \$1,072,266 and \$1,214,797, respectively) and \$2,577,423 (including current and non-current portion of \$960,237 and \$1,617,186, respectively) as of June 30, 2019 and December 31, 2018, respectively, primarily derived from providing technological consulting services for smart campus solutions to Chinese universities/ colleges. The balance due within one year and more than one year was based on the contracted payment terms with Chinese universities/ colleges. As of December 31, 2018, we had outstanding short-term contract receivable of \$960,237 primarily related to FMP “smart campus” projects, we collected RMB 2 million (USD \$291,256) in April 2019 and collected the remaining \$518,608 by December 2019. During the six months ended June 30, 2019, approximately \$350,234 (RMB 2.4 million) FMP long-term contract receivable has been reclassified as short-term. As of June 30, 2019, our short-term contract receivable included \$1,020,725 receivable from FMP and \$51,541 receivable from other Chinese universities/colleges. The remaining long-term contract receivable will be collected in 2020 and 2021 based on the contract payment terms. In connection with the FMP “smart campus” projects, financing component resulted from a timing difference when control is transferred and the collection of cash receipts is not significant to impact future cash flows, therefore, no financing income was reported as of June 30, 2019. We had not incurred any bad debts with Chinese universities/colleges in the past in connection with our undertaking of these services, and accordingly we consider the contract receivable fully collectible.

Our contract liabilities, which are reflected in our consolidated balance sheets as deferred revenue of \$614,641 and \$149,560 as of June 30, 2019 and December 31, 2018, respectively, consist primarily of our unsatisfied performance obligations as of the balance sheet dates. The June 30, 2019 deferred revenue balance primarily consisted of \$197,358 deferred revenue associated with our Sino-foreign jointly managed academic programs and \$417,283 deferred revenue associated with the Company’s studying abroad consulting services. The December 31, 2018 deferred revenue balance of \$149,560 primarily related to our Sino-foreign jointly managed academic programs.

#### *Disaggregation of revenue*

Revenue disaggregated by product type was as follows for the six months ended June 30, 2019 and 2018:

	<b>For the six months ended June 30, 2019</b>	<b>For the six months ended June 30, 2018</b>
Revenue from Sino-foreign Jointly Managed Academic Programs	\$ 1,240,856	\$ 1,256,083
Revenue from textbook and course material sales	13,316	23,485
Revenue from Overseas Study Consulting Services	-	10,370
Revenue from Technological Consulting Services for Smart Campus Solutions	625,896	157,849
<b>Total</b>	<b>\$ 1,880,068</b>	<b>\$ 1,447,787</b>

#### *Income Tax*

We account for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the six months ended June 30, 2019 and 2018, and for the years ended December 31, 2018 and 2017. All of the tax returns of the Company remain subject to examination by the tax authorities for three years from the date of filing.

### **Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases, including operating leases, with a term in excess of 12 months. The guidance also expands the quantitative and qualitative disclosure requirements. The guidance will be effective in fiscal year 2020, with early adoption permitted, and must be applied using a modified retrospective approach. In July 2018, the FASB issued updates to the lease standard making transition requirements less burdensome. The update provides an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the company's financial statements. The new guidance requires the lessee to record operating leases on the balance sheet with a right-of-use asset and corresponding liability for future payment obligations. FASB further issued ASU 2018-11 "Target Improvement" and ASU 2018-20 "Narrow-scope Improvements for Lessors." As an emerging growth company, we will adopt this guidance effective January 1, 2020. We do not expect the cumulative effect resulting from the adoption of this guidance will have a material impact on our consolidated financial statements.

In February 2018, the FASB has issued Accounting Standards Update (ASU) No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The ASU amends ASC 220, *Income Statement — Reporting Comprehensive Income*, to "allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act." In addition, under the ASU, an entity will be required to provide certain disclosures regarding stranded tax effects. The ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. We do not believe this guidance will have a material impact on our consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05 — Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 ("ASU 2018-05"), which amends the FASB Accounting Standards Codification and XBRL Taxonomy based on the Tax Cuts and Jobs Act (the "Act") that was signed into law on December 22, 2017, and Staff Accounting Bulletin No. 118 ("SAB 118") that was released by the Securities and Exchange Commission. The Act changes numerous provisions that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits and may additionally have international tax consequences for many companies that operate internationally. We do not expect this guidance will have a material impact on our consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments—Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 was subsequently amended by Accounting Standards Update 2018-19, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses*, Accounting Standards Update 2019-04 *Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, and Accounting Standards Update 2019-05, *Targeted Transition Relief*. For public entities, ASU 2016-13 and its amendments is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For all other entities, this guidance and its amendments will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. As an emerging growth company, we plan to adopt this guidance effective January 1, 2023. We are currently evaluating the impact of our pending adoption of ASU 2016-13 on our consolidated financial statements.

In August 2018, the FASB Accounting Standards Board issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted for any removed or modified disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. We do not expect this guidance will have a material impact on our consolidated financial statements.

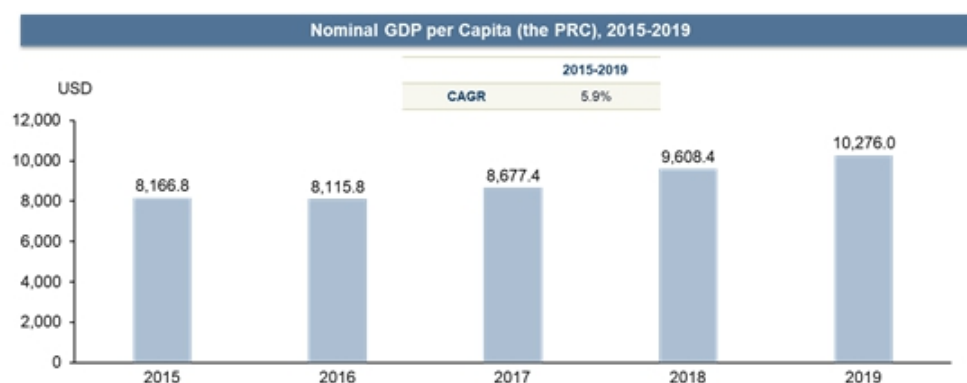
## INDUSTRY

All the information and data presented in this section have been derived from Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (“Frost & Sullivan”)’s industry report dated April 2019 entitled “The PRC Sino-Foreign Joint Programs, Study Aboard Consulting and Training Services, Smart Campus Solutions and School-Enterprise Cooperation Services Industry Independent Market Research” (the “Frost & Sullivan Report”), unless otherwise noted. The Frost & Sullivan Report was commissioned by us, and was independently prepared by Frost & Sullivan. Frost & Sullivan has advised us that the statistical and graphical information contained herein is drawn from its database and other sources. The following discussion projections for future growth, which may not occur at the rates that are projected or at all.

### OVERVIEW OF THE MACROECONOMIC ENVIRONMENT IN THE PRC

#### Nominal GDP per Capital

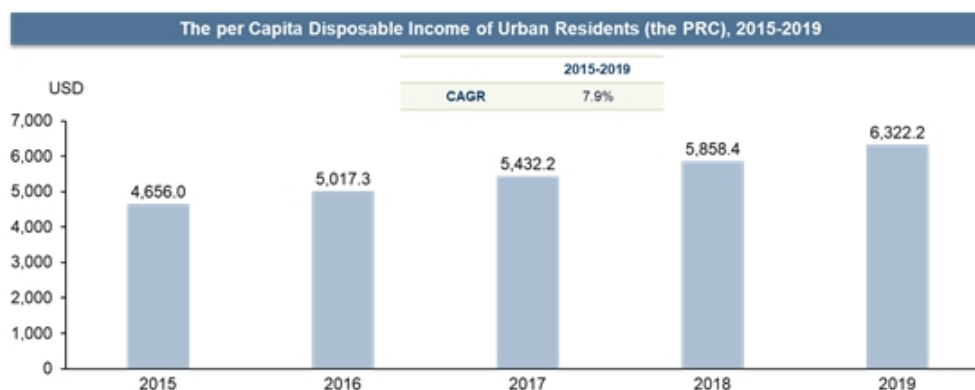
According to the International Monetary Fund and National Bureau of Statistics of China, from 2015 to 2019, nominal GDP per capita in the PRC rose from USD8,166.8 in 2015 to USD10,276.0 in 2019, representing a CAGR of approximately 5.9%. The growth in nominal GDP per capita has largely stimulated the development of the overseas education market in the PRC from 2015 to 2019.



Source: International Monetary Fund, National Bureau of Statistics of China, Frost & Sullivan Report

#### Per Capita Disposable Income of Urban Residents in the PRC

According to the National Bureau of Statistic of the PRC, the per capita disposable income of urban residents in the PRC increased from USD 4,656.0 in 2015 to US\$6,322.2 in 2019, representing a CAGR of 7.9%. In line with the trend of nominal GDP, the disposable income of urban residents in the PRC increased from 2015 to 2019, as there was a rise in overall household spending capabilities due the blooming economy.

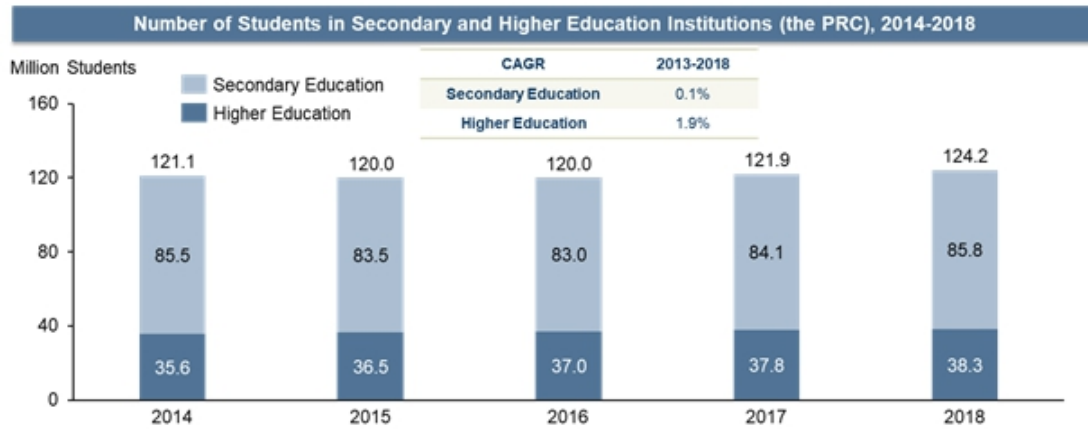


Source: National Bureau of Statistic of China

Note: The GDP per capita is converted to USD at RMB/USD of 6.7

### Number of Students in Secondary and Higher Education Institutions

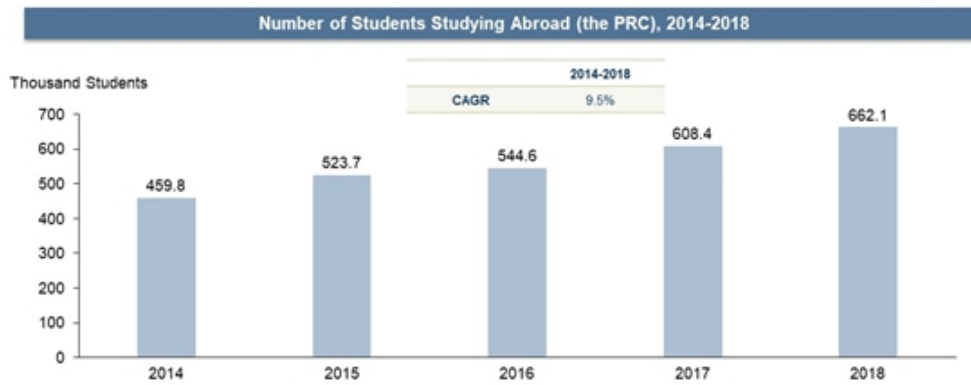
According to the Ministry of Education of the PRC, the total number of students in secondary education institutions was relatively stable at a CAGR of approximately 0.1%, from 85.5 million students in 2014 to 85.8 million students in 2018. Benefiting from the rapid growth of the PRC economy and the increasing demand for higher education, the total number of students in higher education institutions increased from 35.6 million students in 2014 to 38.3 million students in 2018, representing a CAGR of approximately 1.9% during the period.



Note: Latest available figure recorded in 2018.

Source: Ministry of Education of the PRC, Frost & Sullivan Report

### Number of PRC Students Studying Abroad



Note: Latest available figure recorded in 2018.

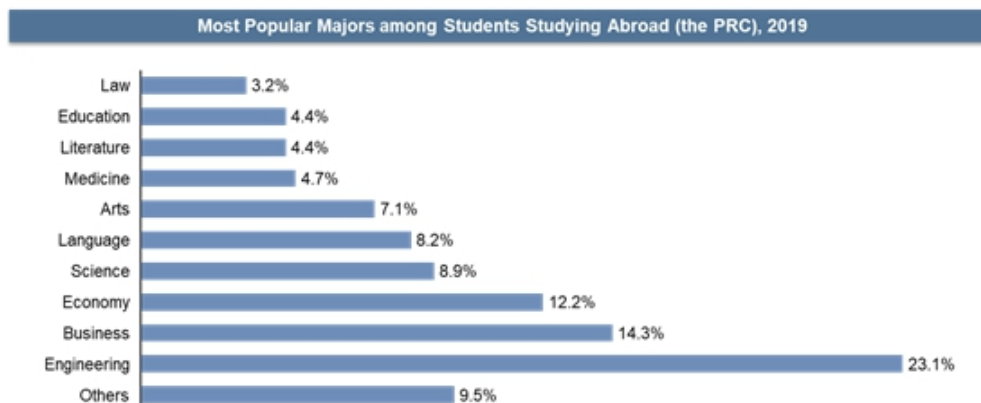
Source: National Bureau of Statistics of the PRC, Frost & Sullivan Report

The growing economy has contributed to the emergence of middle-class families in the PRC and their increasing desire to send their children abroad for higher education and international experiences. According to the National Bureau of Statistics of China, from 2014 to 2018, the total number of students from the PRC studying abroad rose from 459.8 thousand to 662.1 thousand, at a CAGR of approximately 9.5% during the period.



## Majors among PRC Students Studying Abroad

With the process of globalization, the rapid growth of the global economy and stable development of the labor market, business, economy and engineering have remained top areas of study for PRC students. According to the Frost & Sullivan Report, in 2019, engineering, business and economics programs were the most popular courses of study for PRC students studying abroad, accounting for 23.1%, 14.3% and 12.2% of the entire overseas Chinese students respectively. At the same time, 8.9%, 8.2% and 7.1% of Chinese students studying abroad chose science, language and arts as their majors in 2019.



Source: Frost & Sullivan Report

## OVERVIEW OF THE SINO-FOREIGN JOINTLY MANAGED ACADEMIC PROGRAMS MARKET

### Introduction

Sino-foreign jointly managed academic programs refer to education programs offered by joint ventures of the PRC and foreign institutions. There is a large number of Sino-foreign programs in the PRC across all levels of education, primarily in undergraduate and postgraduate education, as well as diploma and non-degree higher education, and a small amount of senior secondary education programs. The Sino-foreign joint educational institutions in China usually provide various kinds of programs, including languages, and liberal arts, business. There are mainly three modes of Sino-foreign jointly managed academic programs in higher education:

Model of Sino-foreign jointly managed academic programs	Description
3+1 model	Students are required to spend their first three years of study in Sino-foreign jointly managed academic programs in the PRC, including language courses and major-related courses. After they finish the 3-year study period in the PRC and pass the English qualification test, students can be admitted to the foreign educational institution in the origin country that cooperated with the program.
2+2 model	Similar to 3+1 model, students in 2+2 models need to spend their first two years of study in a Sino-foreign jointly managed academic program in the PRC. After the 2-year study period, students who pass the language qualifications test can be admitted to the foreign educational institutions and continue their final 2-year study.
4+0 model	Unlike 3+1 and 2+2 models, students in 4+0 model have to finish their study within the PRC and will not study in the foreign schools. However, their syllabi and teaching materials are provided by foreign educational institutions.
Other models (2+1/2.5+1+1)	Like the 2+1 model, students have their two years in the PRC and one year in origin country; Students in 2.5+1+1 model have to complete their first two and a half years of language and major-related coursework within the PRC. After the 2.5-year study period, qualified students can be admitted to the foreign institution and study in the origin country of the foreign institution. Students completing their 1-year studies in the foreign country can receive bachelor's degrees from the foreign institution and they can choose to continue their study for 1 more year to obtain a master's degree in the foreign institution.

Generally, except in the 4+0 model, students can receive both diplomas from the Chinese universities/colleges and foreign institutions when they complete their studies. The institution in the PRC issues a graduation certificate and a degree certificate while the foreign institution issues a certificate to student.

Some Sino-foreign jointly managed academic programs cooperate with language training course providers to provide language training to students, such as English for academic purpose (EAP) programs to prepare students for IELTS or TOEFL. Other than English, the language training courses providers can provide other language courses to the schools, such as German, Italian and Japanese courses.

### Market Size of Sino-foreign Jointly Managed Academic Programs in the PRC

The stable growth of China’s economy has driven the rise of income and improved the education level of people. People have higher requirement on educational level and are more willing to invest in high quality education of next generation. Therefore, Sino-foreign joint programs are getting popular in the PRC and has seen a stable growth since 2014. The revenue of Sino-foreign joint programs in the PRC increased from USD2.2 billion in 2015 to USD3.0 billion in 2019, representing a CAGR of 7.8%.

Because of the outbreak of COVID-19 in the PRC in early 2020, school suspension has impacted the operation of Sino-foreign joint programs. However, with the support of online learning platforms and significant control of COVID-19 in the PRC, the impact to the industry is expected to be temporary. Along with the increasing demand for high quality education in the PRC market, the market of Sino-foreign joint programs is expected to reach USD4.1 billion in 2024, with a CAGR of 7.2% from 2020 to 2024.



Source: Frost & Sullivan Report

Note: The Market Size is converted to USD at RMB/USD of 6.7

### Market Drivers and Trends

**Demand for High-Quality Education** - The educational institutions in the PRC have a problems with ensuring qualify, which is mainly attributable to urban and rural differences, as well as PRC government education policies. The schools in first tier cities, such as Beijing, Shanghai, Guangzhou and Shenzhen, usually have government support with more education funding and are able to provide higher quality education, such as higher quality teachers and teaching materials, than the schools in second and third tiers cities. For examples, higher education institutions designated in Project 985, Project 211, and Plan 111 that were announced by the PRC government have received more resources and support from the government. As household incomes are increasing in the PRC, PRC families are willing to pay more for better education for future generations, because they believe education can increase their children’s chances in a competitive society and help them build a better future. Sino-foreign joint programs are unlike normal domestic educational institutions in the PRC as they can provide teaching materials and study syllabi similar to those of foreign schools and are able to provide high level languages education in languages such as English, Italian, and Japanese. Students can experience high-quality foreign education in the PRC.

**Rapid Economic Development and Competitive Environment in the PRC**- As the national economy in the PRC has witnessed rapid development, the competition between people is getting more intense. To increase personal competitiveness in the PRC, PRC students have to achieve higher educational levels and acquire qualified academic credentials. Sino-foreign joint programs provide high-quality programs with syllabi and teaching materials from foreign educational institutions which allow local students to receive foreign education within the PRC. Moreover, educational credentials are becoming more important in the job market, as employers highly value candidates with good academic levels and certifications from prestigious PRC and foreign universities. Therefore, Sino-foreign jointly managed academic programs have become more popular under this competitive environment as they are able to provide better educational services and have more opportunities for students to study abroad or pursue exchange programs.

*Diversified Disciplines and Majors* - Sino-foreign jointly managed academic programs provide a broader selection of disciplines and majors for students compared to domestic universities in the PRC. Students attending such programs are able to receive higher quality educational services and increase their competitiveness in the PRC education market. Domestic universities in the PRC may not have the resources to provide some of the majors or are unable to reach the same quality as foreign universities, such as physiotherapy, marine engineering, heritage preservation, etc. Therefore, more domestic educational institutions in China tend to cooperate with foreign educational institutions to provide various disciplines and majors to fulfill the needs of different students. Moreover, Sino-foreign jointly managed academic programs usually provide languages training to students, especially IELTS (International English Language Testing System) and TOELF (Test of English as Foreign Language) training. Other than English, some of the programs also provide language training depending on the origin country of foreign cooperators, such as Italian, Spanish, French, and Japanese.

**Regulations for Sino foreign Jointly Managed Academic Program**

The State Council has launched *the Regulations of the PRC on Sino-foreign Cooperative Education* since 1 March, 2003, which was later amended and became effective on 18 July, 2013. The Ministry of Education enforced the *Implementing Measures for the Regulation of the PRC on Sino-foreign Cooperative Education* in 2004. These laws aim to regulate the establishment and operation of educational establishments in the PRC by joint venture of foreign educational institutions and local Chinese educational institutions which primarily seek to enroll Chinese students. The Sino-foreign joint ventures that apply to run Sino-foreign jointly managed academic programs are required to follow these regulations and ensure the quality of education they provide. For example, these regulations require the foreign teachers and administrators employed by the Sino-foreign joint institutions to possess a bachelor’s degree or above, have related occupational certificates, and have at least two years of work experience in education and teaching. Additionally, Sino-foreign joint ventures are not allowed to conduct compulsory education or education of certain fields, such as military, police and political education. Moreover, all Sino-foreign joint educational institutions need to be approved by the relevant government authorities and obtain Sino-foreign cooperative education licenses.

**Overview of Competitive Landscape of Sino-foreign Jointly Managed Academic Programs in the PRC**

According to Ministry of Education of the PRC, as of June 2018, there were over 2,300 Sino-foreign joint institutions or programs in the PRC, and nearly 1,100 of Sino-foreign joint institutions or programs were undergraduate level or above. The Sino-foreign Joint institutions and programs are distributed throughout the PRC geographically, except some of the remote areas, such as Tibet and Ningxia. Majority of Sino-foreign jointly managed academic programs are located at the well-developed areas, especially in the coastal area, first-tier and second-tier cities, such as Beijing, Shanghai, Jiangsu, Shandong, Zhejiang, Guangdong, etc., because these areas have better economic environment and higher income, as well as higher population that have larger demand for Sino-foreign jointly managed academic programs.

**OVERVIEW OF STUDY ABROAD CONSULTING AND TRAINING SERVICES MARKET**

**Definition**



The PRC study abroad consulting and training services industry consists of any related study service products aimed at assisting PRC students who intend to study abroad. Study abroad consulting and training services intuitions are approved by an educational service organization cooperating with overseas higher education institutions, academic programs and other academic institutions, or to operate independently, to conduct study abroad consulting and training service to assist PRC students to study abroad. Such institutions consist of professional study abroad consulting institutions, comprehensive study service consulting agency service sector, online study consulting platforms and academic institutions.

PRC study abroad consulting and training service institutions provide study planning programs for PRC students who intend to study abroad. They prepare tailored study plans, assist students in preparing materials for application processes, prepare applicants for interviews with overseas institutions and schools, and provide consulting services for communications. The study planning programs aim to help the PRC have better understanding toward study life in foreign countries and provide assistances during the study abroad application process.

### Market Size

According to the Frost & Sullivan Report, the continuing increase in disposable income per household provides income flexibility for parents to invest in higher quality education programs for their children. These households are primarily in tier 1 to 3 cities but lower tier cities are also experiencing a steady growth in their incomes as well. This growth in disposable income and wealth among cities will have a positive effect on expanding the number of students studying abroad and may increase the demand for overseas study abroad consulting services. The market size by revenue of the study abroad consulting and training services in the PRC increased from USD2.3 billion in 2015 to USD4.5 billion in 2019.

Along with the outbreak of COVID-19 in the PRC in January 2020 which has later spread to various countries and the World Health Organization (WHO) characterized COVID-19 as a pandemic in March 2020, the outbreak of COVID-19 has caused negative impacts to the study abroad consulting and training services market. For example, IELTS and TOEFL tests have temporary cancelled or delayed in the PRC in early 2020 which has affected students' study aboard plan. Moreover, as COVID-19 is getting serious in various study abroad destinations, including the United States, the United Kingdoms, Germany, Australia, and Italy, some students may reschedule their plans of studying aboard. However, as the outbreak of COVID-19 is expected to be temporary, the market is forecasted to recover and reach USD7.2 billion by 2024, at a CAGR of 13.0% from 2020 to 2024.

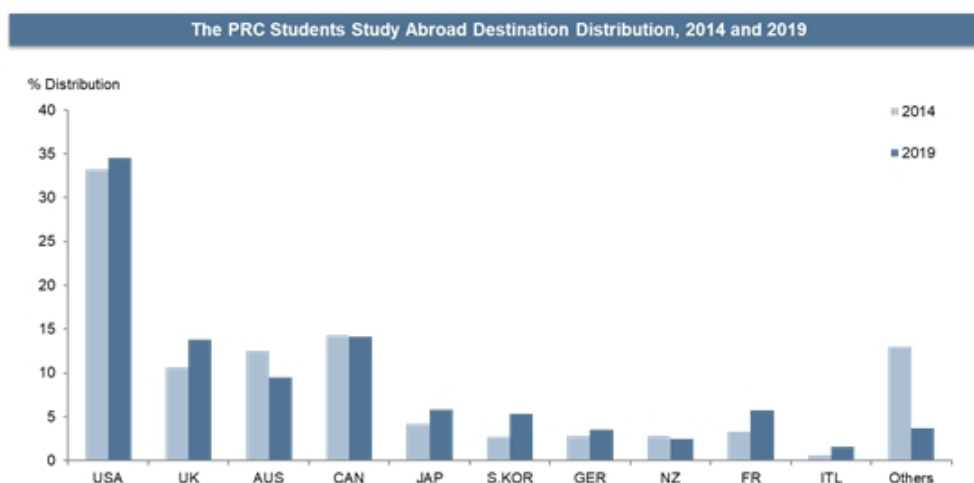


Source: Frost & Sullivan Report

Note: The Market Size is converted to USD at RMB/USD of 6.7

## Market Drivers and Trends

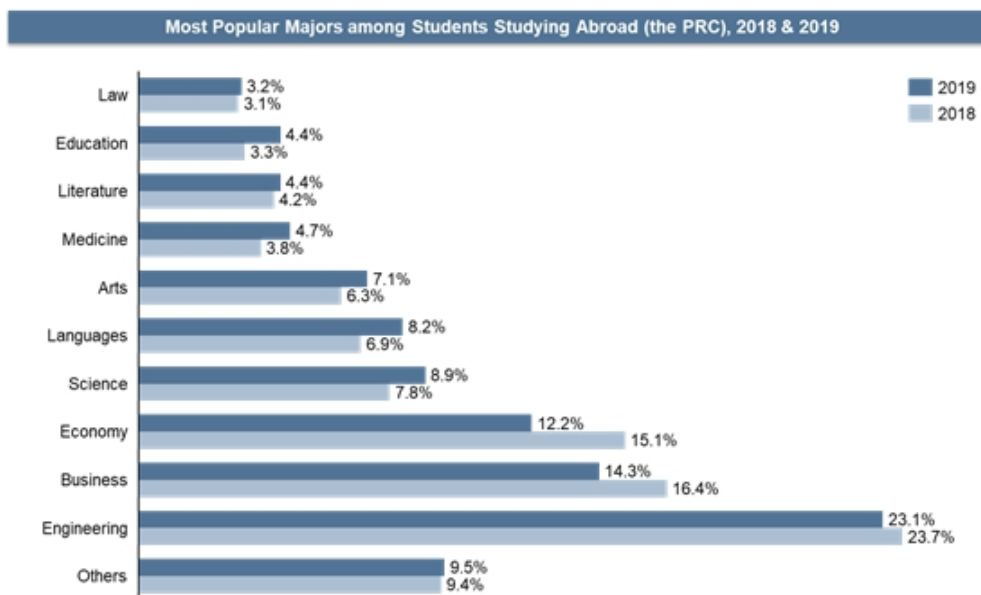
*Economic development leads to more destination choices-* The cost of studying abroad has become increasingly more affordable as the booming economy has allowed more parents and students to meet the high costs associated with overseas study, giving more Chinese students the opportunity to study abroad. These households were mostly found in tier 1 to 3 cities but lower tier cities were found to be steadily increasing their income. English-speaking countries, like the United States, United Kingdoms, Australia and Canada remain the top destinations to study abroad. Although the majority of students still choose these countries, the number of students who choose to study in non-English speaking countries has increased in recent years, especially to countries such as France, Germany, Italy, Japan and South Korea. This is primarily due to the rise in lower-tier cities and the overall affordability of non-English speaking countries, where the cost of tuition, educational programs, and living expenses are much lower than English speaking countries. In addition, instead of traditional English-speaking countries, emerging study abroad educational markets, such as Spain and Italy, have become increasingly attractive for students to study abroad in. At the same time, specific advantages of non-English regions, such as the industrial advantages of Germany and Japan, and Italy's luxury goods and art industry, have become key considerations for attracting Chinese students to study abroad. According to the Frost & Sullivan Report, there were more students from the PRC studying in France, Italy, the South Korea, Japan and Germany in 2019 than in 2014.



Source: Frost & Sullivan Report

*China's Belt and Road Initiative-* The Belt and Road Initiative is viewed as “the 21st-century Silk Road” connecting countries in Asia, Africa and Europe such as Malaysia, South Korea, Russia, etc. with the hopes of promoting the development of Asian, African and European countries along the route, regardless of economic, trade, politics, culture and so on. This has created broader horizons for students to experience and study in. Through studying in countries along the Belt and Road, students can accumulate valuable cultural knowledge, as well as experience the culture and political business environments of these countries, which is conducive to students' future career development. With the Belt and Road countries becoming new growth points, according to the Ministry of Education of the PRC, in 2017, the number of students studying in the countries along the “Belt and Road” was 66,100, an increase of 15.7% over the previous year. The Belt and Road Initiative brings more choices to Chinese students and indirectly promotes the demand for study abroad consulting and training services market.

*Change in student preferences-* According to the Frost and Sullivan Report, there are also trends evident in the change of degree preferences by Chinese students. Engineering, business and economics have been the most popular degrees pursued by PRC students. However, more recently there is a rising trend in students choosing to follow their own academic preferences over parental preferences and what is traditionally expected of them. According to the Frost & Sullivan Report, the percentage of students from the PRC majoring in art, literature, languages, education, medicine and science have increased in 2019.



Source: Frost & Sullivan Report

## OVERVIEW OF THE SMART CAMPUS SOLUTIONS MARKET

### Introduction and Definition

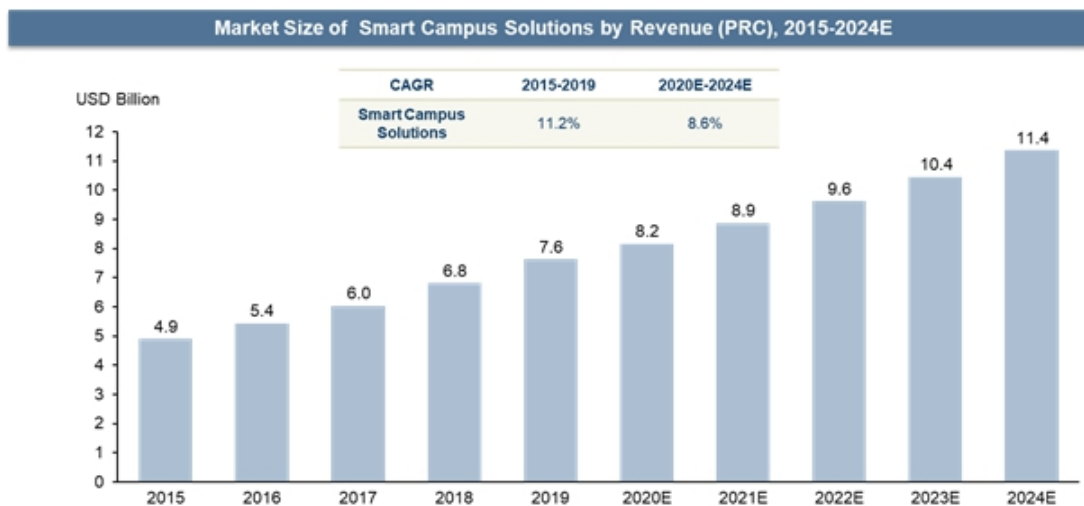
A smart campus is a school campus that uses innovated technologies, information and communications technology (ICT) tools, Internet of Things (IoT) and digitalized equipment to increase the efficiency and productivity of schools.

The building of a smart campus consists of setting up both software and hardware. The service provider supplies customizable software as a service (SaaS) according to the school's requirements, such as online e-learning systems, registrar administration systems, office automation systems, teaching resources systems, and human resources. The users of these systems include students, teachers and school management teams. The big data collected from the smart campus systems can provide analytics for schools to improve the efficiency.

Other than software, hardware is also a crucial part of a smart campus. The providers need to ensure the campus will have enough wireless access points (AP) and full Internet coverage to allow teachers and students access to the Internet at any time. Moreover, the building of smart classrooms is a key point of smart campus. Smart classrooms in smart campuses should have a multimedia system consisting of essential multi-media devices, such as computers and projectors. Additionally, recording systems, IoT systems, classroom cloud desktop and wireless network coverage are essential for a smart classroom. Other than classrooms, smart campus solutions can also be use in car parks, dormitories, canteens and different parts of a campus as the providers can provide different services according to the locations and users.

## Market Size of Smart Campus Solutions in the PRC

According to the Frost & Sullivan Report, the rapid technology development combined with support from the government, such as the *Ten Years Development Plan of Education Informatization (2011-2020)* and the *Main Working Points of Education Informatization* in 2016, the smart campus solutions market has seen growth from 2014 to 2018. The market of smart campus solutions increased from USD4.9 billion to USD7.6 billion in 2019, representing a CAGR of 11.2%. With continued development and upgrade of the education industry in the PRC, more schools are expected to use smart campus solutions. According to the Frost and Sullivan Report, the smart campus solutions coverage in the PRC has increased from approximately 34% in 2016 to approximately 60% in 2019. Although the outbreak of COVID-19 has caused school suspension in the early 2020, the impact for the industry is expected to be temporary. Also, schools have changed to use online learning platforms during the suspension period which has kept the growth of smart campus solutions market. The demand is expected to boost the market of smart campus solutions in the future and will reach USD11.4 billion by 2024, with a CAGR of 8.6% from 2020 to 2024.



Source: Frost & Sullivan Report

Note: The Market Size is converted to USD at RMB/USD of 6.7.

## Market Drivers and Trends

**Supports from the PRC government-** The PRC government has implemented policies to support the development of the education industry in the PRC, including the promotion of smart campus and education informatization. For example, the *Ten Years Development Plan of Education Informatization (2011-2020)* (2011-2020) released in 2012 by the Ministry of Education aimed to build up green, safe and civilized smart campuses by increasing internet coverage on campuses, safety information platforms, set up and usage of smart classrooms, and data management centers for teaching and research. The Ministry of Education announced *The Main Working Points of Education Informatization* in 2016 targeted to achieve 95% internet coverage for primary school and middle schools in the country. With this support from the government and rapid technology development, the market of smart campus solutions is expected to have strong growth.

**Increasing internet coverage and technology development-** Under the stable growing trend of national economy and technology development in the PRC, the Internet coverage has been increased and more people can now have access to the Internet. According to the National Bureau of Statistics of China, there were about 772 million people with access to the Internet in the PRC in 2017. The Internet has rapidly become a part of people's daily lives. According to the Frost & Sullivan Report, there will be over 1 billion people with access to the internet in the PRC by 2023. As a result, demand for smart campuses is expected to increase in the future.

## Key Success Factors for Smart Campus Solutions

**Ability to provide one-stop smart campus solutions-** Smart campus is becoming popular in different level of schools and more schools are willing to invest in smart campus solutions. The ability to provide one-stop smart campus solutions is an important point when clients are choosing their providers. As most of the clients may not have comprehensive and professional knowledge about the software and hardware in smart campuses, the services providers with the ability to provide one-stop solutions, such as the set-up of smart classrooms, designing mobile apps and online platforms and set up of internet access points tend to have more competitive advantages. Moreover, due to the maturation of technology and expansion of the market, more companies are expected to participate in the smart campus solutions market. In order to compete with other participants, the ability to provide one-stop smart campus solutions and pricing strategy are critical to increasing competitiveness in the market.

**Research and development of smart campus systems-** The building of a smart campus requires various systems, such as different managing systems, human resources systems, multi-media systems, recording systems in smart classrooms and others online platforms for students and teachers. The development of these systems requires professional talents and investment in research and development. Smart campus solutions providers need to keep up with technology trends and develop suitable software for their systems. Moreover, the providers need to update the systems on a regular base to satisfy the need from customers and provide excellent user experiences.

