

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

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

For the transition period from _____ to _____.

Commission file number: **001-39259**

China Liberal Education Holdings Limited

(Exact name of Registrant as Specified in its Charter)

Cayman Islands

(Jurisdiction of Incorporation or Organization)

**Room 805, Block 15, No. A1 Chaoqian Road,
Science and Technology Park, Changping District
Beijing, People's Republic of China 102200**

(Address of Principal Executive Offices)

**Ms. Ngai Ngai Lam, Chief Executive Officer
Tel: +86-10-6597-8118**

**Room 805, Block 15, No. A1 Chaoqian Road,
Science and Technology Park, Changping District
Beijing, People's Republic of China 102200**

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Ordinary Shares

Trading Symbol(s)

CLEU

Name of each exchange on which registered

The Nasdaq Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

An aggregate of 31,598,333 ordinary shares, par value \$0.001 per share, as of December 31, 2022.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

TABLE OF CONTENTS

INTRODUCTION	4
FORWARD-LOOKING INFORMATION	6
PART I	
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	7
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	7
ITEM 3. KEY INFORMATION	7
ITEM 4. INFORMATION ON THE COMPANY	35
ITEM 4A. UNRESOLVED STAFF COMMENTS	58
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	58
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	75
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	80
ITEM 8. FINANCIAL INFORMATION	80
ITEM 9. THE OFFER AND LISTING	81
ITEM 10. ADDITIONAL INFORMATION	81
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	90
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	91
PART II	
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	92
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	92
ITEM 15. CONTROLS AND PROCEDURES	92
ITEM 16 [RESERVED]	93
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT	93
ITEM 16B. CODE OF ETHICS	93
ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	94
ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	94
ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	94
ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT	94
ITEM 16G. CORPORATE GOVERNANCE	95
ITEM 16H. MINE SAFETY DISCLOSURE	95
ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	95
PART III	
ITEM 17. FINANCIAL STATEMENTS	96
ITEM 18. FINANCIAL STATEMENTS	96
ITEM 19. EXHIBITS	96

INTRODUCTION

Unless the context otherwise requires, in this annual report on Form 20-F references to:

- “affiliated entities” are to FMP (as defined below) and Strait College (as defined below), which are our consolidated affiliated entities under U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) and we have consolidated the financial results of the affiliated entities in the consolidated financial statements in accordance with U.S. GAAP;
- “Aiways Automobile” are to Aiways Automobile Holdings Limited, a Cayman Islands exempted company with limited liability and a wholly-owned subsidiary of the Company;
- “Aiways Merger Sub” are to Aiways Merger Sub Limited, a Cayman Islands exempted company with limited liability and a wholly-owned subsidiary of the Company;
- “Boya Hong Kong” are to China Boya Education Group Co., Limited, a Hong Kong limited liability company;
- “China” or the “PRC” are to the People’s Republic of China, including the special administrative regions of Hong Kong and Macau;
- “China Liberal” are to China Liberal Education Holdings Limited, a Cayman Islands exempted company with limited liability;
- “China Liberal Beijing” are to China Liberal (Beijing) Education Technology Co., Ltd., a PRC limited liability company and our operating subsidiary;
- “China Liberal Fujian” are to China Liberal Fujian Education Technology Group Co., Ltd, a PRC limited liability company;
- “Company,” “the Group,” “we,” “our,” and “us” are to China Liberal Education Holdings Limited, and when describing the group’s consolidated financial information, also includes the Company’s subsidiaries and the affiliated entities (defined below);
- “EAP” are to Australia English for Academic Purposes, which prepares international students for vocational or tertiary-level study in Australia and other contexts where English is the language of instruction, and it aims to develop student awareness, knowledge and skills in the use of English as the language of teaching and learning in a vocational and/or university environment;
- “FMP” are to Fuzhou Melbourne Polytechnic;
- “FPEC” are to Fujian Preschool Education College;
- “Fujian Wanzhong” are to Fujian Wanzhong Education Investment Management Co., Ltd., a PRC limited liability company and a subsidiary of the Company;
- “FUT” are to Fujian University of Technology;
- “IELTS” are to International English Language Testing System, an international standardized test of English language proficiency for non-native English language speakers, and accepted by most Australian, British, Canadian and New Zealand academic institutions;
- “IGEC” are to International General Education Courses, a Sino-foreign joint education program developed and introduced by the Chinese Service Center for Scholarly Exchange, a public organization under the Ministry of Education of the PRC, in order to improve the overall reform and internationalization of PRC’s higher education;
- “ISEC” are to International Scholarly Exchange Curriculum, a PRC government sponsored and highly profiled program affiliated with the China Scholarship Council directly under the Ministry of Education in the PRC;
- “NZTC” are to New Zealand Tertiary College;
- “Oriental Wisdom” are to Oriental Wisdom Cultural Development Co., Ltd., a PRC limited liability company and a subsidiary of the Company;
- “PRC subsidiaries” and “PRC entities” refer to entities established in accordance with PRC laws and regulations;
- “RMB” and “Renminbi” are to the legal currency of China;
- “shares”, “Shares” or “Ordinary Shares” are to the ordinary shares of the Company, par value US\$0.001 per share;
- “Sino-foreign Jointly Managed Academic Programs” are to education programs offered by joint ventures of the PRC and foreign institutions;
- “Strait College” are to Strait College of Mingjiang University;
- “TOEFL” are to Test of English as Foreign Language, an international standardized test of English language proficiency for non-native English language speakers, and commonly accepted by American academic institutions;
- “US\$,” “dollars” or “U.S. dollars” are to the legal currency of the United States;
- “Wanwang” are to Wanwang Investment Limited, a British Virgin Islands exempted company with limited liability and a subsidiary of the Company;
- “Wanzhong HK” are to Wanzhong (HK) Investment Limited, a Hong Kong limited liability company and a subsidiary of the Company; and
- “Yi Xin BVI” are to Yi Xin International Investment Limited, a company incorporated in the British Virgin Islands.

Discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020.

This annual report contains translations of certain Renminbi amounts into U.S. dollars at specified rates. Unless otherwise stated, the following exchange rates are used in this annual report:

U.S. Dollar Exchange Rate	December 31, 2022	December 31, 2021	December 31, 2020
At the end of the period - USD: RMB	US\$1=RMB6.8972	US\$1=RMB6.3640	US\$1=RMB 6.5250
Average rate for the period - USD: RMB	US\$1=RMB6.7526	US\$1=RMB6.4441	US\$1=RMB 6.8878

We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated above, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade.

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. Known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our mission, goals and strategies;
- the impact of COVID-19 on our operations;
- our future business development, financial conditions and results of operations;
- the expected growth of the PRC study abroad consulting and training services industry in China;
- our expectations regarding demand for and market acceptance of our services;
- our expectations regarding our relationships with our clients and partners;
- competition in our industry;
- our proposed use of proceeds; and
- relevant government policies and regulations relating to our industry.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, 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. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from, or worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This annual report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. The education industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material and adverse effect on our business and the market price of the Ordinary Shares. In addition, the rapidly evolving nature of this industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report and exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

Part I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

Item 3. KEY INFORMATION

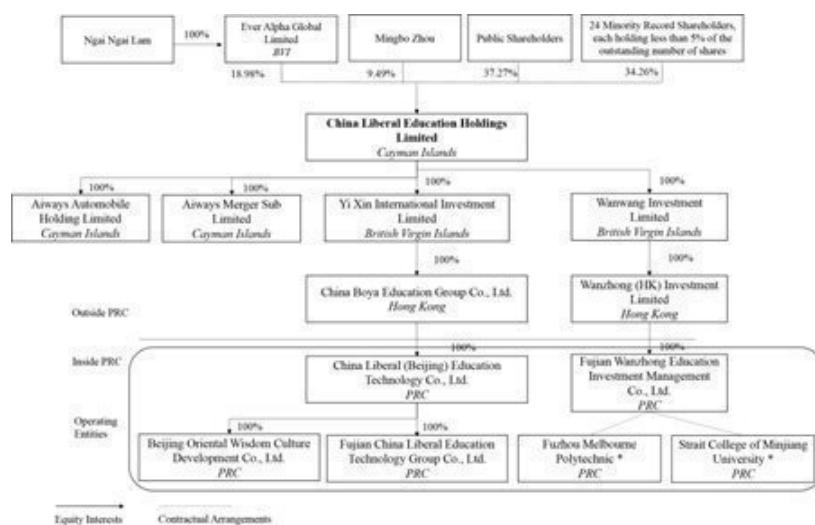
China Liberal is a holding company incorporated in the Cayman Islands and not a Chinese operating company. As a holding company with no material operations of its own, China Liberal conducts its operations through its wholly owned PRC subsidiaries, China Liberal Beijing, China Liberal Fujian, Oriental Wisdom, and Fujian Wanzhong, as well as the affiliated entities. As more fully explained in the corporate structure chart and accompanying notes, we treat FMP and Strait College as our consolidated affiliated entities under U.S. GAAP and have consolidated the financial results of the affiliated entities in the consolidated financial statements in accordance with U.S. GAAP. We directly hold 100% of the equity interests in our subsidiaries, and receive the economic benefits of the affiliated entities.

Because we do not directly hold equity interests in the affiliated entities, we are subject to risks and uncertainties of the interpretations and applications of PRC laws and regulations. We are also subject to the risks and uncertainties about any future actions of the PRC government in this regard that could disallow this structure, which would likely result in a material change in our operations, and the value of our Ordinary Shares may depreciate significantly or become worthless. See “Risk Factors—Risks Relating to Our Corporate Structure” and “Risk Factors—Risks Relating to Doing Business in China.”

Our Ordinary Shares are the shares of the offshore holding company in the Cayman Islands, instead of shares of our operating companies in China. Therefore, holders of our Ordinary Shares do not directly hold any equity interests in our operating companies or the affiliated entities in China and investors are purchasing an interest in the Cayman Islands holding company.

In this annual report, we refer to (i) the holding company as “we,” “us,” “our” or “the Company,” and when describing the group’s consolidated financial information, also includes the Company’s subsidiaries and the affiliated entities, (ii) the subsidiaries as “the subsidiaries” or “our subsidiaries”; and (iii) FMP and Strait College collectively as the “affiliated entities.”

The following diagram illustrates our corporate structure as of the date of this annual report.



* Under PRC laws and regulations in effect as of the date of this annual report, most of the schools founded in the PRC, including FMP and Strait College, do not have equity interest holders. Instead, schools may be established by “founders”, which include government for public schools and private companies or individuals for private schools, and schools may receive contributions in cash or assets by “investors”, which may include private companies or individuals. The founders of FMP were Minjiang University and Melbourne Polytechnic, and the sole investor of FMP was Fujian Wanzhong. The founder of Strait College was Mingjiang University, and Fujian Wanzhong was the sole investor of Strait College. As a result, Fujian Wanzhong was regarded as the primary beneficiary of each of FMP and Strait College, and through Fujian Wanzhong, we treat FMP and Strait College as our consolidated affiliated entities under U.S. GAAP and have consolidated the financial results of these entities in the consolidated financial statements in accordance with U.S. GAAP.

Risks Associated with Doing Business in the PRC

We are subject to certain legal and operational risks associated with having the majority of our operations in China, which could significantly limit or completely hinder our ability to offer securities to investors and cause the value of our securities to significantly decline or be worthless. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China— The Chinese government exerts substantial influence over the manner in which we must conduct our business activities and may intervene or influence our operations at any time, which could result in a material change in our operations and the value of our Ordinary Shares.”

Recently, the PRC government adopted a series of regulatory actions and issued statements to regulate business operations in China, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. As of the date of this annual report, we, our subsidiaries or the affiliated entities have not been involved in any investigations on cybersecurity review initiated by any PRC regulatory authority, nor has any of them received any inquiry, notice or sanction. As of the date of this annual report, we have not received any notice from any authorities identifying the PRC subsidiaries or the affiliated entities as critical information infrastructure operators (“CIIOs”) or requiring us to go through cybersecurity review or network data security review by the Cyberspace Administration of China (the “CAC”). According to the Cybersecurity Review Measures, and if the Security Administration Draft is enacted as proposed, we believe that the operations of the PRC subsidiaries and the affiliated entities and our continued listing on the Nasdaq Stock Market LLC (“Nasdaq”) will not be affected and that we will not be subject to cybersecurity review by the CAC, given that the PRC subsidiaries and the affiliated entities possess personal data of fewer than one million individual clients and do not collect data that affects or may affect national security in their business operations as of the date of this annual report and do not anticipate that they will be collecting over one million users’ personal information or data that affects or may affect national security in the near future. Additionally, we believe that we are compliant with the regulations and policies that have been issued by the CAC to date. See “Item 3. Key Information— D. Risk Factors—Risks Relating to Doing Business in China - Recent greater oversight by the CAC over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.”

In addition, our securities may be prohibited from trading on a national exchange or over-the-counter under the Holding Foreign Companies Accountable Act, or the HFCA Act, if the Public Company Accounting Oversight Board (United States), or the “PCAOB,” is unable to inspect our auditor for two consecutive years instead of three beginning in 2021, as amended. Our auditor, Audit Alliance LLP, is an independent registered public accounting firm with the PCAOB, and as an auditor of publicly traded companies in the U.S., is subject to laws in the U.S. pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is not subject to the determination issued by the PCAOB on December 16, 2021. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which was signed into law on December 29, 2022, amending the HFCA Act and requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchange if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the delisting of our Company and the prohibition of trading in our securities if the PCAOB is unable to inspect our accounting firm at any future time. On August 26, 2022, the China Securities Regulatory Commission (the “CSRC”), the Ministry of Finance of the PRC (the “MOF”), and the PCAOB signed a Statement of Protocol (the “Protocol”) governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB Board determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB’s access in the future, the PCAOB Board will consider the need to issue a new determination. See “—D. Risk Factors—Risks Relating to Doing Business in China—Recent joint statement by the SEC and Public Company Accounting Oversight Board, rule changes by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our continued listing or future offerings of our securities in the U.S.”

Permissions Required from PRC Authorities

Based on PRC laws and regulations in effect as of the date of this annual report, and subject to different interpretations of these laws and regulations that may be adopted by PRC authorities, the PRC subsidiaries, their affiliates and the affiliated entities were required to and have obtained the following licenses and approvals necessary to operate in China as of the date of this annual report: (i) each of the Company’s PRC subsidiaries has obtained a business license from the governing local branches of State Administration for Market Regulations, which sets forth the scope of business operations each subsidiary is allowed to conduct; (ii) FMP has obtained a Legal Person Certificate of Public Institution from the Bureau of Public Institution of Fujian Province, which is an equivalent of business license for schools; and (iii) FMP has obtained a license for Chinese-foreign cooperative education, granted by the People’s Government of Fujian Province, which authorizes FMP to operate Sino-foreign jointly managed academic programs. Currently, we, our subsidiaries and the affiliated entities are not required to obtain any other license or approval for our operations in China.

We believe that we, our subsidiaries and the affiliated entities have obtained all licenses and approvals necessary to operate in China and that we do not need any other license or approval for our operations in China or Hong Kong. We believe that we are not required to obtain approval from any PRC government authorities, including the CSRC, the CAC, or any other government entity, to issue of Ordinary Shares to foreign investors. Under the Cybersecurity Review Measures, if critical information infrastructure operators purchase network products and services, or network platform operators conduct data processing activities that affect or may affect national security, they will be subject to cybersecurity review. A network platform operator holding more than one million users/users' individual information shall be subject to cybersecurity review before listing abroad. In the opinion of our PRC legal counsel, H&J Law Firm, our business operations do not currently involve the procurement of network products and services or data processing as network platform operators. H&J Law Firm has further advised us that the Cybersecurity Review Measures do not currently apply to our Company, and we are not required to conduct cybersecurity review. See "D. Risk Factors — Risks Related to Doing Business in China — The Chinese government exerts substantial influence over the manner in which we must conduct our business activities and may intervene or influence our operations at any time, which could result in a material change in our operations and the value of our Ordinary Shares."

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (the "Trial Measures") and five supporting guidelines (collectively, the "Overseas Listings Rules"), which became effective on March 31, 2023. These rules propose to establish a new filing-based regime to regulate overseas offerings and listings by Chinese domestic companies. Under the Overseas Listings Rules, Chinese domestic companies conducting overseas securities offering and listing activities, either in direct or indirect form, shall complete filing procedures with the CSRC pursuant to the requirements of the Trial Measures within three working days following its submission of initial public offering or listing application. Since the date of effectiveness of the Trial Measures, the domestic enterprises otherwise subject to filing that have been listed overseas or met the following circumstances are considered existing enterprises: the application of such enterprises for indirect overseas securities issuance and listing has been approved by the applicable overseas regulators or overseas stock exchanges (e.g., an applicable registration statement has been declared effective by the SEC) before the effectiveness of the Trial Measures, and are not required to re-perform issuance and listing supervision procedures with the overseas regulators or overseas stock exchanges, and the overseas issuance and listing of such enterprises will be completed by September 30, 2023. Existing enterprises are not required to file immediately, and filing should be made as required if they conduct refinancing activities or other matters requiring filings in the future. In the opinion of our PRC legal counsel, H&J Law Firm, as a domestic company listed on Nasdaq since May 2020, and not currently conducting refinancing or other activities that require filings, we are not required to file with the CSRC in accordance with the Trial Measures at this time. However, in the event that we conduct subsequent offerings, we could be subject to filing requirements with the CSRC. In the event that filings with the CSRC are required, we cannot assure you that we can complete the filing procedures, obtain the approvals or complete other compliance procedures in a timely manner, or at all, or that any completion of filing or approval or other compliance procedures would not be rescinded. Any such failure would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose restrictions and penalties on the operations in China, significantly limit or completely hinder our ability to launch any new offering of our securities, limit our ability to pay dividends outside of China, delay or restrict the repatriation of the proceeds from future capital raising activities into China, or take other actions that could materially and adversely affect our business, results of operations, financial condition and prospects, as well as the trading price of our Ordinary Shares. Furthermore, the PRC government authorities may further strengthen oversight and control over listings and offerings that are conducted overseas. Any such action may adversely affect our operations and significantly limit or completely hinder our ability to offer or continue to offer securities to you and cause the value of such securities to significantly decline or be worthless.

Since the recent regulatory actions are new, however, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, ability to accept foreign investments, and listing on the Nasdaq Stock Market. If we do not receive or maintain the approvals, or we inadvertently conclude that such approvals are not required, or applicable laws, regulations, or interpretations change such that we are required to obtain approval in the future, we may be subject to an investigation by competent regulators, fines or penalties, ordered to suspend our relevant business and rectify, prohibited from engaging in relevant business, or subject to an order prohibiting us from conducting an offering, and these risks could result in a material adverse change in our operations, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless. See 'Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China— The Chinese government exerts substantial influence over the manner in which we must conduct our business activities and may intervene or influence our operations at any time, which could result in a material change in our operations and the value of our Ordinary Shares.'

Cash Transfers Through Our Organization and Dividend Policy

As of the date of this annual report, there has been no transfer of cash or other assets, dividends or distributions between the holding company, its subsidiaries and the affiliated entities. As of the date of this annual report, we have not declared any dividends or made any distributions to our shareholders or U.S. investors.

We rely principally on dividends and other distributions on equity from our PRC subsidiaries and earnings from the affiliated entities for our cash requirements, including for services of any debt we may incur. Our PRC subsidiaries' ability to distribute dividends and earnings is based upon their respective distributable earnings.

Current PRC regulations permit the companies in the PRC to pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, each of the companies in the PRC is required to set aside 10% of its after-tax profits to fund a statutory reserve until such reserve reaches 50% of its registered capital if it distributes its after-tax profits for the current financial year. In addition, cash transfers from our Cayman Islands holding company are subject to applicable PRC laws and regulations on loans and direct investment. See "Item 3. Key Information — D. Risk Factors — Risk Related to Doing Business in China — We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

In addition, cash transfers from our PRC subsidiaries to entities outside of China are subject to PRC government controls on currency conversion. To the extent cash in our business is in the PRC or a PRC entity, such cash may not be available to fund operations or for other use outside of the PRC due to restrictions and limitations imposed by the governmental authorities on the ability of us, our PRC subsidiaries to transfer cash outside of the PRC. Shortages in the availability of foreign currency may temporarily delay the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. In view of the foregoing, to the extent cash in our business is held in China or by a PRC entity, such cash may not be available to fund operations or for other use outside of the PRC. For risks relating to the fund flows of our operations in China, see "Item 3.D. Risk Factors - Risks Related to Doing Business in China - To the extent cash or assets in the business is in the PRC or Hong Kong or a PRC or Hong Kong entity, the funds or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations on the ability of us or our subsidiaries by the PRC government to transfer cash or assets."

As of the date of this annual report, we have not declared any dividends or made any distributions to our shareholders or U.S. investors. For details, see our consolidated financial statements and their related notes included elsewhere in this annual report. Our board of directors has complete discretion on whether to distribute dividends, subject to applicable laws. We do not have any current plan to declare or pay any cash dividends on our Ordinary Shares in the foreseeable future. See "Item 3. Key Information — D. Risk Factors — Risks Related to the Trading Market—Because we do not expect to pay dividends in the foreseeable future, you must rely on a price appreciation of our Ordinary Shares for a return on your investment." Subject to certain contractual, legal and regulatory restrictions, cash and capital contributions may be transferred among our Cayman Islands holding company and our subsidiaries. U.S. investors will not be subject to Cayman Islands, British Virgin Islands, or Hong Kong taxation on dividend distributions, and no withholding will be required on the payment of dividends or distributions to them, while they may be subject to U.S. federal income tax for receiving dividends, to the extent that the distribution is paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. See "Item 10, Additional Information — E. Taxation." Additionally, a withholding tax rate of 10% on dividends may be payable by our PRC subsidiaries to their non-PRC enterprise shareholders. See "Item 3. Key Information — D. Risk Factors — Risk Related to Doing Business in China — We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

In addition, the PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, we may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Ordinary Shares. See "Item 3. Key Information — D. Risk Factors — Risk Related to Doing Business in China — PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay us from using the proceeds of our offerings to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business." Therefore, to the extent that cash is located in the PRC or within a PRC domiciled entity and may need to be used to fund operations outside of the PRC, the funds may not be available due to limitations placed to us by the PRC government.

Restrictions on Foreign Exchange and the Ability to Transfer Cash Between Entities, Across Borders and to U.S. Investors

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. The majority of our income is received in Renminbi and shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, as long as certain procedural requirements are met. Approval from appropriate government authorities is required if Renminbi is converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our shareholders.

Relevant PRC laws and regulations permit the companies in the PRC to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, our PRC subsidiaries and the affiliated entities can only distribute dividends after they have met the PRC requirements for appropriation to the statutory reserves. As a result of these and other restrictions under the PRC laws and regulations, our PRC subsidiaries and the affiliated entities are restricted to transfer a portion of their net assets to us either in the form of dividends, loans or advances. Even though we currently do not require any such dividends, loans or advances from the PRC subsidiaries for working capital and other funding purposes, we may in the future require additional cash resources from our PRC subsidiaries due to changes in business conditions or to fund future acquisitions and developments.

