UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of **December 2020**

Commission file number: 001-39259

China Liberal Education Holdings Limited

Room 1618 Zhongguangcun MOOC Times Building,
18 Zhongguangcun Street, Haidian District
Beijing, People's Republic of China 100190
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Explanatory Note:

The Registrant is filing this Report on Form 6-K to report its financial results for the six months ended June 30, 2020 and to discuss its recent corporate developments.

Attached as exhibits to this Report on Form 6-K are:

(1) the unaudited condensed interim consolidated financial statements and related notes as Exhibit 99.1;

(2) Management's Discussion and Analysis of Financial Condition and Results of Operations as Exhibit 99.2;

(3) the press release dated December 22, 2020 titled "China Liberal Education Limited Reports Financial Results for the First Six Months of Fiscal Year 2020" as Exhibit 99.3;

(4) Interactive Data File disclosure as Exhibit 101 in accordance with Rule 405 of Regulation S-T.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this current report with respect to the Company's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. The Company cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, including but not limited to, product and service demand and acceptance, changes in technology, economic conditions, the impact of competition and pricing, government regulation, and other risks contained in reports filed by the company with the Securities and Exchange Commission. Therefore, investors should not place undue reliance on such forward-looking statements. Actual results may differ significantly from those set forth in the forward-looking statements.

All such forward-looking statements, whether written or oral, and whether made by or on behalf of the company, are expressly qualified by the cautionary statements and any other cautionary statements which may accompany the forward-looking statements. In addition, the company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

Exhibit Index:

99.1	Unaudited Consolidated Financial Statements and Related Notes As of June 30, 2020 and for the Six Months Ended June 30, 2020 and 2019
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations
99.3	Press release dated December 22, 2020 titled "China Liberal Education Holdings Limited Reports Financial Results for the First Six Months of Fiscal Year 2020"
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Liberal Education Holdings Limited

Date: December 22, 2020

By: */s/ Lam Ngai Ngai*
Name: Lam Ngai Ngai
Title: Chief Executive Officer

EXHIBIT 99.1

CHINA LIBERL EDUCATION HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

CHINA LIBERAL EDUCATION HOLDINGS LIMITED

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China Liberal Education Holdings Limited
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash	$ 6,223,083	$ 1,702,279
Accounts receivable, net	339,465	518,191
Contract receivable, net	2,726,953	1,639,213
Advance to suppliers	256,037	836,766
Deferred initial public offering costs	-	649,451
Prepaid expenses and other current assets	213,143	339,260
Total current assets	9,758,681	5,685,160
Property and equipment, net	50,017	77,782
Operating lease right-of-use assets, net	-	18,372
Contract receivable, net– non-current	1,764,806	1,071,826
Total non-current assets	1,814,823	1,167,980
Total Assets	$ 11,573,504	$ 6,853,140
Liabilities and STOCKHOLDERS' Equity		
CURRENT LIABILITIES		
Account payable	$ 382,234	$ 51,071
Deferred revenue	165,299	562,056
Taxes payable	476,033	404,453
Due to a related party	556,311	461,633
Operating lease liabilities - current	-	10,326
Accrued expenses and other current liabilities	226,438	178,276
TOTAL CURRENT LIABILITIES	1,806,315	1,667,815
Operating lease liabilities – non-current	-	5,350
TOTAL LIABILITIES	1,806,315	1,673,165
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Ordinary shares, $0.001 par value, 50,000,000 shares authorized, 6,333,333 and 5,000,000 shares issued and	6,333	5,000

outstanding at June 30, 2020 and December 31, 2019, respectively		
Additional paid-in capital	9,358,487	4,579,116
Statutory reserve	407,534	379,952
Retained earnings	421,111	528,315
Accumulated other comprehensive loss	(426,276)	(312,408)
Total Equity	9,767,189	5,179,975
Total Liabilities and STOCKHOLDERS' Equity	$ 11,573,504	$ 6,853,140

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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China Liberal Education Holdings Limited
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

	For the six months ended June 30,	
	2020	**2019**
REVENUE, NET	$ 2,270,788	$ 1,880,068
COST OF REVENUE	(1,482,515)	(1,022,655)
GROSS PROFIT	**788,273**	**857,413**
OPERATING EXPENSES		
Selling expenses	(130,465)	(156,061)
General and administrative expenses	(770,618)	(511,024)
Total operating expenses	(901,083)	(667,085)
(LOSS) INCOME FROM OPERATIONS	**(112,810)**	**190,328**
OTHER INCOME		
Interest income	82,770	3,617
Other expense, net	(907)	(2,179)
Total other income, net	81,863	1,438
(LOSS) INCOME BEFORE INCOME TAXES	**(30,947)**	**191,766**
INCOME TAX PROVISION	(48,675)	(52,756)
NET (LOSS) INCOME	**(79,622)**	**139,010**
COMPREHENSIVE (LOSS) INCOME		
Total foreign currency translation adjustment	(113,868)	(18,085)
TOTAL COMPREHENSIVE (LOSS) INCOME	(193,490)	120,925
Weighted average number of shares, basic and diluted	5,366,300	5,000,000
Basic and diluted (loss) earnings per ordinary share	$ (0.02)	$ 0.03

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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China Liberal Education Holdings Limited
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Six Months Ended June 30, 2020 and 2019
(Unaudited)

	Ordinary shares		Additional Paid-in Capital	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount							
Balance at December 31, 2018	5,000,000	$ 5,000	$ 4,579,116	$ 294,158	$ 88,967	$ (234,237)	$ 4,733,004	$ 518,575	$ 5,251,579
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 gain (loss)	-	-	-	-	-	(18,085)	(18,085)	22,332	4,247
Balance at June 30, 2019	5,000,000	$ 5,000	$ 4,579,116	$ 322,770	$ 286,603	$ (252,322)	$ 4,941,167	$ -	$ 4,941,167
Balance at December 31, 2019	5,000,000	$ 5,000	$ 4,579,116	$ 379,952	$ 528,315	$ (312,408)	$ 5,179,975	$ -	$ 5,179,975
Issuance of ordinary shares in initial public offering, net	1,333,333	1,333	4,779,371	-	-	-	4,780,704	-	4,780,704
Appropriation to statutory reserve	-	-	-	27,582	(27,582)	-	-	-	-
Net loss	-	-	-	-	(79,622)	-	(79,622)	-	(79,622)
Foreign currency translation loss	-	-	-	-	-	(113,868)	(113,868)	-	(113,868)
Balance at June 30, 2020	6,333,333	$ 6,333	$ 9,358,487	$ 407,534	$ 421,111	$ (426,276))	$ 9,767,189	$ -	$ 9,767,189

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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

	For the Six Months Ended June 30,	
	2020	**2019**
Cash flows from operating activities		
Net (loss) income	$ (79,622)	$ 139,010
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	12,234	20,320
Loss from disposal of property and equipment	27,381	-
Amortization of right-of-use assets	18,181	-
Changes in operating assets and liabilities:		
Accounts receivable	172,176	(99,777)
Contract receivable	(1,834,390)	297,936
Advances to suppliers	571,128	(339,463)
Prepaid expenses and other current assets	745,854	(511,104)
Due from related party	-	73,685
Deferred initial public offering costs	-	(321,569)
Accounts payable	332,972	67,350
Deferred revenue	(390,331)	470,410
Taxes payable	77,397	90,591
Accrued expenses and other current liabilities	33,843	9,208
Net cash used in operating activities	(313,177)	(103,403)
Cash flows from investing activities		
Purchase of property and equipment	(12,831)	(13,026)
Acquisition of 8.8228% non-controlling interest in China Liberal Beijing	-	(453,669)
Net cash used in investing activities	(12,831)	(466,695)
Cash flows from financing activities		
Proceeds from borrowing from a related party	94,804	481,431
Net proceeds from initial public offering	4,780,704	-
Net cash provided by financing activities	4,875,508	481,431
Effect of exchange rate changes on cash	(28,696)	3,988
Net increase (decrease) in cash	4,520,804	(84,679)
Cash, beginning of period	1,702,279	2,077,166
Cash, end of period	$ 6,223,083	$ 1,992,487
Supplemental disclosure information:		
Income taxes paid	$ 20,321	$ 19,911

Interest paid	$ -	$ -

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION

China Liberal Education Holdings Limited ("China Liberal" or the "Company") was incorporated under the laws of the Cayman Islands on February 25, 2019 as an exempted company with limited liability.

China Liberal owns 100% equity interest of Yi Xin BVI International Investment Limited ("Yi Xin BVI"), a business company incorporated under the laws of the British Virgin Islands ("BVI") on October 19, 2010.

China Boya 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 are merely acting as holding companies.