## OVERVIEW OF JOB READINESS TRAINING MARKET IN THE PRC

### Introduction

School-enterprise cooperation is a popular theme among educational institutions including vocational schools and universities who are designing curriculum and courses for students based on the demand of enterprises, which is expected to boost the development of vocational education and university education and help enterprises to find competent employees. Enterprises are encouraged to participate in the operation and curriculum design of vocational schools and universities in the form of sole proprietorships or joint ventures, and grant more internship and/or full-time vacancies to students from these schools.

Major modes of school-enterprise cooperation in the PRC consist of education reform on classroom content and curriculum, teacher training, construction of practice facilities, job readiness training, innovation and entrepreneurship fund, and education reform on innovation and entrepreneurship.

Major Modes of School-Enterprise Cooperation	
Education Reform on Teaching Contents and Curriculum	• Enterprises will support various aspects such as funding, faculty, technology and etc., and introduce the latest developments and trends of the industry and requirements of talent recruitment into the teaching activities.
Teacher Training	• Enterprises will organize technical trainings, workshops, seminars, research projects for the faculty of vocational schools and universities to enhance their practice and teaching ability.
Construction of Practice Facilities	• Enterprises will provide software and/or hardware equipment and/or facilities to build laboratories and practice bases together with educational institutions, in order to improve the level of teaching.
Job Readiness Training	• Based on the requirements and conditions of the enterprises, internship programs will be provided to students. Enterprises and educational institutions will design the program together to ensure the effectiveness and quality of the internship programs.
Innovation and Entrepreneurship Fund	• Enterprises will provide financial support and research scope, and arrange tutors for students who are willing to participate in the innovation and entrepreneurship programs.
Education Reform on Innovation and Entrepreneurship	• Enterprises will provide investment funds, teachers and facilities to support the development of innovative curriculum, practical training system, project incubation platforms and etc.

Source: Frost & Sullivan Report

Job readiness training is one of the modes of School-enterprise cooperation, which refers to programs which prepare students for a specific job. Benefiting from the rapid development and supportive policies of school-enterprise cooperation, market participants in the PRC are offering job readiness training under the framework of school-enterprise cooperation. Different from traditional job readiness training, these training programs under school-enterprise cooperation are designed based on specific requirements and conditions of the enterprises and will help students to be better equipped to serve the enterprises at their respective job positions.



## Market Size of Job Readiness Training Market

Major participants in the job readiness training market in the PRC include educational institutions, consulting service providers and enterprises. According to the Frost & Sullivan Report, from 2015 to 2019, total market size for job readiness training in the PRC rose from \$6.1 billion in 2015 to \$9.6 billion in 2019, representing a CAGR of approximately 11.9%. Due to the outbreak of COVID-19 in the PRC in 2020 and work and class suspension in February and March, the job readiness training market is expected to be negatively impacted. However, with the implementation of online courses and the effective control of COVID-19 in the PRC, the market is expected to recover soon in 2020, achieving a market size of \$9.4 billion by the end of 2020. Looking forward, stimulated by the issuance of Several Opinions of the General Office of the State Council of the PRC on Deepening Integration of Industries into Education (《关于深化产教融合的若干意见》) and continuous support from Ministry of Education and National Development and Reform Commission of the PRC, overall market size of job readiness training is expected to grow at a CAGR of approximately 12.1% to reach \$14.9 billion by the end of 2024.



Note: Market size is converted into RMB at RMB/USD of 6.7.

Source: Frost & Sullivan Report

## Market Drivers and Trends

**Stimulus government policies** – The development of school-enterprise cooperation and job readiness training in the PRC is largely driven by government policies and regulations. For example, in 2014 and 2015, the State Council of the PRC stated that vocational schools and universities should enhance their integration with enterprises in order to train qualified workers and improve the education system. Further, in 2017, the announcement of Several Opinions of the General Office of the State Council on Deepening Integration of Industries into Education (《关于深化产教融合的若干意见》) has set the strategic development plan to encourage the cooperation between vocational schools and universities, and enterprises, with the aim to match higher education with the real demands of enterprises.

**Rising demand for practical talent** – Supported by the restructuring of various industries and the booming labor market in the PRC, the demand for technical and practical talents has been continuously increasing over the past five years. In order to satisfy higher requirements on talents, the development and implementation practical programs and job readiness trainings are needed to better cultivate practical talent, which is expected to boost the growth of job readiness training market in the PRC.

**Fierce competition in job market** – As the number of graduates rises, graduates in the PRC face slowing employment demand and fierce competition. Enterprises are looking for more experienced and practical talent who are better equipped to work at specific positions. Further, enhancing employability of their graduates being one of their major missions, it is crucial for educational institutions to cooperate with enterprises to attract funding, improve educational resources, enhance faculty development, and design better curriculum for students. This will contribute to the expansion of school-enterprise cooperation and job readiness training market.

## Key Success Factors of Job Readiness Training Market

**Stable cooperation with enterprises** – The establishment and maintenance of long-term business relationships with enterprises is essential for market participants to ensure the continuous and stable operation of the programs.

**Availability of qualified faculty** – It is crucial for market participants to recruit and organize a team of qualified teaching staff, as qualified teachers are considered as the most important educational resource and will have a direct effect on the quality of the programs.

**Sufficient student enrollment** – Vocational schools and universities are the major sources of students enrolled in school-enterprise initiatives and job readiness training programs. It is important for market participants to maintain a stable relationship with educational institutions and have enough students to participate in their programs.

## BUSINESS

### Overview

We are an exempted company incorporated in the Cayman Islands on February 25, 2019. Through our operating company China Liberal Beijing, incorporated in the PRC on August 10, 2011, we are an educational service provider operating under the “China Liberal” brand in the PRC. Our mission is to provide China’s students with the tools to excel in a global environment. We strive to meet the needs of the ever growing number of young talents in China.

We provide a wide variety of educational services and products intended to address the needs of our partnering schools and our students:

- Services provided under Sino-foreign jointly managed academic programs (“Sino-foreign Jointly Managed Academic Programs”), which services represent the core of our business;
- Overseas study consulting services (“Overseas Study Consulting Services”);
- Technological consulting services provided to targeted Chinese universities to improve campus information and data management systems and optimize teaching, operating and management environment, creating a “smart campus”; these consulting services include campus intranet solution buildout, school management software customization, smart devices (mainly Internet of things, or IoT devices, extending the Internet connectivity to physical devices) installation and testing, and school management data collection and analysis, all of which can be specifically tailored to meet a client’s particular needs (“Technological Consulting Services for Smart Campus Solutions”); and
- Tailored job readiness training to graduating students (“Integration of Enterprises and Vocational Education”), acting as the key bridge between our partner schools and employers, but we did not start generating revenue from this line of business until January 2019.

We also develop and provide textbooks and other course materials to students enrolled under the Sino-foreign Jointly Managed Academic Programs to ensure the quality of students’ learning outcomes.

We started generating revenue in the year ended December 31, 2012 through our services provided under certain Sino-foreign Jointly Managed Academic Programs. We continued to maintain and expand this core business throughout the years, giving us revenues of \$2,821,602, \$2,410,781 and \$1,240,856 for the years ended December 31, 2017 and 2018, respectively, and the six months ended June 30, 2019, representing 72.6%, 50.1% and 66.0% of our net revenues for those respective periods. A vast majority of these revenues derives from our two major partners, Fuzhou Melbourne Polytechnic, or FMP and Minjiang University. Additionally, since starting our Overseas Study Consulting Services in 2017, this line of business has been a source of growing revenue. We generated \$60,947 and \$547,521 in revenues from our Overseas Study Consulting Services for the years ended December 31, 2017 and 2018, respectively, representing a sharp increase from 2% to 11% of our total revenue of that respective year. For the six months ended June 30, 2019, we did not report revenue from providing study abroad consulting services, because we recruited 55 students in May and June 2019 and we expect to complete the consulting services between October and November 2019, at which point, we may generate revenue of approximately \$384,604 when our performance obligations are satisfied. We also started generating revenues from our Technological Consulting Services for Smart Campus Solutions business in 2017, with revenues of \$950,992, \$1,820,974 and \$625,896, representing 25%, 38% and 33.3% for the years ended December 31, 2017 and 2018, and the six months ended June 30, 2019, respectively. We did not generate any revenue from our Integration of Enterprises and Vocational Education business because this line of business was newly added in December 2018. For the six months ended June 30, 2019, the revenue generated from this line of business was immaterial.

We started our operations in Beijing where our headquarters are located. We established our first branch in Fujian Province in 2011 and subsequently expanded to various locations in the PRC, covering the cities of Hangzhou, Fuzhou and Ji’nan on the east coast of China.

### Our Services and Products

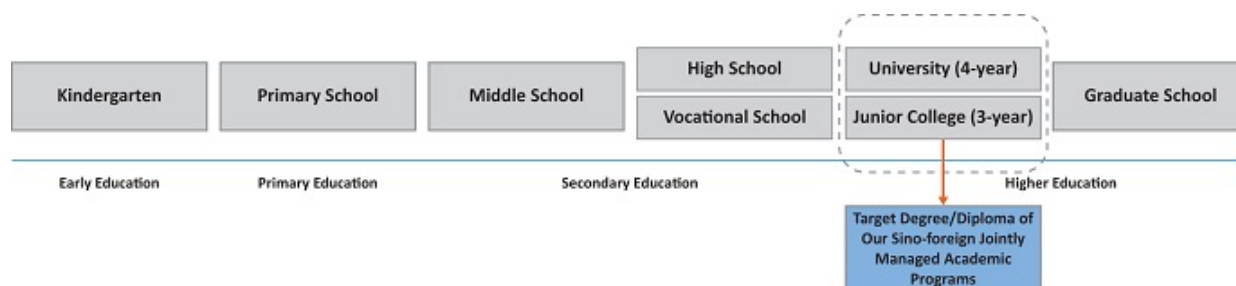
We currently primarily generate revenue from providing the following services or products:

#### *Our Services Provided under Sino-foreign Jointly Managed Academic Programs*

##### *Background*

Formal education in China is typically comprised of kindergarten, primary school, middle school, high school and some combination of vocational school, university, junior college, and graduate school. There are several key differences between studying at universities and junior colleges. These differences include: (i) universities grant bachelor’s degrees to students graduating after 4 years of study, while junior colleges grant diplomas to students graduating after 3 years of study; and (ii) students enrolled in junior colleges typically obtain lower scores on the National College Entrance Examination open to most students graduating high school, and hence, are not able to meet the score threshold of a university. Nevertheless, students enrolled in junior colleges may have opportunities to transfer to a degree-based university or program, depending on the school they enroll in.

The below chart illustrates the main segments of China’s education system:



Sino-foreign Jointly Managed Academic Programs refer to education programs offered by joint ventures of the PRC and foreign institutions. There are a large number of Sino-foreign programs in the PRC across all levels of education, primarily focused on undergraduate and postgraduate education, as well as diploma and non-degree higher education, and a small amount of senior secondary education programs. The Sino-foreign joint educational institutions in China usually provide various kinds of programs, including languages, liberal arts and business.

Typically, the Sino-foreign Jointly Managed Academic Programs offer degree programs to their students in the form of “2+1”, “2+2”, “3+1” or “2.5+1+1”, which enable enrolled students to study at the Chinese host universities/colleges for the first two to three years (as applicable), and finish their remaining one or two years of academic studies at the overseas partner universities.

The Sino-foreign Jointly Managed Academic Programs are unique in that the first two or three years’ studies at Chinese host universities/colleges help students to increase their exposure to foreign textbooks and curriculums, improve their foreign language skills, and experience cross-cultural international education without leaving the country. It is proven to be attractive to Chinese students, because they can enjoy the opportunity to study abroad within the Sino-foreign Jointly Managed Academic Programs without undergoing another lengthy admission process from a foreign university. Moreover, for students continuing their studies in a foreign country, they can benefit from their early exposure to the internationally recognized curriculum and learning environment.

Additionally, Sino-foreign Jointly Managed Academic Programs are designed to be sufficiently flexible to meet the needs of students in different majors and with different personal goals. Students may choose to finish their remaining one or two years of academic studies at the overseas partner universities, or continue their studies with the same Chinese host universities/colleges until graduation. Students enrolled in the programs can earn academic credits from both the Chinese host universities and the overseas partner universities, and can receive both Chinese and foreign diplomas/certificates when they complete their studies.

Further, this arrangement affords lower costs to students as compared with conventional full length studies for associate or undergraduate degrees overseas because the tuitions and living expenses are generally lower in China.

#### *Our Services Provided under the Sino-foreign Jointly Managed Academic Programs*

Under the Sino-foreign Jointly Managed Academic Programs, the Chinese host universities/colleges can utilize their existing administration ability, campus classrooms and facilities to recruit Chinese students into such programs, while leveraging the recognized name and reputation of the international partner universities.

These Sino-foreign Jointly Managed Academic Programs are required to obtain Sino-foreign cooperation education permits from the appropriate level of education authorities of the PRC, depending on the level of degrees. Applications for these permits are submitted by the programs under their own names, and we as service provider are not required to obtain permits separately.

Under the Sino-foreign Jointly Managed Academic Programs, we are responsible for one or more of the followings, depending on the terms of the agreements we have in connection with a specific program:

- (1) recommending and coordinating with accredited international universities to forge partnership with Chinese host universities/colleges to establish international education programs that offer degrees to graduating students;
- (2) developing, drafting, delivering and teaching language course content and teaching materials to improve students’ language skills to meet admission and academic standards overseas;
- (3) electing, recommending and assisting in recruiting qualified foreign faculty to teach major-specific courses or language courses at selected Chinese host universities and provide continuing support to such foreign faculty;
- (4) developing, drafting, delivering and teaching major-specific course content and teaching materials tailored towards the program course curriculum to ensure that the teaching quality and the entire program quality meet international standards, to optimize students’ learning outcome and to prepare them for further education overseas; and
- (5) providing course credit conversion services, offering students consistency and transparency in evaluating their academic achievement, and ensuring the academic credits these students earned at Chinese host universities can be recognized internationally.

Typically, students pay to the Sino-foreign Joint Managed Academic Programs tuition fees ranging from RMB15,000 (approximately US\$2,268) to RMB28,000 (approximately US\$4,233) per student per academic school year. As a result of performing the above-mentioned services, we are entitled to receive approximately 30% to 50% of such student tuitions. The Chinese host universities/colleges collect tuition paid by enrolled students at the beginning of each academic school year in September, and our portion is usually remitted to us by the host universities/colleagues in November of the same year.

From our inception in 2011 to June 30, 2019, we have coordinated and actively engaged in providing services under several Sino-foreign Jointly Managed Academic Programs. The following is a list of the programs we engaged in for the fiscal years ended December 31, 2018 and 2017 and the six months ended June 30, 2019. As of the date of this prospectus, we have ceased recruitment of students to the FUT ISEC Program and NZTC Program for the reasons discussed below.

Program Name	Chinese host university/college	Launch time
(i) FMP Australia English for Academic Purposes Program (“FMP EAP Program”)	Fuzhou Melbourne Polytechnic (“FMP”) (formerly IEN College of Minjiang University, and changed its name to FMP after rebranding in January 2017)	September 2011
(ii) Fujian-Taiwan Universities English for Academic Purposes Program (“Fu-Tai EAP Program”)	Strait College of Minjiang University	September 2011
(iii) Strait College International General Education Courses Program (“Strait IGEC Program”)	Initially hosted by IEN College of Minjiang University in September 2013, then transferred to Strait College of Minjiang University after IEN College of Minjiang University rebranded to FMP in January 2017	September 2013
(iv) Fujian University of Technology International Scholarly Exchange Curriculum Program (“FUT ISEC Program”)	Fujian University of Technology	September 2013
(v) Sino-New Zealand NZTC Program (“NZTC Program”)	Fujian Preschool Education College	September 2013

*(i) FMP EAP Program*

We started providing our EAP language training services to FMP since September 2011 (the “FMP EAP Program”). FMP offers various Sino-foreign Jointly Managed Academic Programs (the “FMP-MP Joint Programs”) as a Sino-foreign joint education institute established between Chinese host FMP and Melbourne Polytechnic of Australia (“MP”) in Australia. FMP was formerly known as IEN College of Minjiang University, which later rebranded to Fuzhou Melbourne Polytechnic, or FMP, and became a standalone legal entity.

Students enrolled in the FMP-MP Joint Programs typically follow the “2.5+1+1” model, studying two years in FMP in the PRC, half a year language training in Australia language training school, one undergraduate year in MP to receive a bachelor’s degree and one more postgraduate year in MP to receive a master’s degree. Students who successfully follow this model will earn their diplomas from both FMP and MP upon graduation. For those students who choose not to further pursue the overseas education, they will stay with FMP for additional one year to complete the general courses education to satisfy a three-year junior college education requirement in order to obtain a diploma from FMP.

Students taking our language courses under the FMP EAP Program are typically those who have lower English proficiency and who would have difficulty in being admitted to a university overseas. However, these students benefit from the intensive English curriculum, receiving two years of Australia English for Academic Purposes, or EAP training from our teachers, with 756 class hours for their freshman year and 252 class hours for their sophomore year. Each class typically accommodates 25 to 29 students. Upon completion of two-year EAP courses, students are targeted to meet level of proficiency of 5.5 (between modest user and competent user level) on a nine-band scale in IELTS, an international standardized test of English language proficiency for non-native English language speakers, and accepted by most Australian, British, Canadian and New Zealand academic institutions, and students are expected to be ready to attend classes in MP in their major or area of focus.

Pursuant to our currently effective EAP Agreement with FMP, which covers students in graduating classes from 2019 to 2023, we are responsible for designing curriculum meeting EAP English standards, recommending and managing EAP faculty, providing a mobile learning platform to students, providing a course preparation platform to teachers, and execution and performance of the curriculum we develop. Our educational services and responsibility only cover the first two year of EAP training. Afterwards, we are not responsible for providing additional services to students, no matter whether they choose to continue to stay with FMP for one additional year for a diploma, or choose to pursue the overseas study in Australia for higher education.

Our EAP faculty under the FMP EAP Program consists of English teachers we recommend to FMP for recruitment from overseas and in the PRC. These teachers split their teaching responsibilities depending on the requirements and nature of a specific course. For example, a spoken English course is typically staffed with native English speakers, while a reading comprehension course is typically staffed with English teachers who speak Mandarin Chinese.

The average tuition fee that FMP charges to enrolled students is RMB18,000 (USD 2,721) per student per school year. Since our services only cover the first two-year EAP courses training, we receive RMB9,000 (approximately \$1,360) per student per school year for the first year and RMB3,000 (approximately \$453) per student per school for the second year.

As of June 30, 2019, there were 551 students enrolled in the FMP EAP Program. Since 2014, we have served a total of 1,988 students (including those enrolled in IEN College of Minjiang University before the institute's rebranding).

*(ii) Fu-Tai EAP Program*

We provide Fu-Tai EAP Program in connection with the Fujian-Taiwan Universities Joint Talent Training Program (the "Joint Talent Program"), established in September 2011 between Chinese host Strait College of Minjiang University and Taiwan Chinese Culture University.

The Joint Talent Program follows the "3+1" dual campuses model. Students spend the first two years and the last year of their university studies at Strait College and their third year at Taiwan Chinese Culture University. At graduation, students receive a bachelor's degree from Minjiang University and certificate of completion or academic credit certificate from Taiwan Chinese Culture University.

Students enrolled in the Joint Talent Program receive two years of EAP training from our teachers (even if they spend three years at Strait College). These students include those who major in business and art. Students in business majors receive 360 class hours of EAP training during their first two years, and art students receive 300 class hours. Each class typically accommodates 25 to 29 students. Upon completion, the targeted level of English proficiency for average students is CET4, i.e., PRC's College English Test Band 4, the level required to be met upon graduating a four-year university; for some students, their targeted level of proficiency can be CET6 (the level required to be met upon graduating a master's program) or 5.5 to 6.0 (from between modest user and competent user to competent user level) in IELTS.

Pursuant to our current EAP Agreement with Strait College, which covers students graduating from 2020 to 2024, we are responsible for designing the curriculum meeting EAP English standard, recommending and managing EAP faculty, providing a mobile learning platform to students, providing a course preparation platform to teachers, and execution and performance of the curriculum we develop.

Similar to our FMP EAP Program, our EAP faculty under the Fu-Tai EAP Program consists of English teachers we recommend to Strait College for recruitment from overseas and in the PRC. These teachers split their teaching responsibilities depending on the requirements and nature of a specific course.

As of June 30, 2019, there had been 783 students enrolled in the Joint Talent Program. Since 2014, we have assisted 4,291 students.

*(iii) Strait IGEC Program*

The International General Education Courses ("IGEC") program is a Sino-foreign joint education program developed and introduced by the Chinese Service Center for Scholarly Exchange ("CSCSE"), a public organization under the MOE of the PRC, in order to improve the overall reform and internationalization of PRC's higher education. As a nationwide program, it is designed to encourage the exchange of teachers and students and the recognition of academic credits and degrees between Chinese and foreign universities. Currently there are four universities that are qualified to offer IGEC programs and we work with one of them. These participating universities have to undergo the review and approval of experts designated by CSCSE every year.

The Strait IGEC Program was launched in July 2013. Students enrolled in this program typically follow the "2+2" model which requires them to study at Chinese host Strait College for at least the first two years. Following the initial two year term, students may choose to finish their remaining two years' academic study overseas. Students in the "2+2" model under the Strait IGEC Program can transfer their academic credits to a partner school overseas, and upon graduation, will receive bachelor's degrees from both Strait College of Minjiang University and the foreign university. Other students may choose the "4+0" model and spend the entire four years studying at Strait College, upon which they would receive an undergraduate degree from the Chinese host Strait College of Minjiang University. For those students who choose the "4+0" model, our educational services and responsibility cover the whole four-year period.

We are responsible for offering 14 courses, including six English courses, four general knowledge courses and four major-related courses. All of these courses are provided by us and taught in English by the faculty we recommend to the program.

For the six English courses, we are responsible for designing the English intensive courses, providing the entire curriculum and teaching materials (including those for IELTS), and assisting in organizing and training the English teaching faculty, consisting of English teachers recruited from overseas and in the PRC. These six English courses are provided to students during their freshman and sophomore years, and include College Academic English Writing 1 (the general education course as required by an IGEC program), English Phonetics, Spoken English 1, Spoken English 2, Spoken English 3 and Spoken English 4. These English courses are based on English for General Purposes or everyday English, with focuses and directed by EAP, under the framework of English for Specific Purposes (a student's major).

Students under the Strait IGEC Program are also required to complete four general knowledge courses provided by us. Depending on a student's major, these courses can fall into categories including academic language and thinking, science, art and human science, and social studies.

The major-related courses we offer under the Strait IGEC Program are developed by adopting the major-specific curriculum systems offered at universities in the U.S. and are taught with English textbooks used by U.S. universities, with goals of strengthening academic foundations but focusing on application of knowledge. Currently, the involved majors include Economics and Accounting.

Under the Strait IGEC Program, we are responsible for promotion of the program, recruitment of students, staffing and management of foreign language teachers, and ensuring students to be connected with appropriate foreign universities in North America or Europe for the second half of their four-year studies for the "2+2" students.

The Strait IGEC Program is governed by an agreement originally signed between the Company and IEN College of Minjiang University in July 2013. After its rebranding efforts in 2017, IEN College began its operations under the name of Fuzhou Melbourne Polytechnic, or FMP and ceased to host the IGEC program, and Strait College of Minjiang University took over this agreement without modifications by an amendment to host our Strait IGEC Program. This agreement between the Company and Strait College is effective for ten years from July 8, 2013, and will be automatically renewed for another ten years if at the time of expiration Strait College is still cooperating with CSCSE to host the IGEC program going forward.

The average tuition fee that the Strait College charges to enrolled students is RMB28,000 (approximately \$4,233) per school year, and we receive 35%/40% of the tuition fee. The portion of tuition fees we receive from Strait College is RMB 9,800 (\$1,481) per student per school year for enrolled students for the first two years, and RMB 11,200 (\$1,693) per student per school year for enrolled students for the remaining two years.

As of June 30, 2019, there had been 893 students enrolled in the Strait IGEC Program. Over the years, we have assisted the aggregate of 4,507 students.

#### *(iv) ISEC Program*

The International Scholarly Exchange Curriculum ("ISEC") program is a PRC government sponsored and highly profiled program affiliated with the China Scholarship Council ("CSC") directly under the MOE in the PRC.

The FUT ISEC Program is governed by an agreement signed between the Company and FUT in December 2012 with a contract period of 10 years. The program officially started providing courses to students in September 2013. By adopting and utilizing English textbooks used by U.S. universities, and by implementing interactive bilingual lectures, the FUT ISEC Program focuses on integrating domestic and international curriculum systems and teaching concepts to ensure students' exposure to international learning environment and instill in them strong English communication skills, a global vision, and team-work spirit, making them attractive to domestic and international employers, no matter which model students choose to follow.

Students enrolled in this program typically follow the "2+2" model which requires them to study at Chinese host FUT for the first two years, and finish their remaining two years' academic study overseas. Other students may choose the "4+0" model and spend the entire four years studying at Strait College. Students in the "2+2" model under the FUT ISEC Program can transfer their academic credits to a partner school overseas, and upon graduation, will receive bachelor's degrees from both FUT and the foreign university.

Under the FUT ISEC Program, we are responsible for promoting the program, recruiting students, staffing and managing foreign language teachers, and ensuring students are connected with the appropriate foreign universities in North America or Europe for the second half of their four-year studies. Students enrolled in the FUT ISEC Program can transfer their academic credits to a partner school overseas, and upon graduation, will receive bachelor's degrees from both FUT and the foreign university.

We are responsible for offering 16 courses (18 for architecture majors), including six English courses, four general knowledge courses and six major-related courses (eight for architecture majors).

For the six English courses, we are responsible for providing the entire curriculum and teaching materials (for IELTS) and assisting in organizing and training the English teaching faculty to ensure the quality of English teaching. These six English courses are provided to students during their freshman and sophomore years, and include College Academic English Writing 1 (the general education course as required by an ISEC program), English Phonetics, Spoken English 1, Spoken English 2, Spoken English 3 and Spoken English 4.

Under the FUT ISEC Program, we offer major-specific courses in architecture, civil engineering and software engineering. Architecture-related courses include: Building Mechanics, Construction Materials, History of Foreign Architecture, Building Equipment, Principles of Urban Planning, Residential District Planning and Design, Landscape Design Principles, and Urban Design. Civil engineering courses include: Elements of Building Construction, Introductory Environmental Engineering, Water Resources, Safety Production Technology and Management, Water and Wastewater Transport System, and Foundation Engineering. Our software engineering-related courses include: Computer Organization, Database Management Systems, Operation Systems, Software Engineering, Computer Network Systems, and Information Security.

#### *(v) NZTC Program*

The NZTC Program was launched in September 2013 based on an exclusive agreement between the Chinese host Fujian Preschool Education College ("FPEC") and New Zealand Tertiary College ("NZTC"). The NZTC Program provides Chinese students with the opportunity to study courses delivered by NZTC. In completing this program, students receive a Ministry of Education, or MOE Diploma in Early Childhood Education in the PRC and a certificate in Early Childhood Teaching issued by NZTC. The NZTC Program provides insightful knowledge to Chinese students as they are exposed to international perspectives and approaches in early childhood education. The NZTC Program also places great emphasis on English language skills, which are of growing importance in China for teachers and educators of young children.

Under the NZTC Program, we are responsible for designing English teaching plans and providing the entire curriculum and teaching materials (including IELTS). We provide five English courses under the NZTC Program, which are General English (Spoken English 1), General English (Spoken English 2), Academic English (Spoken English 1), Academic English (Spoken English 2), Academic English (Written English 2), and are responsible for selecting, recommending for recruitment and managing foreign faculty.

We also provide 10 major-related courses under the NZTC Program, including Introduction to Learning Online, Early Childhood Writing and Research 1 and 2, Play as a Framework for Learning, Planning and Learning, positive Child Guidance, Early Childhood Curriculum 1 and 2, Lifespan Studies 2, and Infants and toddlers.

The NZTC Program is governed by an agreement between the Company and FPEC. The term of the agreement is from September 2016 to July 2019. This agreement was not renewed, and therefore, the contract term expired in July 2019 when all of the enrolled students graduated from FPEC.

#### *Discontinuation of ISEC Program and NZTC Program*

Our programs provided under the ISEC Program and NZTC program were originally focused on improving students' English language skills. However, due to the overall low English proficiency of the students enrolled, we noted that most students could not adapt to the high standards of an English teaching environment. As a result, we ceased to recruit and enroll new students into the FUT ISEC Program with Fujian University of Technology after the then existing students graduated in July 2018. We also made a decision to suspend our continuous recruiting efforts for the NZTC Program with Fujian Preschool Education College after the then current students graduated in July 2019.

### ***Sales of Textbooks and Course Materials***

In connection with our educational services provided to students enrolled under the Sino-foreign Jointly Managed Academic Programs, we are responsible for recommending foreign faculty to teach in Chinese host universities/colleges, and are responsible for development and delivery of major course content and teaching materials to ensure that the teaching quality meets international standards. As of the date of this prospectus, we have developed and edited more than 16 English textbooks and course materials with emphasis on language training (including reading, writing, speaking and listening skills) and have distributed those to the Chinese host universities to be used in the joint education programs. We own the copyright to our textbooks.

### ***Overseas Study Consulting Services***

#### ***One-on-one Private Tutoring Model***

We started offering Overseas Study Consulting Services in 2017. Our Overseas Study Consulting Services cater to students who wish to study overseas to enrich their life learning experiences and to expand their horizons and employment options. Our Overseas Study Consulting Services are typically provided under a one-on-one private tutoring model with a duration of four to six months. Most of the students who accept our services are interested in pursuing art major in foreign academic institutions. We have established and maintained a working relationship with nearly 100 foreign academic institutions globally.

We provide school and university information to our students to help them make informed decisions on the institutions to submit application to and majors to pursue. We seek to recommend the appropriate schools to our students based on their individual needs and situations.

In addition, we help our students prepare their school application packages and advise on their entire admission process. We provide services to students with respect to study plans, language training and test preparation courses to assist them in improving their foreign language skills and help them achieve higher scores in international admission and assessment tests.

Moreover, we also help students on their visa applications and related paperwork, and offer optional overseas services, such as finding accommodation and travel assistance.

For our Overseas Study Consulting Services, we charge students a one-time up-front fee based on the scope of consulting services requested by the students and recognize revenue over the service period. 90% of the service fee collected is non-refundable and is recognized ratably as revenue over the service period; while the remaining 10% of the service fee is refundable and is deferred and recognized as revenue when a student is successfully admitted by a foreign institution and a student visa is granted. For the years ended December 31, 2018 and 2017 and the six months ended June 30, 2019, we refunded approximately \$8,300 of our services fees due to one student either not being admitted or not obtaining the required visa. Our average fee charged to students under the one-on-one private tutoring model ranges from RMB 50,000 (approximately \$7,353) to RMB 80,000 (approximately \$11,765) per student. Additionally, for our students who intend to study in Italy, after arrival, they are still required to attend language schools for at least six months (up to 12 months, depending on the type of visa they hold) in Italy. Presently, we cooperate with Bridge School S.R.L., a language school and overseas service provider in Milan, to better serve these students. In return, we receive an additional \$2,600 to \$3,115 per student from the local partner after the student pays such local partner's language and art related course tuition in full.

A physical location is not always needed under this one-on-one model, and when a physical location is required, services are offered at our headquarters location in Beijing.

#### ***On-campus Overseas Study Consulting Services***

On January 2019, we entered into a cooperation agreement with the School of Continuing Education of Beijing Foreign Studies University for a German language program, and on November 2018, we entered into a cooperation agreement with China Academy of Art for an Italian language program, in order to provide our Overseas Study Consulting Services utilizing these partnering schools' facilities and other hardware. Our services will be similar to those we provide under our one-on-one model, including language training, art portfolio enhancement, school application review, and visa application and interview preparation.

Pursuant to those agreements, we will not receive any service fees and generate revenue until the end of 2019. As of September 30, 2019, there were 21 students enrolled in the Beijing Foreign Studies University program, and there were 22 students enrolled in the China Academy of Art program. The service fees we expect to receive is approximated \$2,580 per student per school year for Beijing Foreign Studies University and approximately \$8,284 per student per school year for China Academy of Art.



### ***Technological Consulting Services for Smart Campus Solutions***

We started to provide smart campus related technological consulting services to targeted Chinese universities since 2017. Our Technological Consulting Services for Smart Campus Solutions utilize advanced information technology such as cloud computing, mobile internet, artificial intelligence and big data analytics to provide overall solutions to Chinese universities in order to improve their teaching, research, student data management, storage and processing, and campus life services, and to optimize their teaching and operating environment and improve operational efficiency. By leveraging hardware such as sensors, digital portals, electronic blackboards, smartboards, projectors, LED display panels, high definition classroom audio and sound system and other lab-based equipment, together with data management applications, our solutions are built on both software and hardware to deliver capabilities for real-time and predictive analytics, increased collaboration and performance management. By way of illustration, some of the services we provide include campus intranet solution buildout, school management software customization, smart devices (mainly Internet of things, or IoT devices, extending the Internet connectivity to physical devices) installation and testing, and school management data collection and analysis, all of which can be specifically tailored to meet a client's particular needs.

Our Technological Consulting Services for Smart Campus Solutions agreements are primarily on a fixed-price basis. Typically, we are required to perform services including project planning, project solution and design, data management application customization, installations of hardware equipment and components for digital classrooms and academic experiment centers or labs, integration of hardware and software application, and post-contract continuous maintenance support, based on the specific needs from each customer. Upon delivery of services, project completion inspection and customer acceptance are generally required. We may also be required to provide post-completion maintenance support for a period ranging from several months to three years after customized smart campus solutions and services are delivered. Since 2017, we have successfully provided such technological consulting services to several Chinese universities, including but not limited to, Fuzhou Melbourne Polytechnic, Strait College of Minjiang University, Capital Normal University, Beijing University of Chinese Medicine and University of International Business and Economics. In addition, teachers and students involved in the Sino-foreign Jointly Managed Academic Programs can access our teaching and learning platforms to enhance their respective teaching and learning experience.

#### ***Case Study: Smart Campus Solutions for FMP***

Pursuant to our 2017 Smart Campus Project Agreement with FMP (the "FMP Smart Campus Agreement"), we were commissioned to design and develop a comprehensive software and hardware solution (including the SaaS-based platform we develop) to FMP to address traditional campus challenges it faced, such as low management efficiency, poor service experience, severe energy waste, weak comprehensive security, and high operational costs. Under this agreement, we retain the copyrights of the 20 software we developed for this project.

**Big Data Center.** Our big data center is a business systems cluster based on SaaS, or software as a service, a software licensing and delivery model in which the licensing is on a subscription basis and is centrally hosted. We developed and maintain all of the business systems, which include mobile online learning system, registrar administration system, office automation system, teaching resources database system, and human resources system. These systems are used by students, management and teachers of FMP, as the case may be. We were required to complete the development of this big data center by December 20, 2018 and will provide continuous maintenance and upgrade services until the end of 2021. As of the date of this prospectus, we have already completed and delivered such big data center.

**Smart Classroom.** We will set up the multimedia system, recording system, internet of things system, classroom cloud desktop, wireless network coverage, speech laboratory, trapezoid classrooms, and premises distribution system for FMP.

**Business Experimental Center.** We will also build out the business experimental center for FMP by providing internal design installment, hardware device and teaching resources software.

Pursuant to the FMP Smart Campus Agreement, we also act as a general contractor to procure software and hardware required by the overall smart campus solution. We have entered into several procurement agreements with software providers such as e-commerce virtual simulation systems, cloud teaching systems, simulated trading analysis system, digital sandbox software, virtual business society environment comprehensive practice teaching platform.

We are paid in installments from 2019 to 2021 under the FMP Smart Campus Agreement. As of the date of this prospectus, we have received the full payment from FMP for the amount due.

#### ***Integration of Enterprises and Vocational Education***

In order to further diversify our business and to utilize our resources and network, we rolled out a new line of business, i.e., Integration of Enterprises and Vocational Education in late 2018. Currently, we contract with employers to provide job readiness training to graduating students from the appropriate partner schools so that such students would be better equipped to serve the employer at their respective job positions. Our training programs typically last for one month and are tailored to meet the specific requirements of the contracting employer as well as the positions to be filled.