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

Investing in our Ordinary Shares involves significant risks. You should carefully consider all of the information in this annual report before making an investment in our Ordinary Shares. The following list summarizes some, but not all, of these risks.

Risks Related to Our Business

- We operate two colleges and our revenues are highly concentrated from them. If we are not able to continue to generate significant revenues from FMP or Strait College, our results of operations and financial condition may be materially and adversely affected.
- We rely heavily on the continuous reputation of the colleges that we operate in order to attract and maintain a significant number of student enrollment.
- If either of the colleges were to lose their Sino-foreign program permits, our results of operations and financial condition may suffer substantially.
- If FMP or Strait College fail to increase student enrollments, our net revenues may decline, and we may not be able to maintain growth.
- If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our Ordinary Shares may be materially and adversely affected.

Risks Related to Our Corporate Structure

- In the event we are presented with business combination opportunities, we may be unable to complete such transactions efficiently or on favorable terms due to complicated merger and acquisition regulations and certain other PRC regulations.
- You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.
- Certain judgments obtained against us by our shareholders may not be enforceable.
- The Cooperation Agreements between Fujian Wanzhong and Minjiang University may not be effective in providing control over the affiliated entities.

Risks Related to Doing Business in China

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations. Recently, the PRC government initiated a series of regulatory actions and made a number of public statements on the regulation of business operations in China with little advance notice, and it is highly uncertain what the potential impact such modified or new laws and regulations will have on our daily business operations or our ability to accept foreign investments and list on an U.S. exchange. For details, see “— Risks Related to Doing Business in China — Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.”
- Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, which could change quickly with little advance notice, could result in a material adverse change in our operations and the value of our Ordinary Shares. For details, see “— Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system could adversely affect us.”
- PRC government has significant authority in regulating our operations. The Chinese government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations and/or the value of our Ordinary Shares and significantly limit or completely hinder our ability to offer or continue to offer securities to investors or cause the value of such securities to decline or become worthless. For details, see “— Risks Related to Doing Business in China — The Chinese government exerts substantial influence over the manner in which we must conduct our business activities and may intervene or influence our operations at any time, which could result in a material change in our operations and the value of our Ordinary Shares.”
- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.
- If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.
- To the extent cash or assets in the business is in the PRC or Hong Kong or a PRC or Hong Kong entity, the funds or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations on the ability of us, our subsidiaries, or the affiliated entities by the PRC government to transfer cash or assets.

Risks Related to the Trading Market

- The trading price of our Ordinary Shares is likely to be volatile, which could result in substantial losses to investors.
- Because we do not expect to pay dividends in the foreseeable future, you must rely on a price appreciation of our Ordinary Shares for a return on your investment.
- We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Risks Related to Our Business

We operate two colleges and our revenues are highly concentrated from them. If we are not able to continue to generate significant revenues from FMP or Strait College, our results of operations and financial condition may be materially and adversely affected.

Our revenues generated under Sino-foreign Jointly Managed Academic Programs represented 55.2%, 68.5% and 28.8% of our net revenues for the years ended December 31, 2020, 2021 and 2022, respectively. For 2020, 2021 and 2022, we generated a vast majority of our Sino-foreign Jointly Managed Academic Program revenues from two major partners, FMP and Minjiang University. Wanwang through its indirect wholly owned subsidiary, Fujian Wanzhong, controls FMP and Strait College. After the completion of the acquisition of Wanwang on August 31, 2022, revenue from this line of business are accounted for as transactions between Wanwang and China Liberal Beijing, and are eliminated upon consolidation. Revenue generated from Sino-foreign Jointly Managed Academic Programs is now categorized as school fees generated from FMP and Minjiang University. Although we continue to diversify our core business, this line of revenue still generated a majority of our net revenues for the fiscal years ended December 31, 2020, 2021 and 2022. As other lines of business are making significant progress contributing to the annual net revenue, the contribution of annual net revenue from this line of business, as a percentage of annual net revenue, may proportionately reduce. Although in absolute term, we expect the annual net revenue contribution to remain consistent. We cannot assure you that we will be able to continue generating the same level of revenue from FMP and Strait College, and therefore, our results of operations and financial condition may be materially and adversely affected.

The affiliated entities may be subject to regulatory and policy changes, as well as the continuous approval of and supervision by relevant PRC authorities.

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

In 2018, the MOE approved the termination of certain Sino-foreign Jointly Managed Academic Programs as a move to improve quality, tighten regulatory control, and promote reforms in China's educational systems. Such actions were taken because problems had appeared in institutions and projects (none of which we service) that were previously approved by the relevant authorities. These problems included insufficient utilization of high-quality educational resources, low instructional quality, weak specialized capabilities in academic departments, lack of content-based development mechanisms, low student satisfaction and poor attractiveness of programs. These problems made it difficult for those institutions and projects to continue operating and they were therefore closed down. This action by the MOE was taken to close down institutions and projects that were originally approved but at the time of termination did not have enrolled students any more. Thus, this action was also taken to improve the overall quality of the industry. In light of this, Fujian Province, the province where both of the Sino-foreign Jointly Managed Academic Programs are located, set a minimum score for English (as a subject) for those students who are applying for any four-year Sino-foreign joint programs that offer undergraduate degrees. As a result of these new regulatory controls and policy adjustments, even though neither of the programs were terminated by MOE, overall student recruiting and enrollment under the Sino-foreign Jointly Managed Education Programs hosted by FMP or Strait College could be negatively impacted because some potential candidates could not meet the minimum score for English. Even though student enrollments under the joint education programs of Strait College increased by 145 students from 1,263 students in 2021 to 1,408 students in 2022, we cannot assure you that the local government in Fujian Province or the MOE will not set an even higher eligibility standard for students to enroll in these joint education programs in the future, in which case our student enrollment numbers, result of operations and financial conditions may be negatively impacted.

We rely heavily on the continuous reputation of the colleges that we operate in order to attract and maintain a significant number of student enrollment.

We operate FMP, a three-year college and Strait College, a four-year university, which provide education services to enrolled students. We receive tuition fees from students enrolled at the colleges. If these colleges experience a decrease in the number of their enrolled students due to student or parent dissatisfaction, negative publicity, poor track records, or other disruption of their reputation out of our control, they may experience withdrawals of currently enrolled students and a decrease in the enrollment of perspective students, which could in turn materially and adversely affect our results of operations and financial condition.

If either of the colleges were to lose their Sino-foreign program permits, our results of operations and financial condition may suffer substantially.

Universities or colleges who host Sino-foreign programs in the PRC are required to obtain and maintain Sino-foreign program permits from the appropriate education authorities at the PRC central government, provincial, municipal or local level, depending on the certifications required to offer these programs. As of the date of this annual report, both FMP and Strait College offer Sino-foreign Jointly Managed Academic Programs to their students. We cannot assure you that the Sino-foreign Jointly Managed Academic Programs the affiliated entities operate will maintain their permits in good standing within the permit periods, or that these permits will be renewed or extended after the permit periods. If one or more of the colleges were to lose their Sino-foreign program permits and we are not able to regain those permits in due course, our results of operations and financial condition may suffer substantially.

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

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

Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the private education industry, which could adversely affect our business.

The PRC private education industry, especially the after-school tutoring sector, has experienced intense scrutiny and has been subject to significant regulatory changes. In particular, the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education jointly promulgated by the General Office of State Council and the General Office of Central Committee of the Communist Party of China on July 24, 2021, sets out a series of operating requirements on after-school tutoring institutions.

The Standing Committee of the National People's Congress amended the Private Education Law on December 29, 2018 (the "2018 Private Education Law"), which took effect immediately. Under the 2018 Private Education Law, on April 7, 2021, the State Council promulgated the Amended Implementation Rules for the Private Education Law, or the 2021 Implementation Rules, which became effective on September 1, 2021. The Amended Implementation Rules prohibit social organizations and individuals from controlling a private school that provides compulsory education or a non-profit private school that provides pre-school education through mergers and acquisitions and control agreements, and a private school providing compulsory education is prohibited from conducting transactions with its related party. Relevant government authorities will enhance the supervision on the agreements entered into between non-profit private schools and its related party and shall review such transaction on an annual basis. In addition, online education activities using internet technology are encouraged by the regulatory authorities and shall comply with laws and regulations related to internet management. A private school engaging in online education activities using internet technology shall obtain the relevant private school operating permit. It shall also establish and implement internet security management systems and take technical security measures. Upon discovery of any information whose release or transmission is prohibited by applicable laws or regulations, the private school engaged in online education activities shall immediately cease the transmission of that information and take further remedial actions, such as deleting that information, to prevent it from spreading. Records pertaining to the situation shall be kept and reported to the appropriate authorities.

Our business operations do not currently involve the tutoring for students in compulsory education. Additionally, our business operations involving art and language training courses have been terminated and discontinued. Therefore, as advised by H&J Law Firm, our PRC counsel, we do not believe that we are subject to the above-mentioned policies and regulations.

We face risks related to natural disasters, extreme weather conditions, health epidemics including the COVID-19 pandemic, and other catastrophic incidents, which could significantly disrupt our operations.

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

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

The COVID-19 pandemic has significantly affected business and other activities within China, including government mandated travel restrictions or quarantines within China. The Company's operations have been affected by the COVID-19 pandemic. During the fiscal years 2021 and 2022, our revenue from Sino-foreign jointly managed academic programs was not significantly impacted by the COVID-19 pandemic. The Company's revenue from study abroad consulting services for the fiscal years 2021 and 2022 was significantly affected because application of student visa for some of these countries was suspended and, according to the administration guidelines issued by General Office of the Ministry of Education in December 2021, universities and colleges shall cease projects and cooperation with external parties and, as a result, after all existing contracts with Beijing Foreign Studies University came to completion, we discontinued our overseas study consulting services since January 2023. Additionally, in fiscal years 2021 and 2022, Chinese universities / colleges further limited their budget for smart campus solutions, and as a result, we experienced significant decrease in revenue from Technological Consulting Services for Smart Campus Solutions in the fiscal years 2021 and 2022 compared to the fiscal year 2020.

Beginning in January 2023, China no longer conducted nucleic acid tests and centralized quarantines for all inbound travelers, and measures to control the number of international passenger flights were lifted. However, there are still uncertainties regarding the COVID-19's future impact. Therefore, while we do not expect the COVID-19 pandemic to negatively impact our business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

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

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

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

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

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

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

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

For the years ended December 31, 2022, 2021 and 2020, we provided our smart campus solutions to six, eighteen and fourteen universities, respectively, for hardware and software build-out, equipment procurement and installment services. However, one or more of these universities may decide to terminate their agreements with us for reasons such as dissatisfaction of our services, a change of programs or curriculum, hiring of in-house tech support personnel, or simply not to choose us as their service provider after a project is completely. If any of these situations occur, we cannot assure you that we will be able to timely secure other service agreements with other universities, if at all, and therefore, our results of operations and financial condition may be materially and adversely affected.

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

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

We experienced net loss in fiscal years 2022 and 2021 and prior to that, we had experienced growth in our business. We expect to continue to invest in our operations for the foreseeable future. If we fail to turn profitable in the future, the success of our business model will be compromised.

We experienced a net loss in fiscal years 2022 and 2021 and prior to that, we had experienced growth in our business, primarily driven by the diversifying of our core business while leveraging our network of trusted schools. Our net loss was \$1.0 million and \$1.2 million for fiscal years 2022 and 2021, respectively, compared to net income of \$1.2 million for fiscal year 2020. Our net revenues were \$5.0 million in 2020, decreased by 22.2% to \$3.9 million in 2021, and grew by 196.8% to \$11.6 million in 2022.

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

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

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

We rely heavily on our sales and marketing efforts to increase student enrollment. Our sales and marketing expenses consist primarily of employee salaries and student enrollment. We incurred approximately \$229,656, \$152,759 and \$0.4 million, respectively, in selling expenses in 2020, 2021 and 2022. We expect our selling expenses to increase in the future if we further expand our operations.

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

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

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

We provided services to the Sino-foreign Jointly Managed Academic Programs from 2011 to August 2022 and have been operating FMP and Strait College since September 2022, which offer Sino-foreign Jointly Managed Academic Programs. However, we have only been offering one-on-one consulting services and technological consulting services for smart campus solutions since 2017, and tailored job readiness training services since late 2019. Our limited history of operating part or all of our business may not serve as an adequate basis for evaluating our future prospects and operating results, including gross billings, net revenue, cash flows and profitability.

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

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

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

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

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

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

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

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

Our proprietary SaaS platform offers comprehensive smart campus solutions, including teaching, student affairs, human resources, office and financial management. The performance and reliability of our SaaS platform used by management, teachers and students is critical to our operations and reputation. We rely on our end users to promptly give us feedback regarding their user experience as well as any issues in connection with such platforms. However, there may be delay in feedback from these end users, or delay or failure on our end to address such issues. These could damage our reputation, decrease end user satisfaction, negatively impact our current cooperating relationships, adversely impact our ability to attract new partners, and materially disrupt our operations. If any of these occur, our business operations, reputation and prospects could be harmed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are subject to reporting obligations under the U.S. securities laws. The U.S. Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company’s internal control over financial reporting in its annual report, which contains management’s assessment of the effectiveness of the company’s internal control over financial reporting. In addition, an independent registered public accounting firm may audit and report on the effectiveness of a public company’s internal control over financial reporting except where the public company is a non-accelerated filer. We are currently a non-accelerated filer.

Our independent registered public accounting firm is currently not required to conduct an audit of our internal control over financial reporting. In the course of auditing our consolidated financial statements as of December 31, 2022, we and our independent registered public accounting firm identified five material weaknesses in our internal control over financial reporting and other control deficiencies as of December 31, 2022. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified to date relate to (i) our accounting staff continues to lack sufficient U.S. GAAP experience and requires further substantial training.; (ii) a lack of insufficient written policies and procedures for accounting and financial reporting, which led to inadequate financial statement closing process; (iii) lack of risk assessment in accordance with the requirement of COSO 2013 framework; (iv) a lack of an effective review process by the accounting manager which led to material audit adjustments to the financial statements and (v) lack of communications between management and the Board of Directors with respect to approval for significant related party transactions. A management assessment in accordance with the COSO framework may yield additional material weaknesses and control deficiencies.

In connection with the completion of our initial public offering (“IPO”) in 2020, we already appointed independent directors and established an audit committee to increase the monitoring of our internal control over financial reporting. For the remaining material weaknesses identified, we further took the following remedial measures during the year ended December 31, 2022, and we plan to continue adopting these remedial measures during the year ending December 31, 2023, including (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework; and (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel.

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

We are a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, requires that we include a report from management on our internal control over financial reporting in this annual report on Form 20-F. In addition, once we cease to be an “emerging growth company” as such term is defined in the Jumpstart Our Business Startups Act, or the JOBS Act, our independent registered public accounting firm may be required attest to and report on the effectiveness of our internal control over financial reporting, depending on whether we will be an accelerated filer. In addition, as a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

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

For more information regarding our internal controls, please see “Item 15. Controls and Procedures.”

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

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

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

We are a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq, impose various requirements on the corporate governance practices of public companies. As a company with less than US\$1.235 billion in revenues for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting. The JOBS Act also permits an emerging growth company to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

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

We have in the past granted, and may continue to grant share incentives, which may result in increased share-based compensation expenses.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees. In December 2021, we granted a total of 1,500,000 Ordinary Shares as awards to certain employees and directors of our Company under our 2021 Share Incentive Plan. Additionally, in October 2022, we issued a total of 2,750,000 Ordinary Shares to certain employees, officers and directors of the Company as share incentives. We may continue to grant share-based awards in the future. As a result, we incurred expenses associated with share-based compensation, which may have an adverse effect on our results of operations.

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

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

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

We currently do not have any business insurance coverage.

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

Risks Related to Our Corporate Structure

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

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

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

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

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

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

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

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

Cayman Islands law provides shareholders with only limited rights to convene a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided for in a company's articles of association. Our articles of association allow our shareholders holding shares representing in aggregate not less than two-thirds in par value of the issued shares which as at the date of deposit of requisition carry the right to vote at a general meeting, to convene a general meeting of our shareholders, in which case our directors are obliged to call such meeting. Advance notice of at least ten clear days is required for the convening of our general meetings. A quorum required for a meeting of shareholders consists of shareholders present or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative, holding not less than an aggregate of one-third in nominal value of the total issued voting shares in the Company entitled to vote upon the business to be transacted.

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

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

The SEC, the U.S. Department of Justice and other U.S. authorities may also have difficulties in bringing and enforcing actions against us or our directors or executive officers in the PRC. The SEC has stated that there are significant legal and other obstacles to obtaining information needed for investigations or litigation in China. China has recently adopted a revised securities law that became effective on March 1, 2020, Article 177 of which provides, among other things, that no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without governmental approval in China, no entity or individual in China may provide documents and information relating to securities business activities to overseas regulators when it is under direct investigation or evidence discovery conducted by overseas regulators, which could present significant legal and other obstacles to obtaining information needed for investigations and litigation conducted outside of China.

The Cooperation Agreements between Fujian Wanzhong and Minjiang University may not be effective in providing control over the affiliated entities.

A significant portion of our revenue is derived from the affiliated entities. We do not have an ownership interest in either of the affiliated entities. For accounting purposes, our wholly owned subsidiary directs the activities and receives the economic benefits of the affiliated entities through the cooperation agreements entered into with Minjiang University, which enable us to consolidate the financial results of the affiliated entities in our consolidated financial statements under U.S. GAAP. Any deficiency in the cooperation agreement may result in our lack of ability to consolidate the financial results of the affiliated entities into ours, which may materially and adversely affected our business operations, financial position, and results of operations.

We may not be able to consolidate the financial results of some of our affiliated entities or such consolidation could materially adversely affect our operating results and financial condition.

A significant portion of our business is conducted through the affiliated entities, which currently are considered for accounting purposes as the affiliated entities, and we are considered the primary beneficiary, enabling us to consolidate our financial results in our consolidated financial statements. In the event that in the future we are deemed not to be the primary beneficiary of an affiliated entity, we would not be able to consolidate line by line that entity's financial results in our consolidated financial statements.

We rely on the approval certificates and business license held by the affiliated entities, and any deterioration of the relationship between Fujian Wanzhong and the affiliated entities could materially and adversely affect our overall business operations.

A portion of our business in the PRC is undertaken on the basis of the approvals, certificates, business licenses, and other requisite licenses held by the affiliated entities. There is no assurance that the affiliated entities will be able to renew its licenses or certificates when their terms expire with substantially similar terms as the ones they currently hold.

Further, our relationship with each affiliated entity is governed by the respective cooperation agreements, which are intended to enable us, through our indirect ownership of Fujian Wanzhong, to be the primary beneficiary of the affiliated entities for accounting purposes. However, the cooperation agreements may not be effective in providing control over the applications for and maintenance of the licenses required for our business operations. Any affiliated entity could violate go bankrupt, suffer from difficulties in its business, or otherwise become unable to perform its obligations under the cooperation agreements and, as a result, our operations, reputation, business and trading price of the Ordinary Shares could be severely harmed.

Because we rely on the cooperation agreements with the affiliated entities for our revenue, the termination of these agreements would severely and detrimentally affect our business operations, financial position and results of operations.

During the fiscal years ended December 31, 2022, 2021 and 2020, approximately 55.0%, nil, and nil of our revenue was derived from the affiliated entities, respectively. We expect the revenue derived from the affiliated entities to constitute material portions of our revenue for the foreseeable future. The term of the cooperation agreement with Minjiang University for the operation of FMP is 42 years, unless earlier terminated due to operation of law, Force Majeure events, or by either party with a six-month written advance notice and approved by the governing council of FMP. The term of the cooperation agreement with Minjiang University for the operation of Strait College is 20 years, unless earlier terminated due to operation of law, Force Majeure events, or failure to satisfy certain other conditions in the agreement. While we are currently not aware of any event or reason that may cause the cooperation agreements to terminate, such an event or reason may occur in the future. In the event that either of the cooperation agreements is terminated, this may have a severe and detrimental effect on our continuing business viability under our current corporate structure, which, in turn, may affect the value of your investment.

Risks Related to Doing Business in China

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

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

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

Recent statements by the Chinese government have indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investments in China based issuers. Any future action by the Chinese government expanding the categories of industries and companies whose foreign securities offerings are subject to government review could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and could cause the value of such securities to significantly decline or be worthless.

Recently, the PRC government initiated a series of regulatory actions and made a number of public statements on the regulation of business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using a variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding efforts in anti-monopoly enforcement. Because these statements and regulatory actions are new, however, it is highly uncertain how soon legislative or administrative regulation making bodies in China will respond to them, or what existing or new laws or regulations will be modified or promulgated, if any, or the potential impact such modified or new laws and regulations will have on our daily business operations or our ability to accept foreign investments and list on an U.S. exchange.

The Chinese government exerts substantial influence over the manner in which we must conduct our business activities and may intervene or influence our operations at any time, which could result in a material change in our operations and the value of our Ordinary Shares.

The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to securities regulation, data protection, cybersecurity and mergers and acquisitions and other matters. The PRC central or local governments may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. The Chinese government may intervene or influence our operations at any time, which could result in a material change in our operations.

Government actions in the future could significantly affect economic conditions in China or particular regions thereof, and could require us to materially change our operating activities or divest ourselves of any interests we hold in Chinese assets. Our business may be subject to various government and regulatory interference. We may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry.

Given recent statements by the Chinese government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, any such action could result in a material change in the value of our Ordinary Shares, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of such securities to significantly decline or be worthless.

Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law, or the Opinions, which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China-concept overseas listed companies. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions from PRC government authorities in connection with the Opinions. However, as the Opinions were recently issued, official guidance and interpretation of the Opinions remain unclear in several respects at this time. Therefore, we cannot assure you that we will remain fully compliant with all new regulatory requirements of the Opinions or any future implementation rules on a timely basis, or at all.

On June 10, 2021, the Standing Committee of the National People's Congress of China, or the SCNPC, promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data information. In early July 2021, regulatory authorities in China launched cybersecurity investigations with regard to several China-based companies that are listed in the United States. The Chinese cybersecurity regulator announced on July 2 that it had begun an investigation of Didi Global Inc. (NYSE: DIDI) and two days later ordered that the company's app be removed from smartphone app stores. On July 5, 2021, the Chinese cybersecurity regulator launched the same investigation on two other Internet platforms, China's Full Truck Alliance of Full Truck Alliance Co. Ltd. (NYSE: YMM) and Boss of KANZHUN LIMITED (Nasdaq: BZ).

On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, or the Regulations, which took effect on September 1, 2021. The Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Review Measures. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, which will take effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual's consent shall be obtained to use sensitive personal information, such as biometric characteristics and individual location tracking, (ii) personal information operators using sensitive personal information shall notify individuals of the necessity of such use and impact on the individual's rights, and (iii) where personal information operators reject an individual's request to exercise his or her rights, the individual may file a lawsuit with a People's Court.