China Liberal (Beijing) Education Technology Co., Ltd. ("China Liberal Beijing") was formed on August 8, 2011, as a Wholly Foreign-Owned Enterprise ("WOFE") in the People's Republic of China ("PRC"), with the registered capital of RMB33.5 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 RMB2.95 million (approximately $453,669). The total value of the non-controlling interest amounted to $540,907 as of the acquisition date (see Note 11). The Company borrowed cash from a related party to make this acquisition payment (see Note 8). 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, 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. In late 2019, the Company also started to provide tailored job readiness training services 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. Revenue generated from this line of business was de minimis as of June 30, 2020.

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.

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NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION (continued)

Initial Public Offering

On May 12, 2020, the Company completed its initial public offering ("IPO") of 1,333,333 common shares at a public offering price of $6.00 per share. The gross proceeds were $8 million before deducting placement agents' commissions and other offering expenses, resulting in net proceeds of approximately $4.8 million. In connection with the offering, the Company's common shares began trading on the NASDAQ Global Market under the symbol "CLEU."

Details of the subsidiaries of the Company as of June 30, 2020 were set out below:

	Date of	Jurisdiction of

Name of Entity	Formation	Formation	% of Ownership	Principal Activities
China Liberal	February 25, 2019	Cayman Islands	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 services provider

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2020 and 2019 are not necessarily indicative of the results that may be expected for the full year. The information included in this interim report should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in the Company's annual financial statements in form 20-F for the fiscal year ended December 31, 2019 filed with the SEC on June 29, 2020.

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.

Uses of estimates

In preparing the unaudited condensed 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 and contracts receivable, advances to suppliers, valuation allowance for deferred tax assets, provision necessary for contingent liabilities and revenue recognition. Actual results could differ from those estimates.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 13-*Subsequent Events*).

Liquidity

During the six months ended June 30, 2020, the Company had negative cash flow from operations of $0.3 million and reported a net loss of $0.08 million. The Company had cash of $6.2 million at June 30, 2020. Commencing in December 2019, a novel strain of coronavirus (COVID-19) surfaced, which caused lockdowns, quarantines, travel restrictions, suspension of business activities and school closures. The continued uncertainties associated with COVID-19 has negatively impacted the Company's study abroad consulting services and "smart campus" related technological consulting services as well as its cash flows from operations in 2020.

On May 12, 2020, the Company completed its IPO of 1,333,333 common shares at a public offering price of $6.00 per share for net proceeds of approximately $4.8 million. Management believes that the Company's current cash of approximately $6.2 million will be sufficient to meet its working capital needs for at least the next 12 months from the issuance of the unaudited condensed consolidated financial statements.

The Company intends to finance its future working capital requirements and capital expenditures from cash generated from operating activities. However, the Company may seek additional financings, to the extent required, and there can be no assurances that such financing will be available on favorable terms or at all.

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 contracts receivable, net

Accounts and contracts receivable are recorded net of allowance for uncollectible accounts.

The Company determines the adequacy of reserves for doubtful accounts based on individual account analysis and historical collection trend. 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, 2020, and December 31, 2019, there was no allowance recorded as the Company considers all of the accounts receivable fully collectible.

The Company's contracts receivable represents balance derived from the Technological Consulting Services for Smart Campus Solutions provided to Chinese universities/colleges, when the projects under the contracts 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 considers the contract receivable fully collectible. Thus, there was no allowance recorded on such outstanding contract receivable as of June 30, 2020 and December 31, 2019 (See Note 4).

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. As of June 30, 2020, and December 31, 2019, there was no allowance recorded as the Company considers all of the advances to be fully realizable.

Deferred initial public offering ("IPO") costs

The Company complies with the requirement of the ASC 340-10-S99-1 and SEC Staff Accounting Bulletin ("SAB") Topic 5A — "Expenses of Offering". Deferred offering costs consist of underwriting, legal, accounting and other expenses incurred through the balance sheet date that are directly related to the intended IPO. Deferred offering costs will be charged to shareholders' equity upon the completion of the IPO. The Company completed its IPO on May 12, 2020, and accordingly, the December 31, 2019 capitalized deferred offering costs of $649,451 have been charged to shareholders' equity.

Lease

The Company adopted ASU 2016-02, "Leases" on January 1, 2019 and used the alternative transition approach which permits the effects of adoption to be applied at the effective date. The new standard provides a number of optional practical expedients in transition. The Company elected the 'package of practical expedients', which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected the short-term lease exemption and combining the lease and non-lease components practical expedients. The most significant impact upon adoption relates to the recognition of new Right-of-use ("ROU") assets and lease liabilities on the Company's balance sheet for office space operating leases. Upon adoption, the Company recognized additional operating liabilities of approximately $0.02 million as of January 1, 2019, with corresponding ROU assets of the same amount based on the present value of the remaining rental payments under current leasing standards for existing operating leases. There was no cumulative effect of adopting the standard.

The Company's main operating subsidiary, China Liberal Beijing, leases office space for its headquarter office under non-cancelable operating lease agreements. In June 2020, the Company terminated its then existing lease, and relocated its headquarters office in Beijing to a new location with efficient space. As a result, the December 31, 2019 ROU assets of $18,372 has been fully amortized during the six months ended June 30, 2020 and there was no ROU assets and operating lease liabilities as of June 30, 2020. The Company's new office lease starts in July 2020 for two years.

Operating lease expense for the six months ended June 30, 2020 and 2019 was $113,025 and $144,857, respectively.

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, 2020 and December 31, 2019.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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, 2020 and December 31, 2019 based upon the short-term nature of the assets and liabilities. The fair value of the contracts receivable also approximates their carrying amount because the receivables were derived from fixed-price contracts 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:

	Useful life
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 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.

To determine revenue recognition for contracts with customers, the Company performs the following five steps: (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.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2020 and 2019, respectively.

- *Sino-foreign Jointly-Managed Academic Programs (continued)*

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, 2020 and 2019 which required material adjustment to the amount of fees received by the Company.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 has 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.

- *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.

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Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

In addition, some of the Company's "smart campus" related technological consulting service contracts include a difference in timing of when control is, or is deemed to be, transferred and the collection of cash receipts, which are collected over the term of the service arrangement. The timing difference could result in a significant financing component for performance obligations. If a significant financing component is identified, the future cash flows included in the transaction price allocated to the performance obligations are discounted using a discount rate compared to a market-based borrowing rate specific to both the customer and terms of the contract. The resulting present value of the allocated future cash flows is recorded as revenue while the discount amount is considered to be the significant financing component. Future cash flows received from the customer related to the performance obligations are bifurcated between principal repayment of the receivable and the related imputed interest income related to customer financing. The interest income is recorded as financing income within the consolidated statements of income and comprehensive income as providing financing to the customers is a core component under such contracts.

The Company evaluates "smart campus" solution service contracts and determines whether these contracts contain multiple element 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 separate performance obligation 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.

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 $339,465 and $518,191 as of June 30, 2020 and December 31, 2019, respectively. The outstanding accounts receivable of $518,191 as of December 31, 2019 and $339,465 as of June 30, 2020 have been subsequently fully collected.

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CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

In addition, the Company had contract receivable of $4,491,759 (including current and non-current portion of $2,726,953 and $1,764,806, respectively) and $2,711,039 (including current and non-current portion of $1,639,213 and $1,071,826, respectively) as of June 30, 2020 and December 31, 2019, 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 June 30, 2020, the Company's short-term contract receivable included $2,641,879 receivable from Fuzhou Melbourne Polytechnic ("FMP") and $45,969 receivable from other Chinese universities/colleges. Subsequently, from July to early December 2020, the Company collected approximately $0.8 million (RMB 5.7 million) short-term contract receivable from FMP and remaining short-term contract receivable is expected to be collected before March 31, 2021. The FMP long-term contract receivable of $1,635,878 is expected to be collected in 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 that may impact future cash flows amounted to $168,033 as of June 30, 2020. 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 $165,299 and $562,056 as of June 30, 2020 and December 31, 2019, respectively, consist primarily of the Company's unsatisfied performance obligations as of the balance sheet dates. The June 30, 2020 deferred revenue balance primarily consisted of deferred revenue associated with the Company's Overseas Study Consulting Services when the Company received advance payment from customers while the performance obligations have not been completed as of the balance sheet date. The December 31, 2019 deferred revenue balance primarily consisted of $302,640 deferred revenue associated with the Company's Sino-foreign jointly managed academic programs and $259,416 deferred revenue associated with the Company's "smart campus" projects when the Company received advance payment from customers while the projects have not been completed as of the balance sheet date.

Disaggregation of revenue

Revenue disaggregated by service type was as follows for the six months ended June 30, 2020 and 2019:

	For the six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Revenue from Sino-foreign Jointly Managed Academic Programs	$ 1,264,823	$ 1,240,856
Revenue from Technological Consulting Services for Smart Campus Solutions	933,240	625,896
Revenue from Overseas Study Consulting Services	72,725	-
Revenue from textbook and course material sales	-	13,316
Total revenue	$ 2,270,788	$ 1,880,068

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.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $241 and $10,119 for the six months ended June 30, 2020 and 2019, 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 six months ended June 30, 2020 and 2019. The Company does not believe there was any uncertain tax position as of June 30, 2020 and December 31, 2019.