Pursuant to an agreement we entered with Beijing Quanqing Xiangqian Technology Co., Ltd. (“Quanqing”) effective from January 1 to December 31, 2019 (the “Recruitment and Training Agreement”), we were engaged to train and help recruit 200 technical support engineers for Quanqing in 2019. Pursuant to the Recruitment and Training Agreement, Quanqing was required to furnish to us details of positions to be filled, and based on such descriptions, we would identify and cooperate with six universities/colleges to offer training courses to students with certain qualifications. Each student enrolled would go through a one-month training process with us, covering professionalism (such as occupational mentality, communications skills, interview skills and service capacities), technical fundamentals (such as operations system, internet fundamentals and office IT applications) and professional techniques (such as trouble-shooting, repairing tools and methods for assembling and disassembling of equipment). A class typically had 20 to 30 students. After such training, students were tested on their professionalism, technical knowledge and technical skills by Quanqing. If a student passed in all three aspects, he/she would be hired by Quanqing, and Quanqing would pay us approximately \$75 per month starting at the end of the first month of employment for a period of eight months, i.e., the fixed period of time set forth in the Recruitment and Training Agreement. These payments from Quanqing were the only compensation we received for providing the services under the Recruitment and Training Agreement. If a student-employee leaves Quanqing without good reason or violates certain rules before the end of the eighth month of his/her employment, we would only be paid by Quanqing for those months that such student-employees are employed. We typically sign a separate agreement with a student-employee before providing training services, pursuant to which the student-employee pays us approximately \$149 per month for the remaining months that such student is not working for Quanqing. Nevertheless, we cannot assure you that such student-employee will pay us according to the agreement. See *“Risk Factors – Risks Related to Our Business – We do not generate revenues under our job readiness training until a student is successfully placed and we will not be fully paid by the employer until such student-employee stay with the employer for a set period of time. If a student-employee fail to stay in his/her position for a reasonable amount of time, our results of operations and financial condition may be materially and adversely affected.”* We expect to sign a new agreement with Quanqing when the outbreak of COVID-19 subsides.

### **Our Recruitment Partners**

We have built a network of art studios operated by entities or individuals in cities throughout China as well as overseas, including Italy, Germany, Russia and Malaysia in order to reach more potential students for our services. We have not signed any agreements with these partners, but we evaluate our cooperative relationships with them annually. Typically, these partners are allowed to charge markups to students they recruit for us, and any markups to our standard tuitions are paid to these partners as commission. Additionally, we may reward these partners with 5%-10% of our standard tuitions as additional commissions, if they recruit more than five students within one year.

### **Our Teachers**

We maintain a database of more than 6,000 teachers across academic areas including Philosophy, Economics, Law, Education, Literature, History, Science, Engineering, Medicine, Management, Art and Language. Based on the specific needs and requirements of each school or educational institution, we are able to contact teachers listed in our database in the relevant field of education so as to recommend them to a teaching position at one of our clients. For example, pursuant to agreements related to the Sino-foreign Jointly Managed Academic Programs, we are required to staff the courses we provide to those institutions with foreign teachers that meet standards such as bachelor’s degree or higher, two or more years of experience of teaching overseas, and a TESOL (or teachers of English to speakers of other languages) certificate.

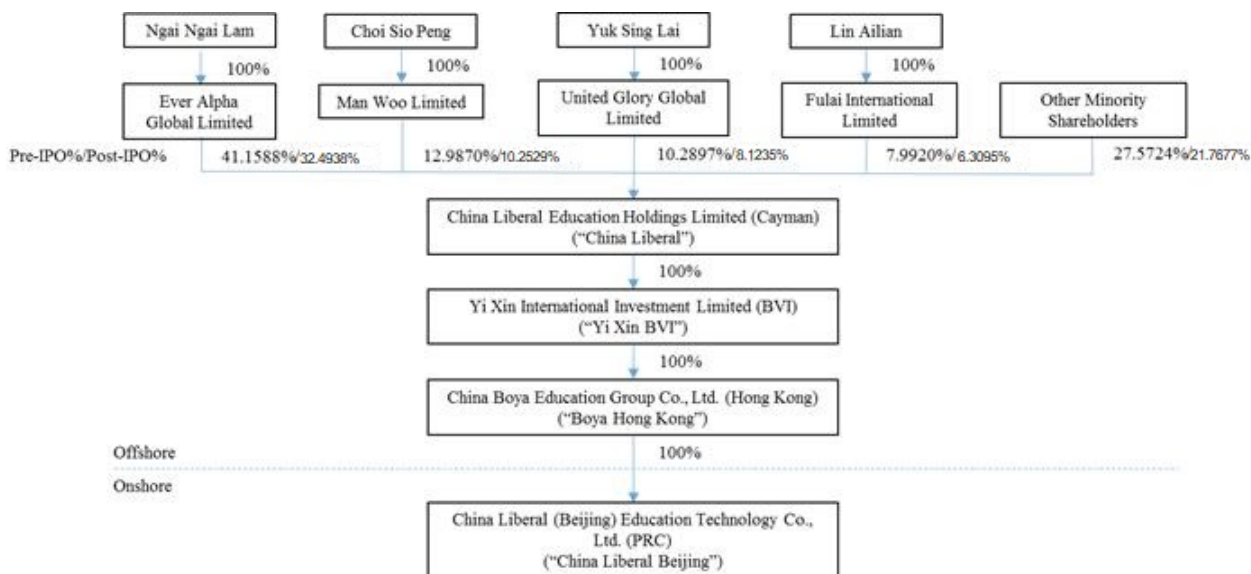
Currently, there are thirteen foreign language teachers recommend by us teaching at FMP and Strait College (including the Fu-Tai EAP Program and the Strait IGEC program).

### **Our History and Corporate Structure**

China Liberal Education Holdings Limited, or China Liberal, was incorporated in the Cayman Islands on February 25, 2019. As of the date of this prospectus, our authorized share capital is \$50,000 divided into 50,000,000 ordinary shares. We directly hold 100% of the equity interests of Yi Xin International Investment Limited, a company incorporated in the British Virgin Islands, which in turn holds 100% of China Boya Education Group Co., Limited, a Hong Kong limited liability company (“Boya Hong Kong”). Boya Hong Kong originally holds 91.1772% equity interests of China Liberal Beijing, our PRC operating entity. On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing. After this transaction, Boya Hong Kong owns 100% interest of China Liberal Beijing.

We commenced our operations in August 2011 through China Liberal Beijing.

The following diagram illustrates our corporate structure as of the date of this prospectus and upon completion of the Offering based on 1,333,333 Ordinary Shares being offered and assuming the over-allotment option is not exercised by the Underwriter:



## Our Competitive Strengths

We believe our success is primarily attributable to the following strengths:

### ***Innovative, flexible and cost-effective smart campus solutions***

The SaaS platform developed by our Company offers comprehensive smart campus solutions, including teaching, student affairs, human resources, office and financial management. This platform is flexible and programmable to meet the needs of different campuses with fast and low-cost programming. Additionally, our big data module is programmable based on our client's needs, which enables us to provide campuses with cost-effective big data products.

### ***Innovative and visionary management team with proven track record***

We have an innovative and visionary management team with a unique combination of experience in the education and technology sectors. We have a stable, long-serving management team with prior experience working with market leading educational consulting and software companies.

Our management team has deep industry insights, clear strategies, and strong execution capabilities. We started as an educational provider under our Sino-foreign Jointly Managed Academic Programs, but rapidly expanded our services to fill the market gaps with the goal of forming a closed loop education related service provider and problem solver. For example, our pre-session on campus training services stemmed from our one-on-one consulting services and is a more scalable model. We developed the smart campus solutions for one of our long-time partners, and are now able to offer such solutions to more campuses.

### ***We have built a strong sales team with a focus on art students***

We have built a specialized art and creativity talent online-community operations team with more than 100,000 followers over several social media platforms, including Zhihu, Weibo and WeChat. These followers fall into various interest categories, such as comics, art portfolio studies, clothing design and overseas studies for art students. Overall, we have invested more than \$500,000 each year in 2017 and 2018 in marketing and promotion. By June 30, 2019, we have invested approximately \$295,000 in marketing and promotion.

## Our Business Strategy

We continue to generate revenue from our core businesses, while expanding to related business segments in our effort to maximize our existing resources, as well as striving to meet the needs of our clients. In the coming years, we plan to diversify our income model by growing our four business sections simultaneously. We are dedicated to enabling our students to capture life-changing opportunities by delivering transformative education services and by working with our partners. Our goal is to provide China's students with the tools to excel in a global environment. We intend to achieve our goal by pursuing the following strategies:

### ***Continue to invest in technology and leverage our exceptional strength in our intellectual property***

We intend to continually invest in technology in order to further develop our smart campus solution. We have completed our plan to invest \$179,447 and staff 11 R&D personnel in optimizing and upgrading the SaaS platform owned and developed by us for FMP, and to provide demo solutions to Strait Institute by April 2019. By May 2019, we have completed our plan to invest \$112,155 and staff seven R&D personnel to develop a no-touch attendance tracking system. By June 2020, we plan to invest \$ 492,091 and staff 15 R&D personnel to complete the smart classroom multimedia network central control panel, the smart classroom management platform, the smart classroom electrical bulletin board, and information publishing system. By September 2020, we plan to invest \$281,195 and staff 12 R&D personnel to complete the smart classroom big data collection analysis system.

### ***Offer our smart campus solutions to other partnering schools***

Our smart campus solutions provide an integrated ecosystem for management, teachers and students of a school, allowing highly efficient coordination of data and information. These solutions, including the SaaS platform developed by us can be duplicated and applied to other campuses. Currently, we are negotiating with seven other schools to provide similar solutions to them. We intend to continue these conversations and enter into formal agreements with these schools.

### ***Expand our focuses to include computer science students***

We intend to expand and diversify our focuses to include computer science major. We have already reached a mutual understanding with a vocational college to set up a “Big Data and Applicable Technology” major on its campus, where we will provide education to students with strong focuses on their job readiness and practical training.

### ***Continue to invest in sales and marketing activities to recruit art students for our one-on-one consulting services***

We will continue to boost our sales and marketing efforts to recruit art students in two ways: (1) ground promotion, i.e., to target local schools and art studios to promote our services in the cities or provinces of Hangzhou, Shandong, Guangzhou, Beijing, Hebei, Fuzhou and Chongqing; and (2) online promotion. We expect to recruit a majority of our art students from ground promotion, and plan to spend approximately \$45,000 in Hangzhou and \$30,000 in Shandong alone. We currently plan to spend approximately \$22,000 in online promotion.

### ***Expand classroom-based pre-session training services based on our current proven one-on-one consulting model***

Based on our successful one-on-one consulting services model, we have sought to cooperate with schools with established brand names in foreign language studies in order to provide on-campus pre-session training (or training before students going overseas) utilizing the PRC partnering schools’ facilities and other hardware. We intend to continue to seek potential partners to scale this model.

### ***Establish our own-branded schools***

In 2020, we intend to further diversify our services by introducing two schools with our own “China Liberal” brand, located in Beijing and Italy, respectively. These schools will provide preparatory courses similar to those offered under the on-campus pre-session programs, but at our own campuses and under our own brand name.

For the China Liberal school located in Beijing, we plan to use our current headquarters as classrooms, which are lecture-ready. We plan to offer an area of 3,000 square feet, six classrooms with the capacity of hosting 100 students. We plan to staff 10 teachers and invest operational capital. We expect to enroll 80 students in 2020 at this location. We are actively communicating with the local education commission regarding our plan and timeline. The local education commission is the authority to issue to us the necessary private school permit. See “*Risk Factors – Risks Related to Our Business – ‘We cannot assure you that the new China Liberal-branded schools that we intend to open in Beijing and in Italy will be opened as scheduled, if at all.’*”.

Currently, we provide services at the location of Linguaviva Educational Group. To further our cooperation, we are in discussions with them to establish a “China Liberal” school in Milan. We expect to start providing services in November, 2020 with 60 to 70 students enrolled at this location. Under our proposed agreement, Linguaviva will be responsible for the Italian language courses (EUR5,500 per student for 1,000 course hours), while we will be responsible for art courses (EUR3,300 EUR for less than 200 course hours). We will both recruit students for this school and for each student one entity brings in, the other will pay a certain percentage of commission based on such student’s tuition fee. See “*Risk Factors – Risks Related to Our Business – We cannot assure you that the new China Liberal-branded schools that we intend to open in Beijing and in Italy will be opened as scheduled, if at all.’*”

## Employees

We had 98 full-time employees as of December 31, 2019. Most of our full-time employees have signed employment agreements for three years. The Company and its employees may elect to re-negotiate and renew the employment agreements before expiration. We also hired 15 part-time financial, education or sales and marketing consultants as of December 31, 2019. The following table sets forth the number of our full-time employees, categorized by function as of December 31, 2019.

As of December 31, 2019

Management	3
Sales staff	31
Technical support staff	24
Operations staff	22
Administrative staff	18
Total	98

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance and unemployment insurance. We compensate our employees with basic salaries as well as performance-based bonuses. None of our employees are represented by any collective bargaining arrangements, and we consider our relations with our employees to be good.

## Competition

The education sector and overseas studies consulting sector in the PRC are rapidly evolving, highly fragmented and competitive. We expect competition in these sectors to persist and intensify. We face competition in each line of business, each major program we offer and each geographic market in which we operate.

<u>Line of Business</u>	<u>Competitors</u>
Services Provided under Sino-foreign Jointly Managed Academic Programs	<ul style="list-style-type: none"><li>● China Maple Leaf Educational Systems Limited</li><li>● Beida Jade Bird Group</li><li>● Huali University Group Limited</li></ul>
Overseas Study Consulting Services	<ul style="list-style-type: none"><li>● Dadi Education Holdings Limited</li><li>● China Media Group</li><li>● Beijing Lanxum Technology Holdings Limited</li></ul>
Technological Consulting Services Provided for Smart Campus Solutions	<ul style="list-style-type: none"><li>● Wasu Media Holding Co., Ltd.</li><li>● Newcapec Electronics Co., Ltd.</li><li>● Zhejiang Zhengyuan Zhihui Technology Holdings Limited</li></ul>
Integration of Enterprises and Vocational Education	<ul style="list-style-type: none"><li>● Shiji Dingli Holdings Limited</li><li>● Shanghai Xin Nanyang Angli Education Technology Holdings Limited</li><li>● Changsha Kaiyuan Instrument Co., Ltd.</li></ul>

We believe that the principal competitive factors in our markets include brand recognition, student performance track records, overall student experience, parent satisfaction, quality of teachers, ability to effectively market programs, services and products to a broad base of prospective students, effectively identifying and successfully cooperating with prominent schools, diversity of programs and products offered, and tuition fees.

We believe that our primary competitive advantages are our strong sales team, our innovative and cost-effective smart campus solutions, and experienced and visionary management team with a proven track record. However, some of our existing and potential competitors may have more resources than we do. These competitors may be able to devote greater resources than we can to the development, promotion and sale of their programs, services and products and respond more quickly than we can to changes in student demands, testing materials, admissions standards, market needs or new technologies. In addition, we face competition from many different smaller sized organizations that focus on some of our targeted markets, which may be able to respond more promptly to changes in student preferences in these markets.

## Legal Proceedings

We are not currently a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business, operating results, cash flows or financial condition.

## Intellectual Property

Our trademarks, copyrights, domain names, trade secrets and other intellectual property rights distinguish our products and services from those of our competitors and enhance our ability to compete in our target markets. Our principal intellectual property assets consist of copyrights in our software and our textbooks. Ownership of such copyrights secures the exclusive right to publish or use the work in the PRC.

In addition, our intellectual property rights also include seven trademark registrations in the PRC and four domain names registrations. We do not own any patents. See “*Regulations-Regulations on Intellectual Property Rights.*”

We believe we have taken, and take in the ordinary course of business, all appropriate available legal steps to reasonably protect our intellectual property in all material jurisdictions. To protect our brand and other intellectual property, we rely on a combination of trademark, copyright, domain names, know-how and trade secret laws as well as confidentiality agreements with our employees, contractors and others. We cannot be certain that our efforts to protect our intellectual property rights will be adequate or that third parties will not infringe or misappropriate these rights. See “*Risk Factors-If we fail to protect our intellectual property rights, our brand and business may suffer.*”

### Copyrights

As of the date of this prospectus, we have registered 16 copyrights in our textbooks in the PRC, details of which are set out below:

No.	Name of Publication	Copyright Owner	Date of Completion(1)
1	EGP Listening 1	China Liberal Beijing	September 2015
2	EGP Listening 2	China Liberal Beijing	September 2015
3	EGP Speaking 1	China Liberal Beijing	September 2015
4	EGP Speaking 2	China Liberal Beijing	September 2015
5	EGP Reading 1	China Liberal Beijing	September 2015
6	EGP Reading 2	China Liberal Beijing	September 2015
7	EGP Writing 1	China Liberal Beijing	September 2015
8	EGP Writing 2	China Liberal Beijing	September 2015
9	EAP Listening 1	China Liberal Beijing	January 2016
10	EAP Listening 2	China Liberal Beijing	January 2016
11	EAP Speaking 1	China Liberal Beijing	January 2016
12	EAP Speaking 2	China Liberal Beijing	January 2016
13	EAP Reading 1	China Liberal Beijing	January 2016
14	EAP Reading 2	China Liberal Beijing	January 2016
15	EAP Writing 1	China Liberal Beijing	January 2016
16	EAP Writing 2	China Liberal Beijing	January 2016

(1) According to the PRC’s intellectual property laws, we obtain the copyrights to our textbooks upon completion.




As of the date of this prospectus, we have registered 24 software copyright registration in the PRC, details of which are set out below:

No.	Software Name	Registration No.	Date of Development	Date of First Publication
1	China Liberal Cloud Classroom Management System 1.0	2016SR040754	September 30, 2015	October 1, 2015
2	China Liberal Cloud Classroom Teacher Software 1.0	2016SR046771	September 30, 2015	October 1, 2015
3	China Liberal Cloud Classroom Student Software 1.0	2016SR044977	September 30, 2015	October 1, 2015
4	China Liberal Cloud Classroom Lesson Planning System 1.0	2016SR123004	September 30, 2015	October 1, 2015
5	China Liberal Cloud Classroom Learning Statistical Data System 1.0	2016SR122336	September 30, 2015	October 1, 2015
6	China Liberal Cloud Classroom Recommendation System 1.0	2016SR130198	September 30, 2015	October 1, 2015
7	China Liberal Cloud Classroom Practice Questions System 1.0	2016SR123966	September 30, 2015	October 1, 2015
8	Pocket Classroom (Android) Software 1.0	2017SR036399	September 1, 2016	Not published
9	Pocket Classroom (IOS) Software 1.0	2017SR037051	September 1, 2016	Not published
10	Pocket Classroom (Android) Software 1.0	2017SR040835	September 1, 2016	Not published
11	Pocket Classroom (IOS) Software 1.0	2017SR040674	September 1, 2016	Not published
12	Pocket Classroom Date Management System 1.0	2017SR036411	September 1, 2016	Not published
13	China Liberal Smart Campus Registrar System (For Teacher)	2017SR712252	September 1, 2017	Not published
14	China Liberal Smart Campus Registrar System (For Student)	2017SR714193	September 1, 2017	Not published
15	My Lessons (Android) Software	2017SR710050	September 1, 2017	Not published
16	My Lessons (IOS) Software	2017SR707597	September 1, 2017	Not published
17	My Textbook (Android) Software	2017SR712427	September 1, 2017	Not published
18	My Textbook (IOS) Software	2017SR709724	September 1, 2017	Not published
19	University Students Image Big Data System	2019SR0979256	July 2, 2018	Not published
20	China Liberal Smart Campus Office Automation Management System	2019SR0023351	September 1, 2018	Not published
21	China Liberal Smart Campus Human Resources Management System	2019SR0021945	November 2, 2018	Not published
22	China Liberal IoT Attendance Management Platform	2019SR0324187	January 4, 2019	January 4, 2019
23	China Liberal Laboratory Operations and Maintenance Management Platform	2019SR03433739	March 11, 2019	March 11, 2019
24	China Liberal Laboratory Safety Management Platform	2019SR0346228	March 11, 2019	March 11, 2019

The right to publish and to monetary gains related to copyrights and software copyrights lasts for 50 years in the PRC, which will expire on December 31 of the 50<sup>th</sup> year after the date of publication. Such protection will not be extended if the textbook or software is not published within 50 years after the date of its completion or development.

#### Trademarks

As of the date of this prospectus, we have seven registered trademarks in the PRC, details of which are set out below:

No.	Trademark	Class	Registration No.	Registration Date	Expiry Date
1		41	12291328	August 28, 2014	August 27, 2024
2		42	12291054	August 28, 2014	August 27, 2024
3	华夏博雅	9	17328159	September 7, 2016	September 6, 2026
4	华夏博雅	42	17328158	September 7, 2016	September 6, 2026
5	阿托皮亚	41	21854350	December 28, 2017	December 27, 2027
6	阿托皮亚	42	21854351	December 28, 2017	December 27, 2027
7		41	21869652	December 28, 2017	December 27, 2027

## Domain Names

As of the date of this prospectus, we have registered the following domain names in the PRC, details of which are set out below:

No.	Holder	Domain name	Registration Date	Expiry Date
1.	China Liberal Beijing	chinaliberal.com	July 30, 2013	July 30, 2022
2	China Liberal Beijing	artopia-zone.com	August 8, 2016	August 8, 2020
3	China Liberal Beijing	aeacip.com	January 10, 2019	January 10, 2021
4	China Liberal Beijing	aeacip.cn	January 10, 2019	January 10, 2021

## Facilities/Properties

Our current principal executive office is located on the second floor of Building No. 1, Huateng Century Park Headquarters, Chaoyang District, Beijing, PRC. We lease nine rooms with an aggregate of approximately 9,800 square feet at this location for office and language training purposes. Our lease will end on May 31, 2022.

We also lease two other offices in Beijing, one in Hangzhou City, Zhejiang Province, one in Fuzhou City, Fujian Province, and one in Ji'nan City, Shandong Province to support part of our sales and marketing activities.

The below table shows details of our current leases:

No.	Location	Use	Area (sq. ft.)	Rent	Expiration	Renewal Terms
1	(Headquarters) Beijing Chaoyang District Huateng Century Park Headquarters Bldg. No. 1, 2 <sup>nd</sup> Fl.	Office/ Training	9,784.4	\$18,400 per month	May 31, 2022	The Company shall send written notice to the landlord six months before expiration of its intention to renew the lease.
2	Beijing Tongzhou District	Art Studio	1,399.3	\$11,951 per year	April 30, 2021	The Company shall send written notice to the landlord three months before expiration of its intention to continue to lease the property; a new lease shall be signed if the landlord agrees.
3	China Academy of Art (Hangzhou)	Office	Unknown	Not applicable	November 9, 2021	We have a cooperation relationship with China Academy of Art and they allow us to use this office without charge
4	Fuzhou City Taijiang District	Office	756.2	\$997 first year; \$1,067 second year; \$1,141 third year	July 26, 2021	The Company shall send written notice to the landlord two months before expiration of its intention to continue to lease the property; a new lease shall be signed if the landlord agrees.
5	Shandong Ji'nan Lixia District	Office	1,150.1	\$1,643 per month	July 31, 2019	No renewal terms.
6	Beijing Chaoyang District	Office	co- working space	\$1,813 per month	December 31, 2019	Automatic renewal; the lease becomes a month-to-month lease.

Except our Hangzhou office where we are allowed to use the office free of charge due to our cooperation relationship with China Academy of Art, we lease all of the facilities that we currently occupy from independent third parties. We believe that the facilities that we currently lease are adequate to meet our needs for the foreseeable future.

## Seasonality

We have experienced, and expect to continue to experience, seasonal fluctuations in our operations, primarily due to seasonal changes in student enrollments. Historically, our one-on-one consulting services tend to have the largest student enrollments in our third and fourth fiscal quarters, which runs from July 1 to December 31 of each year, primarily because many students enroll in our courses to prepare for admissions and assessment exams in subsequent school terms, and our language training courses offered at Sino-foreign joint programs typically make payments to us in October or November based on their student enrollments in the fall.



## REGULATIONS

We operate our business in the PRC under a legal regime consisting of the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the State Administration of Foreign Exchange, or SAFE, the Ministry of Commerce, or MOFCOM, the National Development and Reform Commission, or NDRC, the Ministry of Education, or MOE, the General Administration of Press and Publication, or GAPP, the State Administration for Market Regulation, or SAMR, formerly known as the State Administration for Industry and Commerce, the Ministry of Civil Affairs, or MCA, the Ministry of Culture, or MOC, and their respective authorized local counterparts.

### ***Regulations on Education***

The principal regulations governing private education in China consist of the Education Law of the PRC, The Law for Promoting Private Education (2018) and The Implementation Rules for the Law for Promoting Private Education (2004), and the Regulations on Sino-Foreign Cooperation in Operating Schools. Below is a summary of relevant provisions of these regulations.

#### *Education Law of the PRC*

On March 18, 1995, the National People's Congress enacted the Education Law of the PRC, which was later amended on December 27, 2015. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school system of pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education, a system of vocational education and a system of continuing education. The Education Law stipulates that the government formulates plans for the development of education and establishes and operates schools and other institutions of education and in principle, enterprises, social organizations and individuals are encouraged to operate schools and other types of educational organizations in accordance with PRC laws and regulations. Meanwhile, schools and other educational institutions established or run with fiscal expenses or donated assets shall not operate for profit-making purposes. The Education Law of the PRC establishes a general regulatory framework of education industry in the PRC, while specific requirements and obligations applicable to education providers are set forth in various regulations. China Liberal Beijing is not aware of any of our its current business activities being in violation of the Education Law of the PRC.

#### *Regulations on Sino-foreign Cooperation in Operating Schools*

Sino-foreign cooperation in operating schools or training programs is specifically governed by the Regulations on Operating Sino-foreign Schools, promulgated by the State Council in 2003 and amended in 2013 and 2019, respectively, in accordance with the Education Law, the Occupational Education Law and the Law for Promoting Private Education, and the Implementing Rules for the Regulations on Operating Sino-foreign Schools, or the Implementing Rules, which were issued by the MOE in 2004.

The Regulations on Operating Sino-foreign Schools and its Implementing Rules encourage substantive cooperation between overseas educational organizations with the requisite qualifications and experience in providing high-quality education and Chinese educational organizations to jointly operate schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. Sino-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are deemed to be of a sensitive in the PRC.

Permits for Sino-foreign Cooperation in Operating Schools shall be obtained from the relevant education authorities or the authorities that regulate labor and social welfare in the PRC.

China Liberal Beijing is not required to obtain such permits. Rather, the Chinese host universities/colleges are responsible for obtaining and maintaining currently valid permits.

### ***Regulations on Private Schools***

#### *The Law for Promoting Private Education (2018) and The Implementation Rules for the Law for Promoting Private Education (2004)*

The Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC, has been promulgated by Order No. 55 of the President of the PRC on November 7, 2016, became effective on September 1, 2017, and later further amended on December 29, 2018 (the "2018 Private Education Law").

The Implementation Rules for the Law for Promoting Private Education (2004) became effective on April 1, 2004 (the "2004 Implementation Rules"). Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds.

In addition, private schools providing certifications, pre-school education, education for self-study aid and other academic education are subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training are subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for operating a Private School, and shall be registered with the MCA or its local counterparts as a privately run non-enterprise institution.

On August 10, 2018, the Ministry of Justice, or MOJ published the draft submitted for approval for the amendment to the Implementation Rules for the Law for Promoting Private Education (the “MOJ Draft Amendments”), for public comments. The MOJ Draft Amendments stipulate that the establishment of private training and educational organizations enrolling students of kindergarten, primary school, middle and high school age and implementing activities relating to cultural and educational courses at school, or examination-related and further education-related tutoring and other cultural and educational activities, would be subject to the review and approval by education authorities at or above the county level in accordance with the Article 12 of the 2018 Private Education Law. The establishment of private training and educational organizations that implement activities aiming at essential-qualities-oriented improvement and personality development in the areas of linguistic competence, arts, physical activities, technology, and activities targeting at cultural education for adults and non-degree continuing education can apply to register as a legal person directly, i.e., there is no need to apply for approval. However, such private training and/or educational organization must not carry out the cultural and educational activities mentioned above, which requires the review and approval of the applicable education authorities.

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education of a sensitive nature. However, the operation of a private school is highly regulated.

The sponsors of privately-run schools may establish non-profit or for-profit privately-run schools at their own discretion. However, they are prohibited from establishing for-profit privately-run schools providing compulsory education. The sponsor of a for-profit privately-run school may gain proceeds from school running, and the cash surplus of the school shall be disposed of in accordance with the Company Law and other relevant laws and administrative regulations. Private schools are divided into two categories: non-profit privately-run school and for-profit privately-run schools.

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Private schools that do not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools requiring reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by the relevant authorities in this regard.

Under the 2018 Private Education Law and the 2004 Implementation Rules, there is no explicit provisions that China Liberal Beijing is required to obtain any permit or approval for providing art or language related training courses, including a future China Liberal-branded school. Therefore, we do not believe that our business activities are in violation of the 2018 Private Education Law as in effect and the 2004 Implementation Rules, nor do we anticipate that a future China Liberal-branded school would violate such law and rules. If the MOJ Draft Amendments to the Implementation Rules are passed and adopted in their current form, it will be explicitly confirmed under these regulations that China Liberal Beijing is not required to obtain any permit or approval for the services it provides, or will provide under the China Liberal-branded school, which will further and formally confirm that our current and future business are in compliance with laws and regulations in connection with regulations on private educations. See “*Risk Factors – Risks Related to Our Business - We face regulatory risks and uncertainties surrounding PRC laws and regulations governing the education industry in general, including the amendments to the Implementation Rules for the Law for Promoting Private Education*”.

### ***Regulations on Publishing and Distribution of Publications***

#### ***The Administrative Regulations on Publications (2016)***

In December 2001, the PRC State Council promulgated the Administrative Regulations on Publications, which became effective on February 1, 2002 and were later amended several times in 2011, 2013, 2014 and February 6, 2016 (the “Publication Regulation”). The Publication Regulations apply to publication activities, i.e., the publishing, printing, copying, importation or distribution of publications, including books, newspapers, periodicals, audio and video products and electronic publications, each of which requires approval from the relevant publication administrative authorities.

On April 13, 2005, the State Council announced a policy on private investments in China that relate to cultural matters, which affects private investments in businesses that involve publishing. The policy authorizes MOC and several other central government authorities to adopt detailed rules to implement the policy. In July 2005, MOC, together with other central government authorities, issued a regulation that prohibits private and foreign investors from engaging in the publishing business.

### *The Administrative Regulations on Publications Market (2016)*

Subsequent to the implementation of the Publication Regulations, the GAPP issued the Administrative Regulations on Publications Market which became effective on September 1, 2003 and which were amended on June 16, 2004 and May 31, 2016. According to the Administrative Regulations on Publications Market, any organization or individual engaged in general distribution, wholesale or retail of publications shall obtain a Permit for Operating Publications. Distribution of publications in the PRC is regulated on different administrative levels. An entity engaged in general distribution of publications shall obtain such permit from the GAPP and may conduct general distribution of the publications in the PRC; an entity engaged in wholesaling of publications shall obtain such permit from the provincial counterpart of GAPP and may not engage in general distribution in the PRC; and an entity engaged in retail distribution of publications shall obtain such permit from the local counterpart of GAPP at the county level and may not conduct general distribution or wholesaling of publications in the PRC.

We are subject to these regulations on publishing and distribution of publications even though we limit the use of our textbooks to a small number of students (rather than selling to the general public). Currently, we have not applied for such approval and permit. Although as of the date of this prospectus, we have not been subject to any fines or other forms of regulatory or administrative penalties or sanctions due to the lack of any the above-mentioned approvals or permits, we cannot assure you the government authorities will not impose any penalties or sanctions on us in the future for any incompliance in the past. See “*Risk Factors – Risks Related to our Business - Our failure to obtain and maintain approval and permit related to publishing and selling our textbooks could have a material adverse impact on our business, financial conditions and results of operations.*”

### **Regulations on Protection of the Right of Dissemination through Information Networks**

#### *Regulations on Protection of Information Network Transmission Right (2013)*

On May 18, 2006, the State Council promulgated the Regulations on Protection of the Right of Dissemination through Information Networks, which became effective on July 1, 2006 and were later amended on January 30, 2013. The new regulations require that every organization or individual who disseminates a third party’s work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the legitimate copyright owner of such products, unless otherwise provided under relevant laws and regulations. The legitimate copyright owner may take technical measures to protect his or her right of dissemination through information networks and any organization or individual shall not intentionally avoid, destroy or otherwise assist others in avoiding such protective measures unless permissible under law. The new regulations also provide that permission from and compensation for the copyright owner are not required in the event of limited dissemination to teaching or research staff for the purpose of school teaching or scientific research only. Since we are only disseminating publications to a limited number of students within the programs we service, we are not aware of any events of our business activities in violation of such regulations.

### **Provisions on Foreign Investment**

#### *Law of Foreign Investment (2020)*

All limited liability companies and joint stock limited companies incorporated and operating in the PRC are governed by the *Company Law of the People’s Republic of China*, or the Company Law, which was amended and promulgated by the Standing Committee of the National People’s Congress on October 26, 2018. In the latest amendment, paid-in capital registration, minimum requirements of registered capital and timing requirements of capital contributions were abolished. Foreign invested projects must also comply with the Company Law, with exceptions as specified in foreign investment laws.

The Law of Foreign Investment was adopted by the second meeting of the 13th National People’s Congress on March 15, 2019, which became effective on January 1, 2020. On December 26, 2019, the State Council issued the *Regulations on Implementing the Law of Foreign Investment of the PRC*, which also came into effect on January 1, 2020. The Law of Foreign Investment and its implementation regulations replaced the trio of laws regulating foreign investment in China. The Law of Foreign Investment stipulates that, for foreign investment, the PRC implements a system of national treatment with the exception of negative list. Foreign investors are not allowed to invest in fields or sectors prohibited in the market access negative list for foreign investment. Foreign investors that intend to invest in the fields subject to access restrictions stipulated in market access negative list for foreign investment shall satisfy the conditions stipulated in such negative list. These policies also apply to enterprises with foreign investment. The PRC does not impose expropriation on foreign investment. Under special circumstances, if required due to the need of public interest, expropriation shall be imposed on foreign investment according to legal procedures, and the foreign-invested enterprises concerned shall receive fair and reasonable compensation. Foreign-invested enterprises can raise funds through public issuance of stocks, corporate bonds and other securities in accordance with the law.

With respect to the establishment and operation of wholly foreign-owned projects, or WFOE, the MOFCOM and NDRC, promulgated the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 Version) (the “2019 Negative List”) on June 30, 2019, which became effective on July 30, 2019. The 2019 Negative List has replaced the Special Administrative Measures for the Access of Foreign Investment (2018 Version) (the “2018 Negative List”) and serves as the main basis for management and guidance for the MOFCOM to manage and supervise foreign investments. Those industries not set out in the 2019 Negative List shall be classified as industries permitted for foreign investment. None of our four lines of business, i.e. Sino-foreign Jointly Managed Academic Programs, Overseas Study Consulting Services, Technological Consulting Services for Smart Campus Solutions, and Integration of Enterprises and Vocational Education, are on the 2019 Negative List. Therefore, the Company is able to conduct its business through its wholly owned PRC Subsidiary, China Liberal Beijing, without being subject to restrictions imposed by the foreign investment laws and regulations of the PRC.

China Liberal Beijing completed its registration as a whole foreign owned enterprise on February 1, 2019 and the Administrative Bureau for Industry and Commerce of the City of Beijing issued China Liberal Beijing the relevant business license on the same date. Overall, the Law of Foreign Investment and its implementation regulations establish the clear principle of applying national treatment to foreign-invested enterprises except those engaged in industries on the 2019 Negative List. Since our current and planned business is not on the 2019 Negative List, to the best of our knowledge, we do not anticipate the Law of Foreign Investment and its implementation regulations to create any material adverse effect to our Company's business.

***PRC Regulation of Intellectual Property Rights***

The State Council and the NCAC have promulgated various rules and regulations and rules relating to protection of software in China. Under these rules and regulations, software owners, licensees and transferees may register their rights in software with Copy Protection Center of China or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections.

The PRC Trademark Law which became effective on March 1, 1983, was revised in 2001, 2013, 2019, respectively, with its implementation rules adopted in 2002 and revised in 2014, protects registered trademarks. The Trademark Office of the SAMR handles trademark registrations and grants a protection term of ten years to registered trademarks.

### ***Regulations on Foreign Exchange***

#### ***Regulations on Loans to and Direct Investment in the PRC Entities by Offshore Holding Companies***

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt promulgated by SAFE on September 24, 1997 and the Interim Provisions on the Management of Foreign Debts promulgated by SAFE, the NDRC and the MOF that became effective from March 1, 2003, loans by foreign companies to their subsidiaries in China, which accordingly are foreign-invested enterprises, are considered foreign debts. Pursuant to the Measures for the Administration of Foreign Debt Registration issued by SAFE on April 28, 2013, the Notice on Matters concerning the Macro-Prudential Administration of Full-Covered Cross-Border Financing issued by the People's Bank of China on January 11, 2017 and Notice on Adjustments to Macro-prudential Regulation Parameters for Full-covered Cross-border Financing issued by the People's Bank of China and the State Administration of Foreign Exchange on March 11, 2020, the total amount of accumulated foreign debt borrowed by a foreign-invested enterprise is subject to a upper limit calculated based on a statutory formula, and the foreign-invested enterprise is required to file with SAFE after entering into relevant foreign debt contract and within at least three business days before drawing any money from the foreign debts.