On December 28, 2021, the Cyberspace Administration of China (the "CAC") and other relevant PRC governmental authorities jointly promulgated the Cybersecurity Review Measures, or the Cybersecurity Review Measures, which took effect on February 15, 2022 and replaced the original Cybersecurity Review Measures promulgated on April 13, 2020. Pursuant to the Cybersecurity Review Measures, if critical information infrastructure operators purchase network products and services, or network platform operators conduct data processing activities that affect or may affect national security, they will be subject to cybersecurity review. A network platform operator holding more than one million users/users' individual information shall be subject to cybersecurity review before listing abroad. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public overseas. For details on the Cybersecurity Review Measures and the recent regulations and policies issued by the CAC, see "—Recent greater oversight by the CAC over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering." In the opinion of our PRC legal counsel, H&J Law Firm, our business operations do not currently involve the procurement of network products and services or data processing as network platform operators. H&J Law Firm, our PRC counsel, has advised us that the Cybersecurity Review Measures do not currently apply to our Company, and we are not required to conduct cybersecurity review. However, there remains uncertainties as to how the Cybersecurity Review Measures will be interpreted or implemented, and whether they will affect us. If we inadvertently conclude that the Cybersecurity Review Measures do not apply to us, or applicable laws, regulations, or interpretations change and it is determined in the future that Cybersecurity Review Measures become applicable to us, we may be subject to review when conducting data processing activities, and may face challenges in addressing its requirements and make necessary changes to our internal policies and practices. We may incur substantial costs in complying with the Cybersecurity Review Measures, which could result in material adverse changes in our business operations and financial position. If we are not able to fully comply with the Cybersecurity Review Measures, our ability to offer or continue to offer securities to investors may be significantly limited or completely hindered, and our Ordinary Shares may significantly decline in value or become worthless.

On December 24, 2021, the CSRC released Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments, hereinafter referred to as the "Administration Provisions"), as well as Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments, hereinafter referred to as the "Measures"), of which the public comment period ended on January 23, 2022.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Measures") and five supporting guidelines (collectively, the "Overseas Listings Rules"), which took effect on March 31, 2023. The Overseas Listing Rules aim to lay out the filing regulation arrangement for both direct and indirect overseas listing and clarify the determination criteria for indirect overseas listing in overseas markets. Where an enterprise whose principal business activities are conducted in the PRC seeks to issue and list its shares in the name of an overseas enterprise based on equity, assets, income, or other similar rights and interests of the relevant domestic enterprise in the PRC, such activities are deemed an indirect overseas issuance and listing. According to the Overseas Listings Rules, after the submission of relevant application for initial public offerings or listings in overseas markets, or after the completion of subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed, or after the submission of relevant application for subsequent securities offerings and listings of an issuer in other overseas markets than where it has offered and listed, all China-based companies shall file the required filing materials with the CSRC within three working days. In addition, overseas offerings and listings will be prohibited for such China-based companies when any of the following applies: (i) where such securities offerings and listings are explicitly prohibited by the PRC laws and regulations; (ii) where the intended securities offerings and listings may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. The Administrative Provisions further stipulate that a fine between RMB1 million (approximately \$157,255) and RMB10 million (approximately \$1,572,550) may be imposed if an applicant fails to fulfill the filing requirements with the CSRC or conducts an overseas offering or listing in violation of the Overseas Listings Rules.

We completed our initial public offering in May 2020 and our Ordinary Shares have been listed on the Nasdaq Stock Market ever since. According to the Overseas Listings Rules, as a domestic company that has completed its overseas listing, we may be required to file with CSRC for future securities offering. As of the date of this annual report, we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection from the CSRC with respect to our listing or subsequent offerings. As the Overseas Listings Rules were newly published and there exists uncertainty with respect to the filing requirements and its implementation, if we are required to submit to the CSRC and complete the filing procedure of our subsequent overseas public offerings, we cannot be sure that we will be able to complete such filings in a timely manner. Any failure or perceived failure by us to comply with such filing requirements under the Overseas Listings Rules may result in forced corrections, warnings and fines against us and could materially hinder our ability of future securities offering.

Notwithstanding the above, our PRC counsel, H&J Law Firm, has further advised us that uncertainties still exist as to whether we, our subsidiaries, or the affiliated entities are required to obtain permissions from the CAC, the CSRC, or any other governmental agency that is required to approve our operations and/or offering. We have been closely monitoring the development in the regulatory landscape in the PRC, particularly regarding the requirement of approvals, including on a retrospective basis, from the CAC, the CSRC, or other PRC authorities with respect to this offering, as well as other procedures that may be imposed on us. In the event that we, our subsidiaries, or any of its subsidiaries are subject to the compliance requirements, we cannot assure you that any of these entities will be able to receive clearance of such compliance requirements in a timely manner, or at all. Any failure of our Company, our subsidiaries, or any of its subsidiaries to fully comply with new regulatory requirements may subject us to regulatory actions, such as fines, relevant businesses or operations suspension for rectification, revocation of relevant business permits or operational license, or other sanctions, which may significantly limit or completely hinder our ability to offer or continue to offer our securities cause significant disruption to our business operations, severely damage our reputation, materially and adversely affect our financial condition and results of operations and cause our securities to significantly decline in value or become worthless.

Given that the above-mentioned newly promulgated laws, regulations and policies were recently promulgated or issued, with a few not having taken effect yet, their interpretation, application and enforcement are subject to substantial uncertainties.

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

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

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

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

New laws and regulations may be enacted from time to time and substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to businesses of our subsidiaries. In particular, the PRC government authorities may continue to promulgate new laws, regulations, rules and guidelines governing companies in the education industry with respect to a wide range of issues, such as intellectual property, privacy and data protection, and other matters. Compliance with these laws, regulations, rules, guidelines, and implementations may be costly, and any noncompliance or associated inquiries, investigations, and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, or materially and adversely affect our business, financial condition, results of operations, and the value of our Ordinary Shares. The enforcement of laws and rules and regulations in China may change quickly with little advance notice, which could hinder our ability to offer or continue to offer the securities, result in a material adverse change to the business operations of our subsidiaries and the affiliated entities, and damage our reputation. In such event, our financial condition and results of operations may be materially and adversely affected, and our Ordinary Shares may significantly decline in value or become worthless.

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

We conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, our chief financial officer, Mr. Wenhui Zhuang, and our directors, Mr. Fangzhong Sun, Mr. Wandong Chen, and Ms. Xinyu Deng are residents of mainland China. Our Chief Executive Officer and chairperson of the board, Ms. Ngai Ngai Lam, and our director, Ms. Ngo Yin Tsang, are residents of Hong Kong. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process upon us or these persons in the United States if your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against the Company's assets or the assets of the Company's directors and officers.

In addition, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

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

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

Our PRC subsidiaries' ability to distribute dividends is based upon their respective distributable earnings. Current PRC regulations permit companies in the PRC to pay dividends to their respective shareholders only out of their respective accumulated profits, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the Ministry of Finance of the PRC, or PRC GAAP. Pursuant to the law applicable to China's foreign investment enterprise, foreign investment enterprise in the PRC have to make appropriation from their after-tax profit, as determined under PRC GAAP, to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of our subsidiaries. Appropriation to the other two reserve funds is at our subsidiaries' discretion. China Liberal Beijing, a Foreign Invested Enterprise, or FIE, is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at its discretion. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

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

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

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

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

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

Any funds we transfer to our PRC subsidiaries, either as shareholder loans or as increases in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, or FIEs, in China, capital contributions to our PRC subsidiaries are subject to the approval of or filing with MOFCOM or its local branches and registration with a local bank authorized by SAFE. In addition, (i) any foreign loans procured by our PRC subsidiaries are required to be registered with SAFE or its local branches and (ii) a PRC subsidiary of ours may not procure foreign loans which exceed the difference between its total investment amount and registered capital, or 2.5 times of the amount of such PRC subsidiary's net assets, whichever is larger. Such maximum amount of foreign loans that our PRC subsidiaries is allowed to procure, based on the audited net asset value of our PRC subsidiaries as of December 31, 2022, the most recent audited net asset value of our PRC subsidiaries available as of the date of this annual report, is RMB130.3 million (approximately \$18.9 million). For more information on restrictions and limitations on the amount of loans, please see "Item 4. Information on the Company —B. Business Overview—Regulation—Regulations on Foreign Exchange—Regulations on loans to and direct investment in the PRC entities by offshore holding companies". Any medium or long-term loan to be provided by us to our PRC subsidiaries must be registered with the NDRC and the SAFE or their local branches. We may not be able to complete such registrations on a timely basis, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such registrations, our ability to use the proceeds of our future offerings and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

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

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

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on exchange rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi solely to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, however, this appreciation halted and the Renminbi was traded within a narrow range against the U.S. dollar. Between July 2010 and November 2015, the Renminbi fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of IMF completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that effective October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the Renminbi depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows from China. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollar during this one-year period. Since February 2018, the RMB has depreciated significantly, over 8% against the U.S. dollar. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may announce further changes to the exchange rate system in the future, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces, PRC or U.S. government policies may impact the exchange rate between the Renminbi and the U.S. dollar in the future. Significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from our future offerings into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our Ordinary Shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. Fluctuations in exchange rates, primarily those involving the U.S. dollar, may affect the relative purchasing power of any proceeds we receive from our future offerings. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of earnings from and the value of any U.S. dollar-denominated investments we make in the future.

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

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

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

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

To the extent cash or assets in the business is in the PRC or Hong Kong or a PRC or Hong Kong entity, the funds or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations on the ability of us, our subsidiaries, or the affiliated entities by the PRC government to transfer cash or assets.

Relevant PRC laws and regulations permit the companies in the PRC to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, each of the companies in the PRC are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. The companies in the PRC are also required to further set aside a portion of their after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at their discretion. These reserves are not distributable as cash dividends. Furthermore, in order for us to pay dividends to our shareholders, we will rely on payments made from our PRC subsidiaries and the affiliated entities. If our PRC subsidiaries or the affiliated entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us.

Our cash dividends, if any, will be paid in U.S. dollars. If we are considered a tax resident enterprise of the PRC for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China— If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

The PRC government also imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The majority of our and the PRC operating entities’ income is received in Renminbi and shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange as long as certain procedural requirements are met. Approval from appropriate government authorities is required if Renminbi is converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our shareholders.

As of the date of this annual report, there are no restrictions or limitations imposed by the Hong Kong government on the transfer of capital within, into, and out of Hong Kong (including funds from Hong Kong to mainland China), except for the transfer of funds involving money laundering and criminal activities. However, there is no guarantee that the Hong Kong government will not promulgate new laws or regulations that may impose such restrictions in the future. If there is a significant change to current political arrangements between mainland China and Hong Kong, or the applicable laws, regulations, or interpretations change, our Hong Kong subsidiaries may become subject to PRC laws or authorities. As a result, our Hong Kong subsidiaries could be subject to similar government controls on the convertibility of foreign currency and the remittance of currency out of Hong Kong as described above.

As a result of the above, to the extent cash in the business is in the PRC/Hong Kong or a PRC/Hong Kong entity, such funds or assets may not be available to fund operations or for other use outside of the PRC/Hong Kong, due to interventions in or the imposition of restrictions and limitations on the ability of us, our subsidiaries or the affiliated entities by the competent government to the transfer of cash.

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

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

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

Regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business.

In July 2014, SAFE promulgated the Circular on Issues Concerning Foreign Exchange Administration Over the Overseas Investment and Financing and Roundtrip Investment by Domestic Residents Via Special Purpose Vehicles, or “Circular 37,” which replaced Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or “Circular 75.” Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, referred to in Circular 37 as a “special purpose vehicle” for the purpose of holding domestic or offshore assets or interests. Circular 37 further requires amendment to a PRC resident’s registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease in the capital contributed by PRC individuals, share transfer or exchange, merger, division, or other material event. Under these regulations, PRC residents’ failure to comply with specified registration procedures may result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on capital inflows from the offshore entity to the PRC entity, including restrictions on its ability to contribute additional capital to its PRC subsidiaries. Further, failure to comply with the SAFE registration requirements could result in penalties under PRC law for evasion of foreign exchange regulations.

We have requested PRC residents holding direct or indirect interest in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. Additionally, we may not always be able to compel our ultimate shareholders who are PRC residents to comply with SAFE Circular 37 or other related regulations. As such, we cannot assure you that our ultimate shareholders who are PRC residents will in the future provide sufficient supporting documents required by the SAFE or complete the required registration with the SAFE in a timely manner, or at all. Any failure by any of our shareholders who is a PRC resident, or is controlled by a PRC resident, to comply with relevant requirements under these regulations could subject us to fines or sanctions imposed by the PRC government, including restrictions on China Liberal Beijing’s and Fujian Wanzhong’s ability to pay dividends or make distributions to us and on our ability to increase our investment in China Liberal Beijing or Fujian Wanzhong.

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

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

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

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

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

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

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

Recent joint statement by the SEC and Public Company Accounting Oversight Board, rule changes by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our continued listing or future offerings of our securities in the U.S.

On April 21, 2020, SEC Chairman Jay Clayton and PCAOB Chairman William D. Duhnke III, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply minimum offering size requirement for companies primarily operating in “Restrictive Market,” (ii) adopt a new requirement relating to the qualification of management or board of director for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’s auditors.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a national exchange. On December 2, 2020, the U.S. House of Representatives approved the Holding Foreign Companies Accountable Act. On December 18, 2020, the Holding Foreign Companies Accountable Act was signed into law.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the Holding Foreign Companies Accountable Act.

On September 22, 2021, the PCAOB adopted a final rule implementing the Holding Foreign Companies Accountable Act, which provides a framework for the PCAOB to use when determining, as contemplated under the Holding Foreign Companies Accountable Act, whether the board of directors of a company is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

On October 4, 2021, the SEC approved Nasdaq’s revised proposal for the rule changes.

On December 2, 2021, the SEC adopted amendments to finalize rules implementing the submission and disclosure requirements in the Holding Foreign Companies Accountable Act. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions.

On December 16, 2021, the PCAOB issued a report on its determinations that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and in Hong Kong because of positions taken by PRC and Hong Kong authorities in those jurisdictions.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, the Consolidated Appropriations Act 2023 was signed into law, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act, which reduces the number of consecutive non-inspection years required for triggering the prohibitions under the Holding Foreign Companies Accountable Act from three years to two years.

The lack of access to the PCAOB inspection in China prevents the PCAOB from fully evaluating audits and quality control procedures of the auditors based in China. As a result, the investors may be deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of these accounting firms' audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors to lose confidence in the audit procedures and reported financial information and the quality of the financial statements of those companies who have China-based auditors.

Our auditor, Audit Alliance LLP, is an independent registered public accounting firm with the PCAOB, and as an auditor of publicly traded companies in the U.S., is subject to laws in the U.S. pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. On December 16, 2021, the PCAOB issued its determination that the PCAOB is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and in Hong Kong, because of positions taken by PRC authorities in those jurisdictions, and the PCAOB included in the report of its determination a list of the accounting firms that are headquartered in the PRC or Hong Kong. This list does not include our auditor, Audit Alliance LLP. However, the recent developments would add uncertainties to our offering and we cannot assure you whether Nasdaq or regulatory authorities would apply additional and more stringent criteria to us since we are an emerging growth company and the majority of our operations are conducted in China. Furthermore, the Holding Foreign Companies Accountable Act, which requires that the PCAOB be permitted to inspect an issuer's public accounting firm within three years, may result in the delisting of our Company in the future if the PCAOB is unable to inspect our accounting firm at such future time. The Accelerating Holding Foreign Companies Accountable Act, if passed by the U.S. House of Representatives and signed into law, would reduce the period of time for foreign companies to comply with PCAOB audits to two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading.

On August 26, 2022, the CSRC, the MOF, and the PCAOB signed the "Protocol, governing inspections and investigations of audit firms based in China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB Board determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB Board will consider the need to issue a new determination.

Recent greater oversight by the CAC over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.

On December 28, 2021, the CAC and other relevant PRC governmental authorities jointly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provide that, in addition to critical information infrastructure operators ("CIIOs") that intend to purchase Internet products and services, net platform operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Review Office of the PRC. According to the Cybersecurity Review Measures, a cybersecurity review assesses potential national security risks that may be brought about by any procurement, data processing, or overseas listing. The Cybersecurity Review Measures require that an online platform operator which possesses the personal information of at least one million users must apply for a cybersecurity review by the CAC if it intends to be listed in foreign countries.

On November 14, 2021, the CAC published the Draft Regulations on the Network Data Security Administration (Draft for Comments) (the "Security Administration Draft"), which provides that data processing operators engaging in data processing activities that affect or may affect national security must be subject to network data security review by the relevant Cyberspace Administration of the PRC. According to the Security Administration Draft, data processing operators who possess personal data of at least one million users or collect data that affects or may affect national security must be subject to network data security review by the relevant Cyberspace Administration of the PRC. The deadline for public comments on the Security Administration Draft was December 13, 2021.

On July 7, 2022, the CAC published the Measures for the Security Assessment of Outbound Data Transfer, which effected on September 1, 2022. The measures apply to the security assessment of important data and personal information collected and generated during operation within the territory of the People's Republic of China and transferred abroad by a data handler. According to the Measures, if a data handler transfers data abroad under any of the following circumstances, it shall file to the State Cyberspace Administration for security assessment via the Province Cyberspace Administration: (i) a data handler who transfers important data to abroad; (ii) a critical information infrastructure operator, or a data handler processing the personal information of more than 1 million individuals transfers personal information abroad; (iii) since January 1 of the previous year, a data handler cumulatively transferred abroad the personal information of more than 100,000 individuals, or the sensitive personal information of more than 10,000 individuals; or (iv) other circumstances where the security assessment for the outbound data transfer is required by the State Cyberspace Administration.

As of the date of this annual report, we have not received any notice from any authorities identifying the PRC subsidiaries as CIIOs or requiring us to go through cybersecurity review or network data security review by the CAC. According to the Cybersecurity Review Measures, and if the Security Administration Draft is enacted as proposed, we believe that the operations of the PRC subsidiaries and the affiliated entities and our continued listing on the Nasdaq Stock Market will not be affected and that we will not be subject to cybersecurity review by the CAC, given that the PRC subsidiaries possess personal data of fewer than one million individual clients and do not collect data that affects or may affect national security in their business operations as of the date of this annual report and do not anticipate that they will be collecting over one million users' personal information or data that affects or may affect national security in the near future. Additionally, we believe that we are compliant with the regulations and policies that have been issued by the CAC to date. There remains uncertainty, however, as to how the Cybersecurity Review Measures and the Security Administration Draft will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures and the Security Administration Draft. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. We cannot guarantee, however, that we will not be subject to cybersecurity review and network data security review in the future. During such reviews, we may be required to suspend our operation or experience other disruptions to our operations. Cybersecurity review and network data security review could also result in negative publicity with respect to our Company and diversion of our managerial and financial resources, which could materially and adversely affect our business, financial conditions, and results of operations.

Risks Related to the Trading Market

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

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

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

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

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

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

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

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

Sales of substantial amounts of our Ordinary Shares in the public market or the perception that these sales could occur, could adversely affect the market price of our Ordinary Shares and could materially impair our ability to raise capital through equity offerings in the future. The Ordinary Shares sold in our public offerings are freely tradable without restriction or further registration under the Securities Act, and shares held by our existing shareholders may also be sold in the public market subject to the restrictions in Rule 144 under the Securities Act. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our Ordinary Shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq Capital Market corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.

As a foreign private issuer, we are permitted to take advantage of certain provisions in the Nasdaq Capital Market listing rules that allow us to follow Cayman Islands law for certain governance matters. Certain corporate governance practices in the Cayman Islands may differ significantly from corporate governance listing standards as, except for general fiduciary duties and duties of care, Cayman Islands law has no corporate governance regime which prescribes specific corporate governance standards. We may follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the Nasdaq Capital Market in respect of the following. For instance, Cayman law does not require that we obtain shareholder approval to issue 20% or more of our outstanding Ordinary Shares in a private offering nor we make our interim results available to shareholders, although as a Nasdaq listed company, we are required to publicly file interim results for the first six months of our fiscal year. Therefore, our shareholders may be afforded less protection than they otherwise would have under corporate governance listing standards applicable to U.S. domestic issuers. For more information regarding our corporate governance, please see “Item 16.G. Corporate Governance.”

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

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

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

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

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

Because our PFIC status for 2023 or any future taxable year could depend on market conditions, which have been and may continue to be unstable, we cannot express an expectation as to our PFIC status for any such year. If more than 50% of our assets are assets which produce passive income, in which case we would be deemed a PFIC, which could have adverse US federal income tax consequences for US taxpayers who are shareholders. We will make this determination following the end of any particular tax year.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Corporate History and Structure

We are not a Chinese operating company but an offshore holding company incorporated in the Cayman Islands. As a holding company with no material operations of our own, our operations are conducted in China through our wholly owned PRC subsidiaries, China Liberal Beijing, China Liberal Fujian, Oriental Wisdom, Fujian Wanzhong, as well as the affiliated entities. This structure involves unique risks to investors. Chinese regulatory authorities could disallow this structure, which would likely result in a material change in our operations and/or a material change in the value of our Ordinary Shares, including that it could cause the value of our Ordinary Shares to significantly decline or become worthless. See “— D. Risk Factors — Risks Related to Doing Business in China — Changes in China’s economic, political, or social conditions or government policies could have a material adverse effect on our business and operations.”

We directly hold 100% of the equity interests in our subsidiaries, and have consolidated the financial results of the affiliated entities in the consolidated financial statements of the Company in accordance with U.S. GAAP. Our Ordinary Shares are the shares of the offshore holding company in the Cayman Islands, instead of shares of our operating companies in China. Therefore, holders of our Ordinary Shares do not directly hold any equity interests in our operating companies and investors are purchasing an interest in the Cayman Islands holding company.

Through China Liberal Beijing, we commenced our operations in August 2011.

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

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

On July 15, 2019, our sole director approved a share issuance increasing our Ordinary Shares by 3,999,000 to 5,000,000.

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

On May 8, 2020, our Ordinary Shares commenced trading on the Nasdaq Capital Market under the symbol “CLEU.” We raised approximately US\$4.8 million in net proceeds from our initial public offering after deducting underwriting commissions and the offering expenses.

On April 19, 2021, we closed our self-underwritten public offering of 6,000,000 Ordinary Shares at the purchase price of \$5.00 per share. We raised a total of \$30 million gross proceeds through this self-underwritten public offering, before deducting offering-related expenses. Net proceeds from this offering amounted to approximately \$29.2 million.

On April 19, 2021, China Liberal Beijing established a wholly owned subsidiary, Fujian China Liberal Education Technology Group Co., Ltd.