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, 2020 and 2019. As of June 30, 2020, all of the tax returns of 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 Company's PRC subsidiary ranged from 3% to 6%.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per Share

The Company computes earnings (loss) 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 (loss) 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. For the six months ended June 30, 2020 and 2019, there were no dilutive shares.

Foreign currency translation

The functional currency for China Liberal, Yi Xin BVI and Boya Hong Kong is the U.S Dollar ("US$"). However, China Liberal, Yi Xin BVI and Boya Hong Kong currently only serve as the holding companies and did not have active operation as of June 30, 2020. The Company operates primarily through its subsidiary China Liberal Beijing in the PRC, and the functional currency for China Liberal Beijing is the Chinese Yuan ("RMB"). The Company's consolidated financial statements have been translated into the reporting currency U.S. Dollars ("US$"). 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:

	June 30, 2020	June 30, 2019	December 31, 2019
Period-end spot rate	US$1=RMB 7.0651	US$1=RMB 6.8668	US$1=RMB 6.9680
Average rate	US$1=RMB 7.0416	US$1=RMB 6.7856	US$1=RMB 6.9088

Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income (loss) 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 operations and comprehensive income (loss).

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.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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*. In November 2019, the FASB issued ASU 2019-10, which extends the effective date for adoption of ASU 2016-13. Accordingly, for public entities that are not smaller reporting 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. 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 all entities for fiscal years and interim periods within those 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. ASU 2018-13 is effective for the Company for annual and interim reporting periods beginning January 1, 2020. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In November 2019, the FASB issued ASU 2019-10, "Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)" ("ASU 2019-10"). ASU 2019-10 (i) provides a framework to stagger effective dates for future major accounting standards and (ii) amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities. Specifically, ASU 2019-10 changes some effective dates for certain new standards on the following topics in the FASB Accounting Standards Codification (ASC): (a) Derivatives and Hedging (ASC 815) – now effective for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021; (b) Leases (ASC 842) - now effective for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021; (c) Financial Instruments — Credit Losses (ASC 326) - now effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years; and (d) Intangibles — Goodwill and Other (ASC 350) - now effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company does not expect the cumulative effect resulting from the adoption of this guidance will have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes. ASU 2019-12 is intended to simplify accounting for income taxes. It removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, with early adoption permitted. The Company does not expect adoption of the new guidance to have a significant impact on its consolidated financial statements.

In February 2020, the FASB issued ASU 2020-02, "Financial Instruments – Credit Losses (Topic 326) and Leases (topic 842) Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (topic 842)". This ASU provides guidance regarding methodologies, documentation, and internal controls related to expected credit losses. This ASU is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. The Company is evaluating the impact of this guidance on its consolidated financial statements.

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NOTE 3 — ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following:

	June 30, 2020 (Unaudited)	December 31, 2019
Accounts receivable- Sino-foreign Jointly Managed Academic Program	$ 339,466	$ 37,296
Accounts receivable- Overseas Study Consulting Services	-	480,895
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	$ 339,466	$ 518,191

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 June 30, 2020 accounts receivable balance was fully collected by October 2020.

NOTE 4 — CONTRACTS RECEIVABLE, NET

Contracts receivable consists of the following:

	June 30, 2020 (Unaudited)	December 31, 2019
Contract receivable- "Smart Campus" related technological consulting services with FMP (1)	$ 3,829,822	$ 2,450,312
Contract receivable- "Smart Campus" project maintenance and technical support fee with FMP	447,935	-
Financing component associated with FMP contract receivable (1)	168,033	164,992
Contracts receivable – Other "Smart Campus" related technological consulting services (2)	45,969	95,735
Less: allowance for doubtful accounts	-	-
Total contracts receivable, net	4,491,759	2,711,039
Less: current portion of contract receivable	2,726,953	1,639,213
Contracts receivable, non-current	$ 1,764,806	$ 1,071,826

(1) In 2017, the Company entered into a contract with FMP to help FMP with its smart campus project, including creating a big data center, digital classrooms and an experiment-based simulation teaching center for its business school. These projects have been fully completed in November 2018 with satisfactory inspection and acceptance by FMP in December 2018.

Total contract price under the 2017 FMP "smart campus" project was 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 during the period of 2019 to 2021.

Based on the contract payment schedule, RMB 16.68 million earned project fee shall be paid in three equal installments of RMB 5,561,180 (approximately $798,103) before December 20 of each year from 2019 to 2021. RMB 5.05 million Post-contract maintenance and technical support fee will also be paid in four installments in 2018 to 2021 when services are rendered.

NOTE 4 — CONTRACTS RECEIVABLE, NET (continued)

As of June 30, 2020, total outstanding contract receivable from FMP 2017 contract amounted to $2,560,170, including the following:

2017 FMP Contract	Amount as of June 30, 2020	Contracted payment due date
Contract receivable	$ 2,199,164	
Maintenance fees	361,006	
Total	2,560,170	
Less: current portion of contract receivable	1,830,541	By December 31, 2020
Non-current portion	$ 729,629	By December 31, 2021

As of June 30, 2020, current portion of contract receivable associated with FMP 2017 contract amounted to $1,830,541, including receivable of $1,202,962 for services completed before December 31, 2019 and receivable of $627,579 for services completed during the six months ended June 30, 2020. The COVID-19 outbreak and spread caused school closures until May and June 2020, as a result, the collection of the December 31, 2019 contract receivable balance has been delayed. As of the date of this filing, for the Company's current portion of contract receivable balance as of June 30, 2020, the Company collected approximately $0.8 million (RMB 5.7 million) from FMP, and expects to collect the remaining $1 million by March 31, 2021.

In addition to the 2017 FMP contract, in 2019, the Company entered into a new "smart campus" related contract with FMP to help FMP to create an information engineering laboratory training center and an experiment-based simulation center for its hotel management major for total contract price of RMB15.58 million (approximately $2.3 million) plus additional RMB3.74 million (approximately $0.54 million) for post-installation maintenance and technical support fees for the three years from 2020 to 2022.

The contract for the information engineering laboratory training center include two phases. Phase I requires the Company to complete the hardware and software installation and decoration of the computer training rooms, IOT training room and digital classrooms with contract price of approximately RMB 7.1 million (USD 1.01 million), which was completed before December 31, 2019, passed the inspection and was accepted by FMP. Phase II requires the Company to complete the hardware and software installation for the cloud computing and big data room with contract price of RMB3.48 million (approximately $0.5 million). Due to COVID-19 outbreak and temporary school closure, the performance of the Phase II contract has been rescheduled to summer of 2020 and completed in August 2020, and accordingly not included in the June 30, 2020 contract receivable balance. During the six months ended June 30, 2020, the Company completed the experiment-based simulation center for FMP's hotel management major, with satisfactory inspection and acceptance by FMP and recognized $0.7 million revenue.

As of June 30, 2020, total outstanding contract receivable from FMP 2019 contract amounted to $1,717,587, including the following:

2019 FMP Contract	Amount	Contracted payment due date
Contract receivable	$ 1,630,658	
Maintenance fees	86,929	
Total	1,717,587	
Less current portion	811,338	By December 31, 2020
Non-current portion	$ 906,249	By December 31, 2021

As of June 30, 2020, contract receivable associated with FMP 2019 contract amounted to $1,717,587, including receivable of $918,164 for services completed before December 31, 2019, receivable of $712,494 for services completed during the six months ended June 30, 2020 and maintenance fee of $86,929. Based on contract payment term, $811,338 will be due in December 31, 2020 and the remaining will be paid by FMP in 2021. For the current portion of contract receivable of $811,338 associated with FMP 2019 contract, the Company expects to collect from FMP by March 31, 2021.

As of June 30, 2020 and December 31, 2019, no allowance for doubtful accounts was recorded as the Company considers all of the contract receivable on "smart campus" projects from FMP fully collectible because in addition to the "smart campus" project, the Company has worked with FMP on Sino-foreign Jointly Managed Academic Programs 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.

NOTE 4 — CONTRACTS RECEIVABLE, NET (continued)

For the above mentioned 2017 and 2019 FMP contracts, revenue recognized for the six months ended June 30, 2020 and 2019, was as follows:

	For the six months end June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Revenue from 2019 FMP "smart campus" contract	$ 710,072	-
2017 FMP contract post-installation maintenance fee revenue	94,771	$ 97,184
2019 FMP contract post-installation maintenance fee revenue	88,510	-
Total revenue from FMP "smart campus" contracts	$ 893,353	$ 97,184

(2) The Company has entered into additional smart campus solution contracts with a 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 them, such as internet network improvement, digital classroom solutions, and educational management system customization. Total value of these smart campus solution contracts was $1,420,409. Most of these new smart campus contracts had been executed, completed, and accepted by these universities/colleges and the Company recognized revenue of $1,118,842 in 2019. Due to school closure and business disruptions because of the COVID-19 outbreak, the progress of some of these projects was delayed and the Company substantially completed these projects during the summer of 2020. As of June 30, 2020, contract receivable from these smart campus projects amounted to only $45,969.