According to applicable PRC regulations on foreign-invested enterprises, if a foreign holding company makes capital contributions to its PRC Subsidiary, which are considered foreign-invested enterprises, the PRC Subsidiary must file with the MOFCOM or its local counterpart in connection with the increase of its registered capital. The PRC Subsidiary may not procure loans which exceed the difference between its total investment amount and registered capital, or 2.5 times of the amount of the PRC Subsidiary's net assets, whichever is larger.

Currently, China Liberal Beijing does not owe any outstanding debts to any of its offshore parent companies. For any capital contributions contributed to China Liberal Beijing by its offshore parent companies, China Liberal Beijing has obtained appropriate approval or filed with the appropriate authorities, as the case may be.

### ***Regulations Relating to Employment and Social Insurance***

Pursuant to the PRC Labor Law effective as of January 1, 1995 (as amended on December 29, 2018), and the PRC Labor Contract Law effective as of January 1, 2008 (as amended on December 28, 2012), a written labor contract shall be executed by employer and an employee when the employment relationship is established, and an employer is under an obligation to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unlimited term, with certain exceptions. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training. Moreover, all PRC enterprises are generally required to implement a standard working time system of eight hours a day and forty hours a week, and if the implementation of such standard working time system is not appropriate due to the nature of the job or the characteristics of business operation, the enterprise may implement a flexible working time system or comprehensive working time system after obtaining approvals from the relevant authorities.

Pursuant to the Social Insurance Law of China effective from December 29, 2018, and the Regulations on the Administration of Housing Accumulation Funds effective as of April 3, 1999 (as amended on March 24, 2002 and further amended on March 24, 2019), employers in China shall pay contributions to the social insurance plan and the housing fund plan for their employees, and such contribution amount payable shall be calculated based on the employee actual salary in accordance with the relevant regulations.

As of December 31, 2019, China Liberal Beijing has complied with all these regulations.

## MANAGEMENT

Set forth below is information as of the date of this prospectus concerning our directors, executive officers and other key employees.

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
Jianxin Zhang	49	Chairman of the Board and Chief Executive Officer
Wenhui Zhuang	33	Chief Financial Officer
Nan Hu*	38	Director Nominee
David Sherman*	71	Independent Director Nominee
Ngo Yin Tsang*	45	Independent Director Nominee
Joseph Levinson*	43	Independent Director Nominee

\* This individual has indicated his consent to occupy such position upon closing of this offering.

The following is a brief biography of each of our executive officers and directors:

Mr. Jianxin Zhang has been our Company's Chief Executive Officer and the Chairman of the Board since April 2019 and a director and the standing deputy general manager of China Liberal Beijing since January 2015. From January 2013 to December 2014, Mr. Zhang served as a partner and attorney at Beijing H&J Law Firm. From February 2000 to December 2012, Mr. Zhang served as a partner at Beijing Mingtai Law Firm. From September 1995 to January 2000, Mr. Zhang served as the director of the Research and Development Department of China Ocean Human Resources Co., Ltd. Mr. Zhang has over 20 years of management and operations experience of various industries. Mr. Zhang holds a master's degree in Civil and Commercial Law from Renmin University of China.

Mr. Wenhui Zhuang has been our Company's Chief Financial Officer since April 2019 and the Chief Finance Officer of China Liberal Beijing since March 2019. From December 2017 to February 2017, Mr. Zhuang served as a partner of Yingzhi (Xiamen) Management and Consulting Co., Ltd. From August 2016 to November 2017, Mr. Zhuang served as a project manager of Dingsheng (Xiamen) Investment Co., Ltd. From September 2010 to July 2016, Mr. Zhuang served as a project manager of Bangmeng Huijun Management Consulting (Xiamen) Co., Ltd. Mr. Zhuang holds a bachelor's degree in Accounting from Jimei University.

Mr. Nan Hu is a director nominee of our Company. Mr. Hu has been the Chief Technology Officer of China Liberal Beijing since January 2016. From July 2014 to December 2015, Mr. Hu served as the Chief Product Officer of Beijing Mishi Technology Co., Ltd., a commercial social media platform based on mobile device business cards. From May 2011 to June 2014, Mr. Hu was the co-founder and served as the Chief Technology Officer of Zhimo Network Technology (Beijing) Co., Ltd., an iPhone/Android system platform applications development company, providing mobile internet product solutions to leading advertisement and marketing company hdtMEDIA and Weiwang Tonglian Co., Ltd. From April 2008 to October 2010, Mr. Hu served as a research and development engineer and project manager of SA Penbase in France, a company that first developed mobile application platform online, providing mobile terminal data management products. Mr. Hu holds a bachelor's degree and a master's degree in Computer Science from Université Montpellier II.

Mr. H. David Sherman is an independent director nominee of the Company. Since July 1985, Mr. Sherman has been a full time financial management and accounting professor at Northeastern University. Since July 2019, he has been a board member and treasurer of D-Tree International, a non-profit that develops electronic clinical protocols for healthcare workers. From February 2011 to March 2016, he served as a board member and the chair of the audit committee for Kingold Jewelry Inc., a public company listed on NASDAQ that manufactures gold jewelry. From February 2012 to November 2014, Mr. Sherman was a board member, chairman of the audit committee, and chairman of the compensation committee of AgFeed Industries, Inc., a formerly NASDAQ company that deals with hog production in US and China. Mr. Sherman has over 40 years of experience in accounting, auditing, financial management, business management, and corporate governance. Mr. Sherman holds a bachelor's degree in Economics from Brandeis University, a master's of business administration from the Harvard Graduate School of Business Administration, and a doctorate in business administration from the Harvard Graduate School of Business Administration. He is a member of the American Institute of Certified Public Accountant.

Ms. Ngo Yin Tsang is an independent director nominee of the Company. Since April 2014, Ms. Tsang has been the executive director of Good Talent Limited, a Hong Kong-based staffing and recruiting company. Since December 2016, Ms. Tsang has been the independent non-executive director of LKS Holding Group Limited, a public company listed on the Hong Kong Stock Exchange engaging in interior renovation for residential, industrial and commercial properties in Hong Kong. Since June 2017, Ms. Tsang has been the company secretary with Zhuoxin International Holdings Limited, a public company listed on the Hong Kong Stock Exchange engaging in the trading of electronic hardware components as well as property development and investment. Ms. Tsang has over 18 years' experience in auditing, accounting, corporate governance monitoring and financial management. Ms. Tsang holds a bachelor's degree in Business Administration from Simon Fraser University, a bachelor's degree in Law from Tsinghua University, and a master's degree in Law from the University of Wolverhampton. She is a member of the American Institute of Certified Public Accountants.

Mr. Joseph Levinson is an independent director nominee of the Company. From December 2015 to June 2019, Mr. Levinson served as a director of Takung Art Co, Inc, an NYSE American-listed online art trading platform group. From January 2012 to June 2015, he was a director of China Xingbang Industry Group Inc., a U.S. public company providing e-commerce related services and marketing consultancy services. He has also worked for firms such as KPMG and Deloitte & Touche early in his career. Mr. Levinson has over 20 years of experience in managing cross-border issues pertaining to U.S.-listed foreign companies, as well as experience in accounting and banking management. Mr. Levinson holds a bachelor's degree from the University at Buffalo with a double major in finance and accounting, graduating summa cum laude. He has held a United States Certified Public Accountant license for more than 20 years.

### **Family Relationships**

There are no family relationships among the directors and executive officers of the Company.

### **Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our directors or executive officers has, during the past ten years, been involved in any legal proceedings described in subparagraph (f) of Item 401 of Regulation S-K.

### **Board of Directors**

Our board of directors will consist of five directors upon the closing of this offering.

### **Duties of Directors**

Under Cayman Islands law, all of our Directors owe fiduciary duties to the Company, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our Directors must also exercise their powers only for a proper purpose. Our Directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our Directors must ensure compliance with our memorandum and articles of association, as amended from time to time. The Company has the right to seek damages if a duty owed by any of our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

### **Terms of Directors and Executive Officers**

Each of our directors holds office until a successor has been duly elected and qualified unless the director was appointed by the board of directors, in which case such director holds office until the next following annual meeting of shareholders at which time such director is eligible for reelection. All of our executive officers are appointed by and serve at the discretion of our board of directors.

### **Qualification**

There is currently no shareholding qualification for directors.

### **Insider Participation Concerning Executive Compensation**

The sole director of the Registrant, Jianxin Zhang, was making all determinations regarding executive officer compensation from the inception of the Company up until the time when the three independent directors were installed.

### **Committees of the Board of Directors**

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

*Audit Committee.* Our audit committee consists of David Sherman, Ngo Yin Tsang and Joseph Levinson. David Sherman is the chairman of our audit committee. We have determined that David Sherman, Ngo Yin Tsang and Joseph Levinson satisfy the "independence" requirements of Section 5605(a)(2) of the Nasdaq Listing Rules and Rule 10A-3 under the Securities Exchange Act. Our board also has determined that David Sherman qualifies as an audit committee financial expert within the meaning of the SEC rules or possesses financial sophistication within the meaning of the Nasdaq Listing Rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;

- reviewing any audit problems or difficulties and management’s response with the independent auditors;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

*Compensation Committee.* Our compensation committee consists of David Sherman, Ngo Yin Tsang and Joseph Levinson. Joseph Levinson is the chairman of our compensation committee. We have determined that David Sherman, Ngo Yin Tsang and Joseph Levinson satisfy the “independence” requirements of Section 5605(a)(2) of the NASDAQ Listing Rules and Rule 10A-3 under the Securities Exchange Act. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and recommending compensation packages for our most senior executive officers to the board;
- approving and overseeing compensation packages for our executives other than the most senior executive officers;
- reviewing and recommending to the board with respect to the compensation of our directors;
- reviewing periodically and approving any long-term incentive compensation or equity plans;
- selecting compensation consultants, legal counsel or other advisors after taking into consideration all factors relevant to that person’s independence from management; and
- programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

*Nominating and Corporate Governance Committee.* Our nominating and corporate governance committee currently consists of David Sherman, Ngo Yin Tsang and Joseph Levinson. Ngo Yin Tsang is the chairperson of our nominating and corporate governance committee. David Sherman, Ngo Yin Tsang and Joseph Levinson satisfy the “independence” requirements of Section 5605(a)(2) of the NASDAQ Listing Rules and Rule 10A-3 under the Securities Exchange Act. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing annually with our board of directors its current composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to our board the directors to serve as members of committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to our board of directors on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

## **Corporate Governance**

Our board of directors has adopted a code of business conduct and ethics, which is applicable to all of our directors, officers and employees. We will make our code of business conduct and ethics publicly available on our website prior to the initial closing of this offering.



## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth certain information with respect to compensation for the years ended December 31, 2019 and 2018, earned by or paid to our chief executive officer and principal executive officer, our principal financial officer, and our other most highly compensated executive officers whose total compensation exceeded US\$100,000 (the “named executive officers”).

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation	Deferred Compensation Earnings	Other	Total (\$)
Jianxin Zhang, CEO and Chairman of the Company and director and standing deputy general manager of China Liberal Beijing	2019	59,602	0	0	0	0	0	0	59,602
	2018	22,269	0	0	0	0	0	0	22,269
Wenhui Zhuang, CFO of the Company and China Liberal Beijing	2019	22,500	0	0	0	0	0	0	22,500
	2018	0	0	0	0	0	0	0	0

### Agreements with Named Executive Officers

Each of our executive officers is employed for a specified time period, which will be renewed upon both parties’ agreement thirty days before the end of the current employment term. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of their employment, conviction of a criminal offense, willful disobedience of a lawful and reasonable order, fraud or dishonesty, receiving bribes, or severe neglect of his or her duties. An executive officer may terminate his or her employment at any time with a one-month prior written notice. Each executive officer has agreed to hold, both during and after the employment agreement expires, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information.

Our employment agreement with Jianxin Zhang, our CEO, provides for a term of one year beginning on April 1, 2019, with an annual salary of US\$50,000. We intend to renew this agreement under the same terms and conditions.

Our employment agreement with Wenhui Zhuang, our CFO, provides for a term of one year beginning on April 1, 2019, with an annual salary of US\$30,000. We intend to renew this agreement under the same terms and conditions.

### Compensation of Directors

For the fiscal years ended December 31, 2018 and 2017, we did not make any compensation payments to our directors.

## PRINCIPAL SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our Ordinary Shares as of the date of this prospectus, and as adjusted to reflect the sale of the Ordinary Shares offered in this offering for

- each of our directors and executive officers who beneficially own our Ordinary Shares; and
- each person known to us to own beneficially more than 5.0% of our Ordinary Shares.

Beneficial ownership includes voting or investment power with respect to the securities. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Ordinary Shares shown as beneficially owned by them. Percentage of beneficial ownership of each listed person prior to this offering is based on 5,000,000 Ordinary Shares outstanding as of the date of this prospectus (reflecting a 1,000-for-1 stock split of our Ordinary Shares effective on July 8, 2019 and an issuance of 3,999,000 Ordinary Shares on July 15, 2019).

The number and percentage of Ordinary Shares beneficially owned after the offering are based on 6,333,333 Ordinary Shares outstanding following the sale of 1,333,333 Ordinary Shares. Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of 5% or more of our Ordinary Shares. Beneficial ownership is determined in accordance with the rules of the SEC and generally requires that such person have voting or investment power with respect to securities. In computing the number of Ordinary Shares beneficially owned by a person listed below and the percentage ownership of such person, Ordinary Shares underlying options, warrants or convertible securities held by each such person that are exercisable or convertible within 60 days of the date of this prospectus are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Except as otherwise indicated in the footnotes to this table, or as required by applicable community property laws, all persons listed have sole voting and investment power for all Ordinary Shares shown as beneficially owned by them. As of the date of the prospectus, we have 4 shareholders of record holding beneficial ownership of 5% or more, none of which are located in the United States.

	Ordinary Shares Beneficially Owned Prior to this Offering		Ordinary Shares Beneficially Owned After this Offering		Percentage of Votes Held After this Offering
	Number	Percent	Number	Percent	Percent
<b>Directors and Executive Officers<sup>(1)</sup>:</b>					
Jianxin Zhang	0	0%	0	0%	0%
Wenhui Zhuang	0	0%	0	0%	0%
Nan Hu	0	0%	0	0%	0%
Ngo Yin Tsang	0	0%	0	0%	0%
David Sherman	0	0%	0	0%	0%
Joseph Levinson	0	0%	0	0%	0%
<b>5% Shareholders:</b>					
Ever Alpha Global Limited <sup>(2)</sup>					
Vistra Corporate Services Centre					
Wickhams Cay II					
Road Town Tortola					
VG1110 British Virgin Islands					
	2,057,942	41.1588%	2,057,942	32.4938%	32.4938%
Man Woo Limited <sup>(3)</sup>					
Vistra Corporate Services Centre					
Wickhams Cay II					
Road Town Tortola					
VG1110 British Virgin Islands					
	649,351	12.9870%	649,351	10.2529%	10.2529%
United Glory Global Limited <sup>(4)</sup>					
Vistra Corporate Services Centre					
Wickhams Cay II					
Road Town Tortola					
VG1110 British Virgin Islands					
	514,486	10.2897%	514,486	8.1235%	8.1235%
Fulai International Limited <sup>(5)</sup>					
Vistra Corporate Services Centre					
Wickhams Cay II					
Road Town Tortola					
VG1110 British Virgin Islands					
	399,601	7.9920%	399,601	6.3095%	6.3095%

(1) Unless otherwise indicated, the business address of each of the individuals is Huateng Century Park Headquarters, Building A, Level 2, Beijing, PRC.

- (2) Ms. Ngai Ngai Lam is the 100% owner of Ever Alpha Global Limited that holds 2,057,942 Ordinary Shares.
- (3) Mr. Choi Sio Peng is the 100% owner of Man Woo Limited that holds 649,351 Ordinary Shares.
- (4) Mr. Yuk Sing Lai is the 100% owner of United Glory Global Limited that holds 514,486 Ordinary Shares.
- (5) Mr. Lin Ailian is the 100% owner of Fulai International Limited that holds 399,601 Ordinary Shares.

### **History of Share Capital**

We were incorporated in the Cayman Islands as an exempted company with limited liability on February 25, 2019. On the date of our incorporation and on an actual basis without effecting the Reorganization, we issued 1,000 Ordinary Shares to certain founders.

In March 2019, China Liberal, Yi Xin BVI and Yi Xin BVI's sole shareholder (the "Yi Xin BVI Shareholder") entered into a Sale and Purchase Agreement, whereby the Yi Xin BVI Shareholder sold 100% of the equity interests of Yi Xin BVI to China Liberal in consideration of one Ordinary Share of China Liberal being issued to Ever Alpha Global Limited, a BVI company wholly owned by the Yi Xin BVI Shareholder. After this transaction, China Liberal became the wholly-owned parent of Yi Xin BVI.

On July 8, 2019, our shareholders approved a stock split of our outstanding Ordinary Shares at a ratio of 1,000-for-1, which will be effective immediately. All references to Ordinary Shares, options to purchase Ordinary Shares, share data, per share data, and related information have been retroactively adjusted, where applicable, in this prospectus to reflect the split of our Ordinary Shares as if it had occurred at the beginning of the earlier period presented.

On July 15, 2019, our sole director approved a stock issuance increasing our Ordinary Shares by 3,999,000 to 5,000,000, effective immediately. All references to Ordinary Shares, options to purchase Ordinary Shares, share data, per share data, and related information have been retroactively adjusted, where applicable, in this prospectus to reflect the split of our Ordinary Shares as if it had occurred at the beginning of the earlier period presented.

As of the date of this prospectus, our authorized share capital consists of \$50,000 divided into 50,000,000 Ordinary Shares, par value \$0.001 per share. As of the date of this prospectus, 5,000,000 shares were issued and outstanding. Holders of Ordinary Shares are entitled to one vote per share. We will authorize and issue Ordinary Shares in this offering.

As of the date of this prospectus, none of our outstanding Ordinary Shares are held by record holders in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

## RELATED PARTY TRANSACTIONS

Upon completion of this offering, the ten BVI founding entities (the “Beneficial Owners”) will hold 78.9474% of the combined total of our outstanding Ordinary Shares. Following the completion of this offering, the Beneficial Owners will continue to have the power to act as a group in approving any action requiring a vote of the majority of our Ordinary Shares and to elect all of our directors.

### Material Transactions with Related Parties

#### *Share Purchase*

Jianxin Zhang has been a director and the standing deputy general manager of China Liberal Beijing since January 2015. Boya Hong Kong has been China Liberal Beijing’s sole shareholder since China Liberal Beijing’s inception, its majority shareholder since January 2018, and its sole shareholder since February 2019. Each of Jianxin Zhang and Boya Hong Kong is a related party of China Liberal Beijing, the Company’s indirect operating subsidiary in the PRC.

In January 2018, five individual shareholders, including Jianxin Zhang invested in China Liberal Beijing for an 8.8228% equity interest in China Liberal Beijing, and Boya Hong Kong’s sole ownership of China Liberal Beijing was diluted to 91.1772%. On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of these five individuals and completed the acquisition of their 8.82% ownership in China Liberal Beijing, for a total price of RMB 2.95 million (approximately \$453,669). After this transaction, China Liberal Beijing became a 100% controlled subsidiary of Boya Hong Kong.

#### *Reorganization*

In March 2019, China Liberal, Yi Xin BVI and Yi Xin BVI’s sole shareholder (the “Yi Xin BVI Shareholder”) entered into a Sale and Purchase Agreement, whereby the Yi Xin BVI Shareholder sold 100% of the equity interests of Yi Xin BVI to China Liberal in consideration of one Ordinary Share of China Liberal being issued to Ever Alpha Global Limited, a BVI company wholly owned by the Yi Xin BVI Shareholder. After this transaction, China Liberal became the wholly-owned parent of Yi Xin BVI.

#### *Amount due from a related party*

On May 22, 2018, Xiamen Xinbaiyi Investment Group (“Xinbaiyi”), an entity related to the Company’s Board member and shareholder, Mr. Ruenjie Lin, entered into a loan agreement with the Company to borrow RMB2.5 million (approximately \$363,000) as working capital for 10 months (from June 5, 2018 to February 28, 2019). The loan is non-interest bearing. Xinbaiyi repaid RMB2 million within 2018. The remaining balance of \$72,700 as of December 31, 2018 has been fully collected as of February 2019. There was no due from related party balance as of June 30, 2019.

#### *Amount due to related parties*

As of June 30, 2019 and December 31, 2018, the balance due to related parties totaled \$504,040 and \$22,591, respectively. They comprise advances from the Company’s principal shareholders and used for working capital during the Company’s normal course of business. These advances are non-interest bearing and due on demand.

On February 1, 2019, our subsidiary Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, for a total price of RMB 2.95 million (approximately \$453,669). The total value of the non-controlling interest amounted to \$540,907 as of the acquisition date. In connection with our acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, we borrowed cash from related party, Ms. Yiyi Lin, the controlling shareholder of the Company, and made the payment to original five non-controlling shareholders. This borrowing from related party is non-interest bearing and we plan to make the repayment to related party in fourth quarter of fiscal year 2019 using cash generated from operating activities.

In the fiscal year of 2017, five individual shareholders contributed an aggregate of RMB2.95 million (approximately \$453,669) into China Liberal Beijing for an 8.8228% ownership interest and such amount was used to increase the paid-in capital of China Liberal Beijing. In addition, we also borrowed \$14,956 from Ngai Ngai Lam, 100% owner of the current largest shareholder of China Liberal, as working capital.

### Employment Agreements

See “Management — Employment Agreements”.

## DESCRIPTION OF SHARE CAPITAL

The following description of our share capital and provisions of our memorandum and articles of association are summaries and do not purport to be complete. Reference is made to our amended memorandum and articles of association, which will become effective upon completion of this offering (and which is referred to in this section as, respectively, the “memorandum” and the “articles”).

We were incorporated as an exempted company with limited liability under the Companies Law (2018 Revision) of the Cayman Islands, or the Cayman Companies Law, on February 25, 2019. A Cayman Islands exempted company:

- is a company that conducts its business mainly outside the Cayman Islands;
- is prohibited from trading in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the exempted company carried on outside the Cayman Islands (and for this purpose can effect and conclude contracts in the Cayman Islands and exercise in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands);
- does not have to hold an annual general meeting;
- does not have to make its register of members open to inspection by shareholders of that company;
- may obtain an undertaking against the imposition of any future taxation;
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

### Ordinary Shares

All of our issued and outstanding Ordinary Shares are fully paid and non-assessable. Our Ordinary Shares are issued in registered form, and are issued when registered in our register of members. Each holder of our Ordinary Shares will be entitled to receive a certificate in respect of such Ordinary Shares. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their Ordinary Shares. We may not issue shares or warrants to bearer.

At the time of the Company’s incorporation on February 25, 2019, the Company had an authorized share capital of \$50,000, divided into 50,000 ordinary shares par value \$1.00 per share.

In March 2019, China Liberal, Yi Xin BVI and Yi Xin BVI’s sole shareholder (the “Yi Xin BVI Shareholder”) entered into a Sale and Purchase Agreement, whereby the Yi Xin BVI Shareholder sold 100% of the equity interests of Yi Xin BVI to China Liberal in consideration of one Ordinary Share of China Liberal being issued to Ever Alpha Global Limited, a BVI company wholly owned by the Yi Xin BVI Shareholder. After this transaction, China Liberal became the sole shareholder of Yi Xin BVI.

On July 8, 2019, our shareholders approved a stock split of our outstanding Ordinary Shares at a ratio of 1,000-for-1. On July 15, 2019, our sole director approved a stock issuance increasing our Ordinary Shares by 3,999,000 to 5,000,000, effective immediately.

Subject to the provisions of the Cayman Companies Law and our articles regarding redemption and purchase of the shares, the directors have general and unconditional authority to allot (with or without confirming rights of renunciation), grant options over or otherwise deal with any unissued shares to such persons, at such times and on such terms and conditions as they may decide. Such authority could be exercised by the directors to allot shares which carry rights and privileges that are preferential to the rights attaching to Ordinary Shares. No share may be issued at a discount except in accordance with the provisions of the Cayman Companies Law.

## **Transfer Agent and Registrar**

The transfer agent and registrar for the Ordinary Shares is Transshare Corporation.

## **Dividends**

Subject to the provisions of the Cayman Companies Law and any rights attaching to any class or classes of shares, the directors may declare dividends or distributions out of our funds which are lawfully available for that purpose.

Subject to the provisions of the Cayman Companies Law and any rights attaching to any class or classes of shares, our shareholders may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors.

Subject to the requirements of the Cayman Companies Law regarding the application of a company's share premium account and with the sanction of an ordinary resolution, dividends may also be declared and paid out of any share premium account. The directors when paying dividends to shareholders may make such payment either in cash or in specie.

Unless provided by the rights attached to a share, no dividend shall bear interest against us.

## **Voting Rights**

Subject to any rights or restrictions as to voting attached to any shares, unless any share carries special voting rights, on a show of hands every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote. On a poll, every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote for each share of which he or the person represented by proxy is the holder. In addition, all shareholders holding shares of a particular class are entitled to vote at a meeting of the holders of that class of shares. Votes may be given either personally or by proxy.

## **Variation of Rights of Shares**

Whenever our capital is divided into different classes of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied either with the consent in writing of the holders of not less than two-thirds of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than two-thirds of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of shares of that class.

Unless the terms on which a class of shares was issued state otherwise, the rights conferred on the shareholder holding shares of any class shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* with the existing shares of that class.

## **Alteration of share capital**

Subject to the Cayman Companies Law, our shareholders may, by ordinary resolution:

- (a) increase our share capital by such sum, to be divided into shares of such amount, as the ordinary resolution shall prescribe;
- (b) consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- (c) convert all or any of our paid up shares into stock, and reconvert that stock into paid up shares of any denomination;
- (d) sub-divide our existing shares or any of them into shares of smaller amounts than that fixed by the memorandum; and
- (e) cancel any shares which, at the date of the passing of that ordinary resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Subject to the Cayman Companies Law and to any rights for the time being conferred on the shareholders holding a particular class of shares, our shareholders may, by special resolution, reduce its share capital in any way.

### **Calls on shares and forfeiture**

Subject to the terms of allotment, the directors may make calls on the shareholders in respect of any monies unpaid on their shares including any premium and each shareholder shall (subject to receiving at least fourteen clear days' notice specifying when and where payment is to be made), pay to us the amount called on his shares. Shareholders registered as the joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share. If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or if no rate is fixed, at the rate of ten per cent per annum. The directors may, at their discretion, waive payment of the interest wholly or in part.

We have a first and paramount lien on every share

At any time the directors may declare any share to be wholly or partly exempt from the calls and forfeiture provisions of the articles.

We may sell, in such manner as the directors may determine, any share on which the sum in respect of which the lien exists is presently payable, if due notice that such sum is payable has been given (as prescribed by the articles) and, within fourteen days of the date on which the notice is deemed to be given under the articles, such notice has not been complied with.

### **Forfeiture or surrender of shares**

If a shareholder fails to pay any call the directors may give to such shareholder not less than fourteen clear days' notice requiring payment and specifying the amount unpaid including any interest which may have accrued, any expenses which have been incurred by us due to that person's default and the place where payment is to be made. The notice shall also contain a warning that if the notice is not complied with, the shares in respect of which the call is made will be liable to be forfeited.

If such notice is not complied with, the directors may, before the payment required by the notice has been received, resolve that any share the subject of that notice be forfeited (which forfeiture shall include all dividends or other monies payable in respect of the forfeited share and not paid before such forfeiture).

Subject to the provisions of the Cayman Companies Law, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the directors think fit.

A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares, and shall surrender to us for cancellation the certificate for the shares forfeited, notwithstanding such forfeit, remain liable to pay to us all monies which at the date of forfeiture were payable by him to us in respect of the shares, together with all expenses and interest from the date of forfeiture or surrender until payment.

A statutory declaration, made by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share.

Subject to the execution of an instrument of transfer, if necessary, the declaration shall constitute good title to the shares.

### **Share premium account**

The directors shall establish a share premium account and shall carry the credit of such account from time to time to a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed or such other amounts required by the Cayman Companies Law.

### **Redemption and purchase of own shares**

Subject to the Cayman Companies Law and any rights for the time being conferred on the shareholders holding a particular class of shares, we may by our directors:

- (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at our option or the shareholder on such terms and in such manner as the directors of the Company may, before the issue of shares, determine;
- (b) purchase its own shares (including any redeemable shares) in such manner and on such terms as our directors may determine and agree with the relevant shareholder; and
- (c) make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Cayman Companies Law, including out of capital.

We may make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Cayman Companies Law, including out of any combination of capital, our profits and the proceeds of a fresh issue of shares.

When making a payment in respect of the redemption or purchase of shares, the directors may make the payment in cash or in specie (or partly in one and partly in the other) if so authorized by the terms of the allotment of those shares or by the terms applying to those shares, or otherwise by agreement with the shareholder holding those shares.

### **Transfer of Shares**

Subject to the restrictions contained in our articles, any shareholder may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by any Designated Stock Exchange (as defined under our articles) or in any other form approved by our board of directors and may be under hand or, if the transferor or transferee is a Clearing House (as defined under our articles), by hand or by electronic machine imprinted signature or by such other manner of execution as the our board of directors may approve from time to time.

Our board of directors may, in its absolute discretion, decline to register any transfer of any Ordinary Share that has not been fully paid up or is subject to a company lien. Our board of directors may also decline to register any transfer of any Ordinary Share unless:

- (a) the instrument of transfer is lodged with us, accompanied by the certificate for the Ordinary Shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of Ordinary Shares;
- (c) the instrument of transfer is properly stamped, if required;
- (d) the Ordinary Share transferred is fully paid and free of any lien in favor of us; and
- (e) any fee related to the transfer has been paid to us.

If our directors refuse to register a transfer, they are required, within one month after the date on which the instrument of transfer was lodged, to send to the transferee notice of such refusal.

The registration of transfers of shares or of any class of shares may, after compliance with any notice requirement of any Designated Stock Exchange (as defined under our articles), be suspended and our register of members be closed at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as our board of directors may determine.

### **Inspection of Books and Records**

Holders of our Ordinary Shares will have no general right under the Cayman Companies Law to inspect or obtain copies of our register of members or our corporate records (other than the register of mortgages).

### **General Meetings**

An annual general meeting of our Company shall be held in each year (other than the year in which our articles were adopted) at such time as determined by our board of directors and we may, but shall not (unless required by the Cayman Companies Law) be obliged to, in each year hold any other general meeting.



The directors may convene general meetings whenever they think fit. General meetings shall also be convened on the written requisition of the shareholders holding at the date of deposit of the requisition not less than two-thirds, in par value of the issued shares which as at that date carry the right to vote at general meetings of our Company in accordance with the notice provisions in the articles, specifying the purpose of the meeting and signed by each of the shareholders making the requisition. If the directors do not convene such meeting for a date not later than twenty-one clear days' after the date of receipt of the written requisition, those shareholders who requested the meeting may convene the general meeting themselves within three months after the end of such period of twenty-one clear days.

At least ten (10) clear days' notice specifying the place, the day and the hour of each general meeting and the general nature of such business to be transacted thereat shall be given in the manner hereinafter provided, or in such other manner (if any) as may be prescribed by our ordinary resolution, to such persons as are entitled to vote or may otherwise be entitled under our articles to receive such notices from us.

The presence of one third of the shareholders, whether in person or represented by proxy, shall constitute a quorum at a general meeting.

If, within half an hour from the time appointed for the general meeting, or at any time during the meeting, a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be cancelled. In any other case it shall stand adjourned to the same time and place seven days or to such other time or place as is determined by the directors.

The chairman may, with the consent of a meeting at which a quorum is present, adjourn the meeting. When a meeting is adjourned for fourteen days or more, notice of the adjourned meeting shall be given in accordance with the articles.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll. A poll shall be taken in such manner as our chairman directs and he may appoint scrutineers (who need not be shareholders) and fix a place and time for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. In the case of equality of votes, the chairman shall be entitled to a casting vote in addition to any other vote he may have.

### **Directors**

Our board of directors shall consist of such number of directors as a majority of the directors then in office may determine from time to time, and subject always to the rights (if any) of the holders of preferred shares (if any) to elect additional directors under specified circumstances.

Our directors shall be entitled to such remuneration as the board of directors may determine and, unless otherwise determined, the remuneration shall be deemed to accrue from day to day.

No shareholding qualification shall be required for our directors.

Unless removed or re-appointed, each director shall be appointed for a term expiring at the next-following annual general meeting, if one is held. At any annual general meeting held, our directors will be elected by an ordinary resolution of our shareholders. At each annual general meeting, each director so elected shall hold office for a one-year term and until the election of their respective successors in office or removed.

The office of a director shall be vacated if:

- (a) he becomes prohibited by law from being a director;
- (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) he dies, or is, in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director;
- (d) he resigned his office by notice to us;
- (e) he has for more than six months been absent without permission of the directors from meetings of directors held during that period and the Directors resolve that his office be vacated;

## **Powers and duties of directors**

Subject to the provisions of the Cayman Companies Law, our memorandum and articles, our business shall be managed by the directors, who may exercise all our powers. However, to the extent allowed by the Cayman Companies Law, shareholders may by special resolution validate any prior or future act of the directors which would otherwise be in breach of their duties.

The directors may delegate any of their powers to any committee consisting of one or more directors; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the directors. Our board of directors may establish an audit committee, compensation committee, and nomination and corporate governance committee.

The board of directors may exercise all the powers of the Company to raise capital or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

A director must disclose any material interest pursuant to our articles, and such director may not vote at any meeting of directors or of a committee of directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty. Our director shall be counted in the quorum present at a meeting when any such resolution is under consideration and such resolution may be passed by a majority of the disinterested directors present at the meeting even if such disinterested directors together constitute less than a quorum.

## **Capitalization of profits**

The directors may resolve to capitalize:

- (a) any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of the Company's share premium account or capital redemption reserve;
- (b) appropriate the sum resolved to be capitalized to the shareholders who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to such sum, and allot the shares or debentures credited as fully paid to those shareholders, or as they may direct, in those proportions, or partly in one way and partly in the other;
- (c) resolve that any shares so allotted to any shareholder in respect of a holding by him of any partly-paid shares rank for dividend, so long as such shares remain partly paid, only to the extent that such partly paid shares rank for dividend;
- (d) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable in fractions; and
- (e) authorize any person to enter on behalf of all the shareholders concerned into an agreement with the Company providing for the allotment of them respectively, credited as fully paid, of any shares or debentures to which they may be entitled upon such capitalization, any agreement made under such authority being binding on all such shareholders.

## **Liquidation Rights**

If we are wound up, the shareholders may, subject to the articles and any other sanction required by the Cayman Companies Law, pass a special resolution allowing the liquidator to do either or both of the following:

- (a) to divide in specie among the shareholders the whole or any part of our assets and, for that purpose, to value any assets and to determine how the division shall be carried out as between the shareholders or different classes of shareholders; and
- (b) to vest the whole or any part of the assets in trustees for the benefit of shareholders and those liable to contribute to the winding up.

## **Register of Members**

Under the Cayman Companies Law, we must keep a register of members and there should be entered therein:

- the names and addresses of our shareholders, a statement of the shares held by each shareholder, and of the amount paid or agreed to be considered as paid, on the shares of each shareholder;
- the date on which the name of any person was entered on the register as a shareholder; and
- the date on which any person ceased to be a shareholder.

Under Cayman Companies Law, the register of members of our company is prima facie evidence of the matters set out therein and a shareholder registered in the register of members is deemed as a matter of the Cayman Companies Law to have legal title to the shares as set against its name in the register of members. Upon the completion of this offering, the register of members will be immediately updated to record and give effect to the issuance of Ordinary Shares by the Company to the custodian or its nominee. Once our register of members has been updated, the shareholders recorded in the register of members will be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a shareholder of our company, the person or shareholder aggrieved (or any shareholder of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

## **Differences in Corporate Law**

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England and Wales but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Cayman Companies Law and the current Companies Act of England. In addition, the Cayman Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Cayman Companies Law applicable to us and the comparable laws applicable to companies incorporated in the State of Delaware in the United States.

### *Mergers and Similar Arrangements*

The Cayman Companies Law provides for the mergers or consolidation of two or more companies in a single entity. The legislation makes a distinction between a “consolidation” and a “merger”. In a consolidation, a new entity is formed from the combination of each participating company, and the separate consolidating parties, as a consequence, cease to exist and are each stricken by the Registrar of Companies. In a merger, one company remains as the surviving party, having in effect absorbed the other merging parties that are then stricken and cease to exist.