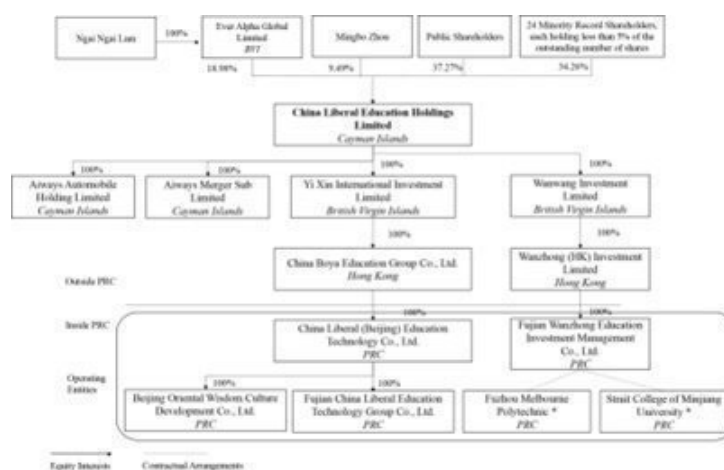
On July 14, 2022, the Company closed the transactions contemplated by the Stock Purchase Agreement entered into on June 9, 2022 by and among the Company, China Liberal Beijing, Oriental Wisdom, and Beijing Cloud Class Technology Co., Ltd., the seller of the acquired company, and completed its acquisition of Oriental Wisdom, an integrated education services provider focusing on operating jointly-managed academic programs in the vocational higher education industry in China.

On September 2, 2022, the Company closed the transactions contemplated by the Stock Purchase Agreement entered into on February 1, 2022 by and among the Company, Wanwang, Xiaoshi Huang and Thrive Shine Limited, the sellers of the acquired company, and completed its acquisition of Wanwang. Wanwang, through its subsidiaries, operates two colleges, FMP and Strait College.

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

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

The following diagram illustrates our corporate structure as of the date of this annual report:



* Under PRC laws and regulations in effect as of the date of this annual report, most of the schools founded in the PRC, including FMP and Strait College, do not have equity interest holders. Instead, schools may be established by “founders”, which include government for public schools and private companies or individuals for private schools, and schools may receive contributions in cash or assets by “investors”, which may include private companies or individuals. The founders of FMP were Minjiang University and Melbourne Polytechnic, and the sole investor of FMP was Fujian Wanchong. The founder of Strait College was Mingjiang University, and Fujian Wanchong was the sole investor of Strait College. As a result, Fujian Wanchong was regarded as the primary beneficiary of each of FMP and Strait College, and through Fujian Wanchong, we treat FMP and Strait College as our consolidated affiliated entities under U.S. GAAP and have consolidated the financial results of these entities in the consolidated financial statements in accordance with U.S. GAAP.

We face legal and operational risks associated with having a substantial majority of our operations in China. The PRC government has significant authority to exert influence on the ability of a China-based company, such as us, to conduct its business. Therefore, investors of our Company and our business face potential uncertainty from the PRC government. Changes in China’s economic, political or social conditions or government policies could materially adversely affect our business and results of operations. These risks could result in a material change in our operations and/or the value of our Ordinary Shares or could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In particular, recent statements and regulatory actions by China’s government, such as those related to the use of variable interest entities and data security or anti-monopoly concerns, as well as the PCAOB’s ability to inspect our auditors, may impact our Company’s ability to conduct our business, accept foreign investments, or continue being listed on a U.S. or other foreign stock exchange. For details, see “— D. Risk Factors — Risks Related to Doing Business in China.”

Holding Foreign Companies Accountable Act

Trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act if the PCAOB determines that it cannot inspect the workpapers prepared by our auditor, and that as a result an exchange may determine to delist our securities. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which, if passed by the U.S. House of Representatives and signed into law, would reduce the period of time for foreign companies to comply with PCAOB audits to two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. On December 16, 2021, the PCAOB issued a report on its determination that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in China and in Hong Kong because of positions taken by PRC and Hong Kong authorities in those jurisdictions. Our auditor, Audit Alliance LLP, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the U.S. and a firm registered with the PCAOB, is headquartered in Singapore and subject to laws in the U.S., pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is not subject to the determination issued by the PCAOB on December 16, 2021. On August 26, 2022, the CSRC, the MOF, and the PCAOB signed a Statement of Protocol (the “Protocol”), governing inspections and investigations of audit firms based in China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. However, uncertainties still exist as to whether and how this new Protocol will be implemented and when the PCAOB reassesses its determinations by the end of 2022, it could determine that it is still unable to inspect and investigate completely audit firms based in China and Hong Kong. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Recent joint statement by the SEC and Public Company Accounting Oversight Board, rule changes by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our continued listing or future offerings of our securities in the U.S.”

Nasdaq Notification Letter

On February 15, 2023, we received a written notification letter from the Nasdaq that we were not in compliance with the minimum bid price requirement set forth in Nasdaq Listing Rules for continued listing on Nasdaq. Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of US\$1.00 per share, and Nasdaq Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for 30 consecutive business days. Based on the closing bid price of our ordinary shares for the 30 consecutive business days from January 3, 2023 to February 14, 2023, we did not meet the minimum bid price requirement. We are provided until August 14, 2023 to regain compliance with the bid price requirement. At the expiration of the 180-day period, we may be eligible for another 180 days to regain compliance or face delisting. As of the date of this annual report, we have not regained compliance with the Nasdaq Listing Rule 5550(a)(2).

Corporate Information

Our principal executive office is located at Room 805, Block 15, No. A1 Chaoqian Road, Science and Technology Park, Changping District, Beijing, the PRC. Our telephone at this address is +86-10-6597-8118. Our registered office in the Cayman Islands is located at c/o Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-1104, Cayman Islands. We maintain a corporate website at <http://www.chinaliberal.com>. The information contained in our website is not a part of this annual report.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system.

See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures” for a discussion of our capital expenditures.

B. Business Overview

Our business was impacted by COVID-19 pandemic in 2020, 2021 and 2022, but we do not expect our business operations to be further impacted by the COVID-19 pandemic in 2023. See “Item 3 Key Information —D. Risk Factors— Risks Related to Our Business — *We face risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt our operations*” and “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Impact of the COVID-19 on Our Performance and Financial Indicators.”

Overview

We are an exempted company with limited liability incorporated in the Cayman Islands on February 25, 2019. Through our operating companies (i) China Liberal Beijing, incorporated in the PRC on August 10, 2011, (ii) China Liberal Fujian, incorporated in the PRC on April 19, 2021, (iii) Oriental Wisdom, incorporated in the PRC on August 17, 2009, (iv) Fujian Wanzhong, incorporated in the PRC on December 12, 2008, as well as (v) the affiliated entities, we are an educational service provider operating under the “China Liberal” brand in the PRC. Our mission is to provide China’s students with the tools to excel in a global environment. We strive to meet the needs of the ever-growing number of young talents in China.

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

- Operation of colleges, which is the core of our business. Prior to August 2022, we generated revenue from providing services under Sino-foreign jointly managed academic programs (“Sino-foreign Jointly Managed Academic Programs”) offered by colleges in China;
- Sales of textbooks and course materials;
- Technological consulting services provided to targeted Chinese universities to improve campus information and data management systems and optimize teaching, operating and management environment, creating a “smart campus”; these consulting services include campus intranet solution buildout, school management software customization, smart devices (mainly Internet of things, or IoT devices, extending the Internet connectivity to physical devices) installation and testing, and school management data collection and analysis, all of which can be specifically tailored to meet a client’s particular needs (“Technological Consulting Services for Smart Campus Solutions”);
- Tailored job readiness training to graduating students (“Integration of Enterprises and Vocational Education”), acting as the key bridge between our partner schools and employers; and
- Sales of our proprietary AI-Space products, all-in-one machines designed to provide highly integrated visualization solutions in classrooms and other professional settings.

We started generating revenue in the year ended December 31, 2012 through our services provided under certain Sino-foreign Jointly Managed Academic Programs. We continued to maintain and expand this core business throughout the years, giving us revenues of \$2.8 million, \$2.7 million and \$3.3 million for the years ended December 31, 2020, 2021 and 2022, respectively, representing 55.2%, 68.5% and 28.8% of our net revenues for those respective years. A vast majority of these revenues derived from our two major partners prior to August 2022, FMP and Minjiang University. On September 2, 2022, we completed the acquisition of Wanwang. Since then, we have been operating FMP and Strait College through Wanwang. We have started generating revenue from course fees derived from providing educational programs, namely FMP and Strait College, to students since September 2022, which generated us revenue of \$6.4 million for the year ended December 31, 2022.

We also started generating revenues from our Technological Consulting Services for Smart Campus Solutions business in 2017, with revenues of \$2.0 million, \$1.1 million and \$0.3 million, representing 39.7%, 27.1% and 2.4% of our net revenues for the years ended December 31, 2020, 2021 and 2022, respectively.

Our Integration of Enterprises and Vocational Education business (tailored job readiness training services) only started generating revenue in the second half of 2019. In 2019, we generated de minimis revenue from this business line due to a limited number of students enrolled for our services. For the fiscal years ended December 31, 2020, 2021 and 2022, we generated revenue of \$76,400, \$137,772 and \$1.3 million from this business line, representing 1.5%, 3.5% and 10.9% of our net revenues in 2020, 2021 and 2022.

We started generating revenue from sales of our proprietary AI-Space products in 2021, with revenue of \$36,824 from this business line in the fiscal year ended December 31, 2021 and revenue of \$227,802 in the fiscal year ended December 31, 2022. The AI-Space products are bundled with our Technological Consulting Services for Smart Campus Solutions business and revenue was recorded within revenues from our Technological Consulting Services for Smart Campus Solutions business.

Additionally, we provided Overseas Study Consulting Services from 2017 to January 2022. We generated \$0.1 million, \$36,174 and \$0.3 million in revenues from our Overseas Study Consulting Services for the years ended December 31, 2020, 2021 and 2022, respectively, representing 2.6%, 0.9% and 2.8% of our total revenue for those respective years. According to the administration guidelines issued by General Office of the Ministry of Education in December 2021, universities and colleges shall cease projects and cooperation with external parties and, as a result, after all of our existing contracts with Beijing Foreign Studies University came to completion, we discontinued our Overseas Study Consulting Services in January 2023.

Our Services and Products

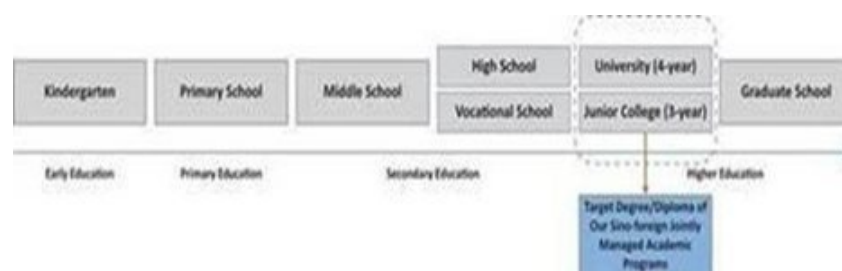
We currently primarily generate revenue from providing the following services or products:

Educational Services Provided through Operating Colleges

Background

Formal education in China typically consists of kindergarten, primary school, middle school, high school and some combination of vocational school, university, junior college, and graduate school. There are several key differences between studying at universities and junior colleges, including: (i) universities grant bachelor’s degrees to students graduating after 4 years of study, while junior colleges grant diplomas to students graduating after 3 years of study; and (ii) students enrolled in junior colleges typically obtain lower scores on the National College Entrance Examination, which is open to most students graduating high school, and therefore, are unable to meet the score threshold of a university. However, students enrolled in junior colleges may have opportunities to transfer to a degree-based university or program, depending on the school they enroll in.

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



Overview

Through Wanwang, we currently operate two colleges, FMP and Strait College.

Fuzhou Melbourne Polytechnic, or FMP, is a junior college co-sponsored by Minjiang University in the PRC and Melbourne Polytechnic in Australia, which grants students diplomas after three years of study. Fujian Wanzhong was the sole investor of FMP, and pursuant to a cooperation agreement with Minjiang University on the formation of IEN College, the predecessor of FMP, Fujian Wanzhong is able to consolidate the financials of FMP into its own.

Strait College of Minjiang University, or Strait College, is a four-year university formed by Minjiang University in 2009, which grants students bachelor's degrees after four years of study. Similar to FMP, Fujian Wanzhong was the sole investor of Strait College, and pursuant to a cooperation agreement with Minjiang University on the formation of Strait College, Fujian Wanzhong is able to consolidate the financials of FMP into its own.

Student enrollment

Chinese universities and colleges such as FMP and Strait College typically recruit students through the National College Entrance Examination that takes place in June each year. In addition, as a three-year junior college, FMP also admits students from Fujian Province, where FMP is located, through the Higher Vocational Education Examination each spring.

As of December 31, 2022, FMP had a total of 2,886 full-time students, and Strait College had a total of 2,175 full-time students.

Licenses, permits and approvals

Under applicable PRC laws and regulations, FMP is required to obtain school operation license and institution legal person certificate from the applicable governmental authorities in the PRC. As of the date of this annual report, FMP has obtained the required license and certificate from applicable authorities for its operations. Under PRC laws and regulations, as a university formed by Minjiang University, Strait College is not regarded as a separate legal person from Minjiang University, and thus is not required to obtain school operation license, institution legal person certificate, or any other permits, licenses, or approvals for its business operations.

Education services and degrees

FMP and Strait College offer education services to their students, including courses encompassing a variety of subjects and categorized by majors and degree programs.

FMP offers a total of thirteen (13) majors to students under four (4) degree programs, namely international commerce, information engineering, hospitality, travel and tourism management, and English. To obtain the diploma of their chosen majors after three years of study, students are required to earn course credits by attending required and elective courses in their curriculum and obtaining passing scores.

Strait College, on the other hand, offers its bachelor's degree through two different programs, (i) Fujian-Taiwan Universities Joint Talent Training Program (the "Joint Talent Program"), which was established in September 2011 between Strait College and Taiwan Chinese Culture University, and (ii) International General Education Courses Program.

Joint Talent Program

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

International General Education Courses Program

The International General Education Courses (“IGEC”) program is a Sino-foreign joint education program developed and introduced by the Chinese Service Center for Scholarly Exchange (“CSCSE”), a public organization under the MOE of the PRC, in order to improve the overall reform and internationalization of PRC’s higher education. As a nationwide program, it is designed to encourage the exchange of teachers and students and the recognition of academic credits and degrees between Chinese and foreign universities.

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

Tuition fees and fees to Minjiang University

FMP and Strait College generate revenue through tuition fees collected from students. The amount of tuition fees is determined based on a number of factors, including the operating costs, and shall be approved by local education authority before implementation. FMP’s current students pay tuition fees of RMB18,000 (US\$2,610) per student per academic school year, and for fall 2023 students and after, the tuition fees will be increased to RMB23,800 (US\$3,451) per student per academic school year. Strait College charges tuition fees ranging from RMB15,000 (\$2,175) per student per school year to RMB28,000 (\$4,060) per student per school year, depending on the applicable education programs.

Based on our cooperation agreements with Minjiang University, we agree to pay 25% to the total tuition fees collected from students enrolled at Strait College to Minjiang University, and agree to pay 25% of the increase in net assets of FMP in a given fiscal year from the prior fiscal year, if any, to Minjiang University. FMP and Strait College collect tuition paid by enrolled students at the beginning of each academic school year in September, and we pay Minjiang University applicable fees pursuant to the cooperation agreements on a periodic basis.

Teaching staff

FMP and Strait College have assembled a high-caliber team of teaching professionals with outstanding abilities and a passion for teaching. As of December 31, 2022, FMP had a total of 103 teachers, including 59 full-time teachers and 44 part-time teachers, and Strait College had a total of 110 teachers, including 42 full-time teachers and 68 part-time teachers. FMP and Strait College seek to recruit teachers who possess strong academic credentials, excellent communication skills, past academic and teaching experience, and practical knowledge.

Sales of textbooks and course materials

In connection with our prior business of providing educational services to students enrolled under the Sino-foreign Jointly Managed Academic Programs, we were responsible for recommending foreign faculty to teach in Chinese host universities / colleges, and were responsible for development and delivery of major course content and teaching materials to ensure that the teaching quality meets international standards. As of the date of this annual report, we have developed, edited, and published 12 English textbooks and course materials with emphasis on language training (including reading, writing, speaking and listening skills) and have distributed those to the Chinese host universities to be used in the joint education programs. We own the copyright to our textbooks.

Technological Consulting Services for Smart Campus Solutions and Technical Support Services for Other Entities

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

Our Technological Consulting Services for Smart Campus Solutions agreements are primarily on a fixed-price basis. Typically, we are required to perform services including project planning, project solution and design, data management application customization, installations of hardware equipment and components for digital classrooms and academic experiment centers or labs, integration of hardware and software application, and post-contract continuous maintenance support, based on the specific needs from each customer. Upon delivery of services, project completion inspection and customer acceptance are generally required. We may also be required to provide post-completion maintenance support for a period ranging from several months to three years after customized smart campus solutions and services are delivered. Since 2017, we have successfully provided such technological consulting services to several Chinese universities, including but not limited to, FMP, Strait College, Capital Normal University, Beijing University of Chinese Medicine and University of International Business and Economics.

In December 2020, we successfully provided services under four agreements (the “WWH 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. Pursuant to the WWH Agreements with terms ranging from one month to one year in 2020, we agreed to provide technical support for the construction of the comprehensive operational capacity of SGC’s power supply command center, in order to achieve the function of multi-location video conference, which is used for scheduling meetings, consultations, discussions and training sessions. We also agreed to develop remote video interactive information system for SGC and optimize the operation of SGC’s service power supply supervision and management platform. In 2021 and 2022, our agreements with WWH were not renewed.

Case Study: Smart Campus Solutions for FMP

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

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

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

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

Pursuant to the 2017 FMP Smart Campus Agreement, we also act as a general contractor to procure software and hardware required by the overall smart campus solution. We have entered into several procurement agreements with software providers such as e-commerce virtual simulation systems, cloud teaching systems, simulated trading analysis system, digital sandbox software, virtual business society environment comprehensive practice teaching platform.

In 2019, we entered into a new “smart campus” agreement with FMP to help FMP create an information engineering laboratory training center and an experiment-based simulation center for its hotel management major (the “2019 FMP Smart Campus Agreement”).

Information Engineering Laboratory Training Center. During Phase I of this project, we installed required hardware and software in and further decorated the computer training rooms, IoT training room and digital classrooms on FMP campus. During Phase II of this project, we installed hardware and software for FMP’s cloud computing and big data room.

Experiment-based Simulation Center for Hotel Management Major. We also built out the experiment-based center for FMP’s hotel management major by providing internal design installment, hardware device and teaching resources software.

As of December 31, 2022, the total outstanding contract assets from the 2017 and 2019 FMP Smart Campus Agreements were nil.

Technological consulting services for companies and businesses

In addition to serving universities and colleges, we are actively seeking opportunities to utilize our rich experiences in providing technological consulting services to serve private companies. In 2020, we entered into four agreements with WWH, one of the service providers of SGC, a Chinese state-owned electric utility corporation, to provide technical consulting and support services for SGC. Under these agreements, we provided technical support for the construction of the comprehensive operational capacity of SGC’s power supply command center, in order to achieve the function of multi-location video conference and could be used for meetings, consultations, discussions and training sessions. We also developed remote video interactive information system for SGC and optimized the operation of SGC’s service power supply supervision and management platform. In 2021 and 2022, our agreements with WWH were not renewed.

Integration of Enterprises and Vocational Education (Tailored job readiness training services)

In order to further diversify our business and to utilize our resources and network, we rolled out a new line of business, i.e., Integration of Enterprises and Vocational Education in late 2019. Currently, we contract with employers to provide job readiness training to graduating students from the appropriate partner schools so that such students would be better equipped to serve the employer at their respective job positions. Typically, we forge partnerships with selected Chinese vocational schools or colleges to provide tailored job readiness training services to students. The partner schools utilize their existing administrative ability, campus classrooms and facilities to recruit students into such training programs. We select, recruit and appoint qualified faculty, trainers or professionals to provide trainings and bears related costs, develop and deliver major training content and materials to students to optimize their learning outcome, improve their social and technical skills, coordinate with employers to provide internship job opportunities to students and eventually help students to find appropriate jobs after completion of the trainings and graduation. We actively support and interacts with enrolled students to ensure completion of the trainings, which normally takes several months to three years. Our contracts with partner schools are fixed price contracts, pursuant to which, we are to receive a fixed portion of training fees for services rendered. The training fees are collected first by partner schools from enrolled students before the training services start, and then remitted to us. We initially record such training service fees as deferred revenue and ratably recognized it as revenue over the training service period as our performance obligations related to teaching, training, management and other supporting services are carried throughout the training period. For the fiscal years ended December 31, 2022, 2021 and 2020, we earned \$1.3 million, \$137,772 and \$76,400, respectively, from providing tailored job readiness training services to students.

Prior Business

Services Provided under Sino-foreign Jointly Managed Academic Programs

Prior to August 2022, we generated revenue by providing services under Sino-foreign Jointly Managed Academic Programs offered by colleges in China. After the completion of the acquisition of Wanwang on August 31, 2022, revenue from this line of business are accounted for as transactions between Wanwang and China Liberal Beijing, and are eliminated upon consolidation.

Background

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

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

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

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

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

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

Services Provided under the Sino-foreign Jointly Managed Academic Programs

Under the Sino-foreign Jointly Managed Academic Programs, the Chinese host universities / colleges utilized their existing administration ability, campus classrooms and facilities to recruit Chinese students into such programs, while leveraging the recognized name and reputation of the international partner universities. These Sino-foreign Jointly Managed Academic Programs were required to obtain Sino-foreign cooperation education permits from the appropriate level of education authorities of the PRC, depending on the level of degrees. Applications for these permits were submitted by the programs under their own names, and we, as a service provider, were not required to obtain permits separately.

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

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

Students paid to the Sino-foreign Joint Managed Academic Programs tuition fees ranging from RMB15,000 (\$2,357) to RMB28,000 (\$4,400) per student per academic school year. As a result of performing the above-mentioned services, we were entitled to receive approximately 12.5% to 50% of such student tuitions. The Chinese host universities / colleges collected tuition paid by enrolled students at the beginning of each academic school year in September, and our portion was usually remitted to us by the host universities/colleagues in November of the same year.

We have coordinated and actively engaged in providing services under several Sino-foreign Jointly Managed Academic Programs. The following was a list of the programs we engaged in for the fiscal years ended December 31, 2020, 2021 and 2022. The only programs we operated prior to August 2022 were (i) FMP Australia English for Academic Purposes Program ("FMP EAP Program"), and (ii) Strait College International General Education Courses Program ("Strait IGEC Program").