NOTE 5 — ADVANCE TO SUPPLIERS

In connection with the 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. The balances of advance to suppliers were $256,037 and $836,766 as of June 30, 2020 and December 31, 2019, respectively. There was no allowance recorded as the Company considers all of the advances fully realizable.

NOTE 6 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	June 30, 2020 (Unaudited)	December 31, 2019
Other receivable [(1)]	$ 88,251	$ 234,710
Others prepaid expenses [(2)]	124,892	104,550
Subtotal	213,143	339,260
Allowance for doubtful accounts	-	-
Prepaid expenses and other current assets, net	$ 213,143	$ 339,260

(1) Other receivable primarily includes short-term advances to employees for business operations, which are normally expensed within three months when invoices and other supporting documents been submitted for reimbursement, and deposit as security for performance of the contract.

(2) Other prepaid expenses include prepaid rental expense and prepaid insurance expense, which are amortized over the service periods.

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NOTE 7 — PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	June 30, 2020 (Unaudited)	December 31, 2019
Transportation vehicles	$ 215,149	$ 218,147
Electronic equipment	90,588	87,176
Office equipment and furniture	663	27,941
Leasehold improvement	-	46,128
Subtotal	306,400	379,392
Less: accumulated depreciation	(256,383)	(301,610)
Property and equipment, net	$ 50,017	$ 77,782

Depreciation expense was $12,234 and $20,320 for the six months ended June 30, 2020 and 2019, respectively. In June 2020, China Liberal Beijing relocated its headquarters office to a new location for a efficient space. In connection with the office relocation, the Company disposed certain fully depreciated office equipment and furniture and leasehold improvement associated with the old office lease. The Company recognized a loss of $27,381 from such disposal.

NOTE 8 — RELATED PARTY TRANSACTIONS

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. Lam Ngai Ngai, the controlling shareholder of the Company, and made the payment to original five non-controlling shareholders (see Note 1 and Note 11). This borrowing from related party is non-interest bearing and the Company made the repayment to related party in fourth quarter of fiscal year 2019 using cash generated from operating activities.

As of June 30, 2020 and December 31, 2019, balance due to related party comprises of advances from the Company's principal shareholder and used for working capital during the Company's normal course of business. These advances are non-interest bearing and due on demand. Balance due to a related party amounted to $556,311 and $461,633 as of June 30, 2020 and December 31, 2019, respectively.

NOTE 9 — 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, 2020 and 2019, and accordingly no provision for Hong Kong profits tax has been made in these periods.

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NOTE 9 — TAXES (continued)

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. 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. 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 2020 and 2019 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 corporate income taxes by $32,449 and $35,171 for the six months ended June 30, 2020 and 2019, respectively. The benefit of the tax holidays on net income per share (basic and diluted) $0.01 and $0.01 for the six months ended June 30, 2020 and 2019, respectively.

The components of the income tax provision are as follows:

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Current tax provision	$ -	$ -
Cayman	-	-
BVI	-	-
Hong Kong	-	-
PRC	48,675	52,756
	$ 48,675	$ 52,756
Deferred tax provision		
Cayman	$ -	$ -
BVI	-	-
Hong Kong	-	-
PRC	-	-
	$ -	$ -
Income tax provisions	$ 48,675	$ 52,756

The following table reconciles the China statutory rates to the Company's effective tax rate for the six months ended June 30, 2020 and 2019:

For the six months ended June 30,

	2020	2019
China income tax statutory rate	25.0%	25.0%
Permanent difference	2.1%	0.5%
Changes in valuation allowance	(174.3)%	12.0%
Effect of PRC preferential tax rate	(10.0)%	(10.0)%
Effective tax rate	(157.2)%	27.5%

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NOTE 9 — TAXES (continued)

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of June 30, 2020, all of the Company's tax returns for its PRC Subsidiary remain open for statutory examination by PRC tax authorities.

(b) Taxes payable

Taxes payable consist of the following:

	June 30, 2020 (Unaudited)	December 31, 2019
Income tax payable	$ 435,517	$ 257,125
Value added tax payable	39,208	144,108
Other taxes payable	1,308	3,220
Total taxes payable	$ 476,033	$ 404,453

NOTE 10 — 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, 2020 and December 31, 2019, $2,019,001 and $1,701,662 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, 2020 and 2019, 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, 2020, two customers accounted for approximately 57.1% and 33.2% of the Company's total revenue, respectively. 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.

As of June 30, 2020, one customer accounted for 96.2% of the total outstanding accounts and contracts receivable balance. As of December 31, 2019, one customer accounted for 82.1% of the total outstanding accounts and contracts receivable balance.

For the six months ended June 30, 2020, three suppliers accounted for approximately 26.2%, 25.6% and 25.4% of the total cost associated with revenue, respectively. For the six months ended June 30, 2019, one supplier accounted for approximately 12.5% of the total cost associated with revenue.

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NOTE 11 — SHAREHOLDERS' EQUITY

Ordinary Shares

China Liberal is an excepted 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).

Initial Public Offering

On May 12, 2020, the Company completed its IPO of 1,333,333 common shares at a public offering price of $6.00 per share. The gross proceeds were $8 million before deducting placement agents' commissions and other offering expenses, resulting in net proceeds of approximately $4.8 million. In connection with the offering, the Company's common shares began trading on the NASDAQ Global Market under the symbol "CLEU."

As of June 30, 2020 and December 31, 2019, the Company had a total of 6,333,333 and 5,000,000 ordinary shares issued and outstanding, respectively.

Acquisition of non-controlling interest

Before 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. After this transaction, China Liberal Beijing became a 100% owned subsidiary of Boya Hong Kong (See Note 1 and Note 8). 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 was recognized from this transaction.

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, 2020 and December 31, 2019, the restricted amounts as determined pursuant to PRC statutory laws totaled $407,534 and $379,952, respectively, and total restricted net assets amounted to $9,772,354 and $4,964,068, respectively.

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NOTE 12 — 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, 2020 and 2019 were generated from the PRC. As of June 30, 2020 and December 31, 2019, 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, 2020 and 2019, respectively:

	For the six months ended June 30, 2020 (Unaudited)				
	Joint education programs	Technological consulting for "smart campus" solutions	Overseas study consulting	Textbook sales	Total
Revenue	$ 1,264,823	$ 933,240	$ 72,725	$ -	$ 2,270,788
Cost of revenue	(263,579)	(1,206,524)	(12,412)	-	1,482,515
Gross profit (loss)	1,001,244	(273,284)	60,313	-	788,273
Operating expenses	(501,901)	(370,324)	(28,858)	-	(901,083)
Income (loss) from operations	499,343	(643,608)	31,455	-	(112,810)
Depreciation and amortization	7,489	4,402	343	-	12,234
Capital expenditure	7,147	5,273	411	-	12,831

Total assets	6,446,412	4,756,435	370,657	-	11,573,504
Total liabilities	$ 1,006,113	$ 742,352	$ 57,850	$ -	$ 1,806,315

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NOTE 12 — SEGMENT REPORTING (continued)

	For the six months ended June 30, 2019 (Unaudited)				
	Joint education programs	**Technological consulting for “smart campus” solutions**	**Overseas study consulting**	**Textbook sales**	**Total**
Revenue	$ 1,240,856	$ 625,896	$ -	$ 13,316	$ 1,880,068
Cost of revenue	(535,638)	(479,384)	-	(7,633)	(1,022,655)
Gross profit	705,218	146,512	-	5,683	857,413
Operating expenses	(471,713)	(102,080)	(91,567)	(1,725)	(667,085)
Income (loss) from operation	233,505	44,432	(91,567)	3,958	190,328
Depreciation and amortization	13,412	6,764	144	-	20,320
Capital expenditure	8,597	4,337	92	-	13,026
Total assets	3,655,666	2,234,017	880,067	-	6,769,750
Total liabilities	$ 306,551	$ 453,722	$ 614,641	$ -	$ 1,374,914

NOTE 13 — SUBSEQUENT EVENTS

The Company’s operations may be affected by the ongoing outbreak of COVID-19 which in March 2020, had been declared as a pandemic by the World Health Organization. The Company’s revenue from Sino-foreign jointly managed academic programs was not significantly impacted because the Company has been providing distance teaching services to students and no dropout has been reported to the Company during the temporary school closure period from late December 2019 to the reopening of schools in May 2020. Most recently, the Company increased the number of students enrolled in its Sino-foreign jointly managed education programs with two colleges during the 2021 academic school year starting from the 2020 fall semester. Total enrolled number of students increased by 14% as compared to the same period of last year. As the Chinese universities/colleges have gradually reopened since May 2020, the Company has substantially completed the delayed “smart campus” projects during the summer 2020.