Two or more Cayman-registered companies may merge or consolidate. Cayman-registered companies may also merge or consolidate with foreign companies provided that the laws of the foreign jurisdiction permit such merger or consolidation.

Under the new rules, a plan of merger or consolidation shall be authorized by each constituent company by way of (i) a special resolution of the members of each such constituent company; and (ii) such other authorization, if any, as may be specified in such constituent company’s memorandum and articles of association.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a subsidiary is a company of which at least 90% of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman Islands constituent company is entitled to payment of the fair value of his or her shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- (a) the statutory provisions as to the required majority vote have been met;
- (b) the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- (c) the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- (d) the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, or if a takeover offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

#### *Shareholders' Suits*

In principle, we will normally be the proper plaintiff and as a general rule, a derivative action may not be brought by a minority shareholder. However, based on English law authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- (a) a company acts or proposes to act illegally or ultra vires;
- (b) the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- (c) those who control the company are perpetrating a "fraud on the minority".

Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court generally has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.

#### *Indemnification of Directors and Executive Officers and Limitation of Liability*

The Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against the consequences of committing a crime or against the indemnified person's own fraud or dishonesty.

This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and executive officers that will provide such persons with additional indemnification beyond that provided in our articles.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

#### *Directors' Fiduciary Duties*

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, directors of Cayman Islands companies owe fiduciary duties to their respective companies to, amongst other things, act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. Core duties are:

- a duty to act in good faith in what the directors bona fide consider to be the best interest of the company (and in this regard, it should be noted that the duty is owed to the company and not to associate companies, subsidiaries or holding companies);
- a duty not to personally profit from opportunities that arise from the office of director;
- a duty of trusteeship of the company's assets;
- a duty not to put himself in a position where the structures of a company conflict of his or her personal interest on his or her duty to a third party to avoid conflicts of interest; and

a duty to exercise powers for the purpose for which such powers were conferred.

#### *Shareholder Proposals*

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Law does not provide shareholders any rights to bring business before a meeting or requisition a general meeting. However, these rights may be provided in the company's memorandum and articles of association.

#### *Cumulative Voting*

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under the Cayman Companies Law, our articles do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Under the Cayman Companies law, there is no cumulative voting for the election of directors unless so provided in the memorandum and articles of association.

#### *Removal of Directors*

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Subject to the provisions of our articles, the office of a director may be terminated forthwith if (a) he is prohibited by the law of the Cayman Islands from acting as a director, (b) he is made bankrupt or makes an arrangement or composition with his creditors generally, (c) he resigns his office by notice to us, (d) he only held office as a director for a fixed term and such term expires, (e) in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a director, (f) he is given notice by the majority of the other directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such director), (g) he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise, or (h) without the consent of the other directors, he is absent from meetings of directors for continuous period of six months.

Under the Cayman Companies law, removal of directors is governed by the terms of the memorandum and articles of association.

#### *Transactions with Interested Shareholders*

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

The Cayman Companies Law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although the Cayman Companies Law does not regulate transactions between a company and its significant shareholders, under Cayman Islands law such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

### *Dissolution; Winding Up*

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors.

Under the Cayman Companies Law, our company may be wound up by a special resolution of our shareholders, or if the winding up is initiated by our board of directors, by either a special resolution of our members or, if our company is unable to pay its debts as they fall due, by an ordinary resolution of our members. In addition, a company may be wound up by an order of the courts of the Cayman Islands. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

### *Variation of Rights of Shares*

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise.

Under our articles, if our share capital is divided into more than one class of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied either with the consent in writing of the holders of not less than two-thirds of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than two-thirds of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of shares of that class.

### *Amendment of Governing Documents*

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Cayman Companies Law, our articles may only be amended by special resolution of our shareholders.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been a public market for our Ordinary Shares. We are in the process of applying to list our Ordinary Shares on the Nasdaq Capital Market under the symbol CLEU. Future sales of substantial amounts of shares of our Ordinary Shares in the public market after our initial public offering, or the possibility of these sales occurring, could cause the prevailing market price for our Ordinary Shares to fall or impair our ability to raise equity capital in the future. Upon completion of this offering, we will have outstanding Ordinary Shares representing approximately 53.82% of our Ordinary Shares in issue assuming no exercise of the underwriter's over-allotment option. This number excludes any issuance of aggregate of additional Ordinary Shares that could occur in connection with the conversion or exercise of our outstanding convertible promissory notes, options and warrants.

All of the Ordinary Shares sold in this offering will be freely transferable by persons other than our affiliates without restriction or further registration under the Securities Act.

### Rule 144

All of our Ordinary Shares outstanding prior to this offering are "restricted securities" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as those provided by Rule 144 and Rule 701 promulgated under the Securities Act.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who is not deemed to have been our affiliate at any time during the three months preceding a sale and who has beneficially owned restricted securities within the meaning of Rule 144 for more than six months would be entitled to sell an unlimited number of those shares, subject only to the availability of current public information about us. A non-affiliate who has beneficially owned restricted securities for at least one year from the later of the date these shares were acquired from us or from our affiliate would be entitled to freely sell those shares.

A person who is deemed to be an affiliate of ours and who has beneficially owned "restricted securities" for at least six months would be entitled to sell, within any three-month period, a number of shares that is not more than the greater of:

- 1% of the number of Ordinary Shares then outstanding, in the form of Ordinary Shares or otherwise, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of the Ordinary Shares on the Nasdaq Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. In addition, in each case, these shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

### Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. If any of our employees, executive officers or directors purchase shares under a written compensatory plan or contract, they may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares would be required to wait until 90 days after the date of this prospectus before selling any such shares.

### Regulation S

Regulation S provides generally that sales made in offshore transactions are not subject to the registration or prospectus-delivery requirements of the Securities Act.



## TAXATION

### People's Republic of China Enterprise Taxation

Unless otherwise noted in the following discussion, this section is the opinion of Tian Yuan Law Firm, our PRC counsel, insofar as it relates to legal conclusions with respect to matters of People's Republic of China Enterprise Taxation below.

The following brief description of Chinese enterprise laws is designed to highlight the enterprise-level taxation on our earnings, which will affect the amount of dividends, if any, we are ultimately able to pay to our shareholders. See "*Dividend Policy*."

#### *Enterprise Income Tax*

According to the *Enterprise Income Tax Law of the People's Republic of China*, or the EIT Law, which was promulgated by the Standing Committee of the National People's Congress on March 16, 2007, and became effective on January 1, 2008, and then amended on February 24, 2017 and December 29, 2018, and the *Implementation Rules of the EIT Law*, or the Implementation Rules, which were promulgated by the State Council on December 6, 2007, became effective on January 1, 2008 and was last amended on April 23, 2019, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises pay enterprise income tax on their incomes obtained in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no institutions in the PRC, and non-resident enterprises with income having no substantial connection with their institutions in the PRC, pay enterprise income tax on their income obtained in the PRC at a reduced rate of 10%.

We are a holding company incorporated in the Cayman Islands and we gain substantial income by way of dividends paid to us from our PRC Subsidiary. The EIT Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC Subsidiary to its equity holders that are non-resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential tax rate or a tax exemption.

Under the EIT Law, an enterprise established outside of China with a "de facto management body" within China is considered a "resident enterprise," which means that it is treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define "de facto management body" as a managing body that actually, comprehensively manage and control the production and operation, staff, accounting, property and other aspects of an enterprise, the only official guidance for this definition currently available is set forth in the *Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management*, or SAT Notice 82, which provides guidance on the determination of the tax residence status of a Chinese-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although China Liberal does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of SAT Notice 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in SAT Notice 82 to evaluate the tax residence status of China Liberal and its subsidiaries organized outside the PRC.

According to SAT Notice 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (i) the places where senior management and senior management departments that are responsible for daily production, operation and management of the enterprise perform their duties are mainly located within the territory of China; (ii) financial decisions (such as money borrowing, lending, financing and financial risk management) and personnel decisions (such as appointment, dismissal and salary and wages) are decided or need to be decided by organizations or persons located within the territory of China; (iii) main property, accounting books, corporate seal, the board of directors and files of the minutes of shareholders' meetings of the enterprise are located or preserved within the territory of China; and (iv) one half (or more) of the directors or senior management staff having the right to vote habitually reside within the territory of China.

We believe that we do not meet some of the conditions outlined in the immediately preceding paragraph. For example, as a holding company, the key assets and records of China Liberal Education Holdings Limited, including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC "resident enterprise" by the PRC tax authorities. Accordingly, we believe that China Liberal and its offshore subsidiaries should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in SAT Notice 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we will continue to monitor our tax status.

The implementation rules of the EIT Law provide that, (i) if the enterprise that distributes dividends is domiciled in the PRC or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or gains are treated as China-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for PRC tax purposes, any dividends we pay to our overseas shareholders which are non-resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%. We are unable to provide a “will” opinion because Tian Yuan Law Firm, our PRC counsel, believes that it is more likely than not that the Company and its offshore subsidiaries would be treated as a non-resident enterprise for PRC tax purposes because they do not meet some of the conditions out lined in SAT Notice. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities as of the date of the prospectus. Therefore, we believe that it is possible but highly unlikely that the income received by our overseas shareholders will be regarded as China-sourced income. See “Risk Factors—Risks Related to Doing Business in the PRC— If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

Generally, resident enterprises in the PRC are subject to the enterprise income tax at the rate of 25%. Our company is granted preferential treatment to “high and new technology enterprises strongly supported by the state,” or HNTEs, to enjoy a preferential enterprise tax rate of 15%. Therefore, China Liberal Beijing pays an EIT approximately US\$167,813 and US\$158,109 in the years ended December 31, 2018 and 2017. The EIT is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards. If the PRC tax authorities determine that China Liberal Beijing is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of our Ordinary Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends or gains realized by non-PRC individuals, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of the Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that the Company is treated as a PRC resident enterprise. There is no guidance from the PRC government to indicate whether or not any tax treaties between the PRC and other countries would apply in circumstances where a non-PRC company was deemed to be a PRC tax resident, and thus there is no basis for expecting how tax treaty between the PRC and other countries may impact non-resident enterprises.

#### *Value-added Tax*

Pursuant to the *Provisional Regulations on Value-Added Tax of the PRC*, or the VAT Regulations, which were promulgated by the State Council on December 13, 1993, and took effect on January 1, 1994, and were amended on November 10, 2008, February 6, 2016, and November 19, 2017, respectively, and the *Rules for the Implementation of the Provisional Regulations on Value Added Tax of the PRC*, which were promulgated by the MOF, on December 25, 1993, and were amended on December 15, 2008, and October 28, 2011, respectively, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the People’s Republic of China are taxpayers of value-added tax. The VAT rate is 13% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods, except otherwise specified; 9% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods, except otherwise specified; 6% for taxpayers selling services or intangible assets.

According to *Announcement of the State Taxation Administration on Matters Relating to Deepening the VAT Reform* (Announcement [2019] No.14 of the State Taxation Administration), or the Announcement, issued by the State Administration of Taxation, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 16% to 13% and from 10% to 9%, respectively. The Notice took effect on April 1, 2019, and the adjusted VAT rates took effect at the same time.

The *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* on March 23, 2016, which took effect on May 1, 2016 and last amended in 2019. Pursuant to such circular, the Value Added Tax Pilot Program has been applicable nationwide since May 1, 2016.

According to the VAT Regulations and the related rules, as of the date of this prospectus, as taxpayers selling services, China Liberal Beijing is generally subject to 6% VAT rate.

#### *Dividend Withholding Tax*

The Enterprise Income Tax Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to an *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes*, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the *Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties*, or the SAT Circular 81, issued on February 20, 2009, by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the *Circular on Several Questions regarding the "Beneficial Owner" in Tax Treaties*, which was issued on February 3, 2018, by the SAT and took effect on April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. The Measures for the Administration of Non-resident Taxpayers' Enjoyment of Treaty Benefits, or SAT Circular 35, which was promulgated by the State Administration of Taxation on October 14, 2019 and became effective on January 1, 2020 provides that non-resident taxpayers' enjoyment of treaty benefits shall be handled in the manner of "self-assessment, claim for and enjoyment of treaty benefits, and retention of relevant materials for review". If a non-resident taxpayer determines through self-assessment that he or she is eligible for treaty benefits, he or she may, when filing tax returns, or when a withholding agent files withholding returns, enjoy tax treaty benefits, and collect and retain relevant materials for review in accordance with the provisions of SAT Circular 35 and accept the follow-up administration of tax authorities.

As of the date of this prospectus, when considered as a non-PRC resident investor, which is much more likely to happen than not, Boya Hong Kong shall be subject to the dividend withholding tax at the rate of 10%. (See "*Risk Factors*" and "*Taxation*.") Upon identified as the Hong Kong resident enterprise stipulated by the Double Tax Avoidance Arrangement and other applicable laws, the withholding tax may be reduced to 5%.

#### **Hong Kong Taxation**

Entities incorporated in Hong Kong are subject to profits tax in Hong Kong at the rate of 16.5% for each of the years ended June 30, 2018 and 2017.

#### **British Virgin Islands Taxation**

The British Virgin Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. No stamp duty is payable in the British Virgin Islands on the issue of shares by, or any transfers of shares of, British Virgin Islands companies (except those which hold interests in land in the British Virgin Islands). The British Virgin Islands is not party to any double tax treaties that are applicable to any payments made to or by the Company.

Payments of dividends and capital in respect of our Ordinary Shares will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of a dividend or capital to any holder of our Ordinary Shares, as the case may be, nor will gains derived from the disposal of our Ordinary Shares be subject to British Virgin Islands income or corporation tax.

#### **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by the Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

## **United States Federal Income Taxation**

### **WE URGE POTENTIAL PURCHASERS OF OUR ORDINARY SHARES TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR ORDINARY SHARES.**

The following does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- advertising investment trusts;
- broker-dealers;
- persons that elect to mark their securities to market;
- U.S. expatriates or former long-term residents of the U.S.;
- governments or agencies or instrumentalities thereof;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding our Ordinary Shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting power or value (including by reason of owning our Ordinary Shares);
- persons who acquired our Ordinary Shares pursuant to the exercise of any employee share option or otherwise as compensation;
- persons holding our Ordinary Shares through partnerships or other pass-through entities;
- beneficiaries of a Trust holding our Ordinary Shares; or
- persons holding our Ordinary Shares through a Trust.

The discussion set forth below is addressed only to U.S. Holders that purchase Ordinary Shares in this offering. Prospective purchasers are urged to consult their own tax advisors about the application of the U.S. federal income tax rules to their particular circumstances as well as the state, local, foreign and other tax consequences to them of the purchase, ownership and disposition of our Ordinary Shares.

#### ***Material Tax Consequences Applicable to U.S. Holders of Our Ordinary Shares***

The following sets forth the material U.S. federal income tax consequences related to the ownership and disposition of our Ordinary Shares. It is directed to U.S. Holders (as defined below) of our Ordinary Shares and is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This description does not deal with all possible tax consequences relating to ownership and disposition of our Ordinary Shares or U.S. tax laws, other than the U.S. federal income tax laws, such as the tax consequences under non-U.S. tax laws, state, local and other tax laws.

The following brief description applies only to U.S. Holders (defined below) that hold Ordinary Shares as capital assets and that have the U.S. dollar as their functional currency. This brief description is based on the federal income tax laws of the United States in effect as of the date of this prospectus and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this prospectus, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The brief description below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of Ordinary Share and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

### ***Taxation of Dividends and Other Distributions on our Ordinary Shares***

Subject to the PFIC (defined below) rules discussed below, the gross amount of distributions made by us to you with respect to the Ordinary Shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). With respect to corporate U.S. Holders, the dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the Ordinary Shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are not a PFIC (defined below) for either our taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. Because there is no income tax treaty between the United States and the Cayman Islands, clause (1) above can be satisfied only if the Ordinary Shares are readily tradable on an established securities market in the United States. Under U.S. Internal Revenue Service authority, Ordinary Shares are considered for purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the Nasdaq Capital Market. You are urged to consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our Ordinary Shares, including the effects of any change in law after the date of this prospectus.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to our Ordinary Shares will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your Ordinary Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

### ***Taxation of Dispositions of Ordinary Shares***

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the Ordinary Shares. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the Ordinary Shares for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes which will generally limit the availability of foreign tax credits.

### ***Passive Foreign Investment Company (“PFIC”)***

A non-U.S. corporation is considered a PFIC, as defined in Section 1297(a) of the US Internal Revenue Code, for any taxable year if either:

- at least 75% of its gross income for such taxable year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. In determining the value and composition of our assets for purposes of the PFIC asset test, (1) the cash we raise in this offering will generally be considered to be held for the production of passive income and (2) the value of our assets must be determined based on the market value of our Ordinary Shares from time to time, which could cause the value of our non-passive assets to be less than 50% of the value of all of our assets (including the cash raised in this offering) on any particular quarterly testing date for purposes of the asset test.

Based on our operations and the composition of our assets we do not expect to be treated as a PFIC under the current PFIC rules. However, we must make a separate determination each year as to whether we are a PFIC, and there can be no assurance with respect to our status as a PFIC for our current taxable year or any future taxable year. Depending on the amount of cash we raise in this offering, together with any other assets held for the production of passive income, it is possible that, for our current taxable year or for any subsequent taxable year, more than 50% of our assets may be assets held for the production of passive income. We will make this determination following the end of any particular tax year. In addition, because the value of our assets for purposes of the asset test will generally be determined based on the market price of our Ordinary Shares and because cash is generally considered to be an asset held for the production of passive income, our PFIC status will depend in large part on the market price of our Ordinary Shares and the amount of cash we raise in this offering. Accordingly, fluctuations in the market price of the Ordinary Shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in this offering. We are under no obligation to take steps to reduce the risk of our being classified as a PFIC, and as stated above, the determination of the value of our assets will depend upon material facts (including the market price of our Ordinary Shares from time to time and the amount of cash we raise in this offering) that may not be within our control. If we are a PFIC for any year during which you hold Ordinary Shares, we will continue to be treated as a PFIC for all succeeding years during which you hold Ordinary Shares. However, if we cease to be a PFIC and you did not previously make a timely “mark-to-market” election as described below, you may avoid some of the adverse effects of the PFIC regime by making a “purging election” (as described below) with respect to the Ordinary Shares.

If we are a PFIC for your taxable year(s) during which you hold Ordinary Shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Ordinary Shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Ordinary Shares;
- the amount allocated to your current taxable year, and any amount allocated to any of your taxable year(s) prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each of your other taxable year(s) will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Ordinary Shares cannot be treated as capital, even if you hold the Ordinary Shares as capital assets.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election under Section 1296 of the US Internal Revenue Code for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for first taxable year which you hold (or are deemed to hold) Ordinary Shares and for which we are determined to be a PFIC, you will include in your income each year an amount equal to the excess, if any, of the fair market value of the Ordinary Shares as of the close of such taxable year over your adjusted basis in such Ordinary Shares, which excess will be treated as ordinary income and not capital gain. You are allowed an ordinary loss for the excess, if any, of the adjusted basis of the Ordinary Shares over their fair market value as of the close of the taxable year. However, such ordinary loss is allowable only to the extent of any net mark-to-market gains on the Ordinary Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to any loss realized on the actual sale or disposition of the Ordinary Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Ordinary Shares. Your basis in the Ordinary Shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “— Taxation of Dividends and Other Distributions on our Ordinary Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including the Nasdaq Capital Market. If the Ordinary Shares are regularly traded on the Nasdaq Capital Market and if you are a holder of Ordinary Shares, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election under Section 1295(b) of the US Internal Revenue Code with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold Ordinary Shares in any taxable year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such Ordinary Shares, including regarding distributions received on the Ordinary Shares and any gain realized on the disposition of the Ordinary Shares.

If you do not make a timely “mark-to-market” election (as described above), and if we were a PFIC at any time during the period you hold our Ordinary Shares, then such Ordinary Shares will continue to be treated as stock of a PFIC with respect to you even if we cease to be a PFIC in a future year, unless you make a “purging election” for the year we cease to be a PFIC. A “purging election” creates a deemed sale of such Ordinary Shares at their fair market value on the last day of the last year in which we are treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, you will have a new basis (equal to the fair market value of the Ordinary Shares on the last day of the last year in which we are treated as a PFIC) and holding period (which new holding period will begin the day after such last day) in your Ordinary Shares for tax purposes.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in our Ordinary Shares and the elections discussed above.

### ***Information Reporting and Backup Withholding***

Dividend payments with respect to our Ordinary Shares and proceeds from the sale, exchange or redemption of our Ordinary Shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding under Section 3406 of the US Internal Revenue Code with at a current flat rate of 24%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information. We do not intend to withhold taxes for individual shareholders. However, transactions effected through certain brokers or other intermediaries may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

Under the Hiring Incentives to Restore Employment Act of 2010, certain U.S. Holders are required to report information relating to our Ordinary Shares, subject to certain exceptions (including an exception for Ordinary Shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold Ordinary Shares.

## UNDERWRITING

We expect to enter into an underwriting agreement with Boustead Securities, LLC (the “Underwriter”), as the Underwriter named therein, with respect to the Ordinary Shares in this offering. Under the terms and subject to the conditions contained in the underwriting agreement, the Underwriter has agreed to purchase from us on a firm commitment basis the respective number of Ordinary Shares at the public price less the underwriting discounts set forth on the cover page of this prospectus:

Ordinary Shares sold by the Underwriter to the public will initially be offered at the initial public offering price set forth on the cover page of this prospectus. Any Ordinary Shares sold by the Underwriter to securities dealers may be sold at a discount from the initial public offering price not to exceed \$0.21 per share. If all of the shares are not sold at the initial offering price, the Underwriter may change the offering price and the other selling terms. The Underwriter has advised us that the Underwriter does not intend to make sales to discretionary accounts.

If the Underwriter sells more Ordinary Shares than the total number set forth in the table above, we have granted to the Underwriter an option, exercisable for 45 days from the date of this prospectus, to purchase up to 200,000 additional Ordinary Shares at the public offering price less the underwriting discount. The Underwriter may exercise this option solely for the purpose of covering over-allotments, if any, in connection with this offering. Any Ordinary Shares issued or sold under the option will be issued and sold on the same terms and conditions as the other Ordinary Shares that are the subject of this offering.

In connection with the offering, the Underwriter may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the over-allotment option, and stabilizing purchases.

- Short sales involve secondary market sales by the Underwriter of a greater number of shares than they are required to purchase in the offering.
- “Covered” short sales are sales of shares in an amount up to the number of shares represented by the Underwriter’s over-allotment option.
- “Naked” short sales are sales of shares in an amount in excess of the number of shares represented by the Underwriter’s over-allotment option.
- Covering transactions involve purchases of shares either pursuant to the over-allotment option or in the open market after the distribution has been completed in order to cover short positions.
- To close a naked short position, the Underwriter must purchase shares in the open market after the distribution has been completed. A naked short position is more likely to be created if the Underwriter is concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- To close a covered short position, the Underwriter must purchase shares in the open market after the distribution has been completed or must exercise the over-allotment option. In determining the source of shares to close the covered short position, the Underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.
- Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Underwriter for its own account, may have the effect of preventing or retarding a decline in the market price of the Ordinary Shares. They may also cause the price of the Ordinary Shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Underwriter may conduct these transactions in the over-the-counter market or otherwise. If the Underwriter commences any of these transactions, it may discontinue them at any time.



## Discounts and Expenses

The following table shows the underwriting discounts payable to the Underwriter by us in connection with this offering (assuming both the exercise and non-exercise of the over-allotment option that we have granted to the Underwriter):

	Per Share	Total Without Exercise of Over- Allotment Option	Total With Exercise of Over- Allotment Option
Public offering price	\$ 6.00	\$ 8,000,000	\$ 9,200,000
Underwriting discounts <sup>(1)</sup>	\$ 0.42	\$ 560,000	\$ 644,000

(1) Does not include (i) the warrant to purchase Ordinary Shares equal to 7% of the number of shares sold in the offering, or (ii) certain out-of-pocket expenses, each as described below.

We have agreed to issue warrants to the Underwriter to purchase a number of Ordinary Shares equal to 7% of the total number of shares sold in this offering at an exercise price equal to 100% of the public offering price of the shares sold in this offering. These warrants will be exercisable upon issuance, will have a cashless exercise provision and will terminate on the fifth anniversary of the effective date of the registration statement of which this prospectus is a part. The warrants also provide for customary anti-dilution provisions and “piggyback” registration rights with respect to the registration of the Ordinary Shares underlying the warrants for a period of seven years from the effective date of the Registration Statement.

The Underwriter warrants and the underlying shares may be deemed to be compensation by FINRA, and therefore will be subject to FINRA Rule 5110(g)(1). In accordance with FINRA Rule 5110(g)(1), neither the Underwriter warrants nor any of our shares issued upon exercise of the Underwriter warrants may be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such securities by any person, for a period of 180 days immediately following the effective date of the Registration Statement pursuant to which the Underwriter warrants are being issued, subject to certain exceptions. The warrants to be received by the Underwriter and related persons in connection with this offering: (i) fully comply with lock-up restrictions pursuant to FINRA Rule 5110(g)(1); and (ii) fully comply with transfer restrictions pursuant to FINRA Rule 5110(g)(2)(A)(ii).

We have agreed to pay the Underwriter reasonable out-of-pocket expenses incurred by the Underwriter in connection with this offering up to US\$256,000. The Underwriter out-of-pocket expenses include, but not limit to: (i) reasonable travel, road show presentation and out-of-pocket expenses (“Road Show and Travel Expenses”) of up to \$75,000; (ii) reasonable fees of legal counsel incurred by the Underwriter in connection with the offering of up to \$100,000; (iii) the cost of background check on the Company’s officers, directors and major shareholders of up to \$6,000; and (iv) third-party due diligence expenses of up to \$75,000. As of the date of this prospectus, we have paid the Underwriter an advance of \$170,250, of which \$50,000 was for reimbursement for the actual legal expenses incurred, \$5,250 was for background checks fee of the Company’s officers and directors, \$50,000 for Road Show and Travel Expenses and \$65,000 was for third-party due diligence expenses. We have also advanced to the Underwriter \$15,000 which will be used to pay for the DTC eligibility fees. Such advance payments will be returned to us to the extent such out-of-pocket expenses are not actually incurred in accordance with FINRA Rule 5110(f)(2)(C).

In addition, the Company agrees that it shall provide the Underwriter the right of first refusal for two years from the date of commencement of sales of the public offering or termination or expiration of the engagement with Boustead Securities, LLC to act as financial advisor or to act as joint financial advisor on at least equal economic terms on any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of the equity or assets of the Company; provided, however, that the Underwriter shall not be entitled to have such right of first refusal if this offering is not consummated.

Prior to this offering, there has been no public market for the Ordinary Shares. In determining the initial public offering price, we and the Underwriter consider a number of factors, including:

- the information set forth in this prospectus and otherwise available to the Underwriter;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded securities of generally comparable companies; and
- other factors deemed relevant by the Underwriter and us.

The estimated initial public offering price set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors. Neither we nor the Underwriter can assure investors that an active trading market will develop for our Ordinary Shares, or that the shares will trade in the public market at or above the initial public offering price.

We have agreed to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments that the Underwriter may be required to make for these liabilities.

## Lock-Up Agreements

We and certain existing shareholders agree not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any shares of our Ordinary Shares or other securities convertible into or exercisable or exchangeable for ordinary shares for a period of up to 12 months after the effective date of the registration statement of which this prospectus is a part without the prior written consent of the Underwriter.

Certain existing shareholders agree not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any our Ordinary Shares or other securities convertible into or exercisable or exchangeable for ordinary shares (“Securities”) other than pursuant to the following criteria:

- If during the first 90 days following the date on which the trading of the Securities on the NASDAQ Stock Exchange commences (the “IPO”), the closing bid price of the Securities is \$8.00 or greater for any ten consecutive trading days, and the average daily trading volume for such 90 days is \$350,000 or greater, then on the 91st day following the IPO, these shareholders may sell up to 50% of the Securities he, she or it holds from the 91st day to the 180th day following the IPO.
- If beginning on the 91st day following the IPO, the closing bid price of the Securities is \$10.00 or greater for any ten consecutive trading days, and the average daily trading volume from the 91st day through the 120th day is \$350,000 or greater, then on the 121st day following the IPO, these shareholders may sell up to the remaining 50% of the Securities he, she or it holds from the 121st day to the 180th day following the IPO.
- From the 181<sup>st</sup> day following the IPO, these shareholders may sell all or a portion of the Securities subject to Rule 144.

Certain existing shareholders and each of our officers and directors, to the extent they own our Securities, directly or indirectly, agree not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any Securities during the below periods:

- Starting from the 180th day following the IPO, each of these holders of our Ordinary Shares may sell up to 10% of his, her or its holdings of the Securities.
- Starting from the 270th day following the IPO, each of these holders of our Ordinary Shares may sell up to additional 40% of his, her or its holdings of the Securities.
- Starting from the 365th day following the IPO, each of these holders of our Ordinary Shares may sell up to the remaining 50% of his, her or its holdings of the Securities.

The Underwriter may in its sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the lock-up period. When determining whether or not to release shares from the lock-up agreements, the Underwriter will consider, among other factors, the security holder’s reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time.

## Electronic Offer, Sale and Distribution of Ordinary Shares

A prospectus in electronic format may be made available on the websites maintained by the Underwriter. In addition, Ordinary Shares may be sold by the Underwriter to securities dealers who resell Ordinary Shares to online brokerage account holders. Other than the prospectus in electronic format, the information on the Underwriter’s website and any information contained in any other website maintained by the Underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the Underwriter in its capacity as Underwriter and should not be relied upon by investors.

## Selling Restrictions

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the Ordinary Shares, or the possession, circulation or distribution of this prospectus or any other material relating to us or the Ordinary Shares, where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the Ordinary Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

## EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding placement discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the FINRA filing fee, and the Nasdaq listing fee, all amounts are estimates.

Securities and Exchange Commission Registration Fee	\$ 1,231.39
Nasdaq Capital Market Listing Fee	\$ 5,000.00
FINRA	\$ 2,000.00
Legal Fees and Expenses	\$ 467,808.61
Underwriter out-of-pocket expenses (due diligence, etc.)	\$ 135,250.00
Underwriter legal fees	\$ 100,000.00
Accounting Fees and Expenses	\$ 360,000.00
Printing and Engraving Expenses	\$ 32,995.00
Miscellaneous Expenses	\$ 176,270.00
<b>Total Expenses</b>	<b>\$ 1,280,555.00</b>

These expenses will be borne by us. Underwriting discounts will be borne by us in proportion to the numbers of Ordinary Shares sold in the offering.

## LEGAL MATTERS

The validity of the Ordinary Shares offered in this offering and certain other legal matters as to Cayman Islands law will be passed upon for us by Campbells. Legal matters as to PRC law will be passed upon for us by Tian Yuan Law Firm. Pryor Cashman LLP is acting as counsel to the Underwriter.

## EXPERTS

The financial statements as of December 31, 2018 and 2017, and for the years ended December 31, 2018 and 2017, included in this prospectus have been so included in reliance on the report of Friedman LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and schedules under the Securities Act, covering the Ordinary Shares offered by this prospectus. You should refer to our registration statements and their exhibits and schedules if you would like to find out more about us and about the Ordinary Shares. This prospectus summarizes material provisions of contracts and other documents that we refer you to. Since the prospectus may not contain all the information that you may find important, you should review the full text of these documents.

Immediately upon the completion of this offering, we will be subject to periodic reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders under the federal proxy rules contained in Sections 14(a), (b) and (c) of the Exchange Act, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

The registration statements, reports and other information so filed can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The SEC also maintains a website that contains reports, proxy statements and other information about issuers, such as us, who file electronically with the SEC. The address of that website is <http://www.sec.gov>. The information on that website is not a part of this prospectus.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of  
China Liberal Education Holdings Limited and Subsidiaries

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of China Liberal Education Holdings Limited and its subsidiaries (collectively, the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of income and comprehensive income, shareholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ Friedman LLP*

We have served as the Company’s auditor since 2018.

New York, New York

May 6, 2019, except Notes 2, 12, 15 and 16,  
as to which the date is August 5, 2019

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**

	As of December 31,	
	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,077,166	\$ 7,970
Accounts receivable, net	833,174	632,724
Contract receivable, net	960,237	160,270
Advance to suppliers	19,885	1,529,865
Loan receivable	-	1,997,726
Due from a related party	72,700	-
Prepaid expenses and other current assets	286,052	169,864
<b>TOTAL CURRENT ASSETS</b>	<b>4,249,214</b>	<b>4,498,419</b>
Property and equipment, net	101,205	68,155
Contract receivable, net	1,617,186	684,780
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,718,391</b>	<b>752,935</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,967,605</b>	<b>\$ 5,251,354</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 121,558	\$ 171,976
Deferred revenue	149,560	104,181
Taxes payable	244,142	177,722
Due to related parties	22,591	14,956
Accrued expenses and other current liabilities	178,175	171,526
<b>TOTAL CURRENT LIABILITIES</b>	<b>716,026</b>	<b>640,361</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized; 5,000,000 shares issued and outstanding*	5,000	5,000
Additional paid in capital	4,579,116	1,643,527
Statutory reserve	294,158	201,468
Retained earnings	88,967	2,274,585
Accumulated other comprehensive income (loss)	(234,237)	26,746
Total shareholders' equity	4,733,004	4,151,326
Non-controlling interest	518,575	459,667
<b>Total equity</b>	<b>5,251,579</b>	<b>4,610,993</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 5,967,605</b>	<b>\$ 5,251,354</b>

\* The Company issued totally 5,000,000 shares in July 2019. These shares are presented on a retroactive basis to reflect the nominal share issuance, see Note 12 for additional information.

The accompanying notes are an integral part of these consolidated financial statements

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

	For the years ended	
	December 31,	
	<u>2018</u>	<u>2017</u>
<b>REVENUE, NET</b>	\$ 4,808,993	\$ 3,885,886
<b>COST OF REVENUE</b>	2,702,297	2,161,322
<b>GROSS PROFIT</b>	<u>2,106,696</u>	<u>1,724,564</u>
<b>OPERATING EXPENSES</b>		
Selling expenses	704,060	541,424
General and administrative expenses	579,500	408,762
Total operating expenses	<u>1,283,560</u>	<u>950,186</u>
<b>INCOME FROM OPERATIONS</b>	<u>823,136</u>	<u>774,378</u>
<b>OTHER INCOME</b>		
Interest income	88,926	70,743
Other income, net	180,191	187,794
Total other income, net	<u>269,117</u>	<u>258,537</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>1,092,253</u>	<u>1,032,915</u>
<b>INCOME TAX PROVISION</b>	<u>167,813</u>	<u>158,109</u>
<b>NET INCOME</b>	<u>924,440</u>	<u>874,806</u>
Less: net income attributable to non-controlling interest	81,779	5,800
<b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>	<u>\$ 842,661</u>	<u>\$ 869,006</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Total foreign current translation adjustment	(260,983)	238,632
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>663,457</u>	<u>1,113,438</u>
Less: comprehensive income (loss) attributable to non-controlling interest	(22,871)	198
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY</b>	<u>\$ 686,328</u>	<u>\$ 1,113,240</u>
<b>EARNINGS PER SHARE</b>		
Basic and diluted	<u>\$ 0.17</u>	<u>\$ 0.17</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		
Basic and diluted	<u>5,000,000</u>	<u>5,000,000</u>

The accompanying notes are an integral part of these consolidated financial statements.