<u>Program Name</u>	<u>Chinese host university / college</u>	<u>Launch time</u>
(i) FMP Australia English for Academic Purposes Program ("FMP EAP Program")	Fuzhou Melbourne Polytechnic ("FMP") (formerly IEN College of September 2011 Minjiang University, and changed its name to FMP after rebranding in January 2017)	
(ii) Fujian-Taiwan Universities English for Academic Purposes Program ("Fu-Tai EAP Program")	Strait College	September 2011 (discontinued in July 2022)
(iii) Strait College International General Education Courses Program ("Strait IGEC Program")	Initially hosted by IEN College of Minjiang University in September 2013, then transferred to Strait College after IEN College of Minjiang University rebranded to FMP in January 2017	September 2013

(i) FMP EAP Program

We provided our EAP language training services to FMP from September 2011 to July 2022 (the "FMP EAP Program"). FMP offered various Sino-foreign Jointly Managed Academic Programs (the "FMP-MP Joint Programs") as a Sino-foreign joint education institute established between Chinese host FMP and Melbourne Polytechnic of Australia ("MP") in Australia. FMP was formerly known as IEN College of Minjiang University, which later rebranded to Fuzhou Melbourne Polytechnic, or FMP, and became a standalone legal entity.

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

Students taking our language courses under the FMP EAP Program were typically those who had lower English proficiency and who would have difficulty in being admitted to a university overseas. However, these students benefited from the intensive English curriculum, receiving one year of Australia English for Academic Purposes, or EAP training from teachers, with 448 class hours for their freshman year.

We were responsible for designing curriculum meeting EAP English standards, recommending and managing EAP faculty, providing a mobile learning platform to students, providing a course preparation platform to teachers, and execution and performance of the curriculum we developed. Our educational services and responsibility only covered the first year of EAP training. Afterwards, we were not responsible for providing additional services to students, no matter whether they chose to continue to stay with FMP for one additional year for a diploma, or chose to pursue the overseas study in Australia for higher education.

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

The average tuition fee that FMP charged to enrolled students was RMB9,000 (\$1,414) per student for the school year. Since our services only covered the first year of EAP courses training, we received RMB9,000 (\$1,414) per student for the school year.

For the fiscal year ended December 31, 2022, there were 1,408 students enrolled in the FMP EAP Program. From 2014 to 2022, we served a total of 6,094 students (including those enrolled in IEN College of Minjiang University before the institute's rebranding).

(ii) Fu-Tai EAP Program

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

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

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

We were responsible for designing the curriculum meeting EAP English standard, recommending and managing EAP faculty, providing a mobile learning platform to students, providing a course preparation platform to teachers, and execution and performance of the curriculum we developed.

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

For the fiscal year ended December 31, 2021, there had been 553 students enrolled in the Joint Talent Program and there was no enrollment in 2022. From 2014 to 2022, we assisted a total of 5,512 students. Fu-Tai EAP Program was discontinued in July 2022.

(iii) Strait IGEC Program

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

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

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

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

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

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

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

The Strait IGEC Program was governed by an agreement originally signed between the Company and IEN College of Minjiang University in July 2013. After its rebranding efforts in 2017, IEN College began its operations under the name of Fuzhou Melbourne Polytechnic, or FMP and ceased to host the IGEC program, and Strait College took over the agreement without modifications by an amendment to host the Strait IGEC Program.

The average tuition fee that the Strait College charged to enrolled students was RMB28,000 (\$4,400) per school year, and we received 35%/40% of the tuition fees. The portion of tuition fees we received from Strait College was RMB9,800 (\$1,540) per student per school year for enrolled students for the first two years, and RMB11,200 (\$1,760) per student per school year for enrolled students for the remaining two years.

For the fiscal year ended December 31, 2022, there were 764 students enrolled in the Strait IGEC Program. Over the years, we assisted an aggregate of 5,782 students.

On September 2, 2022, we completed the acquisition of Wanwang. Since then, we have been operating FMP and Strait College through Wanwang the services provided under Sino-foreign Jointly Managed Academic Programs ceased.

Overseas Study Consulting Services

One-on-one Private Tutoring Model

Prior to 2020, we offered one-on-one private tutoring to students as part of our overseas study consulting services. Due to the impact of COVID-19 pandemic, we ceased to offer such services in 2020.

We started offering Overseas Study Consulting Services in 2017. Our Overseas Study Consulting Services catered to students who wished to study overseas to enrich their life learning experiences and to expand their horizons and employment options. Our Overseas Study Consulting Services were typically provided under a one-on-one private tutoring model with a duration of four to six months. Most of the students who accepted our services were interested in pursuing art major in foreign academic institutions. We established and maintained a working relationship with nearly 100 foreign academic institutions globally. We provided school and university information to our students to help them make informed decisions on the institutions to submit application to and majors to pursue. We sought to recommend the appropriate schools to our students based on their individual needs and situations.

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

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

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

For our Overseas Study Consulting Services, we charge students a one-time up-front fee based on the scope of consulting services requested by the students and recognize revenue over the service period. 90% of the service fee collected is non-refundable and is recognized ratably as revenue over the service period; while the remaining 10% of the service fee is refundable and is deferred and recognized as revenue when a student is successfully admitted by a foreign institution and a student visa is granted.

Our average fee charged to students under the one-on-one private tutoring model ranged from RMB38,000 (approximately \$5,454) to RMB63,000 (approximately \$9,041) per student. Additionally, for our students who intended to study in Italy, after arrival, they were still required to attend language schools for at least six months (up to 12 months, depending on the type of visa they hold) in Italy. In 2019, we entered into a cooperation agreement with Linguaviva Education Group, a language school and overseas service provider in Milan, to better serve these students. In return, we were entitled to receive an additional \$2,470 to \$2,779 per student from the local partner after the student paid such local partner’s language and art related course tuition in full. We had 42 students enrolled at Linguaviva Education Group in 2019. Due to the COVID-19 pandemic, we did not have any students enrolled at Linguaviva Education Group in 2020.

On-campus Overseas Study Consulting Services

In January 2019, we entered into a cooperation agreement with the School of Continuing Education of Beijing Foreign Studies University for a German language program (the “2019 German Language Program Agreement”), and on November 2018, we entered into a cooperation agreement with the China Academy of Art for an Italian language program (the “2018 Italian Language Program Agreement”), in order to provide our Overseas Study Consulting Services utilizing these partnering schools’ facilities and other hardware. The Italian language program was subsequently suspended as a result of the travel restrictions due to the COVID-19 outbreak. In April 2021, we renewed our cooperation agreement for the German language program with the School of Continuing Education of Beijing Foreign Studies University. In March 2021, we also entered into another cooperation agreement with the School of Continuing Education of Beijing Foreign Studies University for a Russian language program. Our on-campus overseas study consulting services are similar to those we provided under our one-on-one model, including school application review, visa application and interview preparation.

For the fiscal year ended December 31, 2021, there were 27 students enrolled in the School of Continuing Education of Beijing Foreign Studies University German program, 27 students enrolled in the School of Continuing Education of Beijing Foreign Studies Russian program, and no students enrolled in the China Academy of Art Italian language program. The service fees we received were approximated \$4,211 per student per school year for Beijing Foreign Studies University for the German language program and approximately \$3,646 for the Russian language program. We received all services fees generated from the 2021 German Language Program Agreement and the 2021 Russian Language Program Agreement as of December 31, 2021. According to the administration guidelines issued by General Office of the Ministry of Education in December 2021, universities and colleges shall cease projects and cooperation with external parties and, as a result, after all existing contracts with Beijing Foreign Studies University came to completion and all existing performance obligations were completely satisfied, we discontinued our Overseas Study Consulting Services in January 2023.

Our Teachers

FMP and Strait College have assembled a high-caliber team of teaching professionals with outstanding abilities and a passion for teaching. As of December 31, 2022, FMP had a total of 103 teachers, including 59 full-time teachers and 44 part-time teachers, and Strait College had a total of 110 teachers, including 42 full-time teachers and 68 part-time teachers. FMP and Strait College seek to recruit teachers who possess strong academic credentials, excellent communication skills, past academic and teaching experience, and practical knowledge.

For the fiscal year ended December 31, 2022, there were a total of seven foreign teachers teaching at FMP and Strait College.

Employees

We had 369 employees as of December 31, 2022, which included 112 part-time teachers. We had 27 and 41 full-time employees as of December 31, 2021 and 2020, respectively. Most of our employees have signed employment agreements. The Company and its employees may elect to re-negotiate and renew the employment agreements before expiration. The following table sets forth the number of our full-time employees, categorized by function as of December 31, 2022:

Management	14
Teaching staff (including 112 full-time teachers and 112 part-time teachers)	224
Sales staff	12
Technical support staff	5
Operations staff	14
Administrative staff	100
Total	<u>369</u>

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

Seasonality

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

Branding and Marketing

Chinese universities and colleges such as FMP and Strait College typically recruit students through the National College Entrance Examination that takes place in June each year. In addition, as a three-year junior college, FMP also admits students from Fujian Province, where FMP is located, through the Higher Vocational Education Examination each spring. FMP and Strait College are not currently engaged in any branding or marketing activities, and do not plan to conduct such activities in the foreseeable future.

Competition

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

Line of Business	Competitors
Educational Programs Services	<ul style="list-style-type: none"> · Suzhou Centennial College · Zhengzhou Asia-Europe Communications Vocational College
Technological Consulting Services Provided for Smart Campus Solutions	<ul style="list-style-type: none"> · Wasu Media Holding Co., Ltd. · Newcapec Electronics Co., Ltd.
Integration of Enterprises and Vocational Education	<ul style="list-style-type: none"> · Zhejiang Zhengyuan Zhihui Technology Holdings Limited · Shiji Dingli Holdings Limited · Shanghai Xin Nanyang Angli Education Technology Holdings Limited · Changsha Kaiyuan Instrument Co., Ltd.

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

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

Intellectual Property

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

In addition, our intellectual property rights include ten trademark registrations in the PRC and six domain names registrations. We currently own two patents through one of our PRC subsidiaries, China Liberal Beijing, including one utility model patent and one design patent.

We believe we have taken, and take in the ordinary course of business, all appropriate available legal steps to reasonably protect our intellectual property in all material jurisdictions. To protect our brand and other intellectual property, we rely on a combination of trademark, copyright, domain names, know-how and trade secret laws as well as confidentiality agreements with our employees, contractors and others. We cannot be certain that our efforts to protect our intellectual property rights will be adequate or that third parties will not infringe or misappropriate these rights. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—*If we fail to protect our intellectual property rights, our brand and business may suffer.*”

Copyrights

As of the date of this annual report, we have registered 12 copyrights in our textbooks in the PRC, and 12 textbooks have been published. Details of published books are set out below:

No.	Name of Publication	Copyright Owner	Publication Date	ISBN
1	Boya Listening and Speaking 1	China Liberal Beijing	September 2019	978-7-309-14562-5/H.2933
2	Boya Listening and Speaking 2	China Liberal Beijing	February 2020	978-7-309-14851-2/H.2958
3	Boya Listing and Speaking 3	China Liberal Beijing	July 2020	978-7-309-15132-9/H.3016
4	Boya Writing 1	China Liberal Beijing	September 2019	978-7-309-14555-7/H.2929
5	Boya Writing 2	China Liberal Beijing	December 2019	978-7-309-14717-9/H.2942
6	Boya Writing 3	China Liberal Beijing	August 2020	978-7-309-15128-2/H.3012
7	Boya Writing 4	China Liberal Beijing	December 2020	978-7-309-15129-9/H.3013
8	Boya Reading 1	China Liberal Beijing	September 2019	978-7-309-14513-7/H.2924
9	Boya Reading 2	China Liberal Beijing	December 2019	978-7-309-14739-1/H.2953
10	Boya Reading 3	China Liberal Beijing	August 2020	978-7-309-15130-5/H.3014
11	Boya Reading 4	China Liberal Beijing	January 2021	978-7-309-15131-2/H.3015
12	Boya Listing and Speaking 4	China Liberal Beijing	January 2021	978-7-309-15447-4/H.3050

[Table of Contents](#)

As of the date of this annual report, we have registered 64 software copyright registration in the PRC, details of which are set out below:




No.	Software Name	Registration No.	Date of Development	Date of First Publication
1	China Liberal Cloud Classroom Management System 1.0	2016SR040754	September 30, 2015	October 1, 2015
2	China Liberal Cloud Classroom Teacher Software 1.0	2016SR046771	September 30, 2015	October 1, 2015
3	China Liberal Cloud Classroom Student Software 1.0	2016SR044977	September 30, 2015	October 1, 2015
4	China Liberal Cloud Classroom Lesson Planning System 1.0	2016SR123004	September 30, 2015	October 1, 2015
5	China Liberal Cloud Classroom Learning Statistical Data System 1.0	2016SR122336	September 30, 2015	October 1, 2015
6	China Liberal Cloud Classroom Recommendation System 1.0	2016SR130198	September 30, 2015	October 1, 2015
7	China Liberal Cloud Classroom Practice Questions System 1.0	2016SR123966	September 30, 2015	October 1, 2015
8	Pocket Classroom (Android) Software 1.0	2017SR036399	September 1, 2016	Published
9	Pocket Classroom (IOS) Software 1.0	2017SR037051	September 1, 2016	Published
10	Pocket Classroom (Android) Software 1.0	2017SR040835	September 1, 2016	Published
11	Pocket Classroom (IOS) Software 1.0	2017SR040674	September 1, 2016	Published
12	Pocket Classroom Date Management System 1.0	2017SR036411	September 1, 2016	Published
13	China Liberal Smart Campus Registrar System (For Teacher)	2017SR712252	September 1, 2017	Published
14	China Liberal Smart Campus Registrar System (For Student)	2017SR714193	September 1, 2017	Published
15	My Lessons (Android) Software	2017SR710050	September 1, 2017	Published
16	My Lessons (IOS) Software	2017SR707597	September 1, 2017	Published
17	My Textbook (Android) Software	2017SR712427	September 1, 2017	Published
18	My Textbook (IOS) Software	2017SR709724	September 1, 2017	Published
19	University Students Image Big Data System	2019SR0979256	July 2, 2018	Published
20	China Liberal Smart Campus Office Automation Management System	2019SR0023351	September 1, 2018	Published
21	China Liberal Smart Campus Human Resources Management System	2019SR0021945	November 2, 2018	Published
22	China Liberal IoT Attendance Management Platform	2019SR0324187	January 4, 2019	January 4, 2019
23	China Liberal Laboratory Operations and Maintenance Management Platform	2019SR03433739	March 11, 2019	March 11, 2019
24	China Liberal Laboratory Safety Management Platform	2019SR0346228	March 11, 2019	March 11, 2019
25	China Liberal Smart Management Platform	2021SR0781264	July 8, 2020	July 8, 2020
26	China Liberal Behavioral Identification System	2021RS0781265	October 13, 2020	October 13, 2020
27	China Liberal AI-SPACE Control System	2021RS0781263	March 10, 2021	March 10, 2021
28	Student Information Management Platform	2015SR258542	September 10, 2013	September 10, 2013
29	College Students' Curriculum Management Platform	2015SR258728	August 30, 2014	August 30, 2015
30	Skills Training Platform	2015SR260281	March 17, 2015	March 17, 2015
31	Quality Assessment Management System	2015SR260490	July 15, 2015	July 15, 2015
32	Online Examination Management Platform	2015SR261376	August 3, 2015	August 3, 2015
33	Online Learning Platform	2015SR259724	August 21, 2015	August 21, 2015
34	IoT Big Data Management System	2018SR1036381	November 17, 2016	November 17, 2016
35	Art Education (Advertising Design) Practical Training Platform	2018SR1039584	November 21, 2016	November 21, 2016
36	Environmental Design Practical Training Platform	2018SR1034569	December 20, 2016	December 20, 2016
37	Mobile Internet Development Training Platform	2018SR1039580	December 20, 2016	December 20, 2016
38	Electronic Information Engineering (Internet of Things) Training Platform	2018SR1039572	December 14, 2017	December 14, 2017
39	Cloud Computing Technology and Application Practical Training Platform	2018SR1035809	December 15, 2017	December 15, 2017
40	Network Engineering Practical Training Platform	2018SR1035821	December 15, 2017	December 15, 2017
41	Art Design Practical Training Platform	2018SR1036088	December 20, 2017	December 20, 2017
42	Intelligent Network Communication System	2018SR1036388	December 20, 2017	December 20, 2017
43	Embedded Systems in Computer Science and Technology	2018SR1035774	December 28, 2017	December 28, 2017
44	Teaching Curriculum Management System	2021SR1095277	June 29, 2018	June 29, 2018
45	Teaching Quality Evaluation System	2021SR1096272	July 26, 2018	July 26, 2018
46	Environmental Art Design Practical Training Platform	2018SR1034579	October 11, 2018	October 11, 2018
47	Big Data Analysis Practical Training Platform	2018SR1039133	November 1, 2018	November 1, 2018
48	Applied Statistics Basic Practical Training Platform	2018SR1036371	November 1, 2018	November 1, 2018
49	Applied Mathematics Society Member System	2018SR1035761	November 2, 2018	November 2, 2018
50	Visual Communication Design Practical Training Platform	2018SR1035748	November 5, 2018	November 5, 2018
51	3D Virtual Teaching Software	2021SR1094689	November 24, 2018	November 24, 2018
52	Virtual Laboratory Teaching System	2021SR1096273	December 28, 2018	December 28, 2018
53	Network Engineering Optimization Control System	2021SR1090294	June 26, 2019	June 26, 2019
54	Big Data Teaching Practical Training Platform System	2021SR0734289	July 26, 2019	July 26, 2019
55	IoT Electronics and Information Engineering Training System	2021SR1095283	September 27, 2019	September 27, 2019
56	Teaching Management and Control Platform System	2021SR0734288	December 28, 2019	December 28, 2019
57	Exam Management System	2021SR0734291	April 17, 2020	April 17, 2020
58	Environmental Art and Design Template Management System	2021SR0743009	June 11, 2020	June 11, 2020
59	Art and Advertising Teaching Practical Training Management System	2021SR0741865	June 11, 2020	June 11, 2020
60	Mobile Internet Visual Communication Design System	2021SR1095275	June 18, 2020	June 18, 2020
61	Art Design Students Student File Management System	2021SR1095276	June 30, 2020	June 30, 2020

62	Big Data Performance Analysis System for Mathematics Teaching	2021SR0743008	October 30, 2020	October 30, 2020
63	Communication Engineering Terminal Intelligent Test System	2021SR0734644	December 4, 2020	December 4, 2020
64	Network Engineering Construction Base Station Training System	2021SR0741864	December 13, 2020	December 13, 2020

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

Trademarks

As of the date of this annual report, we have 10 registered trademarks in the PRC, details of which are set out below:

No.	Trademark	Class	Registration No.	Registration Date	Expiration Date
1		41	12291328	August 28, 2014	August 27, 2024
2		42	12291054	August 28, 2014	August 27, 2024
3		9	17328159	September 7, 2016	September 6, 2026
4		42	17328158	September 7, 2016	September 6, 2026
5		41	21854350	December 28, 2017	December 27, 2027
6		42	21854351	December 28, 2017	December 27, 2027
7		41	21869652	December 28, 2017	December 27, 2027
8		42	43028991	December 14, 2020	December 13, 2030
9		同师行	42	17232906	August 28, 2016
10	维课	35	15694443	January 7, 2016	January 6, 2026

Domain Names

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

No.	Holder	Domain name	Registration Date	Expiration Date
1	China Liberal Beijing	chinaliberal.com	July 30, 2013	July 30, 2025
2	China Liberal Beijing	byaispace.com	February 29, 2020	February 28, 2024
3	Oriental Wisdom	zihua.com.cn	November 13, 2005	November 13, 2023
4	Oriental Wisdom	edudongfang.cn	June 20, 2012	June 20, 2023
5	Oriental Wisdom	edudongfang.com	May 16, 2010	May 16, 2024
6	Oriental Wisdom	Edu666.net	May 16, 2010	May 16, 2023

Legal proceedings

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

Regulation

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

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

Regulations on Education

The principal regulations governing private education in China consist of the Education Law of the PRC, The Regulation on Professional Education (2022), The Law for Promoting Private Education (2018) and The Implementation Rules for the Law for Promoting Private Education (2004), and the Regulations on Sino-Foreign Cooperation in Operating Schools. Below is a summary of relevant provisions of these regulations.

Education Law of the PRC

On March 18, 1995, the National People's Congress enacted the Education Law of the PRC, which was amended on August 27, 2009 and December 27, 2015, and further amended on April 29, 2021. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school system of pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education, a system of vocational education and a system of continuing education. The Education Law stipulates that the government formulates plans for the development of education and establishes and operates schools and other institutions of education and in principle, enterprises, social organizations and individuals are encouraged to operate schools and other types of educational organizations in accordance with PRC laws and regulations. Meanwhile, schools and other educational institutions established or run with fiscal expenses or donated assets shall not operate for profit-making purposes. The Education Law of the PRC establishes a general regulatory framework of education industry in the PRC, while specific requirements and obligations applicable to education providers are set forth in various regulations. Neither China Liberal Beijing nor China Liberal Fujian is aware of any of its current business activities being in violation of the Education Law of the PRC.

Regulation on Professional Education

On May 15, 1996, the Standing Committee of the National People's Congress promulgated the Professional Education Law of the PRC, or the Professional Education Law, which became effective on September 1, 1996, and amended on April 20, 2022. Professional education shall be planned by the government as a whole, administered at different levels, led by local authorities, given industrial guidance, school-enterprise cooperation, and participated by the whole society. The state encourages, guides, and supports enterprises and other social forces to establish professional schools and professional training institutions in accordance with the law. In addition, the Amended Professional Education Law also provides incentive policies such as rewards and tax incentives to enterprises that actively participate in industry-education integration and school-enterprise cooperation.

Regulations on Sino-foreign Cooperation in Operating Schools

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

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

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

Neither China Liberal Beijing nor China Liberal Fujian is required to obtain such permits. Rather, the Chinese host universities / colleges are responsible for obtaining and maintaining currently valid permits.

Regulations on Private Schools

The Law for Promoting Private Education (2018) and The Implementation Rules for the Law for Promoting Private Education (2021)

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

The Implementation Rules for the Law for Promoting Private Education (2004) became effective on April 1, 2004, and amended on May 14, 2021 (the "2021 Implementation Rules"), which became effective on September 1, 2021.

Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds.

In addition, private schools providing certifications, pre-school education, education for self-study aid and other academic education are subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training are subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for operating a Private School, and shall be registered with the MCA or its local counterparts as a privately run non-enterprise institution in accordance with the Article 12 of the 2018 Private Education Law.

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

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

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the school development. In the case of a private school that requires reasonable returns, this amount shall be no less than 10% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equal to no less than 10% of the annual increase in the net assets of the school, if any. Private schools that do not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools requiring reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by the relevant authorities in this regard.