The Company recently developed and launched new product to provide highly integrated visualization solutions in order to broaden the smart campus line of business and also started to provide technological consulting services to business entities in addition to universities/colleges.

Nevertheless, the continued uncertainties associated with COVID 19 may cause the Company’s revenue and cash flows to underperform in the next 12 months. A resurgence could negatively affect the execution of additional smart campus contracts with Chinese universities/colleges, the collection of the payments from previous smart campus projects and the market development of the newly launched visualization solutions and technology consulting services to non-university business The extent of the future impact of COVID-19 is still highly uncertain and cannot be predicted as of the financial statement reporting date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our company's financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Recent development

The Company's operations has been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which may result in a material adverse impact on the Company's financial position, operations and cash flows. COVID-19 outbreak and international travel bans have restricted students from pursue their overseas education in Europe, Australia, the United States and other foreign countries, which reduced the number of students for the Company's one-on-one consulting services, as well as postponed payment from the Company's partnering schools. In addition, the execution of the Company's smart campus contracts with Chinese universities/colleges and collection of the payment may be delayed. These uncertainties may cause the Company's revenue and cash flows to underperform in the next 12 months. The extent of the impact of COVID-19 can still depend on certain developments, including re-occurrences and associated duration and spread and the potential impact on the Company's customers and schools, all of which are still uncertain and cannot be predicted at this point.

In response to COVID-19 outbreak and spread, the Company has recently developed and launched a new product, namely, AI-Space, to provide highly integrated visualization solutions to customers in order to broaden its technological consulting services for smart campus projects. This new product can be used in various business areas such as command center, lecture hall, conference room, multi-functional exhibition hall, smart classroom and smart home. The Company also entered into consulting service agreements with business entities other than universities/colleges to provide technological consulting services. In addition, in late 2019, the Company started to provide tailored job readiness training services 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. Although revenue generated from tailored job readiness training services was de minimis as of June 30, 2020, the Company has started to promote this training services to several partner schools in the second half of 2020. These initiatives may help the Company to generate increased revenue and operating cash flows in fiscal year 2021.

On December 15, 2020, the Company reported the sales results of its self-developed textbooks published by Fudan University Press ("FUP"). A total of 46,626 copies of textbooks were sold as of December 14, 2020 and some of these textbooks were distributed to the Chinese host universities, including Fuzhou Melbourne Polytechnic and Straits Institute of Mingjiang University, to be used in the joint education programs.

On December 10, 2020, the Company announced that it has successfully provided services under four agreements (the "Agreements") with Wuhan Wangjie Hengtong Information Technology Co., Ltd. ("WWH"), one of the service providers of State Grid Corporation of China ("SGC"), a Chinese state-owned electric utility corporation, to provide technical support services for SGC.

On December 7, 2020, the Company announced that it had officially launched AI-Space ("AI-Space"), an all-in-one machine designed to provide highly integrated visualization solutions for various application scenarios with strict reliability requirements. These various scenarios may include, command center, lecture hall, conference room, multi-functional exhibition hall, smart classroom, vehicle emergency, portable command, telemedicine, science and technology court, and smart home.

Results of Operations for the Six Months Ended June 30, 2020 and 2019

The following table summarizes our results of operations for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,		Variance	
	2020	2019	Amount	%
Revenue	$ 2,270,788	$ 1,880,068	390,720	20.8%
Cost of revenues	(1,482,515)	(1,022,655)	459,860	45.0%

Gross profit	788,273	857,413	(69,140)	(8.1)%
Selling expenses	(130,465)	(156,061)	(25,596)	(16.4)%
General and administrative expenses	(770,618)	(511,024)	259,594	50.8%
(Loss) income from operations	(112,810)	190,328	(303,138)	(159.3)%
Interest income	82,770	3,617	79,153	2188.4%
Other expenses, net	(907)	(2,179)	(1,272)	(58.4)%
(Loss) income before income taxes	(30,947)	191,766	(222,713)	(116.1)%
Provision for income taxes	(48,675)	(52,756)	(4,081)	(7.7)%
Net (loss) income	$ (79,622)	$ 139,010	(218,632)	(157.3)%

Revenue for the first six months of 2020 increased by 20.8% to $2.3 million from $1.9 million in the same period of the prior year, mainly driven by increased revenue from the Company's Sino-foreign Jointly Managed Academic Programs when number of enrolled students increased, and increased revenue from Technological Consulting Services for Smart Campus Solutions when the Company completed the project associated with the experiment-based simulation center for Fuzhou Melbourne Polytechnic (FMP)'s hotel management major and some additional Smart Campus Solution projects for other Chinese universities/colleges.

The Company's revenue by service type is as follows:

Revenues

	For the six months ended June 30					
	2020		2019		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from Sino-foreign Jointly Managed Academic Programs	$ 1,264,823	55.7%	$ 1,240,856	66.0%	$ 23,967	1.9%
Revenue from Technological Consulting Services for Smart Campus Solutions	933,240	41.1%	625,896	33.3%	307,344	49.1%
Revenue from Overseas Study Consulting Services	72,725	3.2%	-	-	72,725	100.0%
Revenue from textbook and course material sales	-	-	13,316	0.7%	(13,316)	(100.0)%
	$ 2,270,788	100.0%	$ 1,880,068	100.0%	$ 390,720	20.8%

Revenue from Sino-foreign Jointly Managed Academic Programs

Revenues from the Sino-foreign Jointly Managed Academic Programs are primarily generated from tuition fees or service fees we charged to students. Revenue from Sino-foreign Jointly Managed Academic Programs increased by 1.9% to $1.3 million for the six months ended June 30, 2020 from $1.2 million in the same period of the prior year. This increase can be primarily attributed to an increase in the number of students by 331 or 14.0%, from 2,337 students in six months ended June 30, 2019 to 2,668 students for the six months ended June 30, 2020, and affected by the changes in average tuition fees we collected from Chinese host universities/colleges.

Revenue from Technological Consulting Services for Smart Campus Solutions

Our revenue from providing smart campus related technological consulting service increased by $307,344, or 49.1%, from $625,896 in six months ended June 30, 2019 to $933,240 in six months ended June 30, 2020, primarily due to large size of smart campus project we completed during the six months ended June 30, 2020. In 2019, we entered into a "smart campus" solution contract with FMP, to help FMP create an information engineering laboratory training center and an experiment-based simulation center for its hotel management major in consideration of RMB 15.58 million ($2.3 million). We completed the Phase I of information engineering laboratory training center for hardware and software installation and decoration of the computer training rooms, IOT training room and digital classrooms before December 31, 2019 and further completed the hardware and software installation and digital classrooms for FMP's experiment-based simulation center for its hotel management major with contract price of RMB 5 million ($0.7 million) during the six months ended June 30, 2020, with satisfactory inspection and acceptance by FMP. In addition, based on our experiences and reputation as a smart campus solution provider, we entered into several other smart campus solution contracts with a number of Chinese universities/colleges, including Capital Normal University, North China Electric Power University, Beijing Arts and Crafts Senior Technical School, China University of Mining & Technology (Beijing), to provide smart campus solution consulting services to them, including but not limit to, internet network improvement, digital classroom solutions, and educational management system customization. As a result of our increased services provided to Chinese universities/colleges, we generated revenue of $147,735 during the six months ended June 30, 2020.

Revenue from Overseas Study Consulting Services

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. Our revenue from overseas study consulting services increased by $72,725, or 100% when comparing six months ended June 30, 2020 to the same period of 2019. During the six months ended June 30, 2020, we signed a service contract with Beijing Foreign Studies University ("BFSU") to assist 21 students for German language training, preparing their application materials for preparatory school in Germany, and assign qualified teachers to provide more detailed and customized tutoring to these students for their visa applications. Among the 21 enrolled students, 11 students have received offers from German colleges and successfully obtained the visas. Accordingly, we recognized $72,725 in revenue when our performance obligations under the service contract were satisfied.

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, the Company has 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. 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 remain closed until May and June 2020. During the temporary school closure period, the Company provided remote teaching services to students and, therefore, there was no textbooks and course materials sales during the six months ended June 30, 2020, this led to 100% or $13,316 decrease in such revenue in the first half of 2020 as compared to the same period of 2019.

Cost of Revenues

Overall cost of revenue increased by $459,860, or 45.0%, from $1,022,655 for the six months ended June 30, 2019 to $1,482,515 for the six months ended June 30, 2020, primarily due to the increased hardware and software costs of $446,886 associated with the smart campus projects. Cost of revenue accounted for 65.3% and 54.4% of total revenue for the six months ended June 30, 2020 and 2019, respectively.