**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Common shares		Additional paid-in capital	Statutory reserve	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non- controlling interest	Total equity
	Shares*	Amount							
<b>Balance at</b>									
<b>December 31, 2016</b>	<b>5,000,000</b>	<b>\$ 5,000</b>	<b>\$ 1,643,527</b>	<b>\$ 113,816</b>	<b>\$ 1,493,231</b>	<b>\$ (211,886)</b>	<b>\$ 3,043,688</b>	<b>\$ -</b>	<b>\$ 3,043,688</b>
Acquisition of minority interest in China Boya			-	-	-	-	-	453,669	453,669
Appropriation to statutory reserve			-	87,652	(87,652)	-	-	-	-
Net income	-	-	-	-	869,006	-	869,006	5,800	874,806
Foreign currency translation adjustment	-	-	-	-	-	238,632	238,632	198	238,830
<b>Balance at</b>									
<b>December 31, 2017</b>	<b>5,000,000</b>	<b>\$ 5,000</b>	<b>\$ 1,643,527</b>	<b>\$ 201,468</b>	<b>\$ 2,274,585</b>	<b>\$ 26,746</b>	<b>\$ 4,151,326</b>	<b>\$ 459,667</b>	<b>\$ 4,610,993</b>
Capital restructuring (Note 11)			2,935,589		(2,935,589)	-	-	-	-
Appropriation to statutory reserve	-	-	-	92,690	(92,690)	-	-	-	-
Net income	-	-	-	-	842,661	-	842,661	81,779	924,440
Foreign currency translation adjustment	-	-	-	-	-	(260,983)	(260,983)	(22,871)	(283,854)
<b>Balance at</b>									
<b>December 31, 2018</b>	<b>5,000,000</b>	<b>\$ 5,000</b>	<b>\$ 4,579,116</b>	<b>\$ 294,158</b>	<b>\$ 88,967</b>	<b>\$ (234,237)</b>	<b>\$ 4,733,004</b>	<b>\$ 518,575</b>	<b>\$ 5,251,579</b>

\* The Company issued totally 5,000,000 shares in July 2019. These shares are presented on a retroactive basis to reflect the nominal share issuance, see Note 12 for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 924,440	\$ 874,806
Adjusted to reconcile net income to cash provided by (used in) operating activities		
Depreciation and amortization	45,347	46,649
Loss from disposal of fixed assets	-	22,223
Changes in operating assets and liabilities:		
Accounts receivable, net	(243,769)	(552,457)
Contract receivable, net	(1,848,073)	(813,737)
Advance to suppliers	1,484,014	(1,471,166)
Due from a related party	(75,571)	-
Prepaid expenses and other current assets	(130,282)	(20,178)
Accounts payable	(42,786)	121,143
Deferred revenue	53,000	(1,847,265)
Taxes payable	78,988	(48,262)
Accrued expenses and other current liabilities	16,507	(26,949)
Net cash provided by (used in) operating activities	<u>261,816</u>	<u>(3,715,193)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(83,515)	(9,353)
Repayment of loan receivable	1,964,844	443,931
Loan to a third party	-	(1,923,703)
Collection of an investment deposit	-	1,659,491
Collection of a short-term investment	-	2,663,589
Net cash provided by investing activities	<u>1,881,329</u>	<u>2,833,955</u>
<b>Cash flows from financing activities</b>		
Purchase of non-controlling interest	-	453,669
Proceeds from related party loans	8,094	1,580
Net cash provided by financing activities	<u>8,094</u>	<u>455,249</u>
<b>Effect of changes of foreign exchange rates on cash</b>	(82,043)	(4,738)
<b>Net increase (decrease) in cash</b>	2,069,196	(430,727)
<b>Cash, beginning of year</b>	7,970	438,697
<b>Cash, end of year</b>	<u>\$ 2,077,166</u>	<u>\$ 7,970</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest expense	\$ -	\$ -
Cash paid for income tax	<u>\$ 79,830</u>	<u>\$ 208,936</u>
<b>Supplemental disclosure of non-cash investing and financing activities</b>		
Capital restructuring	<u>\$ 2,935,589</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION**

China Liberal Education Holdings Limited (“China Liberal” or the “Company”) was established under the laws of the Cayman Islands on February 25, 2019 as a holding company.

China Liberal owns 100% equity interest of Yi Xin BVI International Investment Limited (“Yi Xin BVI”), a business company established under the laws of the British Virgin Islands (“BVI”) on October 19, 2010

China Liberal Beijing Education Group Co., Limited (“Boya Hong Kong”), formerly known as Haier International Investment Holding Limited, was incorporated in accordance with the laws and regulations of Hong Kong on May 11, 2011, and changed to its current name on July 19, 2016. Yi Xin BVI owns 100% equity interest in Boya Hong Kong.

China Liberal, Yi Xin BVI and Boya Hong Kong are currently not engaging in any active business operations and merely acting as holding companies.

Huaxia Boya (Beijing) Education Technology Co., Ltd. (“China Liberal Beijing”) was formed on August 8, 2011, as a Wholly Foreign-Owned Enterprise (“WFOE”) in the People’s Republic of China (“PRC”), with the registered capital of RMB 33.46 million (approximately \$5.1 million). Through December 31, 2018, Boya Hong Kong owned 91.1772% ownership interest in China Liberal Beijing, with the remaining 8.8228% ownership interest owned by five individual shareholders (see Note 15).

The Company, through its wholly-owned subsidiaries, is primarily engaged in providing educational services in the People’s Republic of China (the “PRC”) under the “China Liberal” brand. The Company offers a wide range of educational services and programs to customers, consisting primarily of Sino-foreign Jointly Managed Academic Programs, sales of textbooks and course material sales, Overseas Study Consulting Services and technological consulting services provided for targeted Chinese universities/colleges to help them improve their data management system and to optimize their teaching and operating environment.

**Reorganization**

A reorganization of the legal structure of the Company (“Reorganization”) was completed on March 25, 2019. The reorganization involved the incorporation of China Liberal, and the transfer of the 100% equity interest of Yi Xin BVI to China Liberal. Consequently, China Liberal became the ultimate holding company of all other entities mentioned above.

The Reorganization has been accounted for as a recapitalization among entities under common control since the same controlling shareholders controlled all these entities before and after the Reorganization. The consolidation of the Company and its subsidiaries has been accounted for at historical cost and prepared on the basis as if the aforementioned transactions had become effective as of the beginning of the first period presented in the accompanying consolidated financial statements. Results of operations for the periods presented comprise those of the previously separate entities combined from the beginning of the period to the end of the period, eliminating the effects of intra-entity transactions.

Upon the completion of the Reorganization, the Company has subsidiaries in countries and jurisdictions in the PRC, Hong Kong and BVI. Details of the subsidiaries of the Company as of December 31, 2018 were set out below:

<b>Name of Entity</b>	<b>Date of Incorporation</b>	<b>Place of Incorporation</b>	<b>% of Ownership</b>	<b>Principal Activities</b>
China Liberal	February 25, 2019	Cayman Island	Parent, 100%	Investment holding
Yi Xin BVI	October 19, 2010	BVI	100%	Investment holding
Boya Hong Kong	May 11, 2011	Hong Kong	100%	Investment holding
China Liberal Beijing	August 8, 2011	Beijing, PRC	91.18%	Education service provider

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of consolidation***

The accompanying consolidated financial statements include the financial statements of China Liberal, Yi Xin BVI, Boya Hong Kong and China Liberal Beijing. All inter-company balances and transactions are eliminated upon consolidation.

***Non-controlling interest***

Non-controlling interests represent five minority shareholders' aggregate 8.8228% ownership interest in China Liberal Beijing as of December 31, 2018 and 2017. The non-controlling interests are presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Company are presented on the face of the consolidated statements of income and comprehensive income as an allocation of the total income for the year between non-controlling interest holders and the shareholders of the Company.

***Uses of estimates***

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the valuation of accounts receivable, advances to suppliers, useful lives of property and equipment, the recoverability of long-lived assets, provision necessary for contingent liabilities and revenue recognition. Actual results could differ from those estimates.

***Risks and Uncertainties***

The main operations of the Company are located in the PRC. Accordingly, the Company's business, financial condition, and results of operations may be influenced by political, economic, and legal environments in the PRC, as well as by the general state of the PRC economy. The Company's results may be adversely affected by changes in the political, regulatory and social conditions in the PRC. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations including its organization and structure disclosed in Note 1, such experience may not be indicative of future results.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Cash***

Cash includes currency on hand and deposits held by banks that can be added or withdrawn without limitation. The Company maintains most of its bank accounts in the PRC. Cash balances in bank accounts in PRC are not insured by the Federal Deposit Insurance Corporation or other programs.

***Accounts and contract receivable, net***

Accounts and contract receivable are recognized and carried at original invoiced amount less an estimated allowance for uncollectible accounts.

The Company determines the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trend. The Company establishes a provision for doubtful receivables when there is objective evidence that the Company may not be able to collect amounts due. The allowance is based on management's best estimate of specific losses on individual exposures, as well as a provision on historical trends of collections. Actual amounts received may differ from management's estimate of credit worthiness and the economic environment. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of December 31, 2018 and 2017, there was no allowance recorded as the Company considers all of the accounts receivable fully collectible.

The Company's contract receivable represents balance derived from the Technological Consulting Services for Smart Campus Solutions provided to a Chinese university, Fuzhou Melbourne Polytechnic ("FMP"), when the projects under the contract have been completed and accepted by FMP, but the balance has not been past due based on the contracted payment schedule. The Company offers longer credit terms to FMP for the purpose of maintaining long-term relationship. In addition to the "smart campus" solutions related services provided to FMP, the Company also has Sino-foreign Jointly Managed Education Programs services with FMP since 2011. The Company had not incurred any bad debts with FMP in the past, and accordingly considers the contract receivable fully collectible. Thus, there was no allowance recorded on such outstanding contract receivable for the years ended December 31, 2018 and 2017 (See Note 3).

***Advances to suppliers***

Advance to suppliers consists of balances paid to suppliers that have not been provided or received. The Company makes advance payment to suppliers for purchase of equipment and devices in order to undertake the "smart campus" consulting projects for customers. Advance to suppliers are short-term in nature and are reviewed periodically to determine whether their carrying value has become impaired. The Company considers the assets to be impaired if the realizability of the advance becomes doubtful. As of December 31, 2018 and 2017, there was no allowance recorded as the Company considers all of the advances fully realizable.

***Loans receivable***

Loans receivable represent cash advance mainly used for short-term funding to unrelated third parties. The loans are due on demand with an interest rate ranged from 4.8% to 5% per annum. Loans receivable are reviewed periodically as to whether their carrying values remain realizable.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Impairment of long-lived Assets***

Long-lived assets with finite lives, primarily property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition below are the asset's carrying value, then the asset is deemed to be impaired and written down to its fair value. There were no impairments of these assets as of December 31, 2018 and 2017.

***Fair value of financial instruments***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted market prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable and inputs derived from or corroborated by observable market data.
- Level 3 — inputs to the valuation methodology are unobservable.

Unless otherwise disclosed, the fair value of the Company's financial instruments, including cash, accounts receivable, advances to suppliers, due from a related party, loans receivable, prepaid expenses and other current assets, accounts payable, deferred revenue, accrued expenses and other current liabilities, taxes payable and due to related parties, approximate the fair value of the respective assets and liabilities as of December 31, 2018 and 2017 based upon the short-term nature of the assets and liabilities. The fair value of the contract receivable also approximate its carrying amount because the receivable was derived from a fixed-price contract and will be settled by cash.

***Property and equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment is provided using the straight-line method over their expected useful lives, as follows:

	<b>Useful life</b>
Office equipment and furniture	5 years
Electronic equipment	5 years
Transportation vehicles	5-10 years
Leasehold improvement	Shorter of the lease term or estimated useful life

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of income and other comprehensive income in other income or expenses.

***Revenue recognition***

The Company's revenue is recognized when persuasive evidence that an arrangement exists, delivery of services or products has occurred, the selling price is fixed or determinable and the collection is reasonably assured. Revenue is reported net of all value added taxes ("VAT").

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The primary sources of the Company's revenue are as follows:

- *Sino-foreign Jointly-Managed Academic Programs*

The Company recommends and coordinates accredited international universities/colleges to forge partnerships with Chinese host universities/colleges to establish international education programs at degree level. Chinese host universities/colleges then utilize their existing administrative ability, campus classrooms and facilities to recruit Chinese students into such programs. The Company also selects, recruits and appoints qualified foreign faculty to teach major courses at selected Chinese host universities/colleges and bears all faculty related costs, provides continuing support to foreign faculty, develops and delivers major course content and materials to ensure teaching quality meeting international standards, and to optimize students' learning outcome and to prepare them for further education overseas and help them with course credit conversion in the event that any student decides to pursue further study overseas. The Company actively supports and interacts with enrolled students throughout their programs to ensure successful program completion. As a result of performing the above mentioned services, the Company is entitled to receive 30% to 50% of such student tuitions, which are collected first by Chinese host universities/colleges from enrolled students at the beginning of each academic school year, and then remitted to the Company.

With respect to Sino-foreign Jointly Managed Academic Programs, the Company is not involved in recruiting students, collecting tuition refunding tuition when students dropout, all of which are handled by the host universities/ colleges. The host universities/ colleges normally offer tuition refund if a student drops out from school within the first month of each academic school year. Collected tuition fees become non-refundable after the one-month refund policy window. Historically, for students enrolled under the Sino-foreign Jointly Managed Academic Programs, the average student dropout rate was below 1%. The Company's contracts with Chinese host universities/colleges provide that (1) the host universities/ colleges will withhold the tuition collected from students for one to three months after the academic school year starts in September, and then remit the portion of tuition fees to the Company after the student headcounts have been finalized, and (2) the portion of tuition fee that the Company is entitled to receive is calculated based on the final actual number of students retained with the universities/colleges after any student dropout has been adjusted. Accordingly, any tuition refund has already been deducted by host universities/ colleges before the Company receives its portion of the tuition fees. For accounting purposes, at the beginning of each academic school year, the Company initially accrues the estimated refund based on an historical 1% student dropout rate, and makes subsequent true-up adjustments after the final number of students retained with the host universities/colleges is determined. Such adjustments were immaterial for the years ended December 31, 2018 and 2017.

The Company's contracts with Chinese host universities/colleges provide that foreign teachers assigned by the Company should be substituted, and teaching textbooks, course materials and curriculums should be adjusted in a timely manner in order to ensure a satisfactory teaching result. The Chinese host universities/ colleges have the right to withhold the Company's portion of the tuition if the Company does not take corrective action when the Company's service deficiency is identified. Any costs related to teacher substitution, textbooks, course materials and curriculums adjustment should be borne by the Company. The Company maintains active communications with the host universities/ colleges in order to obtain feedback on the quality of the services performed. Any service deficiency is being corrected and improved on in a timely manner so as to achieve satisfactory long-term cooperation with the host universities/ colleges. There were no complaints received from the host universities/ colleges with respect to the Company's services for the years ended December 31, 2018 and 2017 which required material adjustment to the amount of fees received by the Company.

The tuition fees received by the Company are initially recorded as deferred revenue and recognized ratably over applicable academic year as the Company's teaching, management and other supporting services are carried out over the whole academic year.

- *Sales of textbooks and course materials*

In order to ensure the quality of the course content to meet international standards, the Company have developed and edited more than 16 English textbooks and course materials with emphasis on language training, and sells these textbooks and course materials to students enrolled under the Sino-foreign joint education programs.

Revenue from sales of textbooks and related course materials is recognized upon delivery of textbooks and course materials, which is when the risks and titles are transferred.

- *Overseas Study Consulting Service*

The Company's Overseas Study Consulting Services target those students who wish to study in foreign countries to enrich their learning experiences and to expand their horizon and employment possibilities. The Company's overseas study consulting services are typically performed under one-on-one private tutoring model with duration of four to six months. The Company provides school information to help students make informed decisions about which institution and major to choose from, help them prepare for school application and admission; provides study plans, language training and test preparation courses to help students improve their foreign language ability and help them achieve higher scores in international admission and assessment tests. The Company also helps students on visa application and paperwork, and offers overseas extended services such as finding accommodation and travel assistance. In connection with these services, the Company collects an up-front fee based on the scope of consulting services requested by students. 90% of the consulting service fee collected is non-refundable, and is recognized ratably as revenue over the service period, while 10% of the consulting fee is refundable and is deferred and recognized as revenue when students are successfully admitted by foreign institution and student visas are granted.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenue recognition (Continued)***

- *Technological Consulting Services for Smart Campus Solutions*

Under the concept of “creating smart campus”, the Company’s technological consulting services utilize the advanced information technology such as cloud computing, mobile internet and big data analytics to provide total solutions to targeted Chinese universities/colleges in order to integrate and improve their teaching, research, student data management, storage and processing, and campus life services, and to optimize their teaching and operating environment and improve operational efficiency. The Company’s “smart campus” related technological consulting service contracts are primarily on a fixed-price basis, which require the Company to perform services including project planning, project solution and design, data management application customization, installations of hardware equipment and components for digital classrooms and academic experiment centers or labs, integration of hardware and software application, and post-contract continuous maintenance support, based on the specific needs from each customer. Upon delivery of services, project completion inspection and customer acceptance are generally required. In the same contract, it may also include provisions that require the Company to provide post-contract maintenance support for a period ranging from several months to three years after customized “smart campus” solutions and services are delivered.

The Company evaluates “smart campus” solution service contracts and determines whether these contracts contain multiple deliverable arrangements. An arrangement is separated, if (1) the delivered element(s) has (have) value to the customer on a stand-alone basis, (2) there is reliable evidence of the fair value of the undelivered element (s) and (3) if the arrangement includes a general right of return relative to the delivered element(s), delivery or performance of the undelivered element (s) is (are) considered probable and substantially in the control of the Company. If all three criteria are fulfilled, appropriate revenue recognition convention is then applied to each separate unit of accounting. If the three criteria are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

The Company determines “smart campus” solution and application customization service, installations of hardware and software components, and post-contract continuous maintenance support, as separated deliverables in same fixed-fee contract, because the Company’s promise to transfer each of these services is separately identifiable from other promises in the contract. The Company allocates contract revenue to the identified separate units based on their relative fair value.

Reliable fair values are sales prices for the component when it is regularly sold on a stand-alone basis, third-party prices for similar components or, under certain circumstances, cost plus, an adequate business specific profit margin related to the relevant element. The amount allocable to the delivered elements is limited to the amount that is not contingent upon delivery of additional elements or meeting other specified performance conditions. Revenue allocated to technological consulting services for “smart campus” solution is recognized upon completion of each unit of service. In instances where substantive completion inspection and customer acceptance provisions are specified in contracts, revenues are deferred until all inspection and acceptance criteria have been met.

***Costs on data management application system customization***

With its “smart campus” solution services to Chinese universities/colleges, the Company provides technical support to help Chinese universities/ colleges to customize their campus data management application system to record student information. The Company does not develop and own the data management application software. Costs incurred, which consist primarily of internal salaries and benefits of personnel involved in the provision of such services, were included in the cost of revenue in the consolidated statements of income and comprehensive income.

***Advertising expense***

Advertising expenses primarily relate to advertisement of the Company’s brand name and services through outdoor billboards and social media such as Weibo and WeChat. Advertising expenses are included in selling expenses in the consolidated statements of income and comprehensive income. Advertising expenses amounted to \$47,353 and \$27,884 for the years ended December 31, 2018 and 2017, respectively.



**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Government subsidies***

Government subsidies primarily relate to value added tax refund on qualified teaching data management software developed by the Company and used in the Company's Technological Consulting Services for Smart Campus Solution projects, with the subsidy amount approved by local tax authority. The Company recognizes government subsidies as other operating income when they are received because they are not subject to any past or future conditions, there are no performance conditions or conditions of use, and they are not subject to future refunds. Government subsidies received and recognized as other operating income totaled \$169,789 and \$158,625 for the years ended December 31, 2018 and 2017, respectively.

***Income taxes***

The Company accounts for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the years ended December 31, 2018 and 2017. The Company does not believe there was any uncertain tax provision at December 31, 2018 and 2017.

The Company's operating subsidiary in China is subject to the income tax laws of the PRC. No significant income was generated outside the PRC for the fiscal years ended December 31, 2018 and 2017. As of December 31, 2018, the tax years ended December 31, 2014 through December 31, 2018 for the Company's PRC Subsidiary remain open for statutory examination by PRC tax authorities.

***Value added tax ("VAT")***

The PRC government implemented a value-added tax reform pilot program, which replaced the business tax with VAT on selected sectors including but not limited to education in Beijing effective September 1, 2012. In August 2013, the pilot program was expanded nationwide in certain industries. Since May 2016, the change from business tax to VAT are expanded to all other service sectors which used to be subject to business tax. The VAT rates applicable to the subsidiaries and consolidated variable interest entities of the Group ranged from 3% to 6% as compared to the 3%~5% business tax rate which was applicable prior to the reform.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Earnings per Share***

The Company computes earnings per share (“EPS”) in accordance with ASC 260, “Earnings per Share” (“ASC 260”). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. As of December 31, 2018 and 2017, there were no dilutive shares.

***Foreign currency translation***

Since the Company operates primarily in the PRC, the Company’s functional currency is the Chinese Yuan (“RMB”). The Company’s consolidated financial statements have been translated into the reporting currency U.S. Dollars (“US\$”). Assets and liabilities of the Company are translated at the exchange rate at each reporting period end date. Equity is translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under other comprehensive income (loss). Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the results of operations.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at the rates used in translation.

The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Year-end spot rate	US\$1=RMB 6.8776	US\$1=RMB 6.5074
Average rate	US\$1=RMB 6.6163	US\$1=RMB 6.7578

***Comprehensive income***

Comprehensive income consists of two components, net income and other comprehensive income (loss). The foreign currency translation gain or loss resulting from translation of the financial statements expressed in RMB to US\$ is reported in other comprehensive income (loss) in the consolidated statements of income and comprehensive income.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Statement of Cash Flows***

In accordance with ASC 230, “Statement of Cash Flows”, cash flows from the Company’s operations are formulated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheets.

***Recent Accounting Pronouncements***

The Company considers the applicability and impact of all accounting standards updates (“ASUs”). Management periodically reviews new accounting standards that are issued.

In May 2014, the Financial Accounting Standard Board (the “FASB”) issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU No. 2015-14, “Deferral of the Effective Date” (“ASU 2015-14”), which defers the effective date for ASU 2014-09 by one year. For public entities, the guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods). In March 2016, the FASB issued ASU No. 2016-08, “Principal versus Agent Considerations (Reporting Revenue versus Net)” (“ASU 2016-08”), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. As an “emerging growth company,” or EGC, the Company has elected to take advantage of the extended transition period provided in the Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018, including interim periods within annual reporting period beginning after December 15, 2019.

The Company adopted ASC 606 on January 1, 2019, using the modified retrospective method. The Company has completed the assessment of the impact of this new guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that might result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, the Company concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of Topic 606. The adoption of Topic 606 did not result in a cumulative catch-up adjustment to the Company’s opening balance sheets of retained earnings at the effective date and therefore there were no material changes to the Company’s consolidated financial statements. The Company’s future financial statements will include additional disclosures as required by Topic 606.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent Accounting Pronouncements (Continued)**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases, including operating leases, with a term in excess of 12 months. The guidance also expands the quantitative and qualitative disclosure requirements. The guidance will be effective in fiscal year 2020, with early adoption permitted, and must be applied using a modified retrospective approach. In July 2018, the FASB issued updates to the lease standard making transition requirements less burdensome. The update provides an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the company’s financial statements. The new guidance requires the lessee to record operating leases on the balance sheet with a right-of-use asset and corresponding liability for future payment obligations. FASB further issued ASU 2018-11 “Target Improvement” and ASU 2018-20 “Narrow-scope Improvements for Lessors.” As an emerging growth company, we will adopt this guidance effective January 1, 2020. We do not expect the cumulative effect resulting from the adoption of this guidance will have a material impact on our consolidated financial statements.

In February 2018, the FASB has issued Accounting Standards Update (ASU) No. 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The ASU amends ASC 220, *Income Statement — Reporting Comprehensive Income*, to “allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act.” In addition, under the ASU, an entity will be required to provide certain disclosures regarding stranded tax effects. The ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. This guidance did not have a material impact on its consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05 — Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (“ASU 2018-05”), which amends the FASB Accounting Standards Codification and XBRL Taxonomy based on the Tax Cuts and Jobs Act (the “Act”) that was signed into law on December 22, 2017, and Staff Accounting Bulletin No. 118 (“SAB 118”) that was released by the Securities and Exchange Commission. The Act changes numerous provisions that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits and may additionally have international tax consequences for many companies that operate internationally. The Company does not believe this guidance will have a material impact on its consolidated financial statements.

In August 2018, the FASB Accounting Standards Board issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted for any removed or modified disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company does not expect this guidance will have a material impact on its consolidated financial statements.

**NOTE 3 — ACCOUNTS RECEIVABLE, NET**

Accounts receivable consist of the following:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Accounts receivable- Overseas Study Consulting Services	\$ 346,332	\$ -
Accounts receivable- Sino-foreign Jointly Managed Academic Programs	486,842	632,724
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	<u>\$ 833,174</u>	<u>\$ 632,724</u>

Under the Sino-foreign Jointly Managed Academic Programs, student tuition fees are collected by the Chinese host universities/colleges at the beginning of each academic school year and then remit the agreed portion to the Company within one to four months. The \$486,842 tuition receivable under joint-managed academic programs as of December 31, 2018 has been fully collected in January and March 2019.

The Company’s overseas study consulting services normally require students to make upfront payment upon signing of contract. Occasionally, some students may wish to make installment payments. The \$346,332 balance as of December 31, 2018 represents those billed but not yet collected installment payments, which have been fully collected in January 2019.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 — CONTRACT RECEIVABLE, NET**

Contract receivable consists of the following:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Contract receivable- “Smart Campus” related technological consulting services	\$ 2,425,779	\$ 845,050
Contract receivable- “Smart campus” project maintenance and technical support fee	151,644	-
Less: allowance for doubtful accounts	-	-
Total contract receivable, net	2,577,423	845,050
Less: current portion of contract receivable	960,237	160,270
Contract receivable, non-current	<u>\$ 1,617,186</u>	<u>\$ 684,780</u>

In 2017, the Company entered into a contract with Fuzhou Melbourne Polytechnic (“FMP”) to help FMP with its smart campus project, which include creating a big data center, digital classrooms, and an experiment-based simulation teaching center for its business school.

The projects under FMP contract requires the leveraging hardware facilities such as sensors, internet of things, digital portal, electronic blackboards, smartboards, projectors, LED display panels, high definition classroom audio and sound system and other lab-based equipment, together with data management applications, to create a total smart campus solution for FMP. In addition to the installation of hardware and data management application to make the smart campus system meet the expected operational conditions, the Company is also responsible for the post-contract maintenance and continuous technical support during the period of 2019 to 2021. Total contract price under the FMP “smart campus” project is RMB 16.68 million (approximately \$2.4 million) for completion of the software and hardware installation, plus additional RMB 5.05 million (approximately \$0.73 million) post-contract maintenance and technical support fee. Among the RMB 5.05 million maintenance and support fee, RMB 1.04 million (USD \$151,644) contract receivable for maintenance and technical support services rendered in 2018 has been received in January 2019. The remaining RMB 4.01 million (approximately \$0.58 million) post-contract maintenance and technical support fee will be paid in three equal installments in 2019 to 2021 when services are rendered.

The contracted projects for the big data center, digital classrooms, an experiment-based simulation teaching center and a lab-based experiment center have been fully completed in November 2018 with satisfactory inspection and acceptance by FMP in December 2018. Based on the contract payment schedule, RMB 16.68 million earned project fee shall be paid in three installments as follows:

<b>Payment schedule</b>	<b>RMB</b>	<b>USD</b>
2019	5,561,180	\$ 808,593
2020	5,561,180	808,593
2021	5,561,180	808,593
Total	<u>16,683,540</u>	<u>\$ 2,425,779</u>

As of December 31, 2018 and 2017, no allowance for doubtful accounts was recorded as the Company considers all of the contract receivable on “smart campus” project from FMP fully collectible because in addition to the “smart campus” project, the Company has Sino-foreign Jointly Managed Academic Programs with FMP since 2011 and there was no payment default based on past experience with FMP. Accordingly, management believes that cash collection from FMP is reasonably assured. As of December 31, 2018, \$808,593 contract receivable aged above 1 year was scheduled to be settled by FMP within 2019. Subsequently in April 2019, FMP made a payment of RMB 2 million (USD \$290,799) to the Company as part of the 2019 payment and the Company expects to collect the remaining \$517,794 from FMP by December 2019.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 — ADVANCE TO SUPPLIERS, NET**

In connection with the technological consulting services provided to FMP for the “smart campus” project as disclosed in Note 4, the Company made advance payment of \$1,529,865 to suppliers in 2017 for purchase of electronic sensors, smartboards, projectors, LED display panels, high definition classroom audio and sound system and other lab-based equipment. Most of the purchased equipment and electronic components have been received and used on the projects in 2018. The balance of advance to suppliers was \$19,885 as of December 31, 2018.

**NOTE 6 — LOAN RECEIVABLE**

On March 19, 2017, the Company advanced a short-term loan in the amount of \$1,997,726 (RMB 13 million) to a non-related third party, Jinjiang Hengfeng Trading Co., Ltd. (“Hengfeng”), as working capital, bearing interest rate of 4.8% per annum with maturity date of September 19, 2017. Immediate before the loan maturity, on September 5, 2017, the Company and Hengfeng signed a supplemental agreement to extend the loan maturity to December 19, 2018 with adjusted interest rate of 5% per annum. The loan was guaranteed by another non-related third party, Fujian Rongde Cotton Spinning Co., Ltd. This loan was repaid in full in December 2018 as scheduled. The Company recorded an interest income of \$88,926 and \$70,743 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 7 — PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET**

Prepaid expenses and other current assets consisted of the following:

	<b>December 31,</b> <b>2018</b>	<b>December 31,</b> <b>2017</b>
Other receivable (1)	\$ 94,106	\$ 62,329
Interest receivable (2)	163,502	77,589
Others prepaid expenses (3)	28,444	29,946
Subtotal	286,052	169,864
Allowance for doubtful accounts	-	-
Prepaid expenses and other current assets, net	<u>\$ 286,052</u>	<u>\$ 169,864</u>

- (1) Other receivable primarily include advances to employees for business development and rental security deposit for the Company’s headquarter office in Beijing.
- (2) In connection with the loan receivable as disclosed in Note 5, the Company accrued interest receivable of \$163,502 and \$77,589 as of December 31, 2018 and 2017. The interest receivable has been fully collected in February 2019.
- (3) Other prepaid expenses include prepaid advertising expense and prepaid utility expense, which are amortized over the service periods.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 — PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of the following:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Office equipment and furniture	\$ 27,848	\$ 21,311
Electronic equipment	70,964	37,654
Transportation vehicles	221,014	233,588
Leasehold improvement	78,127	43,126
Subtotal	<u>397,953</u>	<u>335,679</u>
Less: accumulated depreciation	<u>(296,748)</u>	<u>(267,524)</u>
Property and equipment, net	<u>\$ 101,205</u>	<u>\$ 68,155</u>

Depreciation expense was \$45,347 and \$46,649 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 9 — RELATED PARTY TRANSACTIONS**

*a. Due from a related party*

On May 22, 2018, Xiamen Xinbaiyi Investment Group (“Xinbaiyi”), an entity related to the Company’s Board member and shareholder Mr. Ruenjie Lin, entered into a loan agreement with the Company to borrow RMB2.5 million (approximately \$363,499) as working capital for 10 months (from June 5, 2018 to February 28, 2019). The loan is non-interest bearing. Xinbaiyi repaid RMB2 million within 2018. The remaining balance of \$72,700 as of December 31, 2018 was received in February 2019.

*b. Due to related parties*

As of December 31, 2018 and 2017, the balance due to related parties are comprised of advances from the Company’s principal shareholders and used for working capital during the Company’s normal course of business. These advances are non-interest bearing and due on demand.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 — TAXES**

**(a) Corporate Income Taxes (“CIT”)**

Cayman Island

Under the current tax laws of the Cayman Islands, the Company is not subject to tax on its income or capital gains. In addition, no Cayman Islands withholding tax will be imposed upon the payment of dividends by the Company to its shareholders.

BVI

Yi Xin BVI is incorporated in the BVI as an offshore holding company and is not subject to tax on income or capital gain under the laws of BVI.

Hong Kong

Boya Hong Kong is incorporated in Hong Kong and is subject to profit taxes in Hong Kong at a rate of 16.5%. However, Boya Hong Kong did not generate any assessable profits arising in or derived from Hong Kong for the fiscal years ended December 31, 2018 and 2017, and accordingly no provision for Hong Kong profits tax has been made in these periods.

PRC

Under the Enterprise Income Tax (“EIT”) Law of PRC, domestic enterprises and Foreign Investment Enterprises (the “FIE”) are usually subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays and even tax exemption may be granted on case-by-case basis. EIT grants preferential tax treatment to High and New Technology Enterprises (“HNTEs”). Under this preferential tax treatment, HNTEs are entitled to an income tax rate of 15%, subject to a requirement that they re-apply for HNTE status every three years. China Liberal Beijing, the Company’s main operating subsidiary in PRC, was approved as a HNTE and is entitled to a reduced income tax rate of 15% beginning December 2016, which is valid for three years. EIT is typically governed by the local tax authority in PRC. Each local tax authority at times may grant tax holidays to local enterprises as a way to encourage entrepreneurship and stimulate local economy. The corporate income taxes for fiscal 2018 and 2017 were reported at a reduced rate of 15% as a result of China Liberal Beijing being approved as a HNTE. The impact of the tax holidays noted above decreased foreign taxes by \$105,864 and \$100,549 for the years ended December 31, 2018 and 2017, respectively. The benefit of the tax holidays on net income per share (basic and diluted) \$0.02 and \$0.02 for the years ended December 31, 2018 and 2017, respectively.

The components of the income tax provision are as follows:

	<b>For the year ended December 31, 2018</b>	<b>For the year ended December 31, 2017</b>
Current tax provision		
Cayman	\$ -	\$ -
BVI	-	-
Hong Kong	-	-
PRC	167,813	158,109
	<u>\$ 167,813</u>	<u>\$ 158,109</u>
Deferred tax provision		
Cayman	\$ -	\$ -
BVI	-	-
Hong Kong	-	-
PRC	-	-
	<u>-</u>	<u>-</u>
Income tax provision	<u>\$ 167,813</u>	<u>\$ 158,109</u>



**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 — TAXES (continued)**

**(a) Corporate Income Taxes (“CIT”) (Continued)**

The following table reconciles the China statutory rates to the Company’s effective tax rate for the years ended December 31, 2018 and 2017:

	<b>For the year ended December 31, 2018</b>	<b>For the year ended December 31, 2017</b>
China Income tax statutory rate	25.0%	25.0%
Permanent difference	0.4%	0.3%
Effect of PRC preferential tax rate	(10.0)%	(10.0)%
Effective tax rate	<u>15.4%</u>	<u>15.3%</u>

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of December 31, 2018, the tax years ended December 31, 2014 through December 31, 2018 for the Company’s PRC Subsidiary remain open for statutory examination by PRC tax authorities.

**(b) Taxes payable**

Taxes payable consist of the following:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Income tax payable	\$ 14,744	\$ 21,371
Value added tax payable	225,966	149,365
Other taxes payable	3,432	6,986
Total taxes payable	<u>\$ 244,142</u>	<u>\$ 177,722</u>

**NOTE 11 — CONCENTRATIONS**

A majority of the Company’s revenue and expense transactions are denominated in RMB and a significant portion of the Company and its subsidiaries’ assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People’s Bank of China (“PBOC”). Remittances in currencies other than RMB by the Company in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

As of December 31, 2018 and 2017, \$2,077,146 and \$7,839 of the Company’s cash was on deposit at financial institutions in the PRC where there currently is no rule or regulation requiring such financial institutions to maintain insurance to cover bank deposits in the event of bank failure. For the years ended December 31, 2018 and 2017, the Company’s substantial assets were located in the PRC and the Company’s substantial revenues were derived from its subsidiaries located in the PRC.

For the year ended December 31, 2018, two customers accounted for approximately 44.2% and 37.1% of the Company’s total revenue, respectively. For the year ended December 31, 2017, two customers accounted for approximately 55.2% and 31.3% of the Company’s total revenue, respectively.

As of December 31, 2018, one customer accounted for 81.0% of the total accounts receivable balance. As of December 31, 2017, two customers accounted for 59.4% and 33.6% of the total outstanding accounts receivable balance, respectively.

For the year ended December 31, 2018, two suppliers accounted for approximately 21.2% and 12.2% of the total purchases, respectively. For the year ended December 31, 2017, four suppliers accounted for approximately 38.1%, 16.1%, 11.9% and 11.2% of the total purchases, respectively.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 — SHAREHOLDERS' EQUITY**

**Ordinary Shares**

China Liberal is an exempted company established under the laws of the Cayman Island on February 25, 2019. The original authorized number of ordinary shares was 50,000 shares with par value of US\$1.00 per share and 1,000 ordinary shares were issued. On July 8, 2019, the Company amended its Memorandum of Association to subdivide the authorized shares from 50,000 shares at par value of \$1.00 per share to 50,000,000 shares of ordinary shares with par value of \$0.001 per share, and subdivide the already issued 1,001 shares to 1,001,000 shares at par value of \$0.001 per share. On July 15, 2019, the Company issued additional 3,999,000 shares of ordinary shares with par value of \$0.001 per share to current shareholders. As a result, there are total 5,000,000 share issued and outstanding. The issuance of these 5,000,000 ordinary shares is considered as a part of the Reorganization of the Company, which was retroactively applied as if the transaction occurred at the beginning of the period presented (see Note 1).

**Recapitalization**

In 2018, in order to expand business scopes, which requires a significant increase in paid-in capital in accordance with Chinese rules and regulations, the Company's major operating entity, China Liberal Beijing, converted its accumulated retained earnings of \$2,935,589 as of December 31, 2018 into additional paid-in capital. China Liberal Beijing completed the compliance filing in December 2018 to reflect this recapitalization.