Under the 2018 Private Education Law and the 2021 Implementation Rules, there is no explicit provisions that China Liberal Beijing is not required to obtain any permit or approval for providing art or language related training courses, including a future China Liberal-branded school. However, China Liberal Beijing's business for art and language training courses was terminated, and Liberal-branded school is not established. Therefore, we do believe that we are not subject to 2018 Private Education Law and 2021 Implementation Rules.

Regulations on Publishing and Distribution of Publications

The Administrative Regulations on Publications (2020)

In December 2001, the PRC State Council promulgated the Administrative Regulations on Publications, which became effective on February 1, 2002 and were later amended several times in 2011, 2013, 2014, 2016 and November 29, 2020 (the "Publication Regulation"). The Publication Regulations apply to publication activities, i.e., the publishing, printing, copying, importation or distribution of publications, including books, newspapers, periodicals, audio and video products and electronic publications, each of which requires approval from the relevant publication administrative authorities.

Pursuant to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Version) (the "2021 Negative List"), foreign investment in editing, publishing and production of books, newspapers, periodicals, audio and video products and electronic publications shall be prohibited. Since January 2021, all of our textbooks have been published and distributed through a qualified publisher we engage, and therefore, our business operations related to selling our textbooks are not prohibited under the 2021 Negative List.

The Administrative Regulations on Publications Market (2016)

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

We were subject to these regulations on publishing and distribution of publications even though we limit the use of our textbooks to a small number of students (rather than selling to the general public) prior to January 2021. However, since January 2021, all of our textbooks have been published and distributed through a qualified publisher we engage, and therefore, we are not currently required to obtain any above-mentioned approvals or permits for selling our textbooks. Although as of the date of this annual report, we have not been subject to any fines or other forms of regulatory or administrative penalties or sanctions due to the lack of any the above-mentioned approvals or permits we failed to obtain prior to January 2021, we cannot assure you the government authorities will not impose any penalties or sanctions on us in the future for any incompliance in the past. See "Item 3. Key Information—D. Risk Factors—Risks Related to our Business—Our failure to obtain and maintain approval and permit related to publishing and selling our textbooks could have a material adverse impact on our business, financial conditions and results of operations."

Regulations on Protection of the Right of Dissemination through Information Networks

Regulations on Protection of Information Network Transmission Right (2013)

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

Regulation Related to Internet Information Security and Privacy Protection

Pursuant to the PRC Cyber Security Law issued by the SCNPC on November 7, 2016, effective as of June 1, 2017, "personal information" refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify individuals' personal information including but not limited to: individuals' names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc. The PRC Cyber Security Law also provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception.

The Office of the Central Cyberspace Affairs Commission, the Ministry of Industry and Information Technology (the "MIIT"), the Ministry of Public Security (the "MPS"), and the SAMR jointly issued an Announcement of Launching Special Crackdown Against Illegal Collection and Use of Personal Information by Apps on January 23, 2019 to implement special rectification works against mobile Apps that collect and use personal information in violation of applicable laws and regulations, where business operators are prohibited from collecting personal information irrelevant to their services, or forcing users to give authorization in a disguised manner. On November 28, 2019, the National Internet Information Office, the MIIT, the MPS and the SAMR further jointly issued a notice to classify and identify illegal collection and use of personal information.

Pursuant to the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications, which was promulgated by the CAC, the MIIT and certain other government authorities on March 12, 2021 and became effective on May 1, 2021, "necessary personal information" refers to the personal information necessary for ensuring the normal operation of an app's basic functional services, without which the app cannot achieve its basic functional services. For learning and education App, the basic functional services are "online tutoring, online classes, etc." and the necessary personal information is mobile phone numbers of registered users.

Further, the SAMR promulgated the Measures for the Supervision and Administration of Online Transactions, which became effective from May 1, 2021. The measures require that online transaction operators shall not force customers, whether or not in a disguised manner, to consent to the collection and use of information not directly related to their business activities by means of one-off general authorization, default authorization, bundling with other authorizations, or the suspension of installation and use. Otherwise, such online transaction operator may be subject to fines and consequences under related laws and regulations, including without limitation suspension of business for rectification and revocation of permits and licenses.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data an information.

On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, or the Regulations, which took effect on September 1, 2021. The Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Review Measures. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, which will take effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual's consent shall be obtained to use sensitive personal information, such as biometric characteristics and individual location tracking, (ii) personal information operators using sensitive personal information shall notify individuals of the necessity of such use and impact on the individual's rights, and (iii) where personal information operators reject an individual's request to exercise his or her rights, the individual may file a lawsuit with a People's Court.

On November 14, 2021, the CAC published the Security Administration Draft, which provides that data processing operators engaging in data processing activities that affect or may affect national security must be subject to network data security review by the relevant Cyberspace Administration of the PRC. According to the Security Administration Draft, data processing operators who possess personal data of at least one million users or collect data that affects or may affect national security must be subject to network data security review by the relevant Cyberspace Administration of the PRC. The deadline for public comments on the Security Administration Draft was December 13, 2021.

On December 28, 2021, the CAC and other relevant PRC governmental authorities jointly promulgated the Cybersecurity Review Measures, or the Cybersecurity Review Measures, which took effect on February 15, 2022 and replaced the original Cybersecurity Review Measures promulgated on April 13, 2020. Pursuant to the Cybersecurity Review Measures, if critical information infrastructure operators purchase network products and services, or network platform operators conduct data processing activities that affect or may affect national security, they will be subject to cybersecurity review. A network platform operator holding more than one million users/users' individual information shall be subject to cybersecurity review before listing abroad. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public overseas.

Our business operations do not currently involve the procurement of network products and services or data processing as network platform operators. We do believe that the Cybersecurity Review Measures do not apply to our Company, and we are not required to conduct cybersecurity review.

Provisions on Foreign Investment

Law of Foreign Investment (2020)

All limited liability companies and joint stock limited companies incorporated and operating in the PRC are governed by the *Company Law of the People's Republic of China*, or the Company Law, which was amended and promulgated by the Standing Committee of the National People's Congress on October 26, 2018. In the latest amendment, paid-in capital registration, minimum requirements of registered capital and timing requirements of capital contributions were abolished. Foreign invested projects must also comply with the Company Law, with exceptions as specified in foreign investment laws.

The Law of Foreign Investment was adopted by the second meeting of the 13th National People's Congress on March 15, 2019, which became effective on January 1, 2020. On December 26, 2019, the State Council issued the *Regulations on Implementing the Law of Foreign Investment of the PRC*, which also came into effect on January 1, 2020. The Law of Foreign Investment and its implementation regulations replaced the trio of laws regulating foreign investment in China. The Law of Foreign Investment stipulates that, for foreign investment, the PRC implements a system of national treatment with the exception of negative list. Foreign investors are not allowed to invest in fields or sectors prohibited in the market access negative list for foreign investment. Foreign investors that intend to invest in the fields subject to access restrictions stipulated in market access negative list for foreign investment shall satisfy the conditions stipulated in such negative list. These policies also apply to enterprises with foreign investment. The PRC does not impose expropriation on foreign investment. Under special circumstances, if required due to the need of public interest, expropriation shall be imposed on foreign investment according to legal procedures, and the foreign-invested enterprises concerned shall receive fair and reasonable compensation. Foreign-invested enterprises can raise funds through public issuance of stocks, corporate bonds and other securities in accordance with the law.

With respect to the establishment and operation of wholly foreign-owned projects, or WFOE, the MOFCOM and NDRC, promulgated 2021 Negative List on December 27, 2021, which became effective on January 1, 2022. The 2021 Negative List has replaced the Special Administrative Measures for the Access of Foreign Investment (2020 Version) (the "2020 Negative List") and serves as the main basis for management and guidance for the MOFCOM to manage and supervise foreign investments. Those industries not set out in the 2021 Negative List shall be classified as industries permitted for foreign investment. None of our lines of business, i.e. Operation of Colleges, Overseas Study Consulting Services, Technological Consulting Services for Smart Campus Solutions, Integration of Enterprises and Vocational Education, and sale of textbooks and course materials, are on the 2021 Negative List. Therefore, the Company is able to conduct its business through its wholly owned PRC subsidiaries without being subject to restrictions imposed by the foreign investment laws and regulations of the PRC.

China Liberal Beijing completed its registration as a wholly foreign owned enterprise on February 1, 2019 and the Administrative Bureau for Industry and Commerce of the City of Beijing issued China Liberal Beijing the relevant business license on the same date. Fujian Wanzhong completed its registration as a wholly foreign owned enterprise on December 9, 2008 and the Fujian Provincial Department of Foreign Trade and Economic Cooperation issued Fujian Wanzhong the relevant business license on the same date. Overall, the Law of Foreign Investment and its implementation regulations establish the clear principle of applying national treatment to foreign-invested enterprises except those engaged in industries on the 2021 Negative List. Since our current and planned business is not on the 2021 Negative List, to the best of our knowledge, we do not anticipate the Law of Foreign Investment and its implementation regulations to create any material adverse effect to our Company's business.

Regulations Related to Overseas Listing and M&A

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006, and revised on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe for the increased capital of a domestic company, thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in mainland China for the purpose of purchasing the assets of a domestic company and operating the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by mainland China companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Overseas Listing Regulations, and five supporting guidelines, which became effective on March 31, 2023. Pursuant to the Overseas Listing Regulations, companies in mainland China that directly or indirectly offer or list their securities in an overseas market, including a company in mainland China limited by shares and an offshore company whose main business operations are in mainland China and intends to offer shares or be listed in an overseas market based on its equities, assets or similar interests in mainland China are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. If the company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, it may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. The Overseas Listing Regulations also provide that a company in mainland China must file with the CSRC within three business days for its follow on offering of securities after it is listed in an overseas market. On February 17, 2023, the CSRC also issued the Notice on Administration of the Filing of Overseas Offering and Listing by Domestic Companies and held a press conference for the release of the Overseas Listing Regulations, which, among others, clarified that the companies in mainland China that have been listed overseas before March 31, 2023 are not required to file with the CSRC immediately, but these companies should complete filing with the CSRC for their refinancing activities in accordance with the Overseas Listing Regulations. Based on the foregoing, we are not required to complete filing with the CSRC for our prior offshore offerings at this stage, but we may be subject to the filing requirements for our refinancing activities under the Overseas Listing Regulations.

On February 24, 2023, the CSRC, jointly with other relevant governmental authorities, published the Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises, or the Confidentiality and Archives Management Provisions, which became effective on March 31, 2023. Pursuant to the Confidentiality and Archives Management Provisions, China-based companies that offer and list securities in overseas markets shall establish confidentiality and archives system. The “China-based companies” refer to companies in mainland China limited by shares which are directly listed on a foreign stock exchange and the domestic operating entities of an offshore company being indirectly listed on a foreign stock exchange. These China-based companies shall obtain the approvals from relevant authorities and file with the competent confidential administration authorities when providing or publicly filing documents and materials related to state secrets or secrets of the government authorities to the relevant securities companies, securities service agencies or the offshore regulatory authorities, or providing or publicly filing such documents and materials through its offshore listing entity. In addition, China-based companies shall complete corresponding procedures when (i) providing or publicly filing documents and materials which may adversely affect national security and public interests to the relevant securities companies, securities service agencies or the offshore regulatory authorities, (ii) providing or publicly filing such documents and materials through its offshore listing entity, or (iii) providing accounting files or copies to relevant securities companies, securities service institutions, overseas regulators and individuals. These China-based companies are also required to provide written statements as to whether they have completed the approval or filing procedures as above when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers should properly retain such written statements for inspection. If a China-based company finds that the documents and materials related to state secrets or secrets of the government authorities or other materials, which may adversely affect national security and public interests, have been leaked or have leakage risks, it should take remedial measures immediately and report to the relevant authorities.

PRC Regulation of Intellectual Property Rights

The State Council and the NCAC have promulgated various rules and regulations and rules relating to protection of software in China. Under these rules and regulations, software owners, licensees and transferees may register their rights in software with Copy Protection Center of China or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections.

The PRC Trademark Law which became effective on March 1, 1983, was revised in 2001, 2013, 2019, respectively, with its implementation rules adopted in 2002 and revised in 2014, protects registered trademarks. The Trademark Office of the SAMR handles trademark registrations and grants a protection term of ten years to registered trademarks.

Regulations on Foreign Exchange

Regulations on Loans to and Direct Investment in the PRC Entities by Offshore Holding Companies

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt promulgated by SAFE on September 24, 1997 and the Interim Provisions on the Management of Foreign Debts promulgated by SAFE, the NDRC and the MOF that became effective from March 1, 2003, loans by foreign companies to their subsidiaries in China, which accordingly are foreign-invested enterprises, are considered foreign debts. Pursuant to the Measures for the Administration of Foreign Debt Registration issued by SAFE on April 28, 2013, the Notice on Matters concerning the Macro-Prudential Administration of Full-Covered Cross-Border Financing issued by the People’s Bank of China on January 11, 2017 and Notice on Adjustments to Macro-prudential Regulation Parameters for Full-covered Cross-border Financing issued by the People’s Bank of China and the State Administration of Foreign Exchange on March 11, 2020, the total amount of accumulated foreign debt borrowed by a foreign-invested enterprise is subject to an upper limit calculated based on a statutory formula, and the foreign-invested enterprise is required to file with SAFE after entering into relevant foreign debt contract and within at least three business days before drawing any money from the foreign debts.

According to applicable PRC regulations on foreign-invested enterprises, if a foreign holding company makes capital contributions to its PRC subsidiaries, which are considered foreign-invested enterprises, the PRC subsidiaries must file with the MOFCOM or its local counterpart in connection with the increase of their respective registered capital. The PRC subsidiaries may not procure loans which exceed the difference between their respective total investment amount and registered capital, or 2.5 times of the amount of such PRC subsidiary’s net assets, whichever is larger.

Currently, China Liberal Beijing and Fujian Wanzhong do not owe any outstanding debts to any of their respective offshore parent companies. For any capital contributions contributed to China Liberal Beijing or Fujian Wanzhong by their respective offshore parent companies, China Liberal Beijing and Fujian Wanzhong have obtained appropriate approval or filed with the appropriate authorities, as the case may be.

Regulations Relating to Employment and Social Insurance

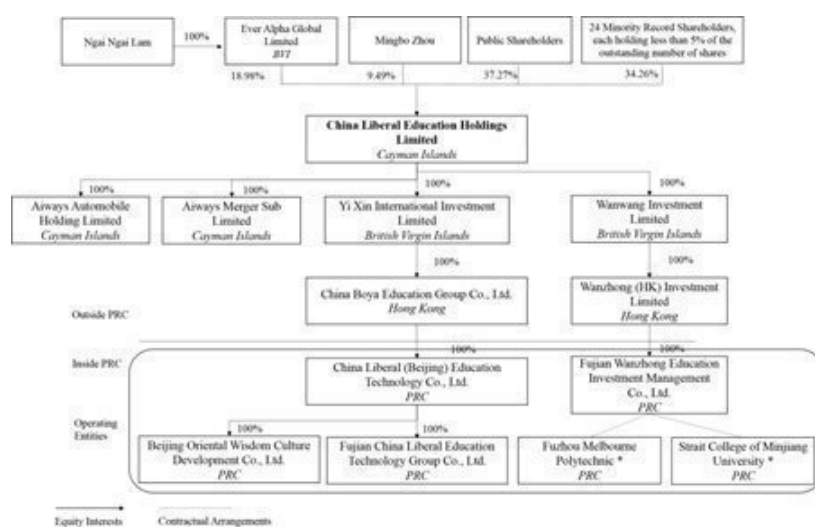
Pursuant to the PRC Labor Law effective as of January 1, 1995 (as amended on December 29, 2018), and the PRC Labor Contract Law effective as of January 1, 2008 (as amended on December 28, 2012), a written labor contract shall be executed by employer and an employee when the employment relationship is established, and an employer is under an obligation to sign an unlimited-term labor contract with any employee who has worked for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unlimited term, with certain exceptions. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training. Moreover, all PRC enterprises are generally required to implement a standard working time system of eight hours a day and forty hours a week, and if the implementation of such standard working time system is not appropriate due to the nature of the job or the characteristics of business operation, the enterprise may implement a flexible working time system or comprehensive working time system after obtaining approvals from the relevant authorities.

Pursuant to the Social Insurance Law of China effective from December 29, 2018, and the Regulations on the Administration of Housing Accumulation Funds effective as of April 3, 1999 (as amended on March 24, 2002 and further amended on March 24, 2019), employers in China shall pay contributions to the social insurance plan and the housing fund plan for their employees, and such contribution amount payable shall be calculated based on the employee actual salary in accordance with the relevant regulations.

As of December 31, 2022, the PRC subsidiaries had complied with all these regulations.

C. Organizational Structure

The following diagram illustrates our current corporate structure, which includes our subsidiaries as of the date of this annual report:



* Under PRC laws and regulations in effect as of the date of this annual report, most of the schools founded in the PRC, including Fuzhou Melbourne Polytechnic and Strait College of Mingjiang University, do not have equity interest holders. Instead, schools may be established by “founders”, which include government for public schools and private companies or individuals for private schools, and schools may receive contributions in cash or assets by “investors”, which may include private companies or individuals. The founders of Fuzhou Melbourne Polytechnic were Mingjiang University and Melbourne Polytechnic, and the sole investor of Fuzhou Melbourne Polytechnic was Fujian Wanzhong Education Investment Management Co., Ltd. The founder of Strait College of Mingjiang University was Mingjiang University, and Fujian Wanzhong Education Investment Management Co., Ltd. was the sole investor of Strait College of Mingjiang University. As a result, Fujian Wanzhong Education Investment Management Co., Ltd. was regarded as the primary beneficiary of each of Fuzhou Melbourne Polytechnic and Strait College of Mingjiang University, and through Fujian Wanzhong Education Investment Management Co., Ltd., we treat Fuzhou Melbourne Polytechnic and Strait College of Mingjiang University as our consolidated affiliated entities under U.S. GAAP and have consolidated the financial results of these entities in the consolidated financial statements in accordance with U.S. GAAP.

D. Property, Plants and Equipment

Our principal executive offices are located at Room 805, Block 15, No. A1 Chaoqian Road, Science and Technology Park, Changping District, Beijing, People’s Republic of China with office space of approximately 380 square meters. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

ITEM 4.A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this annual report. This annual report contains forward-looking statements. See “Forward-Looking Information” in this annual report. In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

Overview

We are an educational service provider operating under the “China Liberal” brand in the PRC.

We offer a wide range of educational services and programs, consisting primarily of operation of colleges, FMP and Strait College, since 2022 and job readiness training services since 2019, acting as the key bridge between our partner schools and employers, and to provide tailored job readiness training to graduating students, or Integration of Enterprises and Vocational Education. Prior to August 2022, our main business operations were focused on providing services under Sino-foreign Jointly Managed Academic Programs.

Key Factors that Affect Our Results of Operations

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

Demand for international education from Chinese students

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

Prior to 2020, we had benefited from Chinese students' increasing demand for international education. Such demand was primarily driven by an increasing number of Chinese students seeking quality educations and who aspire to study abroad, which is in turn driven by factors including, but not limited to: (i) an increasing number of affluent families in China, (ii) the rising recognition of the quality of higher education overseas, and (iii) the emphasis placed by Chinese parents on the importance of enrollment in globally-recognized universities to improve their children's career prospects. Due to the COVID-19 outbreak and ensuing international travel bans, students were restricted from pursuing their overseas education, and the demand for international education decreased significantly in 2020, 2021 and 2022. Beginning in January, 2023, China no longer conducted nucleic acid tests and centralized quarantines for all inbound travelers, and measures to control the number of international passenger flights were lifted. However, there are still uncertainties regarding the COVID-19's future impact. Therefore, while we do not expect the COVID-19 pandemic to negatively impact our business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

Number of student enrollments

Our revenues primarily consist of tuition and fees from students enrolled in FMP and Strait College, tuition and fees from students enrolled in the Seno-foreign Jointly Managed Academic Programs before August 2022, tailored job readiness training services, as well as other sources of revenue. The number of student enrollments is largely driven by the demand for the educational services and programs offered by us, the amount of fees we charge, the effectiveness of our marketing and brand promotion efforts, our ability to maintain the consistency and quality of our teaching, as well as our ability to respond to competitive pressures. The level of students enrolled in FMP and Strait College, and the number of students who come to us for joint readiness training services directly affect our revenue and profitability.

Our tuition fees collected from students

Our results of operations are directly affected by the level of the tuition fees we charge to our students. Under Fujian Wanzhong's cooperation agreements with Minjiang University, FMP and Strait College determine on the amount of tuitions and fees charged to enrolled students, ranging from RMB15,000 (\$2,357) per student per school year to RMB28,000 (\$4,400) per student per school year, depending on the applicable education programs. Based on our cooperation agreements with Minjiang University, we agree to pay 25% to the total tuition fees collected from students enrolled at Strait College to Minjiang University, and agree to pay 25% of the increase in net assets of FMP in a given fiscal year from the prior fiscal year, if any, to Minjiang University. FMP and Strait College collect tuition paid by enrolled students at the beginning of each academic school year in September, and we pay Minjiang University applicable fees pursuant to the cooperation agreements on a periodic basis.

The ability of FMP and Strait College to receive tuition fees from students largely depends on a number of factors within or out of our control, including the reputation of FMP and Strait College for academic excellence and ability to provide high quality education to students with satisfactory learning outcomes and job prospects, the diversity and desirability of the programs and areas of study offered, facilities, and other factors. Any decrease in the reputation or demand due to a deficiency in the quality of education offered by FMP or Strait College, learning outcomes, or job prospects may negatively impact our revenue, results of operations and financial condition.

Our ability to control costs and expenses and improve our operating efficiency

Teacher salaries and operating costs are the primary costs and expenses associated with the operation of FMP and Strait College, which directly impact on our profitability. Teacher salaries are positively correlated with the size of full-time and part-time teachers employed at FMP and Strait College, and operating costs primarily consist of fees paid to Minjiang University under Fujian Wanzhong's cooperation agreements, and are positively correlated with the total amount of tuition fees charged by FMP and Strait College. Our operating costs will also be affected by education quality student enrollment and dropout rates. Our ability to drive the productivity of our staff and enhance our operating efficiency affects our profitability. If we fail to implement initiatives to control costs (including recruiting qualified teachers, designing course materials and curriculums that enhance learning outcomes, and reducing administrative expenses) and improve our operating efficiency over time, our profitability will be negatively impacted.

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

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

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

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

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

Our results of operations and financial conditions in 2022 were affected by the COVID-19 pandemic. COVID-19 has impact on China's study abroad consulting and training services industry and the business operations of our Company. The extent to which COVID-19 impacts our results of operations in the future will depend on the future developments of the pandemic, including new information concerning the global severity of and actions taken to contain the pandemic, which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that the pandemic harms the Chinese and global economy in general. See also "Item 3. Key Information —D. Risk Factors— Risks Related to Our Business—We face risks related to natural disasters, extreme weather conditions, health epidemics including the COVID-19, and other catastrophic incidents, which could significantly disrupt our operations."