Gross profit

Overall gross profit decreased by $69,140, or 8.1%, from $857,413 for the six months ended June 30, 2019 to $788,273 for the six months ended June 30, 2020, while gross profit margin decreased by 10.9%, from 45.6% for the six months ended June 30, 2019 to 34.7% for the six months ended June 30, 2020. The decrease in gross profit and gross margin was primarily due to higher costs incurred to undertake our smart campus related technological consulting service projects which require both hardware and software application. The outbreak of COVID-19 caused transportation disruption and resulted in our difficulty to hire workers to perform onsite hardware installation. As a result, we incurred higher hardware purchase costs and labor costs associated with undertaking these projects in order to meet the contracted deadlines. As our costs increased, our gross profit and gross margin decreased during the six months ended June 30, 2020.

Operating expenses

The following table sets forth the breakdown of our operating expenses for the six months ended June 30, 2020 and 2019:

	For the six months ended June 30					
	2020		2019		Changes	
	Amount	%	Amount	%	Amount	%
Selling expenses	130,465	14.5%	156,061	23.4%	(25,596)	(16.4)%
General and administrative expenses	770,618	85.5%	511,024	76.6%	259,594	50.8%
Total operating expenses	901,083	100.0%	$ 667,085	100.0%	233,998	35.1%

Selling expenses

Selling expenses decreased by $25,596 or 16.4% from $156,061 for the six months ended June 30, 2019 to $130,465 for the six months ended June 30, 2020. The decrease in selling expenses was primarily attributable to the decrease in the brand advertising expenses and reduction of sales and marketing personnel during the outbreak of COVID-19. Selling expenses accounted for 5.7% and 6.9% of total revenue for the six months ended June 30, 2020 and 2019, respectively.

General and Administrative Expenses

General and administrative expenses increased by $259,594, or 50.8% from $511,024 for the six months ended June 30, 2019 to $770,618 for the six months ended June 30, 2020, primarily due to an increase in professional service fees of $217,100 in connection with the preparation of our going public. General and administrative expenses accounted for 33.9% and 22.5% of total revenue for the six months ended June 30, 2020 and 2019, respectively.

Interest Income

Interest income increased by $79,153 or 2,188.4%, to $82,770 for the six months ended June 30, 2020, from $3,617 for the same period last year. In connection with the Company's technological consulting services for smart campus projects, financing component resulted from a timing difference when control is transferred and the collection of cash receipts that may impact future cash flows amounted to $79,907 which was recorded as interest income for the six months ended June 30, 2020. In addition, the Company also reported interest income of $2,863 from increased bank deposit balance during six months ended June 30, 2020. These factors led to increased interest income as compared to the same period of 2019.

Other Expense

Oher expense was $907 and $2,179 for the six months ended June 30, 2020 and 2019, respectively, the decrease was due to decreased bank charges and driving penalties.

Provision for Income Taxes

Provision for income taxes was $48,675 for the six months ended June 30, 2020, decreased from $52,756 for the same period of last year due to lower taxable income. .

Net (Loss)/Income

As a result of foregoing, net loss was $79,622 for the six months ended June 30, 2020, compared to net income of $139,010 for the same period last year. Basic and diluted loss per share were $0.02 for the six months ended June 30, 2020, compared to basic and diluted earnings per share of $0.03 for the same period last year.

Liquidity and Capital Resources

As reflected in our unaudited condensed consolidated financial statements, during the six months ended June 30, 2020, we had negative cash flow from operations of $0.3 million and reported a net loss of $0.08 million. The Company had cash of $6.2 million at June 30, 2020. In addition, the outbreak and spread of COVID-19 caused lockdowns, quarantines, travel restrictions, suspension of business activities and school closures. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as COVID-19's impact on the PRC and world economies. As a result, our revenue, net income and operating cash flows for the next 12 months may be negatively impacted and lower than expected.

In assessing our liquidity, management monitors and analyzes our cash on-hand, our ability to generate sufficient revenue sources in the future, and our operating and capital expenditure commitments.

As of June 30, 2020, we had approximately $6.2 million in cash on hand. We also had $339,465 in accounts receivable from Sino-foreign Jointly Managed Academic Programs, which has been fully collected as of the date of this filing.

As of June 30, 2020, we also had outstanding contract receivable of $4,491,759 derived from providing smart campus technological consulting services to Chinese universities/colleges:

	June 30, 2020 (Unaudited)	December 31, 2019
Contract receivable- "Smart Campus" related technological consulting services with FMP [1]	$ 3,829,822	$ 2,450,312
Contract receivable- "Smart Campus" project maintenance and technical support fee with FMP	447,935	-
Financing component associated with FMP contract receivable (1)	168,033	164,992
Contracts receivable – Other "Smart Campus" related technological consulting services [2]	45,969	95,735
Less: allowance for doubtful accounts	-	-
Total contracts receivable, net	4,491,759	2,711,039
Less: current portion of contract receivable	2,726,953	1,639,213
Contracts receivable, non-current	$ 1,764,806	$ 1,071,826

Subsequently, from July to early December 2020, we collected approximately $0.8 million (RMB 5.7 million) short-term contract receivable from FMP and remaining short-term contract receivable will be collected before March 31, 2021. The FMP long-term contract receivable of $1,635,878 will be collected in 2021 based on the contract payment terms. We believe the contract receivable related to smart campus projects is 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 for use in our operation as working capital, if necessary.

As of June 30, 2020, we had deferred revenue of $165,299 from customer deposits for consulting services. Once our services are rendered and performance obligations are satisfied, our deferred revenue will be recognized as revenue.

As of June 30, 2020, we had positive working capital of approximately $8 million. 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.

On May 12, 2020, we completed our IPO of 1,333,333 ordinary shares at a public offering price of $6.00 per share for net proceeds of approximately $4.8 million. Management believes that the Company's current cash of approximately $6.2 million will be sufficient to meet its working capital needs for at least the next 12 months from the issuance of the unaudited condensed consolidated financial statements.

The Company intends to finance its future working capital requirements and capital expenditures from cash generated from operating activities. However, the Company may seek additional financings, to the extent required, and there can be no assurances that such financing will be available on favorable terms or at all.

Cash Flows

The following table provides detailed information about our net cash flows for the six months ended June 30, 2020 and 2019:

	For the six months ended June 30, 2020	2019
Net cash used in operating activities	$ (313,177)	$ (103,403)
Net cash used in investing activities	(12,831)	(466,695)
Net cash provided by financing activities	4,875,508	481,431
Effect of exchange rate changes on cash	(28,696)	3,988
Net increase (decrease) in cash	4,520,804	(84,679)
Cash, beginning of period	1,702,279	2,077,166
Cash, end of period	$ 6,223,083	$ 1,992,487

Operating Activities

Net cash used in operating activities was $313,177 for the six months ended June 30, 2020, primarily including net loss of $79,622, an increase in contract receivable of approximately $1.8 million when we completed more smart campus related projects for Chinese universities/colleges, offset by a decrease in advance from suppliers of $571,128 because we received purchased hardware components from suppliers and used them in the smart campus related projects, a decrease in prepaid expenses and other current assets of $754,720 because we completed the IPO and charged previously recorded deferred IPO costs to shareholders' equity, and a decrease in deferred revenue of $390,331 because we recognized the same amount as revenue when our performance obligations were satisfied.

Net cash used on operating activities was $103,403, primarily including net income of $139,010, an increase in accounts receivable of $99,777 because portion of tuition receivable from Sino-foreign Jointly Managed Academic Programs was not collected as of the balance sheet date, a decrease in contract receivable of $297,936 because we provided technological consulting services to FMP for "smart campus" solutions, representing services rendered, billed but not received as of the balance sheet date, an increase in deferred IPO costs of $321,569 which 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 entered into additional smart campus solution contracts with more Chinese universities/colleges and we made advance payments to suppliers for purchase of materials and equipment to be used in these new smart campus projects, an increase in deferred revenue by $470,410, because we recruited 55 students pursuing art majors in Italy and Germany and our study abroad consulting services have not been completed and our performance obligation has not been satisfied as of June 30, 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.

Investing Activities

For the six months ended June 30, 2020, net cash used in investing activities amounted to $12,831 primarily due to purchase of property and equipment.

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.

Financing Activities

Net cash provided by financing activities amounted to $4,875,508 for the six months ended June 30, 2020, primarily include net proceeds from issuance of ordinary shares of $4,780,704 in connection with our completion of the IPO and proceeds from borrowing from a related party of $94,804.

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. Lam Ngai Ngai, the controlling shareholder of the Company, and made the payment to original five non-controlling shareholders. Such borrowings are non-interest bearing and due on demand. We made a repayment to related party in the fourth quarter of fiscal year 2019 using cash generated from operating activities.

Indebtedness. We did not have any finance leases or purchase commitments, guarantees or other material contingent liabilities.

Off-Balance Sheet Arrangements. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that we provide financing, liquidity, market risk or credit support to or engages in hedging or research and development services with us.