**Non-controlling interest**

Non-controlling interests represent five minority shareholders' 8.8228% ownership interests in the Company's subsidiary China Liberal Beijing.

The following table reconciles the non-controlling interest as of December 31, 2018 and 2017:

	<b>Total</b>
<b>As of December 31, 2016</b>	<b>\$ -</b>
Capital contribution by non-controlling shareholders	453,669
Net income attributable to non-controlling interest	5,800
Foreign currency translation gain	198
<b>As of December 31, 2017</b>	<b>\$ 459,667</b>
Net income attributable to non-controlling interest	81,779
Foreign currency translation loss	(22,871)
<b>As of December 31, 2018</b>	<b>\$ 518,575</b>

**Statutory reserve and restricted net assets**

The Company's PRC subsidiary is restricted in its ability to transfer a portion of its net assets to the Company. The payment of dividends by entities organized in China is subject to limitations, procedures and formalities. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China.

The Company is required to make appropriations to certain reserve funds, comprising the statutory surplus reserve and the discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC ("PRC GAAP"). Appropriations to the statutory surplus reserve are required to be at least 10% of the after-tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entity's registered capital. Appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors. The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital, but are not distributable as cash dividends.

Relevant PRC laws and regulations restrict the Company's PRC subsidiary from transferring a portion of its net assets, equivalent to its statutory reserves and its share capital, to the Company in the form of loans, advances or cash dividends. Only PRC entities' accumulated profits may be distributed as dividends to the Company without the consent of a third party. As of December 31, 2018 and 2017, the restricted amounts as determined pursuant to PRC statutory laws totaled \$294,158 and \$201,468, respectively, and total restricted net assets amounted to \$4,877,274 and \$1,848,995, respectively.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 13 — COMMITMENTS**

The Company's main operating subsidiary, China Liberal Beijing, leases office spaces for its headquarter office and local branches under non-cancelable operating lease agreements with various expiration dates between 2019 and 2022. Rent expense for the years ended December 31, 2018 and 2017 was \$271,585 and \$229,525, respectively.

As of December 31, 2018, the Company was obligated under operating leases for minimum rentals as follows:

**For the Twelve Months Ended December 31,**

2019	\$ 305,808
2020	282,364
2021	277,078
2022	110,466
	<u>\$ 975,716</u>

**NOTE 14 — SEGMENT REPORTING**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Company's chief operating decision maker in order to allocate resources and assess performance of the segment.

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of different services. Based on management's assessment, the Company has determined that it has four operating segments as defined by ASC 280, including Sino-foreign Jointly Managed Academic Programs, textbooks and course material sales, Overseas Study Consulting Services and Technological Consulting Services for Smart Campus Solutions.

Substantially all of the Company's revenues for the years ended December 31, 2018 and 2017 were generated from the PRC. As of December 31, 2018 and 2017, a majority of the long-lived assets of the Company are located in the PRC, and therefore, no geographical segments are presented.

The following table presents summary information by segment for the years ended December 31, 2018 and 2017, respectively:

	<b>For the year ended December 31, 2018</b>				<b>Total</b>
	<b>Joint education programs</b>	<b>Textbook sales</b>	<b>Overseas study consulting</b>	<b>Technological consulting for "smart campus" solutions</b>	
Revenue	\$ 2,410,781	\$ 29,717	\$ 547,521	\$ 1,820,974	\$ 4,808,993
Cost of revenue	1,155,854	19,687	64,321	1,462,435	2,702,297
Gross profit	<u>1,254,927</u>	<u>10,030</u>	<u>483,200</u>	<u>358,539</u>	<u>2,106,696</u>
Operating expenses	661,642	2,765	383,688	235,465	1,283,560
Income from operation	<u>593,285</u>	<u>7,265</u>	<u>99,512</u>	<u>123,074</u>	<u>823,136</u>
Depreciation and amortization	22,733	-	5,443	17,171	45,347
Capital expenditure	<u>41,867</u>	<u>-</u>	<u>10,024</u>	<u>31,624</u>	<u>83,515</u>
Total assets	2,991,601	-	716,310	2,259,694	5,967,605
Total liabilities	<u>\$ 358,949</u>	<u>\$ -</u>	<u>\$ 85,947</u>	<u>\$ 271,130</u>	<u>\$ 716,026</u>

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2017

	Joint education programs	Textbook sales	Study abroad consulting	Technological consulting for smart campus project	Total
Revenue	\$ 2,821,602	\$ 52,345	\$ 60,947	\$ 950,992	\$ 3,885,886
Cost of revenue	1,175,646	46,532	49,765	889,379	2,161,322
Gross profit	1,645,956	5,813	11,182	61,613	1,724,564
Operating expenses	883,156	1,055	10,049	55,926	950,186
Income from operation	762,800	4,758	1,133	5,687	774,378
Depreciation and amortization	33,873	-	1,360	11,416	46,649
Capital expenditure	8,047	-	1,306	-	9,353
Total assets	3,813,090	-	153,102	1,285,162	5,251,354
Total liabilities	\$ 464,976	\$ -	\$ 18,670	\$ 156,715	\$ 640,361

**NOTE 15 — SUBSEQUENT EVENTS**

On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, for a total price of RMB 2.95 million (approximately \$453,669). After this transaction, China Liberal Beijing became a 100% owned subsidiary of Boya Hong Kong. In accordance with ASC 810 “Consolidation,” changes in a parent’s ownership while the parent retains its controlling financial interest in its subsidiary should be accounted for as an equity transaction. Therefore, no gain or loss is expected to be recognized from this transaction.

On July 8, 2019, the Company amended its Memorandum of Association to subdivide the authorized shares from 50,000 shares at par value of \$1.00 per share to 50,000,000 shares of ordinary shares with par value of \$0.001 per share, and subdivide the already issued 1,001 shares to 1,001,000 shares at par value of \$0.001 per share. On July 15, 2019, the Company issued additional 3,999,000 shares of ordinary shares with par value of \$0.001 per share to current shareholders. As a result, there are total 5,000,000 share issued and outstanding (see Note 12).

**NOTE 16 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY**

Pursuant to the requirements of Rule 12-04(a), 5-04(c) and 4-08(e)(3) of Regulation S-X, the condensed financial information of the parent company shall be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with such requirement and concluded that it was applicable to the Company as the restricted net assets of the Company’s PRC subsidiary exceeded 25% of the consolidated net assets of the Company, therefore, the condensed financial statements for the parent company are included herein.

For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the Company’s proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party.

The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Company’s consolidated financial statements except that the parent company used the equity method to account for investment in its subsidiaries. Such investment is presented on the condensed balance sheets as “Investment in subsidiaries” and the respective profit or loss as “Equity in earnings of subsidiaries” on the condensed statements of income.

The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S GAAP have been condensed or omitted.

The Company did not pay any dividend for the periods presented. As of December 31, 2018 and 2017, there were no material contingencies, significant provisions for long-term obligations, or guarantees of the Company, except for those which have been separately disclosed in the consolidated financial statements, if any.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**PARENT COMPANY BALANCE SHEETS**

		<b>As of December 31,</b>	
		<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries		\$ 4,733,004	\$ 4,610,993
Total assets		\$ 4,733,004	\$ 4,610,993
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>		\$ -	\$ -
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized, 5,000,000 shares issued and outstanding as of December 31, 2018 and 2017		5,000	5,000
Additional paid-in capital		4,579,116	1,643,527
Retained earnings		383,125	2,476,053
Accumulated other comprehensive income (loss)		(234,237)	26,746
Total shareholders' equity		4,733,004	4,151,326
Total liabilities and shareholders' equity		\$ 4,733,004	\$ 4,151,326

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**PARENT COMPANY STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

	<b>For the Years Ended</b>	
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
EQUITY IN EARNINGS OF SUBSIDIARIES	\$ 842,661	\$ 869,006
NET INCOME	842,661	869,006
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	(156,333)	244,234
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	<u>\$ 686,328</u>	<u>\$ 1,113,240</u>

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>For the Years Ended</b>	
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 842,661	\$ 869,006
Adjustments to reconcile net cash flows from operating activities:		
Equity in earnings of subsidiary	(842,661)	(869,006)
Net cash used in operating activities	-	-
<b>CHANGES IN CASH</b>	-	-
CASH, beginning of year	-	-
CASH, end of year	\$ -	\$ -

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	As of,	
	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,992,487	\$ 2,077,166
Accounts receivable, net	925,730	833,174
Contract receivable, net	1,072,266	960,237
Advance to suppliers	355,365	19,885
Due from a related party	-	72,700
Deferred initial public offering costs	321,005	
Prepaid expenses and other current assets	793,943	286,052
<b>TOTAL CURRENT ASSETS</b>	<b>5,460,796</b>	<b>4,249,214</b>
Property and equipment, net	94,156	101,205
Contract receivable, net	1,214,797	1,617,186
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,308,953</b>	<b>1,718,391</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,769,749</b>	<b>\$ 5,967,605</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 188,302	\$ 121,558
Deferred revenue	614,641	149,560
Taxes payable	334,046	244,142
Due to related parties	504,040	22,591
Accrued expenses and other current liabilities	187,553	178,175
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,828,582</b>	<b>716,026</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized; 5,000,000 shares issued and outstanding*	5,000	5,000
Additional paid in capital	4,579,116	4,579,116
Statutory reserve	322,770	294,158
Retained earnings	286,603	88,967
Accumulated other comprehensive income (loss)	(252,322)	(234,237)
Total shareholders' equity	4,941,167	4,733,004
Non-controlling interest	-	518,575
<b>Total equity</b>	<b>4,941,167</b>	<b>5,251,579</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 6,769,749</b>	<b>\$ 5,967,605</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements



**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	For the six months ended June 30,	
	2019	2018
<b>REVENUE, NET</b>	\$ 1,880,068	\$ 1,447,787
<b>COST OF REVENUE</b>	1,022,655	701,653
<b>GROSS PROFIT</b>	<b>857,413</b>	<b>746,134</b>
<b>OPERATING EXPENSES</b>		
Selling expenses	156,061	234,580
General and administrative expenses	511,024	286,672
Total operating expenses	667,085	521,252
<b>INCOME FROM OPERATIONS</b>	<b>190,328</b>	<b>224,882</b>
<b>OTHER INCOME</b>		
Interest income	3,617	48,526
Other income (expense), net	(2,179)	10,729
Total other income, net	1,438	59,255
<b>INCOME BEFORE INCOME TAXES</b>	<b>191,766</b>	<b>284,137</b>
<b>INCOME TAX PROVISION</b>	52,756	43,709
<b>NET INCOME</b>	<b>139,010</b>	<b>240,428</b>
Less: net income attributable to non-controlling interest	-	21,214
<b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>	<b>\$ 139,010</b>	<b>\$ 219,214</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Total foreign current translation adjustment	(18,085)	(86,705)
<b>TOTAL COMPREHENSIVE INCOME</b>	120,925	132,509
Less: comprehensive income (loss) attributable to non-controlling interest	-	(841)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY</b>	<b>\$ 120,925</b>	<b>\$ 131,668</b>
<b>EARNINGS PER SHARE</b>		
Basic and diluted	\$ 0.03	\$ 0.04
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		
Basic and diluted	5,000,000	5,000,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
**(UNAUDITED)**

	<u>Common shares</u>		<u>Additional paid-in capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total shareholders' equity</u>	<u>Non- controlling interest</u>	<u>Total equity</u>
	<u>Shares*</u>	<u>Amount</u>							
<b>Balance at</b>									
<b>December 31, 2017</b>	<b>5,000,000</b>	<b>\$ 5,000</b>	<b>\$ 1,643,527</b>	<b>\$ 201,468</b>	<b>\$ 2,274,585</b>	<b>\$ 26,746</b>	<b>\$ 4,151,326</b>	<b>\$ 459,667</b>	<b>\$ 4,610,993</b>
Appropriation to statutory reserve	-	-	-	24,046	(24,046)	-	-	-	-
Net income	-	-	-	-	219,214	-	219,214	21,214	240,428
Foreign currency translation adjustment	-	-	-	-	-	(86,705)	(86,705)	(814)	(87,546)
<b>Balance at June 30, 2018</b>	<b><u>5,000,000</u></b>	<b><u>\$ 5,000</u></b>	<b><u>\$ 1,643,527</u></b>	<b><u>\$ 225,514</u></b>	<b><u>\$ 2,469,753</u></b>	<b><u>\$ (59,959)</u></b>	<b><u>\$ 4,283,835</u></b>	<b><u>\$ 480,040</u></b>	<b><u>\$ 4,763,875</u></b>
<b>Balance at December 31, 2018</b>	<b>5,000,000</b>	<b>\$ 5,000</b>	<b>\$ 4,579,116</b>	<b>\$ 294,158</b>	<b>\$ 88,967</b>	<b>\$ (234,237)</b>	<b>\$ 4,733,004</b>	<b>\$ 518,575</b>	<b>\$ 5,251,579</b>
Acquisition of 8.8228% non-controlling interest	-	-	-	-	87,238	-	87,238	(540,907)	(453,669)
Appropriation to statutory reserve	-	-	-	28,612	(28,612)	-	-	-	-
Net income	-	-	-	-	139,010	-	139,010	-	139,010
Foreign currency translation adjustment	-	-	-	-	-	(18,085)	(18,085)	22,332	4,247
<b>Balance at June 30, 2019</b>	<b><u>5,000,000</u></b>	<b><u>\$ 5,000</u></b>	<b><u>\$ 4,579,116</u></b>	<b><u>\$ 322,770</u></b>	<b><u>\$ 286,603</u></b>	<b><u>\$ (252,322)</u></b>	<b><u>\$ 4,941,167</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,941,167</u></b>

\* The Company issued total of 5,000,000 shares in July 2019. These shares are presented on a retroactive basis to reflect the nominal share issuance, see Note 12 for additional information.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 139,010	\$ 240,428
Adjusted to reconcile net income to cash provided by (used in) operating activities		
Depreciation and amortization	20,320	27,725
Changes in operating assets and liabilities:		
Accounts receivable, net	(99,777)	154,425
Contract receivable, net	297,936	(157,033)
Advance to suppliers	(339,463)	432,958
Due from a related party	73,685	(219,846)
Deferred initial public offering costs	(321,569)	-
Prepaid expenses and other current assets	(511,104)	(227,555)
Accounts payable	67,350	(177,189)
Deferred revenue	470,410	261,654
Taxes payable	90,591	(97,431)
Accrued expenses and other current liabilities	9,208	(37,827)
Net cash provided by (used in) operating activities	<u>(103,403)</u>	<u>200,309</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(13,026)	(9,828)
Acquisition of 8.8228% non-controlling interest in China Liberal Beijing	(453,669)	-
Net cash used in investing activities	<u>(466,695)</u>	<u>(9,828)</u>
<b>Cash flows from financing activities</b>		
Proceeds from (repayment of) related party loans	481,431	(59)
Net cash provided by (used in) financing activities	<u>481,431</u>	<u>(59)</u>
<b>Effect of changes of foreign exchange rates on cash</b>	3,988	(7,235)
<b>Net increase (decrease) in cash</b>	(84,679)	183,187
<b>Cash, beginning of period</b>	2,077,166	7,970
<b>Cash, end of period</b>	<u>\$ 1,992,487</u>	<u>\$ 191,157</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest expense	\$ -	\$ -
Cash paid for income tax	<u>\$ 19,911</u>	<u>\$ 46,455</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION**

China Liberal Education Holdings Limited (“China Liberal” or the “Company”) was established under the laws of the Cayman Islands on February 25, 2019 as a holding company.

China Liberal owns 100% equity interest of Yi Xin BVI International Investment Limited (“Yi Xin BVI”), a business company established under the laws of the British Virgin Islands (“BVI”) on October 19, 2010

China Liberal Beijing Education Group Co., Limited (“Boya Hong Kong”), formerly known as Haier International Investment Holding Limited, was incorporated in accordance with the laws and regulations of Hong Kong on May 11, 2011, and changed to its current name on July 19, 2016. Yi Xin BVI owns 100% equity interest in Boya Hong Kong.

China Liberal, Yi Xin BVI and Boya Hong Kong are currently not engaging in any active business operations and merely acting as holding companies.

Huaxia Boya (Beijing) Education Technology Co., Ltd. (“China Liberal Beijing”) was formed on August 8, 2011, as a Wholly Foreign-Owned Enterprise (“WFOE”) in the People’s Republic of China (“PRC”), with the registered capital of RMB 33.46 million (approximately \$5.1 million). Through December 31, 2018, Boya Hong Kong owned 91.1772% ownership interest in China Liberal Beijing, with the remaining 8.8228% ownership interest owned by five individual shareholders. On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, for a total price of RMB 2.95 million (approximately \$453,669). The total value of the non-controlling interest amounted to \$540,907 as of the acquisition date (see Note 12). The Company borrowed cash from a related party to make this acquisition payment (see Note 9). After this transaction, China Liberal Beijing became a 100% owned subsidiary of Boya Hong Kong.

The Company, through its wholly-owned subsidiaries, is primarily engaged in providing educational services in the People’s Republic of China (the “PRC”) under the “China Liberal” brand. The Company offers a wide range of educational services and programs to customers, consisting primarily of Sino-foreign Jointly Managed Academic Programs, sales of textbooks and course material sales, Overseas Study Consulting Services and technological consulting services provided for targeted Chinese universities/colleges to help them improve their data management system and to optimize their teaching and operating environment.

***Reorganization***

A reorganization of the legal structure of the Company (“Reorganization”) was completed on March 25, 2019. The reorganization involved the incorporation of China Liberal, and the transfer of the 100% equity interest of Yi Xin BVI to China Liberal. Consequently, China Liberal became the ultimate holding company of all other entities mentioned above (also see Note 12).

The Reorganization has been accounted for as a recapitalization among entities under common control since the same controlling shareholders controlled all these entities before and after the Reorganization. The consolidation of the Company and its subsidiaries has been accounted for at historical cost and prepared on the basis as if the aforementioned transactions had become effective as of the beginning of the first period presented in the accompanying consolidated financial statements. Results of operations for the periods presented comprise those of the previously separate entities combined from the beginning of the period to the end of the period, eliminating the effects of intra-entity transactions.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION (continued)**

Upon the completion of the Reorganization, the Company has subsidiaries in countries and jurisdictions in the PRC, Hong Kong and BVI. Details of the subsidiaries of the Company as of June 30, 2019 were set out below:

Name of Entity	Date of Incorporation	Place of Incorporation	% of Ownership	Principal Activities
China Liberal	February 25, 2019	Cayman Island	Parent, 100%	Investment holding
Yi Xin BVI	October 19, 2010	BVI	100%	Investment holding
Boya Hong Kong	May 11, 2011	Hong Kong	100%	Investment holding
China Liberal Beijing	August 8, 2011	Beijing, PRC	100%	Education service provider

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and the notes thereto for the year ended December 31, 2018 included in the Company’s Registration Statement Form F-1. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to make the financial statements not misleading have been included. Operating results for the interim period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019.

***Basis of consolidation***

The accompanying unaudited condensed consolidated financial statements include the financial statements of China Liberal, Yi Xin BVI, Boya Hong Kong and China Liberal Beijing. All inter-company balances and transactions are eliminated upon consolidation.

***Non-controlling interest and accounting for changes in ownership***

Non-controlling interests represent five minority shareholders’ aggregate 8.8228% ownership interest in China Liberal Beijing before December 31, 2018. On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, for a total price of RMB 2.95 million (approximately \$453,669). The total value of the non-controlling interest amounted to \$540,907 as of the acquisition date (see Note 12). After this transaction, China Liberal Beijing became a 100% owned subsidiary of Boya Hong Kong. In accordance with ASC 810 “Consolidation,” changes in a parent’s ownership while the parent retains its controlling financial interest in its subsidiary should be accounted for as an equity transaction. Therefore, no gain or loss is recognized in consolidated net income (loss) or comprehensive income (loss). The carrying amount of the controlling and non-controlling interest is adjusted to reflect the change in its ownership interest in the subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the parent. If a change in a parent’s ownership interest occurs in a subsidiary that has accumulated other comprehensive income (loss), the carrying amount of accumulated other comprehensive income (loss) is adjusted to reflect the change in the ownership interest in the subsidiary through a corresponding charge or credit to equity attributable to the parent.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Uses of estimates***

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the valuation of accounts receivable, advances to suppliers, useful lives of property and equipment, the recoverability of long-lived assets, provision necessary for contingent liabilities and revenue recognition. Actual results could differ from those estimates.

***Risks and Uncertainties***

The main operations of the Company are located in the PRC. Accordingly, the Company’s business, financial condition, and results of operations may be influenced by political, economic, and legal environments in the PRC, as well as by the general state of the PRC economy. The Company’s results may be adversely affected by changes in the political, regulatory and social conditions in the PRC. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations including its organization and structure disclosed in Note 1, such experience may not be indicative of future results.

The Company’s business, financial condition and results of operations may also be negatively impacted by risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt the Company’s operations (see Note 15-*Subsequent Events*).

***Cash***

Cash includes currency on hand and deposits held by banks that can be added or withdrawn without limitation. The Company maintains most of its bank accounts in the PRC. Cash balances in bank accounts in PRC are not insured by the Federal Deposit Insurance Corporation or other programs.

***Accounts and contract receivable, net***

Accounts and contract receivable are recognized and carried at original invoiced amount less an estimated allowance for uncollectible accounts.

The Company determines the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trend. The Company establishes a provision for doubtful receivables when there is objective evidence that the Company may not be able to collect amounts due. The allowance is based on management’s best estimate of specific losses on individual exposures, as well as a provision on historical trends of collections. Actual amounts received may differ from management’s estimate of credit worthiness and the economic environment. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of June 30, 2019 and December 31, 2018, there was no allowance recorded as the Company considers all of the accounts receivable fully collectible.

The Company’s contract receivable represents balance derived from the Technological Consulting Services for Smart Campus Solutions provided to a Chinese universities/ colleges, when the projects under the contract have been completed and accepted by Chinese universities/ colleges, but the balances have not been past due based on the contracted payment schedules. The Company had not incurred any bad debts with Chinese universities/ colleges in the past, and accordingly considers the contract receivable fully collectible. Thus, there was no allowance recorded on such outstanding contract receivable as of June 30, 2019 and December 31, 2018 (See Note 4).

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Advances to suppliers***

Advance to suppliers consists of balances paid to suppliers that have not been provided or received. The Company makes advance payment to suppliers for purchase of equipment and devices in order to undertake the “smart campus” consulting projects for customers. Advance to suppliers are short-term in nature and are reviewed periodically to determine whether their carrying value has become impaired. The Company considers the assets to be impaired if the realizability of the advance becomes doubtful. As of June 30, 2019 and December 31, 2018, there was no allowance recorded as the Company considers all of the advances fully realizable.

***Impairment of long-lived Assets***

Long-lived assets with finite lives, primarily property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition below are the asset’s carrying value, then the asset is deemed to be impaired and written down to its fair value. There were no impairments of these assets as of June 30, 2019 and December 31, 2018.

***Fair value of financial instruments***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted market prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable and inputs derived from or corroborated by observable market data.
- Level 3 — inputs to the valuation methodology are unobservable.

Unless otherwise disclosed, the fair value of the Company’s financial instruments, including cash, accounts receivable, advances to suppliers, due from a related party, loans receivable, prepaid expenses and other current assets, accounts payable, deferred revenue, accrued expenses and other current liabilities, taxes payable and due to related parties, approximate the fair value of the respective assets and liabilities as of June 30, 2019 and December 31, 2018 based upon the short-term nature of the assets and liabilities. The fair value of the contract receivable also approximate its carrying amount because the receivable was derived from a fixed-price contract and will be settled by cash.

***Property and equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment is provided using the straight-line method over their expected useful lives, as follows:

	<b>Useful life</b>
Office equipment and furniture	5 years
Electronic equipment	5 years
Transportation vehicles	5-10 years
Leasehold improvement	Shorter of the lease term or estimated useful life

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of income and other comprehensive income in other income or expenses.

***Revenue recognition***

The Company's revenues are primarily derived from providing a wide range of educational services and programs to customers, as disclosed below. Revenues are reported net of all value added taxes.

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers ("ASC Topic 606") using the modified retrospective method for contracts that were not completed as of July 1, 2018. The adoption of this standard did not have a material impact on the Company's consolidated financial statements, no adjustments to opening retained earnings were made as the Company's revenue was recognized based on the amount of consideration expects to receive in exchange for satisfying the performance obligations.

ASC 606, Revenue from Contracts with Customers, establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

ASC 606 requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance did not result in significant changes in the way the Company records its revenue. The Company has assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, the Company concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of Topic 606 and therefore there was no material changes to the Company's consolidated financial statements upon adoption of ASC 606.

The Company generates its revenue from the following sources:

- *Sino-foreign Jointly-Managed Academic Programs*

The Company recommends and coordinates accredited international universities/colleges to forge partnerships with Chinese host universities/colleges to establish international education programs at degree level. Chinese host universities/colleges then utilize their existing administrative ability, campus classrooms and facilities to recruit Chinese students into such programs. The Company also selects, recruits and appoints qualified foreign faculty to teach major courses at selected Chinese host universities/colleges and bears all faculty related costs, provides continuing support to foreign faculty, develops and delivers major course content and materials to ensure teaching quality meeting international standards, and to optimize students' learning outcome and to prepare them for further education overseas and help them with course credit conversion in the event that any student decides to pursue further study overseas. The Company actively supports and interacts with enrolled students throughout their programs to ensure successful program completion. The Company's contracts with host Chinese universities/ colleges are fixed price contracts, pursuant to which, the Company is to receive a fixed portion of tuition for services rendered. As a result of performing the above mentioned services, the Company is entitled to receive 30% to 50% of such student tuitions depending on the universities/colleges and the jointly managed academic programs, which are collected first by Chinese host universities/colleges from enrolled students at the beginning of each academic school year, and then remitted to the Company.



**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

With respect to Sino-foreign Jointly Managed Academic Programs, the Company is not involved in recruiting students, collecting refunding tuition when students dropout, all of which are handled by the host universities/ colleges. The host universities/ colleges normally offer tuition refund if a student drops out from school within the first month of each academic school year. Collected tuition fees become non-refundable after the one-month refund policy window. Historically, for students enrolled under the Sino-foreign Jointly Managed Academic Programs, the average student dropout rate was below 1%. The Company's contracts with Chinese host universities/colleges provide that (1) the host universities/ colleges will withhold the tuition collected from students for one to three months after the academic school year starts in September, and then remit the portion of tuition fees to the Company after the student headcounts have been finalized, and (2) the portion of tuition fee that the Company is entitled to receive is calculated based on the final actual number of students retained with the universities/colleges after any student dropout has been adjusted. Accordingly, any tuition refund has already been deducted by host universities/ colleges before the Company receives its portion of the tuition fees. For accounting purposes, at the beginning of each academic school year, the Company initially accrues the estimated refund based on an historical 1% student dropout rate, and makes subsequent true-up adjustments after the final number of students retained with the host universities/colleges is determined. Such adjustments were immaterial for the six months ended June 30, 2019 and 2018.

The Company's contracts with Chinese host universities/colleges provide that foreign teachers assigned by the Company should be substituted, and teaching textbooks, course materials and curriculums should be adjusted in a timely manner in order to ensure a satisfactory teaching result. The Chinese host universities/ colleges have the right to withhold the Company's portion of the tuition if the Company does not take corrective action when the Company's service deficiency is identified. Any costs related to teacher substitution, textbooks, course materials and curriculums adjustment should be borne by the Company. The Company maintains active communications with the host universities/ colleges in order to obtain feedback on the quality of the services performed. Any service deficiency is being corrected and improved in a timely manner so as to achieve satisfactory long-term cooperation with the host universities/ colleges. Historically, as a result of timely interaction with the host universities/colleges to address any service deficiency and to improve the teaching result, there were no estimable tuition withhold from the host universities/ colleges that needs to be accrued. There were no complaints received from the host universities/ colleges with respect to the Company's services for the six months ended June 30, 2019 and 2018 which required material adjustment to the amount of fees received by the Company.

The tuition fees received by the Company are initially recorded as deferred revenue and recognized ratably over applicable academic year as the Company's performance obligations related to teaching, management and other supporting services are carried out over the whole academic year.

- *Sales of textbooks and course materials*

In order to ensure the quality of the course content to meet international standards, the Company have developed and edited more than 16 English textbooks and course materials with emphasis on language training, and sells these textbooks and course materials to students enrolled under the Sino-foreign joint education programs.

Revenue from sales of textbooks and related course materials is recognized upon delivery of textbooks and course materials, which is when the risks and titles are transferred and the Company's performance obligation is satisfied.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- *Overseas Study Consulting Service*

The Company's Overseas Study Consulting Services target those students who wish to study in foreign countries to enrich their learning experiences and to expand their horizon and employment possibilities. The Company's overseas study consulting services are typically performed under one-on-one private tutoring model with duration of four to six months. The Company provides school information to help students make informed decisions about which institution and major to choose from, help them prepare for school application and admission; provides study plans, language training and test preparation courses to help students improve their foreign language ability and help them achieve higher scores in international admission and assessment tests. The Company also helps students on visa application and paperwork, and offers overseas extended services such as finding accommodation and travel assistance. In connection with these services, the Company collects an up-front fee based on the scope of consulting services requested by students. 90% of the consulting service fee collected is non-refundable, and is recognized ratably as revenue over the service period, while 10% of the consulting fee is refundable and is deferred and recognized as revenue when students are successfully admitted by foreign institution and student visas are granted.

- *Technological Consulting Services for Smart Campus Solutions*

Under the concept of "creating smart campus", the Company's technological consulting services utilize the advanced information technology such as cloud computing, mobile internet and big data analytics to provide total solutions to targeted Chinese universities/colleges in order to integrate and improve their teaching, research, student data management, storage and processing, and campus life services, and to optimize their teaching and operating environment and improve operational efficiency. The Company's "smart campus" related technological consulting service contracts are primarily on a fixed-price basis, which require the Company to perform services including project planning, project solution and design, data management application customization, installations of hardware equipment and components for digital classrooms and academic experiment centers or labs, integration of hardware and software application, and post-contract continuous maintenance support, based on the specific needs from each customer. Upon delivery of services, project completion inspection and customer acceptance are generally required. In the same contract, it may also include provisions that require the Company to provide post-contract maintenance support for a period ranging from several months to three years after customized "smart campus" solutions and services are delivered.

The Company evaluates "smart campus" solution service contracts and determines whether these contracts contain multiple deliverable arrangements. An arrangement is separated, if (1) the delivered element(s) has (have) value to the customer on a stand-alone basis, (2) there is reliable evidence of the fair value of the undelivered element (s) and (3) if the arrangement includes a general right of return relative to the delivered element(s), delivery or performance of the undelivered element (s) is (are) considered probable and substantially in the control of the Company. If all three criteria are fulfilled, appropriate revenue recognition convention is then applied to each separate unit of accounting. If the three criteria are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

The Company determines "smart campus" solution and application customization service, installations of hardware and software components, and post-contract continuous maintenance support, as separated deliverables in same fixed-fee contract, because the Company's promise to transfer each of these services is separately identifiable from other promises in the contract. The Company allocates contract revenue to the identified separate units based on their relative fair value.

Reliable fair values are sales prices for the component when it is regularly sold on a stand-alone basis, third-party prices for similar components or, under certain circumstances, cost plus, an adequate business specific profit margin related to the relevant element. The amount allocable to the delivered elements is limited to the amount that is not contingent upon delivery of additional elements or meeting other specified performance conditions. Revenue allocated to technological consulting services for "smart campus" solution is recognized upon completion of each unit of service. In instances where substantive completion inspection and customer acceptance provisions are specified in contracts, revenues are deferred until all inspection and acceptance criteria have been met.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Contract Balances and Remaining Performance Obligations*

Contract balances typically arise when a difference in timing between the transfer of control to the customer and receipt of consideration occurs.

The Company's contract assets, consist primarily of accounts receivable related to providing educational services associated with Sino-foreign jointly managed education programs and study abroad consulting services to enrolled students, and contract receivable associated with providing technological consulting services for smart campus solutions, in which the Company's contracted performance obligations have been satisfied, amount billed and the Company has an unconditional right to payment.

The Company had accounts receivable related to revenues from Sino-foreign jointly managed education programs and study abroad consulting services of \$925,730 and \$833,174 as of June 30, 2019 and December 31, 2018, respectively. The Company has fully collected the December 31, 2018 outstanding accounts receivable during the period of January to April 2019. The outstanding accounts receivable of \$925,730 as of June 30, 2019 has been fully collected during the subsequent period of August to early September 2019.

In addition, the Company had contract receivable of \$2,287,063 (including current and non-current portion of \$1,072,266 and \$1,214,797, respectively) and \$2,577,423 (including current and non-current portion of \$960,237 and \$1,617,186, respectively) as of June 30, 2019 and December 31, 2018, respectively, primarily derived from providing technological consulting services for smart campus solutions to Chinese universities/ colleges. The balance due within one year and more than one year was based on the contracted payment terms with Chinese universities/ colleges. As of December 31, 2018, the Company had outstanding short-term contract receivable of \$960,237 primarily related to FMP "smart campus" projects, the Company collected RMB 2 million (USD \$291,256) in April 2019 and collected the remaining \$518,608 by December 2019. During the six months ended June 30, 2019, approximately \$350,234 (RMB 2.4 million) FMP long-term contract receivable has been reclassified as short-term. As of June 30, 2019, the Company's short-term contract receivable included \$1,020,725 receivable from FMP and \$51,541 receivable from other Chinese universities/colleges. The remaining FMP long-term contract receivable will be collected in 2020 and 2021 based on the contract payment terms (see Note 4). In connection with the FMP "smart campus" projects, financing component resulted from a timing difference when control is transferred and the collection of cash receipts is not significant to impact future cash flows, therefore, no financing income was reported as of June 30, 2019. The Company had not incurred any bad debts with Chinese universities/colleges in the past in connection with its undertaking of these services, and accordingly the Company considers the contract receivable fully collectible.

The Company's contract liabilities, which are reflected in its consolidated balance sheets as deferred revenue of \$614,641 and \$149,560 as of June 30, 2019 and December 31, 2018, respectively, consist primarily of the Company's unsatisfied performance obligations as of the balance sheet dates. The June 30, 2019 deferred revenue balance primarily consisted of \$197,358 deferred revenue associated with the Company's Sino-foreign jointly managed academic programs and \$417,283 deferred revenue associated with the Company's studying abroad consulting services. The December 31, 2018 deferred revenue balance of \$149,560 primarily related to the Company's Sino-foreign jointly managed academic programs.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Disaggregation of revenue*

Revenue disaggregated by product type was as follows for the six months ended June 30, 2019 and 2018:

	<b>For the six months ended June 30, 2019</b>	<b>For the six months ended June 30, 2018</b>
Revenue from Sino-foreign Jointly Managed Academic Programs	\$ 1,240,856	\$ 1,256,083
Revenue from textbook and course material sales	13,316	23,485
Revenue from Overseas Study Consulting Services	-	10,370
Revenue from Technological Consulting Services for Smart Campus Solutions	625,896	157,849
<b>Total</b>	<b>\$ 1,880,068</b>	<b>\$ 1,447,787</b>

***Costs on data management application system customization***

With its “smart campus” solution services to Chinese universities/colleges, the Company provides technical support to help Chinese universities/ colleges to customize their campus data management application system to record student information. The Company does not develop and own the data management application software. Costs incurred, which consist primarily of internal salaries and benefits of personnel involved in the provision of such services, were included in the cost of revenue in the consolidated statements of income and comprehensive income.

***Advertising expense***

Advertising expenses primarily relate to advertisement of the Company’s brand name and services through outdoor billboards and social media such as Weibo and WeChat. Advertising expenses are included in selling expenses in the consolidated statements of income and comprehensive income. Advertising expenses amounted to \$24,223 and \$14,541 for the six months ended June 30, 2019 and 2018, respectively.

***Government subsidies***

Government subsidies primarily relate to value added tax refund on qualified teaching data management software developed by the Company and used in the Company’s Technological Consulting Services for Smart Campus Solution projects, with the subsidy amount approved by local tax authority. The Company recognizes government subsidies as other operating income when they are received because they are not subject to any past or future conditions, there are no performance conditions or conditions of use, and they are not subject to future refunds. Government subsidies received and recognized as other operating income. Government subsidy income were \$Nil and \$10,729 for the six months ended June 30, 2019 and 2018, respectively.

***Income taxes***

The Company accounts for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the six months ended June 30, 2019 and 2018. The Company does not believe there was any uncertain tax provision at June 30, 2019 and December 31, 2018.