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

Economic and Political Risks

Our operations are mainly conducted through the PRC subsidiaries and the affiliated entities in the PRC. Accordingly, our business, financial conditions, and results are influenced by political, economic, and legal environment of the PRC.

Our results may be affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, industry production regulations and guidance, anti-inflationary measures, currency conversions, remittances abroad, and rates and methods of taxation, among other things.

Recent Developments

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

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

Key Financial Performance Indicators

In assessing our financial performance, we consider a variety of financial performance measures, including principal growth in revenue and gross profit, our ability to control costs and operating expenses to improve our operating efficiency and net income. Our review of these indicators facilitates timely evaluation of the performance of our business and effective communication of results and key decisions, allowing our business to respond promptly to competitive market conditions and different demands and preferences from our customers. The key measures that we use to evaluate the performance of our business are set forth below and are discussed in greater details under "—Results of Operations".

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as a percentage of our total operating revenue for the years presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of our future trends.

Year ended December 31, 2022 compared to year ended December 31, 2021

	For the years ended December 31				Amount increase (decrease)	Percentage increase (decrease)
	2022		2021			
	Amount	As % of sales	Amount	As % of sales		
Revenue	\$ 11,603,300	100.0%	\$ 3,909,546	100.0%	\$ 7,693,754	196.8%
Cost of revenue	(5,598,048)	48.2%	(1,149,148)	29.4%	4,448,900	387.1%
Gross profit	6,005,252	51.8%	2,760,398	70.6%	3,244,854	117.6%
Allowance for doubtful accounts	(734,750)	6.3%	-	-	734,750	100.0%
Selling expenses	(384,885)	3.3%	(152,759)	3.9%	232,126	152.0%
General and administrative expenses	(6,270,504)	54.0%	(3,778,329)	96.6%	2,492,175	66.0%
Income from operations	(1,384,887)	(11.9%)	(1,170,690)	29.9%	214,197	18.3%
Interest income	22,150	0.2%	94,195	2.4%	(72,045)	(76.5%)
Other income, net	133,874	1.2%	126,648	3.2%	7,226	5.7%
Income before income tax	(1,228,863)	(10.6%)	(949,847)	24.3%	279,016	29.4%
Income tax provision	(460,040)	4.0%	(300,034)	7.7%	160,006	53.3%
Net income	(\$1,688,903)	(14.6%)	(\$1,249,881)	32.0%	\$ 439,022	35.1%

Revenues. Revenues increased by \$7.7 million, or 196.8%, to \$11.6 million in the fiscal year ended December 31, 2022 from \$3.9 million in the fiscal year ended December 31, 2021. The increase in our revenue was mainly attributable to revenue contribution from acquired entities in 2022.

Our revenue by service type is as follows:

	For the years ended December 31,					
	2022		2021		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from course fees	\$ 6,385,017	55.0%	-	-	\$ 6,385,017	100.0%
Revenue from Sino-foreign Jointly Managed Academic Programs	3,343,316	28.8%	\$ 2,676,147	68.5%	667,169	24.9%
Revenue from tailored job readiness training services	1,264,411	10.9%	137,772	3.5%	1,126,639	817.8%
Revenue from Overseas Study Consulting Services	317,228	2.8%	36,174	0.9%	281,054	777.0%
Revenue from Technological Consulting Services for Smart Campus Solutions	279,380	2.4%	1,059,453	27.1%	(780,073)	(73.6%)
Revenue from textbook and course material sales	13,948	0.1%	-	-	13,948	100.0%
Total revenue	\$ 11,603,300	100.0%	\$ 3,909,546	100.0%	\$ 7,693,754	196.8%

Revenue from course fees

Revenue from course fees primarily derived from providing educational programs to college students. On September 2, 2022, the Company closed the transactions contemplated by the Stock Purchase Agreement entered into on February 1, 2022 by and among the Company, Wanwang, the acquired company, Xiaoshi Huang and Thrive Shine Limited, the sellers of the acquired company, and completed its acquisition of Wanwang. Wanwang, through its subsidiaries, operates two colleges, FMP and Strait College. Course fees are generally received in advance prior to the beginning of each applicable course or program. Course fees are recognized proportionately over the terms of the applicable course or program because the students simultaneously receive and consume the benefits provided by the Company. The portion of course fees received from students but not earned is recorded as deferred revenue in contract liabilities. Since the completion of acquisition in September 2022, both FMP and Strait College collectively enrolled 4,967 students, and \$6.4 million in course fees were earned from September 2022 to December 2022. The remaining course fees of \$7.5 million, which was received in advance, will be recognized as revenue from January 2023 to June 2023. The average course fee per student from September 2022 to June 2023 was \$2,794, of which average course fee of \$1,285 per student was earned from September 2022 to December 2022.

Revenue from Sino-foreign Jointly Managed Academic Programs

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

(i) FMP

FMP is currently hosting the FMP EAP Program. Before FMP was rebranded in January 2017, FMP's former entity operating under the name IEN College of Minjiang University also hosted the IGEC program.

(ii) Strait College

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

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 \$0.6 million, or 24.9%, to \$3.3 million for the year ended December 31, 2022 from \$2.7 million for the fiscal year ended December 31, 2021. This increase was primarily attributed to an increase in the average tuition fees by 24.9%, which was mainly caused by a change in student mix enrolled in different academic programs with the universities / colleges, which resulted in an increase of \$0.6 million in revenue. The increase is also caused by an increase in the number of students by 1 from 2,488 students for the year ended December 31, 2021 to 2,489 students for the year ended December 31, 2022.

Revenue from Technological Consulting Services for Smart Campus Solutions and Technical Support Services for Other Entities

Our revenue from providing smart campus related technological consulting service and technical support services for other entities decreased by \$0.8 million, or 73.6%, from \$1.1 million for the year ended December 31, 2021 to \$0.3 million for the year ended December 31, 2022. The decrease was primarily because we did not obtain smart campus projects of large size for the year ended December 31, 2022. For the year ended December 31, 2022, six projects were completed as compared with 18 completed projects for the year ended December 31, 2021. Many Chinese universities/colleges put on hold their “smart campus” project plans due to continued uncertainties associated with the COVID-19 pandemic during 2022, prior to the relaxation of COVID-19 restrictions imposed by the government. The decrease in revenue was also attributable to the decrease in average project size from \$58,859 per project in 2021 to \$46,563 per project in 2022.

Revenue from Overseas Study Consulting Services

Our overseas study consulting services target those students who wish to study in foreign countries to enrich their learning experiences, expand their horizons, and gain exposure to a broader array of employment opportunities. Our revenue from Overseas Study Consulting Services increased by \$0.3 million, or 777.0% when comparing the year ended December 31, 2022 to the fiscal year ended December 31, 2021. The increase was mainly because our performance obligations for our service contract with Beijing Foreign Studies University were satisfied for the year ended December 31, 2022. According to the administration guidelines issued by General Office of the Ministry of Education in December 2021, universities and colleges shall cease projects and cooperation with external parties and, as a result, after all existing contracts with Beijing Foreign Studies University came to completion and all existing performance obligations were completely satisfied, we discontinued our Overseas Study Consulting Services in January 2023.

Revenue from Tailored Job Readiness Training Services

The revenue from tailored job readiness training services increased by \$1.1 million, or 817.8%, from \$137,772 in 2021 to \$1.2 million in 2022, which was mainly attributed to the revenue contribution from our newly acquired entity, Oriental Wisdom. On July 14, 2022, the Company closed the transactions contemplated by the Stock Purchase Agreement entered into on June 9, 2022 by and among the Company, China Liberal Beijing, Oriental Wisdom, the acquired company, and Beijing Cloud Class Technology Co., Ltd., the seller of the acquired company, and completed its acquisition of Oriental Wisdom, an integrated education services provider focusing on operating jointly-managed academic programs in the vocational higher education industry in China.

Revenue from textbooks and course material sales

In order to ensure the quality of course content delivered to students and to meet international standards, we have developed, edited, and published 12 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. In 2021, we engaged a publisher to handle the printing these textbooks and course materials. Under our arrangement with the publisher, we charge 8% royalties for each book and we do not receive royalties for the first 5,100 copies of each book. Our revenue from textbooks and course material sales decreased by \$13,948, or 100.0% from nil for the fiscal year ended December 31, 2021 to \$13,948 for the fiscal year ended December 31, 2022. The increase was mainly attributed to increased demand for our textbooks and course materials. According to our agreement with the publisher, we will be able to receive a fee only when the number of copies printed by the publisher exceed a pre-determined volume.

Cost of revenues

Our overall cost of revenue increased by \$4.4 million, or 387.1%, from \$1.1 million in fiscal year 2021 to \$5.6 million in fiscal year 2022, primarily due to \$4.4 million cost associated with providing educational programs to college students. Our cost of revenue accounted for 48.2% and 29.4% of our total revenue for the fiscal years ended December 31, 2022 and 2021, respectively.

Gross profit

Our overall gross profit increased by \$3.2 million, or 130.7%, from \$2.8 million in fiscal year 2021 to \$6.0 million in fiscal year 2022, while gross profit margin decreased by 18.9%, from 70.6% in fiscal year 2021 to 51.8% in fiscal year 2022. The increase in gross profit was primarily due to \$2.0 million gross profit contribution from two colleges. Also, gross profit contribution from tailored job readiness training services increased by \$0.9 million in fiscal year 2022 compared to fiscal year 2021, mainly as a result of gross profit contribution from our newly acquired entity, Oriental Wisdom.

Operating expenses

The following table sets forth the breakdown of our operating expenses for the years ended December 31, 2022 and 2021:

	For the years ended December 31					
	2022		2021		Changes	
	Amount	%	Amount	%	Amount	%
Allowance for doubtful accounts	\$ 734,750	9.9%	-		\$ 734,750	100.0%
Selling expenses	384,885	5.2%	\$ 152,759	3.9%	232,126	152.0%
General and administrative expenses	6,270,504	84.8%	3,778,329	96.1%	2,492,175	66.0%
Total operating expenses	<u>\$7,390,139</u>	<u>100.0%</u>	<u>\$3,931,088</u>	<u>100.0%</u>	<u>\$3,459,051</u>	<u>88.0%</u>

Allowance for doubtful accounts

We maintain allowance for doubtful accounts for estimated losses. We review our accounts receivable on a periodic basis and make general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, we consider various factors, including the age of the balance, customer's payment history, its current credit-worthiness and current economic trends. Accounts are written off after efforts at collection prove unsuccessful. For the fiscal year ended December 31, 2022 and 2021, allowance for doubtful accounts was \$0.7 million and nil, respectively.

Selling expenses

Selling expenses increased by \$0.2 million, or 152.0%, from \$0.2 million for the fiscal year 2021 to \$0.4 million for the fiscal year 2022. The increase in selling expenses was primarily attributable to \$0.1 million cost incurred in recruiting new students for two colleges and \$0.1 million increase in selling expenses, resulting from expansion of our sales and marketing force.

General and administrative expenses

General and administrative expenses increased by \$2.5 million, or 66.0%, from \$3.8 million for the fiscal year 2021 to \$6.3 million for the fiscal year 2022, primarily due to \$1.8 million general and administrative expense incurred in running the two colleges and an increase in share-based compensation to employees of \$0.6 million.

Interest income

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

Other income (expenses), net

Other income was \$0.1 million for the year ended December 31, 2022, as compared to other income of \$0.1 million for the year ended December 31, 2021. The increase was minimal.

Provision for income taxes

Provision for income taxes was \$0.5 million for the year ended December 31, 2022, representing an increase from \$0.3 million for the fiscal year 2021. Effective income tax rate was 37.4% and 31.6% for the years ended December 31, 2022 and 2021, respectively. The significant change in effective income tax rate comparing the two years is mainly due to the fact that significant expenses incurred by non-PRC entities and net loss incurred by two colleges and Oriental Wisdom.

Net loss

As a result of foregoing, net loss was \$1.7 million for the fiscal year ended December 31, 2022, compared to net loss of \$1.2 million for the fiscal year ended December 31, 2021. Basic and diluted loss per share were \$0.07 for the fiscal year ended December 31, 2022, compared to basic and diluted loss per share of \$0.12 for the fiscal year ended December 31, 2021.

Year ended December 31, 2021 compared to year ended December 31, 2020

	For the years ended December 31				Amount increase (decrease)	Percentage increase (decrease)
	2021		2020			
	Amount	As % of sales	Amount	As % of sales		
Revenue	\$ 3,909,546	100.0%	\$ 5,023,099	100.0%	\$ (1,113,553)	(22.2%)
Cost of revenue	(1,149,148)	29.4%	(2,157,033)	42.9%	(1,007,885)	(46.7%)
Gross profit	2,760,398	70.6%	2,866,066	57.1%	(105,668)	(3.7%)
Operating expenses						
Selling expenses	(152,759)	3.9%	(229,656)	4.6%	(76,897)	(33.5%)
General and administrative expenses	(3,778,329)	96.6%	(1,199,690)	23.9%	2,578,639	214.9%
Total operating expenses	(3,931,088)	100.6%	(1,429,346)	28.5%	2,501,742	175.0%
(Loss) income from operations	(1,170,690)	29.9%	1,436,720	28.6%	(2,607,410)	(181.5%)
Interest income	94,195	2.4%	101,257	2.0%	(7,062)	(7.0%)
Other income (expenses), net	126,648	3.2%	(26,035)	0.5%	152,683	586.5%
Total other income (expenses), net	220,843	5.6%	75,222	1.5%	145,621	193.6%
(Loss) income before income tax	(949,847)	24.3%	1,511,942	30.1%	(2,461,789)	(37.2%)
Income tax provision	(300,034)	7.7%	(303,246)	6.0%	(3,212)	(1.1%)
Net (loss) income	<u>\$ (1,249,881)</u>	<u>32.0%</u>	<u>\$ 1,208,696</u>	<u>24.1%</u>	<u>\$ (2,458,577)</u>	<u>(203.4%)</u>

Revenues. Revenues decreased by \$1.1 million, or 22.2%, to \$3,909,546 in the fiscal year ended December 31, 2021 from \$5,023,099 in the fiscal year ended December 31, 2020. The decrease in our revenue was mainly attributable to decreased revenue from our Technological Consulting Services for Smart Campus Solutions in the fiscal year ended December 31, 2021 as compared to the fiscal year ended December 31, 2020, which was mainly caused by a decrease in the average contract price of smart campus related projects by 70.5% as high value contracts with FMP were mainly completed in 2020.

Our revenue by service type is as follows:

	For the years ended December 31,				Changes	
	2021		2020		Amount	%
	Amount	%	Amount	%		
Revenue from Sino-foreign Jointly Managed Academic Programs	\$ 2,676,147	68.5%	\$ 2,772,679	55.2%	\$ (96,532)	(3.5%)
Revenue from Technological Consulting Services for Smart Campus Solutions	1,059,453	27.1%	1,995,559	39.7%	(936,106)	(46.9%)
Revenue from Overseas Study Consulting Services	36,174	0.9%	129,485	2.6%	(93,311)	(72.1%)
Revenue from tailored job readiness training services	137,772	3.5%	76,400	1.5%	61,372	80.3%
Revenue from textbook and course material sales	-	0.0%	48,976	1.0%	(48,976)	(100.0%)
	<u>\$ 3,909,546</u>	<u>100.0%</u>	<u>\$ 5,023,099</u>	<u>100.0%</u>	<u>\$ (1,113,553)</u>	<u>(22.2%)</u>

Revenue from Sino-foreign Jointly Managed Academic Programs

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

(i) FMP

FMP is currently hosting the FMP EAP Program. Before FMP was rebranded in January 2017, FMP's former entity operating under the name IEN College of Minjiang University also hosted the IGEC program.

(ii) Strait College

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

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 decreased by 3.5% to \$2.7 million for the year ended December 31, 2021 from \$2.8 million for the fiscal year ended December 31, 2020. This decrease was primarily attributed to a decrease in the number of students by 243, or 9.8%, from 2,731 students for the year ended December 31, 2020 to 2,488 students for the year ended December 31, 2021, which resulted in a decrease of \$254,042 in revenue. The decrease was partially offset by an increase in average tuition fees collected from \$1,015 per student in 2020 to \$1,076 per student in 2021, which resulted in an increase of \$157,510 in revenue. The increase in average tuition fee was mainly caused by an appreciation of Renminbi against U.S. dollars while the average tuition fee per student in RMB decreased from RMB6,993 (\$1,015) in 2020 to RMB6,931 (\$1,076) in 2021.

Revenue from Technological Consulting Services for Smart Campus Solutions and Technical Support Services for Other Entities

Our revenue from providing smart campus related technological consulting service and technical support services for other entities decreased by \$936,106, or 46.9%, from \$2.0 million for the year ended December 31, 2020 to \$1.1 million for the year ended December 31, 2021. The decrease in revenue was mainly attributable to the decrease in average project size from \$143,000 per project in 2020 to \$58,859 per project in 2021 as compared to 2020. In 2020, we executed three relatively large technological consulting service projects, including the hardware and software installation and digital classrooms for FMP's experiment-based simulation center for its hotel management major with contract price of RMB5 million (\$0.7 million), the digital classrooms for Beijing Institute of Graphic Communications with contract price of approximately RMB1.3 million (\$0.2 million) and technical support services provided to a third party enterprise, WWH, with contract price of RMB4.2 million (\$612,239). However, in 2021, the 18 projects were with smaller size and scope and accordingly the service fee we charged to customers reduced. The overall decrease in our revenue from technological consulting services for smart campus solutions reflected the above combined reasons.

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 decreased by \$93,311, or 75.1%, when comparing the fiscal year ended December 31, 2021 to the fiscal year ended December 31, 2020. During the years ended December 31, 2021 and 2020, our service contract with Beijing Foreign Studies University assisted 27 and 11 students for Russia language training and 27 and 22 students for German language training, respectively. We recognized \$36,174 in revenue when our performance obligations under the service contract were satisfied during the fiscal year 2021. The decrease in revenue from Overseas Study Consulting Services was mainly attributed to the cancellation of visa application to Russia and Germany by the students, which is mainly due to the international travel restrictions caused by the COVID-19 pandemic.

Revenue from Tailored Job Readiness Training Services

In 2019, we also started providing tailored job readiness training services to students from partner schools, so that such students would be better equipped to serve employers at their respective job positions. The revenue generated from this line of business was immaterial in 2019. Approximately \$4,000 revenue from tailored job readiness training services in fiscal year 2019 was grouped under our revenues from Sino-foreign Jointly Managed Academic Programs.

The revenue from tailored job readiness training services increased by \$61,372, or 80.3% from \$76,400 in 2020 to \$137,772 in 2021, which was mainly attributed to an increase in the number of students received tailored job readiness training services, from 147 in 2020 to 443 in 2021.

Revenue from textbooks and course material sales

In order to ensure the quality of course content delivered to students and to meet international standards, we have developed, edited, and published 12 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. In 2021, we engaged a publisher to handle the printing these textbooks and course materials. Under our arrangement with the publisher, we charge 8% royalties for each book and we do not receive royalties for the first 5,100 copies of each book. Our revenue from textbooks and course material sales decreased by \$48,976, or 100.0% from \$48,976 for the fiscal year ended December 31, 2020 to nil for the fiscal year ended December 31, 2021. The decrease was mainly attributed to decreased demand for our textbooks and course materials. According to our agreement with the publisher, we will be able to receive a fee only when the number of copies printed by the publisher exceed a pre-determined volume.

Cost of revenues

Our overall cost of revenue decreased by \$1.0 million, or 46.7%, from \$2.1 million in fiscal year 2020 to \$1.1 million in fiscal year 2021, primarily due to reduced average size and scope of the technology consulting projects completed in 2021. Accordingly, costs associated with hardware and components installation in Technology Consulting Services for Smart Campus related projects decreased significantly comparing 2021 to 2020. In addition, our cost associated with Sino-foreign Jointly Managed Academic Programs decreased by \$0.2 million, or 38.6%, which was mainly attributable to the decrease in salary, welfare and insurance costs of foreigner teachers in Sino-foreign Jointly Managed Academic Programs. Due to travel bans or restrictions caused by the COVID-19 pandemic, some foreign teachers were unable to enter China and we engaged more Chinese teachers to provide teaching services to students in 2021. Our cost of revenue accounted for 29.4% and 42.9% of our total revenue for the fiscal years ended December 31, 2021 and 2020, respectively.

Gross profit

Our overall gross profit decreased by \$105,667, or 3.7%, from \$2.9 million in fiscal year 2020 to \$2.8 million in fiscal year 2021, while gross profit margin increased by 13.5%, from 57.1% in fiscal year 2020 to 70.6% in fiscal year 2021. The decrease in gross profit was primarily due to a decrease in gross profit contribution from smart campus related technological consulting services, which mainly resulted from the decrease in average project size and average gross profit per project in fiscal year 2021 compared to fiscal year 2020, as we executed more projects with software customization rather than hardware installation in fiscal year 2021. Also, gross profit contribution from Overseas Study Consulting services decreased by 135.6% in fiscal year 2021 compared to fiscal year 2020 due to higher student recruitment costs in 2021. Additionally, gross profit contribution from textbook and course material sales decreased by 100% due to the decrease in publishing volume.

Operating expenses

The following table sets forth the breakdown of our operating expenses for the years ended December 31, 2021 and 2020:

	For the years ended December 31,					
	2021		2020		Changes	
	Amount	%	Amount	%	Amount	%
Selling expenses	\$ 152,759	3.9%	\$ 229,656	16.1%	\$ (76,897)	(166.5%)
General and administrative expenses	3,778,329	96.1%	1,199,690	83.9%	2,578,639	214.9%
Total operating expenses	<u>\$3,931,088</u>	<u>100.0%</u>	<u>\$1,429,346</u>	<u>100.0%</u>	<u>\$2,501,742</u>	<u>(375.0%)</u>

Selling expenses

Selling expenses decreased by \$76,897, or 166.5%, from \$229,656 for the year ended December 31, 2020 to \$152,759 for the year ended December 31, 2021. The decrease in selling expenses was primarily attributable to a decrease in depreciation of \$18,236 and a decrease in the rental expenses by \$16,018 when we relocated to a smaller office space due to streamlining of operations, a decrease in salary and employee welfare benefit expenses paid to sales and marketing personnel by \$14,893, resulting from cutting down our sales and marketing force, and a decrease in office and other miscellaneous expenses. Selling expenses accounted for 3.9% and 4.6% of total revenue for the years ended December 31, 2021 and 2020, respectively.

General and administrative expenses

General and administrative expenses increased by \$2.6 million, or 214.9%, from \$1.2 million for the year ended December 31, 2020 to \$3.8 million for the year ended December 31, 2021, primarily due to an increase in share-based compensation to employees of \$2.3 million, an increase in professional service fees of \$72,229, an increase in audit fee of \$67,300, an increase in investor relation expenses of \$61,376, and an increase in director and officer insurance expenses of \$34,127. General and administrative expenses accounted for 96.6% and 23.9% of total revenue for the years ended December 31, 2021 and 2020, respectively.