China Liberal Education Holdings Limited Reports Financial Results for the First Six Months of Fiscal Year 2020

BEIJING, CHINA, December 22, 2020 -- China Liberal Education Holdings Limited (Nasdaq: CLEU) ("China Liberal", or the "Company", or "we"), an educational services provider in China, today announced its financial results for the first six months of fiscal year 2020 ended June 30, 2020.

Ms. Ngai Ngai Lam, Chairwoman and CEO of China Liberal, commented, "We are pleased with our results for the first half of 2020 as our revenue increased by 20.8% compared to the same period of last year, which positions us well to meet or exceed our projections for fiscal 2020. Our focus has always been long-term growth as we execute on our business strategy, which calls for increasing market share, diversifying offerings and expanding sales network. Through leveraging our keen and accurate understanding of the market and customer demand, we independently developed and successfully launched AI-Space, an all-in-one machine designed to provide highly integrated visualization solutions for various application scenarios with strict reliability requirements. Also, we are proactively seeking new opportunities as we cooperate with Wuhan Wangjie Hengtong Information Technology Co., Ltd. to provide technical support services for State Grid Corporation of China, a Chinese state-owned electric utility corporation. These approaches had been proven to be successful by the market, giving us confidence moving into the second half of 2020. We look forward to engaging our new products or services with more potential clients and accelerating our revenue growth so as to build long term shareholder value."

First Six Months of Fiscal Year 2020 Financial Highlights

	For the Six Months Ended June 30,		
($ millions, except per share data)	**2020**	**2019**	**% Change**
Revenue	2.27	1.88	20.8%
Gross profit	0.79	0.86	-8.1%
Gross margin	34.7%	45.6%	-10.9%
(Loss)/Income from operations	(0.11)	0.19	NM
Operating (loss)/profit margin	-5.0%	10.1%	NM
Net (loss)/income	(0.08)	0.14	NM
Basic and diluted (loss)/earnings per share	(0.02)	0.03	NM

- Revenue increased by 20.8% year-over-year to $2.27 million for the six months ended June 30, 2020 from $1.88 million for the same period last year.

- Gross profit decreased by 8.1% to $0.79 million for the six months ended June 30, 2020 from $0.86 million for the same period last year.

- Gross margins were 34.7% and 45.6% for the six months ended June 30, 2020 and 2019, respectively.

- Loss from operations was $0.11 million for the six months ended June 30, 2020, compared to income from operations of $0.19 million for the same period last year. Operating loss margin was 5.0% for the six months ended June 30, 2020, compared to operating profit margin of 10.1% for the same period last year.

- Net loss was $0.08 million for the six months ended June 30, 2020, compared to $0.14 million for the same period last year.

- Basic and diluted loss per share were $0.02 for the six months ended June 30, 2020, compared to basic and diluted earnings per share of $0.03 for the same period last year.

First Six Months of Fiscal Year 2020 Financial Results

Revenue

Revenue increased by 20.8% year-over-year to $2.27 million for the six months ended June 30, 2020 from $1.88 million for the same period last year, mainly driven by increased revenue from the Company's Sino-foreign jointly managed academic programs when number of enrolled students increased, and increased revenue from technological consulting services for smart campus solutions when the Company completed the project associated with the experiment-based simulation center for Fuzhou Melbourne Polytechnic ("FMP")'s hotel management major and some additional Smart Campus Solution projects for other Chinese universities/colleges.

	For the Six Months Ended June 30,					
($ millions)	**2020**			**2019**		
Revenue	**Revenue**	**Cost of Revenue**	**Gross Margin**	**Revenue**	**Cost of Revenue**	**Gross Margin**
Sino-foreign joint managed academic programs	1.27	0.26	79.2%	1.24	0.53	56.8%
Technological consulting services for smart campus solutions	0.93	1.21	-29.3%	0.63	0.48	23.4%
Overseas study consulting services	0.07	0.01	82.9%	-	-	-
Textbook and course material sales	-	-	-	0.01	0.01	42.7%
Total	2.27	1.48	34.7%	1.88	1.02	45.6%

Revenue from Sino-foreign jointly managed academic programs increased by $0.03 million, or 1.9%, to $1.27 million for the six months ended June 30, 2020, from $1.24 million for the same period last year. This increase can be primarily attributed to an increase in the number of students by 331 or 14.0%, from 2,337 students for the six months ended June 30, 2019 to 2,668 students for the six months ended June 30, 2020, and to the changes in average tuition fees we collected from Chinese host universities/colleges.

Revenue from providing smart campus related technological consulting service increased by $0.30 million, or 49.1%, to $0.93 million for the six months ended June 30, 2020, from $0.63 million for the same period last year, primarily due to large size of smart campus project we completed during the six months ended June 30, 2020.

Revenue from overseas study consulting services was $0.07 million for the six months ended June 30, 2020, compared with nil for the same period last year. During the six months ended June 30, 2020, we signed a service contract with Beijing Foreign Studies University ("BFSU") to assist 21 students for German language training, preparing their application materials for preparatory school in Germany, and assign qualified teachers to provide more detailed and customized tutoring to these students for their visa applications. Among the 21 enrolled students, 11 students have received offers from German colleges and successfully obtained the visas. Accordingly, we recognized $0.07 million in revenue when our performance obligations under the service contract were satisfied.

Revenue from textbooks and course materials sales was nil for the six months ended June 30, 2020, compared with $0.01 million for the same period last year. 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 remain closed until May and June 2020. During the temporary school closure period, the Company provided remote teaching services to students and, therefore, there was no textbooks and course materials sales during the six months ended June 30, 2020.

Cost of Revenues

Cost of revenue increased by $0.46 million, or 45.0%, to $1.48 million for the six months ended June 30, 2020, from $1.02 million for the same period last year, primarily due to the increased hardware and software costs of $0.45 million associated with the smart campus projects.

Gross Profit

Gross profit decreased by $0.07 million, or 8.1%, to $0.79 million for the six months ended June 30, 2020, from $0.86 million for the same period last year, while gross profit margin decreased by 10.9%, to 34.7% for the six months ended June 30, 2020 from 45.6% for the same period last year. The decrease in gross profit and gross margin was primarily due to higher costs incurred to undertake our smart campus related technological consulting service projects which require both hardware and software application. The outbreak of COVID-19 caused transportation disruption and resulted in our difficulty to hire workers to perform onsite hardware installation. As a result, we incurred higher hardware purchase costs and labor costs associated with undertaking these projects in order to meet the contracted deadlines. As our costs increased, our gross profit and gross margin decreased during the six months ended June 30, 2020.

Operating Expenses

Selling expenses decreased by $0.03 million, or 16.4%, to $0.13 million for the six months ended June 30, 2020, from $0.16 million for the same period last year. This decrease in selling expenses was primarily attributable to the decrease in the brand advertising expenses and reduction of sales and marketing personnel during the outbreak of COVID-19.

General and administrative expenses increased by $0.26 million, or 50.8%, to $0.77 million for the six months ended June 30, 2020, from $0.51 million for the same period last year, primarily due to an increase in professional service fees of $0.22 million in connection with the preparation of our going public.

Interest Income

Interest income increased by $79,153 or 2,188.4%, to $82,770 for the six months ended June 30, 2020, from $3,617 for the same period last year. In connection with the Company's technological consulting services for smart campus projects, financing component resulted from a timing difference when control is transferred and the collection of cash receipts that may impact future cash flows amounted to $79,907 which was recorded as interest income for the six months ended June 30, 2020. In addition, the Company also reported interest income of $2,863 from increased bank deposit balance during six months ended June 30, 2020. These factors led to increased interest income as compared to the same period of 2019.

Other Expense

Other expense was $907 for the six months ended June 30, 2020, compared to $2,179 for the same period last year, the decrease was due to decreased bank charges and driving penalties.

Provision for Income Taxes

Provision for income taxes was $48,675 for the six months ended June 30, 2020, decreased from $52,756 for the same period last year due to lower taxable income.

Net (Loss)/Income

Net loss was $0.08 million for the six months ended June 30, 2020, compared to net income of $0.14 million for the same period last year. Basic and diluted loss per share were $0.02 for the six months ended June 30, 2020, compared to basic and diluted earnings per share of $0.03 for the same period last year.

Financial Condition

As of June 30, 2020, the Company had cash of $6.22 million, compared to $1.70 million as of December 31, 2019.

Net cash used in operating activities was $0.31 million for the six months ended June 30, 2020, compared to $0.10 million for the same period last year.

Net cash used in investing activities was $0.01 million for the six months ended June 30, 2020, compared to $0.47 million for the same period last year.

Net cash provided by financing activities was $4.88 million for the six months ended June 30, 2020, compared to $0.48 million for the same period last year.

Recent Developments

On December 15, 2020, the Company reported the sales results of its self-developed textbooks published by Fudan University Press ("FUP"). A total of 46,626 copies of textbooks were sold as of December 14, 2020 and some of these textbooks were distributed to the Chinese host universities, including Fuzhou Melbourne Polytechnic and Straits Institute of Mingjiang University, to be used in the joint education programs.