The Company’s operating subsidiary in China is subject to the income tax laws of the PRC. No significant income was generated outside the PRC for the six months ended June 30, 2019 and 2018. As of June 30, 2019, the tax years ended December 31, 2014 through December 31, 2018 for the Company’s PRC Subsidiary remain open for statutory examination by PRC tax authorities.

**Value added tax (“VAT”)**

The PRC government implemented a value-added tax reform pilot program, which replaced the business tax with VAT on selected sectors including but not limited to education in Beijing effective September 1, 2012. In August 2013, the pilot program was expanded nationwide in certain industries. Since May 2016, the change from business tax to VAT are expanded to all other service sectors which used to be subject to business tax. The VAT rates applicable to the subsidiaries and consolidated variable interest entities of the Group ranged from 3% to 6% as compared to the 3%~5% business tax rate which was applicable prior to the reform.

**Earnings per Share**

The Company computes earnings per share (“EPS”) in accordance with ASC 260, “Earnings per Share” (“ASC 260”). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. There were no dilutive shares for the six months ended June 30, 2019 and 2018.

**Foreign currency translation**

Since the Company operates primarily in the PRC, the Company’s functional currency is the Chinese Yuan (“RMB”). The Company’s consolidated financial statements have been translated into the reporting currency U.S. Dollars (“US\$”). Assets and liabilities of the Company are translated at the exchange rate at each reporting period end date. Equity is translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under other comprehensive income (loss). Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the results of operations. The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at the rates used in translation.

The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>December 31, 2018</u>
Period-end spot rate	US\$1 =RMB 6.8668	US\$1 =RMB 6.6198	US\$1 =RMB 6.8776
Average rate	US\$1 =RMB 6.7856	US\$1 =RMB 6.3681	US\$1 =RMB 6.6163

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Comprehensive income***

Comprehensive income consists of two components, net income and other comprehensive income (loss). The foreign currency translation gain or loss resulting from translation of the financial statements expressed in RMB to US\$ is reported in other comprehensive income (loss) in the unaudited condensed consolidated statements of income and comprehensive income.

***Statement of Cash Flows***

In accordance with ASC 230, “Statement of Cash Flows”, cash flows from the Company’s operations are formulated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheets.

***Recent Accounting Pronouncements***

The Company considers the applicability and impact of all accounting standards updates (“ASUs”). Management periodically reviews new accounting standards that are issued.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases, including operating leases, with a term in excess of 12 months. The guidance also expands the quantitative and qualitative disclosure requirements. The guidance will be effective in fiscal year 2020, with early adoption permitted, and must be applied using a modified retrospective approach. In July 2018, the FASB issued updates to the lease standard making transition requirements less burdensome. The update provides an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the company’s financial statements. The new guidance requires the lessee to record operating leases on the balance sheet with a right-of-use asset and corresponding liability for future payment obligations. FASB further issued ASU 2018-11 “Target Improvement” and ASU 2018-20 “Narrow-scope Improvements for Lessors.” As an emerging growth company, we will adopt this guidance effective January 1, 2020. We do not expect the cumulative effect resulting from the adoption of this guidance will have a material impact on our consolidated financial statements.

In February 2018, the FASB has issued Accounting Standards Update (ASU) No. 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The ASU amends ASC 220, *Income Statement — Reporting Comprehensive Income*, to “allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act.” In addition, under the ASU, an entity will be required to provide certain disclosures regarding stranded tax effects. The ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. This guidance did not have a material impact on its consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05 — Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (“ASU 2018-05”), which amends the FASB Accounting Standards Codification and XBRL Taxonomy based on the Tax Cuts and Jobs Act (the “Act”) that was signed into law on December 22, 2017, and Staff Accounting Bulletin No. 118 (“SAB 118”) that was released by the Securities and Exchange Commission. The amendments in this update were effective upon issuance. The Act changes numerous provisions that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits and may additionally have international tax consequences for many companies that operate internationally. The Company does not believe this guidance will have a material impact on its consolidated financial statements.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, Financial Instruments—Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 was subsequently amended by Accounting Standards Update 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, Accounting Standards Update 2019-04 *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, and Accounting Standards Update 2019-05, *Targeted Transition Relief*. For public entities, ASU 2016-13 and its amendments is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For all other entities, this guidance and its amendments will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. As an emerging growth company, we plan to adopt this guidance effective January 1, 2023. We are currently evaluating the impact of our pending adoption of ASU 2016-13 on our consolidated financial statements.

In August 2018, the FASB Accounting Standards Board issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted for any removed or modified disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company does not expect this guidance will have a material impact on its consolidated financial statements.

**NOTE 3 — ACCOUNTS RECEIVABLE, NET**

Accounts receivable consist of the following:

	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018</b>
Accounts receivable- Overseas Study Consulting Services	\$ 49,834	\$ 346,332
Accounts receivable- Sino-foreign Jointly Managed Academic Programs	875,896	486,842
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	<b>\$ 925,730</b>	<b>\$ 833,174</b>

Under the Sino-foreign Jointly Managed Academic Programs, student tuition fees are collected by the Chinese host universities/colleges at the beginning of each academic school year and then remit the agreed portion to the Company within one to four months. However, under certain occasions, the Chinese host universities/ colleges may delay the payment to the Company for extended months in consideration of the fund allocation among different academic programs. Approximately \$875,896 (RMB 6.01 million) tuition fee from Straight College of Minjiang University should have been remitted to the Company in November 2018 has been postponed to 2019. The Company received RMB 2 million (approximately \$291,256) in August 2019 and fully collected the remaining balance of \$584,640 in early September 2019. As a result, the \$875,896 tuition receivable under joint-managed academic programs as of June 30, 2019 has been fully collected as of the date of this prospectus.

The Company’s overseas study consulting services normally require students to make upfront payment upon signing of contract. Occasionally, some students may wish to make installment payments. The \$49,834 balance as of June 30, 2019 represents those billed but not yet collected installment payments, which have been fully collected in early September 2019.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 — CONTRACT RECEIVABLE, NET**

Contract receivable consists of the following:

	June 30, 2019 (Unaudited)	December 31, 2018
Contract receivable- “Smart Campus” related technological consulting services with FMP (1)	\$ 2,235,522	\$ 2,425,779
Contract receivable- “Smart campus” project maintenance and technical support fee	-	151,644
Contract receivable – other “Smart Campus” related technological consulting services (2)	51,541	
Less: allowance for doubtful accounts	-	-
Total contract receivable, net	2,287,063	2,577,423
Less: current portion of contract receivable	1,072,266	960,237
Contract receivable, non-current	<u>\$ 1,214,797</u>	<u>\$ 1,617,186</u>

(1) In 2017, the Company entered into a contract with Fuzhou Melbourne Polytechnic (“FMP”) to help FMP with its smart campus project, which include creating a big data center, digital classrooms, and an experiment-based simulation teaching center for its business school.

The projects under FMP contract requires the leveraging hardware facilities such as sensors, internet of things, digital portal, electronic blackboards, smartboards, projectors, LED display panels, high definition classroom audio and sound system and other lab-based equipment, together with data management applications, to create a total smart campus solution for FMP. In addition to the installation of hardware and data management application to make the smart campus system meet the expected operational conditions, the Company is also responsible for the post-contract maintenance and continuous technical support during the period of 2019 to 2021. Total contract price under the FMP “smart campus” project is RMB 16.68 million (approximately \$2.4 million) for completion of the software and hardware installation, plus additional RMB 5.05 million (approximately \$0.74 million) post-contract maintenance and technical support fee. Among the RMB 5.05 million maintenance and support fee, RMB 1.04 million (USD \$151,644) contract receivable for maintenance and technical support services rendered in 2018 has been received in January 2019. The remaining RMB 4.01 million (approximately \$0.58 million) post-contract maintenance and technical support fee will be paid in three equal installments in 2019 to 2021 when services are rendered.

The contracted projects for the big data center, digital classrooms, an experiment-based simulation teaching center and a lab-based experiment center have been fully completed in November 2018 with satisfactory inspection and acceptance by FMP in December 2018. Based on the contract payment schedule, RMB 16.68 million earned project fee shall be paid in three installments as follows:

<b>Payment schedule</b>	<b>RMB</b>	<b>USD</b>
2019	5,561,180	\$ 809,865
2020	5,561,180	809,865
2021	5,561,180	809,865
Total	<u>16,683,540</u>	<u>\$ 2,429,595</u>

As of June 30, 2019 and December 31, 2018, no allowance for doubtful accounts was recorded as the Company considers all of the contract receivable on “smart campus” project from FMP fully collectible because in addition to the “smart campus” project, the Company has Sino-foreign Jointly Managed Academic Programs with FMP since 2011 and there was no payment default based on past experience with FMP. Accordingly, management believes that cash collection from FMP is reasonably assured. Based on the payment schedule, \$809,865 contract receivable was scheduled to be settled by FMP within 2019. In April 2019, FMP made a payment of RMB 2 million (USD \$291,256) to the Company as part of the 2019 payment and the Company collected the remaining \$518,608 from FMP by December 2019. As of June 30, 2019, total outstanding contract receivable from FMP amounted to \$2,235,522, including non-current portion of \$1,214,797.

(2) During the six months ended June 30, 2019, the Company has entered into additional smart campus solution contracts with a larger number of Chinese universities/ colleges, including Capital Normal University, Shougang Technician College, Beijing Institute of Technology, North China Electric Power University, University of Chinese Academy of Sciences, Beijing Advanced Technical School of Arts and Craft and China University of Mining & Technology (Beijing), etc., to provide “smart campus” solution related consulting services to these universities/ colleges, such as internet network improvement, digital classroom solutions, and educational management system customization. Some of these new smart campus contracts have been executed, completed, and accepted by these universities/ colleges, while some of the contracts are still under execution as of June 30, 2019. The Company expects to generate increased revenue from this segment during the second half of fiscal year 2019 based on the progress of these “smart campus” projects.



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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 — ADVANCE TO SUPPLIERS, NET**

In connection with the Company’s technological consulting services provided to Chinese universities/colleges for the “smart campus” projects as disclosed in Note 4, the Company made advance payment to suppliers for purchase of electronic sensors, smartboards, projectors, LED display panels, high definition classroom audio and sound system and other lab-based equipment. Advance to suppliers are short-term in nature and amounted to \$355,365 and \$19,885 as of June 30, 2019 and December 31, 2018, respectively. There was no allowance recorded as the Company considers all of the advances fully realizable.

**NOTE 6 — DEFERRED IPO OFFERING COSTS**

Deferred offering costs consisted principally of legal, underwriting, and other professional service expenses in connection with the Initial Public Offering (the “IPO”) of the Company’s ordinary shares. As of June 30, 2019 and December 31, 2018, the Company capitalized \$321,005 and \$Nil of deferred offering costs. Such costs will be deferred until the closing of the IPO, at which time the deferred costs will be offset against the offering proceeds .

**NOTE 7 — PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET**

Prepaid expenses and other current assets consisted of the following:

	June 30, 2019 (Unaudited)	December 31, 2018
Other receivable (1)	\$ 579,086	\$ 94,106
Interest receivable (2)	-	163,502
Others prepaid expenses (3)	214,857	28,444
Subtotal	793,943	286,052
Allowance for doubtful accounts	-	-
Prepaid expenses and other current assets, net	<u>\$ 793,943</u>	<u>\$ 286,052</u>

- (1) Other receivable primarily include short-term advances to employees for business development, which are normally expensed within three months when invoices and other supporting documents been submitted for reimbursement, and rental security deposit for the Company’s headquarter office in Beijing. Subsequently in early September 2019, approximately \$384,604 (RMB 2.64 million) other receivable has been collected back.
- (2) On March 19, 2017, the Company advanced a short-term loan in the amount of \$1,997,726 (RMB 13 million) to a non-related third party, Jinjiang Hengfeng Trading Co., Ltd.(“Hengfeng”), as working capital, bearing interest rate of 4.8% per annum with maturity date of September 19, 2017. Immediate before the loan maturity, on September 5, 2017, the Company and Hengfeng signed a supplemental agreement to extend the loan maturity to December 19, 2018 with adjusted interest rate of 5% per annum. The Company accrued interest receivable of \$163,502 as of December 31, 2018, which has been fully collected in February 2019.
- (3) Other prepaid expenses include prepaid advertising expense and prepaid utility expense, which are amortized over the service periods.

**NOTE 8 — PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of the following:

	June 30, 2019 (Unaudited)	December 31, 2018
Office equipment and furniture	\$ 27,892	\$ 27,848
Electronic equipment	83,947	70,964
Transportation vehicles	221,362	221,014
Leasehold improvement	78,250	78,127
Subtotal	411,451	397,953
Less: accumulated depreciation	(317,295)	(296,748)
Property and equipment, net	<u>\$ 94,156</u>	<u>\$ 101,205</u>

Depreciation expense was \$20,320 and \$27,725 For the six months ended June 30, 2019 and 2018, respectively.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
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**NOTE 9 — RELATED PARTY TRANSACTIONS**

**a. Due from a related party**

On May 22, 2018, Xiamen Xinbaiyi Investment Group (“Xinbaiyi”), an entity related to the Company’s Board member and shareholder Mr. Ruenjie Lin, entered into a loan agreement with the Company to borrow RMB2.5 million (approximately \$363,499) as working capital for 10 months (from June 5, 2018 to February 28, 2019). The loan is non-interest bearing. Xinbaiyi repaid RMB2 million within 2018. The remaining balance of \$72,700 as of December 31, 2018 was received in February 2019.

**b. Due to related parties**

As of June 30, 2019 and December 31, 2018, the balance due to related parties are comprised of advances from the Company’s principal shareholders and used for working capital during the Company’s normal course of business. These advances are non-interest bearing and due on demand.

c. In connection with the Company’s acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, the Company borrowed cash from related party, Ms. Yiyi Lin, the controlling shareholder of the Company, and made the payment to original five non-controlling shareholders (see Note 12). This borrowing from related party is non-interest bearing and the Company plans to make the repayment to related party in fourth quarter of fiscal year 2019 using cash generated from operating activities.

**NOTE 10 — TAXES**

**(a) Corporate Income Taxes (“CIT”)**

Cayman Island

Under the current tax laws of the Cayman Islands, the Company is not subject to tax on its income or capital gains. In addition, no Cayman Islands withholding tax will be imposed upon the payment of dividends by the Company to its shareholders.

BVI

Yi Xin BVI is incorporated in the BVI as an offshore holding company and is not subject to tax on income or capital gain under the laws of BVI.

Hong Kong

Boya Hong Kong is incorporated in Hong Kong and is subject to profit taxes in Hong Kong at a rate of 16.5%. However, Boya Hong Kong did not generate any assessable profits arising in or derived from Hong Kong for the six months ended June 30, 2019 and 2018, and accordingly no provision for Hong Kong profits tax has been made in these periods.

PRC

Under the Enterprise Income Tax (“EIT”) Law of PRC, domestic enterprises and Foreign Investment Enterprises (the “FIE”) are usually subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays and even tax exemption may be granted on case-by-case basis. EIT grants preferential tax treatment to High and New Technology Enterprises (“HNTEs”). Under this preferential tax treatment, HNTEs are entitled to an income tax rate of 15%, subject to a requirement that they re-apply for HNTE status every three years. China Liberal Beijing, the Company’s main operating subsidiary in PRC, was approved as a HNTE and is entitled to a reduced income tax rate of 15% beginning December 2016, which is valid for three years. EIT is typically governed by the local tax authority in PRC. Each local tax authority at times may grant tax holidays to local enterprises as a way to encourage entrepreneurship and stimulate local economy. The corporate income taxes for the six months ended June 30, 2019 and 2018 were reported at a reduced rate of 15% as a result of China Liberal Beijing being approved as a HNTE. The impact of the tax holidays noted above decreased foreign taxes by \$32,820 and \$27,330 for the six months ended June 30, 2019 and 2018, respectively. The benefit of the tax holidays on net income per share (basic and diluted) \$0.01 and \$0.00 for the six months ended June 30, 2019 and 2018, respectively.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 — TAXES (continued)**

The components of the income tax provision are as follows:

	<b>For the six months ended June 30, 2019</b>	<b>For the six months ended June 30, 2018</b>
Current tax provision		
Cayman	\$ -	\$ -
BVI	-	-
Hong Kong	-	-
PRC	52,756	43,709
	<u>\$ 52,756</u>	<u>\$ 43,709</u>
Deferred tax provision		
Cayman	\$ -	\$ -
BVI	-	-
Hong Kong	-	-
PRC	-	-
	<u>-</u>	<u>-</u>
Income tax provision	<u>\$ 52,756</u>	<u>\$ 43,709</u>

**(a) Corporate Income Taxes (“CIT”)**

The following table reconciles the China statutory rates to the Company’s effective tax rate for the six months ended June 30, 2019 and 2018:

	<b>For the six months ended June 30, 2019</b>	<b>For the six months ended June 30, 2018</b>
China Income tax statutory rate	25.0%	25.0%
Permanent difference	0.5%	0.4%
Changes in valuation allowance	12.0%	-
Effect of PRC preferential tax rate	(10.0)%	(10.0)%
Effective tax rate	<u>27.5%</u>	<u>15.4%</u>

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of June 30, 2019, the tax years ended December 31, 2014 through December 31, 2018 for the Company’s PRC Subsidiary remain open for statutory examination by PRC tax authorities.

**(b) Taxes payable**

Taxes payable consist of the following:

	<b>June 30, 2019 (Unaudited)</b>	<b>December 31, 2018</b>
Income tax payable	\$ 85,984	\$ 14,744
Value added tax payable	245,095	225,966
Other taxes payable	2,967	3,432
Total taxes payable	<u>\$ 334,046</u>	<u>\$ 244,142</u>

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 — CONCENTRATIONS**

A majority of the Company's revenue and expense transactions are denominated in RMB and a significant portion of the Company and its subsidiaries' assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China ("PBOC"). Remittances in currencies other than RMB by the Company in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

As of June 30, 2019 and December 31, 2018, \$1,969,448 and \$2,077,146 of the Company's cash was on deposit at financial institutions in the PRC where there currently is no rule or regulation requiring such financial institutions to maintain insurance to cover bank deposits in the event of bank failure. For the six months ended June 30, 2019 and 2018, the Company's substantial assets were located in the PRC and the Company's substantial revenues were derived from its subsidiaries located in the PRC.

For the six months ended June 30, 2019, three customers accounted for approximately 46.0%, 23.7% and 14.9% of the Company's total revenue, respectively. For the six months ended June 30, 2018, two customers accounted for approximately 64.9% and 24.2% of the Company's total revenue, respectively.

As of June 30, 2019 and December 31, 2018, one customer accounted for 94.6% and 81.0% of the total accounts receivable balance, respectively.

For the six months ended June 30, 2019, one supplier accounted for approximately 12.5% of the total purchases. For the six months ended June 30, 2018, three suppliers accounted for approximately 34.6%, 34.3%, and 13.5% of the total purchases, respectively.

**NOTE 12 — SHAREHOLDERS' EQUITY**

***Ordinary Shares***

China Liberal is an exempted company established under the laws of the Cayman Island on February 25, 2019. The original authorized number of ordinary shares was 50,000 shares with par value of US\$1.00 per share and 1,000 ordinary shares were issued. On July 8, 2019, the Company amended its Memorandum of Association to subdivide the authorized shares from 50,000 shares at par value of \$1.00 per share to 50,000,000 shares of ordinary shares with par value of \$0.001 per share, and subdivide the already issued 1,001 shares to 1,001,000 shares at par value of \$0.001 per share. On July 15, 2019, the Company issued additional 3,999,000 shares of ordinary shares with par value of \$0.001 per share to current shareholders. As a result, there are total 5,000,000 share issued and outstanding. The issuance of these 5,000,000 ordinary shares is considered as a part of the Reorganization of the Company, which was retroactively applied as if the transaction occurred at the beginning of the period presented (see Note 1).

***Recapitalization***

In 2018, in order to expand business scopes, which requires a significant increase in paid-in capital in accordance with Chinese rules and regulations, the Company's major operating entity, China Liberal Beijing, converted its accumulated retained earnings of \$2,935,589 as of December 31, 2018 into additional paid-in capital. China Liberal Beijing completed the compliance filing in December 2018 to reflect this recapitalization.

***Non-controlling interest***

As of December 31, 2018, non-controlling interests represent five minority shareholders' 8.8228% ownership interests in the Company's subsidiary China Liberal Beijing. On February 1, 2019, Boya Hong Kong entered into share transfer agreements with each of the non-controlling shareholders of China Liberal Beijing and completed the acquisition of the 8.8228% non-controlling interest in China Liberal Beijing, for a total price of RMB 2.95 million (approximately \$453,669). The total value of the non-controlling interest amounted to \$540,907 as of the acquisition date. The Company borrowed cash from related party to make the acquisition payment (see Note 9). After this transaction, China Liberal Beijing became a 100% owned subsidiary of Boya Hong Kong. In accordance with ASC 810 "Consolidation," changes in a parent's ownership while the parent retains its controlling financial interest in its subsidiary should be accounted for as an equity transaction. Therefore, no gain or loss is expected to be recognized from this transaction.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 — SHAREHOLDERS' EQUITY (continued)**

The following table reconciles the non-controlling interest as of June 30, 2019 and December 31, 2018:

	<b>Total</b>
<b>As of December 31, 2017</b>	<b>\$ 459,667</b>
Net income attributable to non-controlling interest	81,779
Foreign currency translation gain	(22,871)
<b>As of December 31, 2018</b>	<b>\$ 518,575</b>
Acquisition of 8.8228% non-controlling interest	(540,907)
Reverse foreign currency translation adjustment	22,332
<b>As of June 30, 2019</b>	<b>\$ -</b>

***Statutory reserve and restricted net assets***

The Company's PRC subsidiary is restricted in its ability to transfer a portion of its net assets to the Company. The payment of dividends by entities organized in China is subject to limitations, procedures and formalities. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China.

The Company is required to make appropriations to certain reserve funds, comprising the statutory surplus reserve and the discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC ("PRC GAAP"). Appropriations to the statutory surplus reserve are required to be at least 10% of the after-tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entity's registered capital. Appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors. The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital, but are not distributable as cash dividends.

Relevant PRC laws and regulations restrict the Company's PRC subsidiary from transferring a portion of its net assets, equivalent to its statutory reserves and its share capital, to the Company in the form of loans, advances or cash dividends. Only PRC entities' accumulated profits may be distributed as dividends to the Company without the consent of a third party. As of June 30, 2019 and December 31, 2018, the restricted amounts as determined pursuant to PRC statutory laws totaled \$322,770 and \$294,158, respectively, and total restricted net assets amounted to \$4,906,886 and \$4,878,274, respectively.

**NOTE 13 — COMMITMENTS**

The Company's main operating subsidiary, China Liberal Beijing, leases office spaces for its headquarter office and local branches under non-cancelable operating lease agreements with various expiration dates between 2019 and 2022. Rent expense. For the six months ended June 30, 2019 and 2018 was \$144,857 and \$107,385, respectively.

As of June 30, 2019, the Company was obligated under operating leases for minimum rentals as follows:

<b>For the Twelve Months Ended June 30,</b>		
2020	\$	269,575
2021		281,775
2022		237,937
	\$	789,287

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
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**NOTE 14 — SEGMENT REPORTING**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Company’s chief operating decision maker in order to allocate resources and assess performance of the segment.

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”), or decision making group, in deciding how to allocate resources and in assessing performance. The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of different services. Based on management’s assessment, the Company has determined that it has four operating segments as defined by ASC 280, including Sino-foreign Jointly Managed Academic Programs, textbooks and course material sales, Overseas Study Consulting Services and Technological Consulting Services for Smart Campus Solutions.

Substantially all of the Company’s revenues for the six months ended June 30, 2019 and 2018 were generated from the PRC. As of June 30, 2019 and 2018, a majority of the long-lived assets of the Company are located in the PRC, and therefore, no geographical segments are presented.

The following table presents summary information by segment for the six months ended June 30, 2019 and 2018, respectively:

	<b>For the six months ended June 30, 2019</b>				
	<b>Joint education programs</b>	<b>Textbook sales</b>	<b>Overseas study consulting</b>	<b>Technological consulting for “smart campus” solutions</b>	<b>Total</b>
Revenue	\$ 1,240,856	\$ 13,316	\$ -	\$ 625,896	\$ 1,880,068
Cost of revenue	535,638	7,633	-	479,384	1,022,655
Gross profit	705,218	5,683	-	146,512	857,413
Operating expenses	471,713	1,725	91,567	102,080	667,085
Income from operation	233,505	3,958	(91,567)	44,432	190,328
Depreciation and amortization	13,412	-	144	6,764	20,320
Capital expenditure	8,597	-	92	4,337	13,026
Total assets	3,655,666	-	880,067	2,234,017	6,769,750
Total liabilities	\$ 306,551	\$ -	\$ 614,641	\$ 453,722	\$ 1,374,914

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 14 — SEGMENT REPORTING (continued)**

	<b>For the six months ended June 30, 2018</b>				
	<b>Joint education programs</b>	<b>Textbook sales</b>	<b>Study abroad consulting</b>	<b>Technological consulting for smart campus project</b>	<b>Total</b>
Revenue	\$ 1,256,083	\$ 23,485	\$ 10,370	\$ 157,849	\$ 1,447,787
Cost of revenue	561,606	3,831	23,696	112,520	701,653
Gross profit	694,477	19,654	(13,326)	45,329	746,134
Operating expenses	467,232	8,455	3,734	41,831	521,252
Income (loss) from operation	227,245	11,199	(17,060)	3,498	224,882
Depreciation and amortization	24,054	-	648	3,023	27,725
Capital expenditure	8,527	-	230	1,071	9,828
Total assets	4,636,997	-	124,981	582,720	5,344,698
Total liabilities	\$ 503,915	\$ -	\$ 13,582	\$ 63,326	\$ 580,823

**NOTE 15 — SUBSEQUENT EVENTS**

On July 8, 2019, the Company amended its Memorandum of Association to subdivide the authorized shares from 50,000 shares at par value of \$1.00 per share to 50,000,000 shares of ordinary shares with par value of \$0.001 per share, and subdivide the already issued 1,001 shares to 1,001,000 shares at par value of \$0.001 per share. On July 15, 2019, the Company issued additional 3,999,000 shares of ordinary shares with par value of \$0.001 per share to current shareholders. As a result, there are total 5,000,000 share issued and outstanding (see Note 12).

As disclosed in Note 10, China Liberal Beijing, the Company's main operating subsidiary in PRC, was approved as a HNTE and is entitled to a reduced income tax rate of 15% beginning December 2016, which is valid for three years. In December 2019, China Liberal Beijing successfully renewed its HNTE Certificate with local government and will continue to enjoy the reduced income tax rate of 15% for another three years by December 2022.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization categorized it as a pandemic. The COVID-19 outbreak is causing lockdowns, travel restrictions, and closures of businesses and schools. The potential impact which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on our financial position, operations and cash flows. Based on our operating results from January 1, 2020 through the date of this filing, total revenue is lower than previously expected but our revenue from Sino-foreign jointly managed academic programs was not significantly impacted because the host Chinese universities/colleges closed for winter break in December 2019 before the outbreak of COVID-19. Although the host Chinese universities/colleges remained closed from February to present due to COVID-19, we have been providing distance teaching services to students and no dropout has been reported to us during this temporary school closure period. Current enrolled students are expected to go back to school in April 2020. Our revenue from study abroad consulting services may be affected because school closure and international travel bans may restrict students from pursuing their overseas education in Europe, Australia, the United States and other foreign countries, which may cause suspension of our one-on-one consulting services, as well as postponement of payment from our partnering schools. In addition, the execution of our smart campus contracts with Chinese universities/colleges and collection of the payment may be delayed. These uncertainties may cause decrease in our revenue for fiscal year 2020. The extent of the impact of COVID-19 on our results of operations and financial condition will depend on certain developments, including the duration and spread of the outbreak, impact on our customers and schools, all of which are uncertain and cannot be predicted at this point.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 16 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY**

Pursuant to the requirements of Rule 12-04(a), 5-04(c) and 4-08(e)(3) of Regulation S-X, the condensed financial information of the parent company shall be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with such requirement and concluded that it was applicable to the Company as the restricted net assets of the Company's PRC subsidiary exceeded 25% of the consolidated net assets of the Company, therefore, the condensed financial statements for the parent company are included herein.

For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the Company's proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party.

The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the parent company used the equity method to account for investment in its subsidiaries. Such investment is presented on the condensed balance sheets as "Investment in subsidiaries" and the respective profit or loss as "Equity in earnings of subsidiaries" on the condensed statements of income.

The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

The Company did not pay any dividend for the periods presented. As of June 30, 2019 and December 31, 2018, there were no material contingencies, significant provisions for long-term obligations, or guarantees of the Company, except for those which have been separately disclosed in the unaudited condensed consolidated financial statements, if any.

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**PARENT COMPANY BALANCE SHEETS**

	As of,	
	June 30, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	\$ 4,941,167	\$ 4,733,004
Total assets	\$ 4,941,167	\$ 4,733,004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>	\$ -	\$ -
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized, 5,000,000 shares issued and outstanding as of June 30, 2019 and December 31, 2018	5,000	5,000
Additional paid-in capital	4,579,116	4,579,116
Retained earnings	609,373	383,125
Accumulated other comprehensive income (loss)	(252,322)	(234,237)
Total shareholders' equity	4,941,167	4,733,004
Total liabilities and shareholders' equity	\$ 4,941,167	\$ 4,733,004



**CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 16 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (continued)**

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**PARENT COMPANY STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

	<b>For the Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
	(Unaudited)	(Unaudited)
EQUITY IN EARNINGS OF SUBSIDIARIES	\$ 139,010	\$ 219,214
NET INCOME	139,010	219,214
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	(18,085)	(87,546)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	<u>\$ 120,925</u>	<u>\$ 131,668</u>

**CHINA LIBERAL EDUCATION HOLDINGS LIMITED**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>For the Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 139,010	\$ 219,214
Adjustments to reconcile net cash flows from operating activities:		
Equity in earnings of subsidiary	(139,010)	(291,214)
Net cash used in operating activities	<u>-</u>	<u>-</u>
CHANGES IN CASH	-	-
CASH, beginning of period	-	-
CASH, end of period	<u>\$ -</u>	<u>\$ -</u>

*1,333,333 Ordinary Shares*



**China Liberal Education Holdings Limited**

**Prospectus dated March 31, 2020**

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**PROSPECTUS**

**China Liberal Education Holdings Limited**



**66,666 Ordinary Shares**

This prospectus relates to the resale of 66,666 Ordinary Shares of the Company by the selling shareholder named in this prospectus.

Prior to this offering, there has been no public market for our Ordinary Shares. Our Ordinary Shares have been approved for listing on NASDAQ under the symbol "CLEU". We will not receive any proceeds from the sale of shares by the selling shareholder.

**Investing in our Ordinary Shares involves a high degree of risk, including the risk of losing your entire investment. See "Risk Factors" beginning on page 10 to read about factors you should consider before buying our Ordinary Shares.**

**Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is March 31, 2020**

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## THE OFFERING

Ordinary Shares offered by us	0 ordinary shares
Ordinary Shares offered by the selling shareholder	66,666 ordinary shares
Ordinary Shares outstanding prior to the completion of this Offering	5,000,000 ordinary shares
Ordinary Shares Outstanding Immediately After the Offering	5,000,000 ordinary shares <sup>(1)</sup>
Use of Proceeds	We will not receive any of the proceeds from the sale of the Ordinary Shares by the selling shareholder named in this prospectus.

(1) Assumes no issuance by us of our Ordinary Shares pursuant to the Public Offering Prospectus filed contemporaneously herewith.

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## USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Ordinary Shares by the selling shareholder named in this prospectus.

## SELLING SHAREHOLDER

The following table sets forth certain information with respect to the selling shareholder's beneficial ownership of our Ordinary Shares as of the date of this prospectus. Although there was no agreement between the Company and the shareholder to register these shares, the Company believes the registration of these shares is beneficial to the Company.

Percentage of beneficial ownership before this offering is based on 5,000,000 ordinary shares outstanding as of July 31, 2019. We have determined beneficial ownership in accordance with the rules of the SEC. Beneficial ownership is based on information furnished by the selling shareholder. Unless otherwise indicated, the selling shareholder named in the following table has, to our knowledge, sole voting and investment power with respect to the shares it beneficially owns.

Selling shareholder has not have any position, office or other material relationship within past three years with the Company. The selling shareholder is not a broker dealer or an affiliate of a broker dealer. The selling shareholder does not have an agreement or understanding to distribute any of the shares being registered. The selling shareholder may offer for sale from time to time any or all of the shares, subject to the lock up agreement described in the "Plan of Distribution." The table below assumes that the selling shareholder will sell all of the shares offered for sale hereby. The selling shareholder is under no obligation to sell any shares pursuant to this prospectus.

<b>Selling Shareholder</b>	<b>Ordinary Shares Beneficially Owned Before this Offering</b>	<b>Percentage of Ordinary Shares Beneficially Owned Before Offering</b>	<b>Ordinary Shares Offered for Resale Pursuant to this Offering</b>	<b>Ordinary Shares Beneficially Owned After this Offering</b>	<b>Percentage of Ordinary Shares Beneficially Owned After this Offering</b>
Trophy Plus Global Limited <sup>(1)</sup>	244,755	4.9%	66,666	178,089	2.8%

(1) Kung, Sau Kwan, who is the 100% owner of Trophy Plus Global Limited, has the voting and investment control over these shares.

## SELLING SHAREHOLDER PLAN OF DISTRIBUTION

Since there is currently no public market established for our securities, the selling shareholder has represented to the Company and Underwriter that they will not offer or sell shares prior to the closing of the primary offering and listing of the Ordinary Shares on NASDAQ. After the primary offering closes, our Ordinary Shares are listed on the Nasdaq Capital Market and there is an established market for these resale shares, the selling shareholder may sell the resale shares from time to time at the market price prevailing on the Nasdaq Capital Market at the time of offer and sale, or at prices related to such prevailing market prices or in negotiated transactions or a combination of such methods of sale directly or through brokers.

The selling shareholder may use any one or more of the following methods when disposing of shares or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales effected after the date the registration statement of which this Prospectus is a part is declared effective by the SEC;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- broker-dealers may agree with the selling shareholder to sell a specified number of such shares at a stipulated price per share; and
- a combination of any such methods of sale.

The selling shareholder may, from time to time, pledge or grant a security interest in some or all of the Ordinary Shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the Ordinary Shares, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling shareholder to include the pledgee, transferee or other successors in interest as selling shareholder under this prospectus. The selling shareholder also may transfer the securities in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our Ordinary Shares or interests therein, the selling shareholder may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the Ordinary Shares in the course of hedging the positions they assume. The selling shareholder may also sell shares of our Ordinary Shares short and deliver these securities to close out their short positions, or loan or pledge the Ordinary Shares to broker-dealers that in turn may sell these securities. The selling shareholder may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling shareholder from the sale of the Ordinary Shares offered by them will be the purchase price of the Ordinary Shares less discounts or commissions, if any. The selling shareholder reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of Ordinary Shares to be made directly or through agents. We will not receive any of the proceeds from this offering.

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Broker-dealers engaged by the selling shareholder may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling shareholder (or, if any broker-dealer acts as agent for the purchase of shares, from the purchaser) in amounts to be negotiated. The selling shareholder does not expect these commissions and discounts to exceed what is customary in the types of transactions involved, and in no case will the maximum compensation received by any broker-dealer exceed seven percent (7%).

The selling shareholder also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided that they meet the criteria and conform to the requirements of that rule.

Any underwriters, agents, or broker-dealers, and any selling shareholders who are affiliates of broker-dealers, that participate in the sale of the Ordinary Shares or interests therein may be “underwriters” within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities Act. The selling shareholders who are “underwriters” within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. We know of no existing arrangements between any of the selling shareholder and any other shareholder, broker, dealer, underwriter, or agent relating to the sale or distribution of the shares, nor can we presently estimate the amount, if any, of such compensation. See “Selling shareholder” for description of any material relationship that a shareholder has with us and the description of such relationship.

To the extent required, our Ordinary Shares to be sold, the name of the selling shareholder, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the Ordinary Shares may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the Ordinary Shares may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling shareholder that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling shareholder and its affiliates. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling shareholder for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling shareholder may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

#### **LEGAL MATTERS**

Certain legal matters in connection with this offering with respect to the United States federal securities law and New York law will be passed upon for us by Hunter Taubman Fischer & Li LLC, New York, New York. Certain legal matters with respect to the United States federal securities law and New York law in connection with this offering will be passed upon for the Underwriter by Pryor Cashman LLP, New York, New York. The validity of the Ordinary Shares offered in this offering and certain other legal matters as to Cayman Islands law will be passed upon for us by Campbells. Legal matters as to PRC law will be passed upon for us by Tian Yuan Law Firm.

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**66,666 Ordinary Shares**



**China Liberal Education Holdings Limited**

**Prospectus dated March 31, 2020**

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