On December 10, 2020, the Company announced that it has successfully provided services under four agreements (the "Agreements") with Wuhan Wangjie Hengtong Information Technology Co., Ltd. ("WWH"), one of the service providers of State Grid Corporation of China ("SGC"), a Chinese state-owned electric utility corporation, to provide technical support services for SGC.

On December 7, 2020, the Company announced that it had officially launched AI-Space ("AI-Space"), an all-in-one machine designed to provide highly integrated visualization solutions for various application scenarios with strict reliability requirements. These various scenarios may include, command center, lecture hall, conference room, multi-functional exhibition hall, smart classroom, vehicle emergency, portable command, telemedicine, science and technology court, and smart home.

COVID-19

In December 2019, a novel strain of coronavirus ("COVID-19") was identified in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic—the first pandemic caused by a coronavirus. The outbreak has reached more than 160 countries, resulting in the implementation of significant governmental measures, including lockdowns, closures, quarantines, and travel bans worldwide, intending to control the spread of the virus. The Chinese government also ordered quarantines, travel restrictions, and temporary closure of stores and facilities. During the same period, companies were also taking precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses.

Because of the shelter-in-place orders and travel restrictions mandated by the Chinese government, the services and revenue activities of the Company were temporarily reduced during the end of January and February 2020, which adversely impacted the Company's services and revenue during that period. Although the services and revenue have resumed at the end of March 2020, the continued uncertainties associated with COVID-19 may cause the Company's revenue and cash flows to underperform in the next 12 months. A resurgence could negatively affect the execution of additional smart campus contracts with Chinese universities/colleges, the collection of the payments from previous smart campus projects and the market development of the newly launched visualization solutions and technology consulting services to non-university business The extent of the future impact of COVID-19 is still highly uncertain and cannot be predicted as of the financial statement reporting date. The Company will continue to monitor and modify the operating strategies. Management does not expect a continued decline in revenue in long term based on the existing services and projects.

About China Liberal Education Holdings Limited

China Liberal, headquartered in Beijing, is an educational services provider in China. It provides a wide range of services, including those under Sino-foreign jointly managed academic programs; overseas study consulting services; technological consulting services for Chinese universities to improve their campus information and data management system and to optimize their teaching, operating and management environment, creating a "smart campus"; and tailored job readiness training to graduating students. For more information, visit the company's website at ir.chinaliberal.com.

Forward-Looking Statements

This document contains forward-looking statements. In addition, from time to time, we or our representatives may make forward-looking statements orally or in writing. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance, including: our financial performance and projections; our growth in revenue and earnings; and our business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "hopes" or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including: our ability to change the direction of the Company; our ability to keep pace with new technology and changing market needs; and the competitive environment of our business. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this press release and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us. We are not obligated to publicly update or revise any forward-looking statement, whether as a result of uncertainties and assumptions, the forward-looking events discussed in this press release and other statements made from time to time by us or our representatives might not occur.

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China Liberal Education Holdings Limited
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash	$ 6,223,083	$ 1,702,279
Accounts receivable, net	339,465	518,191
Contract receivable, net	2,726,953	1,639,213
Advance to suppliers	256,037	836,766
Deferred initial public offering costs	-	649,451
Prepaid expenses and other current assets	213,143	339,260
Total current assets	9,758,681	5,685,160
Property and equipment, net	50,017	77,782
Operating lease right-of-use assets, net	-	18,372
Contract receivable, net– non-current	1,764,806	1,071,826
Total non-current assets	1,814,823	1,167,980
Total Assets	$ 11,573,504	$ 6,853,140
Liabilities and STOCKHOLDERS' Equity		
CURRENT LIABILITIES		
Account payable	$ 382,234	$ 51,071
Deferred revenue	165,299	562,056
Taxes payable	476,033	404,453
Due to a related party	556,311	461,633
Operating lease liabilities - current	-	10,326
Accrued expenses and other current liabilities	226,438	178,276
TOTAL CURRENT LIABILITIES	1,806,315	1,667,815
Operating lease liabilities – non-current	-	5,350
TOTAL LIABILITIES	1,806,315	1,673,165
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Ordinary shares, $0.001 par value, 50,000,000 shares authorized, 6,333,333 and 5,000,000 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	6,333	5,000
Additional paid-in capital	9,358,487	4,579,116
Statutory reserve	407,534	379,952
Retained earnings	421,111	528,315
Accumulated other comprehensive loss	(426,276)	(312,408)
Total Equity	9,767,189	5,179,975
Total Liabilities and STOCKHOLDERS' Equity	$ 11,573,504	$ 6,853,140

China Liberal Education Holdings Limited
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

	For the six months ended June 30,

	2020	2019
REVENUE, NET	$ 2,270,788	$ 1,880,068
COST OF REVENUE	(1,482,515)	(1,022,655)
GROSS PROFIT	**788,273**	**857,413**
OPERATING EXPENSES		
Selling expenses	(130,465)	(156,061)
General and administrative expenses	(770,618)	(511,024)
Total operating expenses	(901,083)	(667,085)
(LOSS) INCOME FROM OPERATIONS	**(112,810)**	**190,328**
OTHER INCOME		
Interest income	82,770	3,617
Other expense, net	(907)	(2,179)
Total other income, net	81,863	1,438
(LOSS) INCOME BEFORE INCOME TAXES	**(30,947)**	**191,766**
INCOME TAX PROVISION	(48,675)	(52,756)
NET (LOSS) INCOME	**(79,622)**	**139,010**
COMPREHENSIVE (LOSS) INCOME		
Total foreign currency translation adjustment	(113,868)	(18,085)
TOTAL COMPREHENSIVE (LOSS) INCOME	(193,490)	120,925
Weighted average number of shares, basic and diluted	5,366,300	5,000,000
Basic and diluted (loss) earnings per ordinary share	$ (0.02)	$ 0.03

China Liberal Education Holdings Limited
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Six Months Ended June 30, 2020 and 2019
(Unaudited)

	Ordinary shares		Additional Paid-in Capital	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount							
Balance at December 31, 2018	5,000,000	$ 5,000	$ 4,579,116	$ 294,158	$ 88,967	$ (234,237)	$ 4,733,004	$ 518,575	$ 5,251,579
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 gain (loss)	-	-	-	-	-	(18,085)	(18,085)	22,332	4,247
Balance at June 30, 2019	5,000,000	$ 5,000	$ 4,579,116	$ 322,770	$ 286,603	$ (252,322)	$ 4,941,167	$ -	$ 4,941,167
Balance at December 31, 2019	5,000,000	$ 5,000	$ 4,579,116	$ 379,952	$ 528,315	$ (312,408)	$ 5,179,975	$ -	$ 5,179,975
Issuance of ordinary shares in initial public offering, net	1,333,333	1,333	4,779,371	-	-	-	4,780,704	-	4,780,704
Appropriation to statutory reserve	-	-	-	27,582	(27,582)	-	-	-	-
Net loss	-	-	-	-	(79,622)	-	(79,622)	-	(79,622)
Foreign currency translation loss	-	-	-	-	-	(113,868)	(113,868)	-	(113,868)
Balance at June 30, 2020	6,333,333	$ 6,333	$ 9,358,487	$ 407,534	$ 421,111	$ (426,276))	$ 9,767,189	$ -	$ 9,767,189

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

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Cash flows from operating activities		
Net (loss) income	$ (79,622)	$ 139,010
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	12,234	20,320
Loss from disposal of property and equipment	27,381	-
Amortization of right-of-use assets	18,181	-
Changes in operating assets and liabilities:		
Accounts receivable	172,176	(99,777)
Contract receivable	(1,834,390)	297,936
Advances to suppliers	571,128	(339,463)
Prepaid expenses and other current assets	745,854	(511,104)
Due from related party	-	73,685
Deferred initial public offering costs	-	(321,569)
Accounts payable	332,972	67,350
Deferred revenue	(390,331)	470,410
Taxes payable	77,397	90,591
Accrued expenses and other current liabilities	33,843	9,208
Net cash used in operating activities	(313,177)	(103,403)
Cash flows from investing activities		
Purchase of property and equipment	(12,831)	(13,026)
Acquisition of 8.8228% non-controlling interest in China Liberal Beijing	-	(453,669)
Net cash used in investing activities	(12,831)	(466,695)
Cash flows from financing activities		
Proceeds from borrowing from a related party	94,804	481,431
Net proceeds from initial public offering	4,780,704	-
Net cash provided by financing activities	4,875,508	481,431
Effect of exchange rate changes on cash	(28,696)	3,988
Net increase (decrease) in cash	4,520,804	(84,679)
Cash, beginning of period	1,702,279	2,077,166
Cash, end of period	$ 6,223,083	$ 1,992,487
Supplemental disclosure information:		
Income taxes paid	$ 20,321	$ 19,911
Interest paid	$ -	$ -