Interest income

Interest income decreased by \$7,062, or 7.0%, to \$94,195 for the year ended December 31, 2021, from \$101,257 for the fiscal year ended December 31, 2020. In connection with the technological consulting services for smart campus projects, we recognized financing component resulted from a timing difference between when control was transferred and when we collected cash consideration from the customer. For the years ended December 31, 2021 and 2020, we recognized \$87,589 and \$94,271 in interest income in connection with the aforementioned financing component, respectively. In addition, we reported interest income of \$6,606 and \$6,986 from bank deposit balance in the years ended December 31, 2021 and 2020, respectively. These factors led to decreased interest income in the fiscal year ended December 31, 2021 as compared to the fiscal year ended December 31, 2020.

Other income (expense), net

Other income was \$126,648 for the year ended December 31, 2021, as compared to other expense of \$26,035 for the year ended December 31, 2020. The increase in other income was primarily due to provision of other training services in the fiscal year ended December 31, 2021.

Provision for income taxes

Provision for income taxes was \$300,034 for the year ended December 31, 2021, representing a decrease from \$303,246 for the fiscal year ended December 31, 2020 due to lower taxable income. China Liberal and Yi Xin BVI were incorporated in Cayman Islands and British Virgin Islands, respectively, and are not subject to tax on their respective income or capital gains. Boya Hong Kong is subject to profit taxes in Hong Kong at a rate of 16.5% but Boya Hong Kong did not generate any assessable profits arising in or derived from Hong Kong in the fiscal years ended December 31, 2021 and 2020. China Liberal Beijing and China Liberal Fujian are subject to the EIT Law. China Liberal Beijing has been approved as a High and New Technology Enterprises for three years until December 2022 and is subject to a preferential tax rate of 15%. Income taxes of \$300,034 was provided for income before income tax generated by operating subsidiary China Liberal Beijing. China Liberal Fujian is a newly set up subsidiary and has not generated significant income before income tax.

Net income (loss)

As a result of foregoing, net loss was \$1.2 million for the fiscal year ended December 31, 2021, compared to net income of \$1.2 million for the fiscal year ended December 31, 2020. Basic and diluted loss per share were \$0.12 for the fiscal year ended December 31, 2021, compared to basic and diluted earnings per share of \$0.21 for the fiscal year ended December 31, 2020.

Impact of Inflation

We do not believe the impact of inflation on our company is material.

Impact of Foreign Currency Fluctuations

Our subsidiaries maintain their books and records in RMB. Our reporting currency is USD. In general, for consolidation purposes, we translate assets and liabilities into USD using the applicable exchange rates prevailing at the balance sheet date, and the statement of income is translated at average exchange rates during the reporting period. Adjustments resulting from the translation of their financial statements are recorded as accumulated other comprehensive income. The foreign currency translation from RMB to USD could materially affect our financial condition and results of operations due to the fluctuation of exchange rate. The exchange rates in effect are shown below:

	December 31, 2022	December 31, 2021	December 31, 2020
Year-end spot rate	US\$1=RMB6.8972	US\$1=RMB6.3640	US\$1=RMB6.5250
Average rate	US\$1=RMB6.7526	US\$1=RMB6.4441	US\$1=RMB6.8878

We did not have any foreign currency investments hedged by currency borrowings or other hedging instruments in the fiscal years ended December 31, 2022, 2021 and 2020.

Taxation**Cayman Islands**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments to holders of our Ordinary Shares.

British Virgin Islands

Under the current laws of the British Virgin Islands, our Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by our British Virgin Islands subsidiary to its shareholders who are not resident in the British Virgin Islands, no British Virgin Islands withholding tax will be imposed.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Under the Hong Kong tax laws, we are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax. We did not generate any assessable profits arising in or derived from Hong Kong for the fiscal years ended December 31, 2022, 2021 and 2020, and accordingly no provision for Hong Kong profits tax was made in these periods.

PRC

Generally, our PRC subsidiaries and the affiliated entities are subject to enterprise income tax on their respective taxable income in China at a statutory rate of 25%. The EIT Law grants preferential tax treatment to 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 was approved as an HNTE in December 2016 and is entitled to a reduced income tax rate of 15%. China Liberal Beijing successfully renewed its HNTE certificate with local tax authority twice and has since continued to enjoy the reduced income tax rate of 15% for another three years until December 2025. Oriental Wisdom has also been accredited as an HNTE and entitled to a reduced income tax rate of 15% since December 2016. The EIT Law is typically enforced through the local tax authority in the 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 year 2020 were reported at a reduced rate of 15% as a result of China Liberal Beijing being approved as a HNTE. The corporate income taxes for fiscal year 2021 were reported at a blended reduced rate as a result of China Liberal Beijing being approved as a HNTE and enjoying a 15% reduced income tax rate, while China Liberal Fujian is subject to a standard 25% income tax rate. The corporate income taxes for China Liberal Beijing was at a reduced income tax rate of 15% and can claim additional tax deductions for certain expenses. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to value-added tax at a rate of 6% on the revenues generated from services provided in the PRC, less any deductible value-added tax we have already paid or borne. We are also subject to surcharges on value-added tax payments in accordance with PRC law.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the relevant tax authority. If our Hong Kong subsidiaries satisfy all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiaries would be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiaries, and dividends payable by our PRC subsidiaries to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China— If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

B. Liquidity and Capital Resources

For the fiscal year ended December 31, 2022, we had cash flow provided by operating activities of approximately \$0.4 million and reported a net loss of approximately \$1.7 million. We had cash of \$13.7 million as of December 31, 2022.

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 December 31, 2022, we had negative working capital of \$1.6 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.

We believe that our current cash and cash flows from operating activities will be sufficient to meet our working capital needs in the next 12 months.

We intend to finance our future working capital requirements and capital expenditures from cash generated from operating activities and funds raised from financing activities. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. We believe that our current cash and cash equivalents, together with our cash generated from operating activities and financing activities will be sufficient to meet our present anticipated working capital requirements and capital expenditures. If our existing cash is insufficient to meet our requirements, we may seek to issue debt or equity securities or obtain additional credit facilities. Financing may be unavailable in the amounts we need or on terms acceptable to us, if at all. Issuance of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business and prospects may suffer.

As a holding company with no material operations of our own, we conduct our operations primarily through our PRC subsidiaries. We are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries in China through capital contributions or loans, subject to the approval of government authorities and limits on the amount of capital contributions and loans. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—*PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay us from using the proceeds of our offerings to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business*” and “Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds—14.E. Use of Proceeds.” The ability of our subsidiaries in China to make dividends or other cash payments to us is subject to various restrictions under PRC laws and regulations. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—*We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business*” and “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—*If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.*”

The following table sets forth a summary of our cash flows for the years ended December 31, 2022, 2021 and 2020:

	For the years ended December 31,		
	2022	2021	2020
Net cash provided by (used in) operating activities	\$ 423,961	\$ (1,412,238)	\$ 635,814
Net cash used in investing activities	(32,642,900)	(7,543)	(1,396,125)
Net cash provided by financing activities	12,986,559	29,056,503	3,965,652
Effect of exchange rate change on cash	204,030	34,250	99,829
Net (decrease) increase in cash	(19,028,350)	27,670,972	3,305,170
Cash, beginning of year	32,678,421	5,007,449	1,702,279
Cash, end of year	<u>\$ 13,650,071</u>	<u>\$ 32,678,421</u>	<u>\$ 5,007,449</u>

Operating activities

Net cash provided by operating activities was \$0.4 million for the year ended December 31, 2022. The difference between our net cash provided by operating activities and our net loss of \$0.9 million was due to share-based compensation of \$2.8 million, increase in accounts receivable of \$1.9 million, increase in advance to suppliers of \$4.2 million and increase in contract liabilities of \$8.3 million, as partially offset by decrease in account payable of \$3.4 million and decrease in accrued expenses and other current liabilities of \$12.1 million.

Net cash used in operating activities was \$1.4 million for the year ended December 31, 2021. The difference between our net cash used in operating activities and our net loss of \$1.2 million was due to decrease in advance to suppliers of \$4.4 million and decrease in accounts receivables of \$1.5 million, as partially offset by increase in contract assets of \$2.8 million, share-based compensation of \$2.3 million and increase in deferred revenue of \$0.5 million.

Net cash provided in operating activities was \$0.6 million for the year ended December 31, 2020. The difference between our net cash from operating activities and our net income of \$1.2 million was due to decrease in advance to suppliers of \$0.8 million, decrease in prepaid expenses and other current assets of \$0.1 million, increase in accounts receivable of \$0.3 million, increase in contract assets of \$0.7 million and increase in deferred revenue of \$0.4 million.

Investing activities

Net cash used in investing activities was \$32.6 million for the year ended December 31, 2022, which was primarily due to acquisitions of subsidiaries of \$31.9 million and purchase of property and equipment of \$0.6 million.

Net cash used in investing activities was \$7,543 for the year ended December 31, 2021, which was primarily due to prepayment in the amount of \$1.5 million for acquiring a company, and purchase of property and equipment of \$4,439, offset by repayment from a related party of \$1.5 million.

Net cash used in investing activities was \$1.4 million for the year ended December 31, 2020, which was primarily due to a \$1.4 million advance to a related party and purchase of property and equipment of \$21,230. The advance was made to our chief executive officer and chairperson of the board of directors, Ms. Ngai Ngai Lam. The advance was made on December 29, 2020 and was interest free. We received full repayment on this advance in January 2021 and has no intention to make additional advance to related parties in the future.

Financing activities

Net cash provided by financing activities was \$13.0 million for the year ended December 31, 2022, which primarily due to net proceeds from issuance of the Ordinary Shares of \$12.0 million and proceeds from loans from third parties of \$1.0 million.

Net cash provided by financing activities was \$29.1 million for the year ended December 31, 2021, which primarily included net proceeds from issuance of Ordinary Shares in the amount of \$29.0 million and proceeds from advance from a related party in the amount of \$9,415.

Net cash provided by financing activities was \$3.9 million for the year ended December 31, 2020, which primarily included net proceeds of \$5.4 million from issuance of Ordinary Shares in our initial public offering, offset by repayment of due from a related party in the amount of \$1.4 million.

Contractual Obligations

The Company leases office spaces for its headquarter office under non-cancelable operating lease agreement with expiration date in May 2023. Lease expense for the years ended December 31, 2022, 2021 and 2020 was \$86,911, \$92,537 and \$158,612, respectively.

As of December 31, 2022 and 2021, the remaining lease term was 5 months and 6 months, respectively. The Company's lease agreements do not provide a readily determinable implicit rate nor is it available to the Company from its lessors. Instead, the Company estimates its incremental borrowing rate based on actual incremental borrowing for 2022 and based on the benchmark lending rate for three-year loans as published by China's central bank for 2021 to discount lease payments to present value. The weighted-average discount rate of the Company's operating leases was 3.85% and 3.95%, as of December 31, 2022 and 2021.

Supplemental balance sheet information related to operating leases was as follows:

	December 31, 2022	December 31, 2021
Right-of-use assets under operating leases	\$ 13,107	\$ 47,617
Operating lease liabilities, current	10,887	47,617
Operating lease liabilities, non-current	-	-
Total operating lease liabilities	<u>\$ 10,887</u>	<u>\$ 47,617</u>

As of December 31, 2022, maturities of lease liability were as follows:

	As of December 31, 2022
Twelve months ending December 31, 2023	\$ 10,909
Total Future minimum lease payments	10,909
Less: Imputed interest	(22)
Total	<u>\$ 10,887</u>

Capital Expenditures

Our capital expenditures on purchase of property and equipment were \$0.6 million, \$4,439 and \$21,230 in 2022, 2021 and 2020, respectively. We intend to fund our future capital expenditures with our existing cash balance and cash flow from operating activities. We will continue to make capital expenditures to meet the expected growth of our business.

Holding Company Structure

China Liberal Education Holdings Limited is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and the affiliated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries. If our subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict its ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their respective retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the PRC GAAP. Pursuant to the law applicable to China's foreign investment enterprise, foreign investment enterprise in the PRC have to make appropriation from their after-tax profit, as determined under PRC GAAP, to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of our subsidiary. Appropriation to the other two reserve funds is at our subsidiaries discretion.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fund-raising activities to our PRC subsidiaries only through loans or capital contributions, subject to the satisfaction of the applicable government registration and approval requirements. See "Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—*PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay us from using the proceeds of our offerings to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.*" As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries when needed.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2022 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information not necessarily to be indicative of future results of operations or financial conditions.

E. Critical Accounting Estimates

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the combined and consolidated financial statements.

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our combined and consolidated financial statements and accompanying notes and other disclosures included in this annual report. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Uses of estimates

In preparing the consolidated financial statements in conformity with U.S. 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 contract assets, advances to suppliers, useful lives of property and equipment, the recoverability of long-lived assets, valuation allowance for deferred tax assets, provision necessary for contingent liabilities and revenue recognition. Actual results could differ from those estimates.

Accounts and contract assets, net

Accounts and contract assets are recorded net of allowance for uncollectible accounts.

We determine 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 December 31, 2022 and 2021, allowance for doubtful accounts was \$0.6 million and nil, respectively.

Our contract assets represents balance derived from 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. We had not incurred any bad debts with Chinese universities / colleges in the past, and consider the contract assets as fully collectible. Thus, there was no allowance recorded on such outstanding contract assets as of December 31, 2022 and 2021.

Revenue recognition

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

To determine revenue recognition for contracts with customers, we perform 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) we satisfy the performance obligation.

We generate our revenue from the following sources:

- *Sino-foreign Jointly-Managed Academic Programs*

We recommend and coordinate accredited international universities / colleges to forge partnerships with Chinese host universities / colleges to establish international education programs at degree level. Chinese host universities / colleges then utilize their existing administrative ability, campus classrooms and facilities to recruit Chinese students into such programs. We also select, recruit and appoint qualified foreign faculty to teach major courses at selected Chinese host universities / colleges and bear all faculty related costs, provide continuing support to foreign faculty, develop and deliver major course content and materials to ensure teaching quality meeting international standards, and to optimize students' learning outcome and to prepare them for further education overseas and help them with course credit conversion in the event that any student decides to pursue further study overseas. We actively support and interact with enrolled students throughout their programs to ensure successful program completion. Our contracts with host Chinese universities/ colleges are fixed price contracts, pursuant to which, we are to receive a fixed portion of tuition for services rendered. As a result of performing the above-mentioned services, we are entitled to receive 12.5% to 50% of such student tuitions depending on the universities / colleges and jointly managed academic programs, which are collected first by Chinese host universities/ colleges from enrolled students at the beginning of each academic school year, and then remitted to us.

With respect to Sino-foreign Jointly Managed Academic Programs, we are not involved in recruiting students, collecting refunding tuition when students dropout, all of which are handled by the host universities / colleges. The host universities / colleges normally offer tuition refund if a student drops out from school within the first month of each academic school year. Collected tuition fees become non-refundable after the one-month refund policy window. Historically, for students enrolled under the Sino-foreign Jointly Managed Academic Programs, the average student dropout rate was below 1%. Our contracts with Chinese host universities / colleges provide that (1) the host universities / colleges will withhold the tuition collected from students for one to three months after the academic school year starts in September, and then remit the portion of tuition fees to us after the student headcounts have been finalized, and (2) the portion of tuition fee that we are entitled to receive is calculated based on the final actual number of students retained with the universities / colleges after any student dropout has been adjusted. Accordingly, any tuition refund has already been deducted by host universities/ colleges before we receive our portion of the tuition fees. For accounting purposes, at the beginning of each academic school year, we initially accrue the estimated refund based on an historical 1% student dropout rate, and make subsequent true-up adjustments after the final number of students retained with the host universities / colleges is determined. Such adjustments were immaterial for the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

Our contracts with Chinese host universities / colleges provide that foreign teachers assigned by us should be substituted, and teaching textbooks, course materials and curriculums should be adjusted in a timely manner in order to ensure a satisfactory teaching result. The Chinese host universities / colleges have the right to withhold our portion of the tuition if we do not take corrective action when our service deficiency is identified. Any costs related to teacher substitution, textbooks, course materials and curriculums adjustment should be borne by us. We maintain active communications with the host universities / colleges in order to obtain feedback on the quality of the services performed. Any service deficiency is being corrected and improved on in a timely manner so as to achieve satisfactory long-term cooperation with the host universities / colleges. Historically, as a result of timely interaction with the host universities / colleges to address any service deficiency and to improve the teaching result, there were no estimable tuition withhold from the host universities/ colleges that needs to be accrued. There were no complaints received from the host universities / colleges with respect to our services for the years ended December 31, 2022, 2021 and 2020, which required material adjustment to the amount of fees received by us.

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

- *Sales of textbooks and course materials*

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

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

- *Overseas Study Consulting Service*

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

- *Technological Consulting Services for Smart Campus Solutions and Technical Support Services for Other Entities*

Under the concept of “creating smart campus”, our technological consulting services utilize the advanced information technology such as cloud computing, mobile internet and big data analytics to provide total solutions to targeted Chinese universities / colleges in order to integrate and improve their teaching, research, student data management, storage and processing, and campus life services, and to optimize their teaching and operating environment and improve operational efficiency. Since late 2020, we also started to provide technical support services to business entities in addition to universities/ colleges to help customers to construct and establish multi-location video conference center and other technical solutions. Our technological consulting and support service contracts are primarily on a fixed-price basis, which require us to perform services including project planning, project solution and design, data management application customization, installations of hardware equipment and components for digital classrooms and academic experiment centers or labs, integration of hardware and software application, and post-contract continuous maintenance support, based on the specific needs from each customer. Upon delivery of services, project completion inspection and customer acceptance are generally required. In the same contract, it may also include provisions that require us to provide post-contract maintenance support for a period ranging from several months to three years after customized solutions and services are delivered.

In addition, for some of our “smart campus” related technological consulting service contracts, there is a difference in the 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.

We evaluate “smart campus” solution service contracts and determine whether these contracts contain multiple performance obligations. A performance obligation is a promise to transfer to the customer either (1) a good or service (or a bundle of goods or services) that is distinct; or (2) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Performance obligations in the agreements are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services or goods is separately identifiable from other promises in the contract.

We determine “smart campus” solution and application customization service, installations of hardware and software components, and post-contract continuous maintenance support, as separate performance obligations in the same fixed-fee contract, because our promise to transfer each of these services is separately identifiable from other promises in the contract and the customer can benefit from each service or goods deliver either on its own or together with other resources that are readily available. We allocate contract revenue to the identified separate units based on their relative standalone selling prices. The standalone selling price is the price at which an entity would sell a promised good or service separately to a customer. Revenue associated with post-contract continuous maintenance support performance obligation is recognized over the time. Revenue associated with the solution and application customization service and installations of hardware and software components are recognized at a point in time upon completion of the performance obligation is satisfied and accepted by the customers. 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.

- *Tailored Job Readiness Training Services*

In 2019, we 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. Similar to Sino-foreign Jointly Managed Academic Programs, we forge partnerships with selected Chinese vocational schools or colleges to provide tailored job readiness training services to students. The partner schools utilize their existing administrative ability, campus classrooms and facilities to recruit students into such training programs. We select, recruit and appoint qualified faculty, trainers or professionals to provide trainings and bears related costs, develop and deliver major training content and materials to students to optimize their learning outcome, improve their social and technical skills, coordinate with employers to provide internship job opportunities to students and eventually help students to find appropriate jobs after completion of the trainings and graduation. We actively support and interacts with enrolled students to achieve successful completion of the trainings, which normally takes several months up to three years. Our contracts with partner schools are fixed price contracts, pursuant to which, we are to receive a fixed portion of training fees for services rendered. The training fees are collected first by partner schools from enrolled students before the training services start, and then remitted to us. We initially record such training service fees as deferred revenue and ratably recognized it as revenue over the training service period as our performance obligations related to teaching, training, management and other supporting services are carried throughout the training period.

- *Course fees*

Course fees are generally received in advance prior to the beginning of each applicable course or program. Course fees are recognized proportionately over the terms of the applicable course or program because the students simultaneously receive and consume the benefits provided by the Company. The portion of course fees received from students but not earned is recorded as deferred revenue. Revenues are reported net of all value added taxes.

The Company’s deferred revenue, which are reflected in its consolidated balance sheets as contract liabilities of \$7.8 million and \$0.3 million as of December 31, 2022 and 2021, respectively, consist primarily of the unsatisfied performance obligations as of the balance sheet dates. The contract liabilities balance as of December 31, 2022 primarily consisted of \$7.5 million deferred revenue associated with course fees and \$0.3 million deferred revenue associated with tailored job readiness training services. The December 31, 2021 deferred revenue balance primarily consisted of deferred revenue associated with Overseas Study Consulting Services.

Income Tax

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

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No penalties or interest relating to income taxes had incurred for the years ended December 31, 2022, 2021 and 2020. All of our tax returns remain subject to examination by the tax authorities for three years from the date of filing.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 was subsequently amended by Accounting Standards Update 2018-19, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses*, Accounting Standards Update 2019-04 *Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, and Accounting Standards Update 2019-05, *Targeted Transition Relief*. For public entities, ASU 2016-13 and its amendments is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For all other entities, this guidance and its amendments will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. 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 2020, the FASB issued ASU 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (ASU 2020-06)*. The amendments in ASU 2020-06 simplify the accounting for convertible instruments by removing major separation models and removing certain settlement condition qualifiers for the derivatives scope exception for contracts in an entity’s own equity, and simplify the related diluted net income per share calculation for both Subtopics. ASU 2020-06 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023, for smaller reporting companies, as defined by the SEC. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is evaluating the impact of this ASU on its consolidated financial statements and disclosures.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Ngai Ngai Lam	55	Chairperson of the Board and Chief Executive Officer
Wenhui Zhuang	37	Chief Financial Officer
Fangzhong Sun	77	Director
Wandong Chen	47	Independent Director
Ngo Yin Tsang	49	Independent Director
Xinyu Deng	42	Independent Director

Ms. Ngai Ngai Lam has served as our director, chairperson of the board of directors and chief executive officer since July 2020. Ms. Lam has served as the chairperson of China Liberal Beijing since January 2015. She has over 25 years of experience in business and has led the growth of China Liberal Beijing since 2015, growing it from a company solely focused on Sino-foreign jointly managed academic programs to one that provides comprehensive educational services with multiple business lines. Ms. Lam graduated from Shishi City Hanjiang Middle School in Fujian, China in 1983.

Mr. Wenhui Zhuang has served as our chief financial officer since April 2019 and the chief finance officer of China Liberal Beijing since March 2019. From February 2017 to February 2019, Mr. Zhuang served as a partner of Yingzhi (Xiamen) Management and Consulting Co., Ltd. From August 2016 to November 2017, Mr. Zhuang served as a project manager of Dingsheng (Xiamen) Investment Co., Ltd. From September 2010 to July 2016, Mr. Zhuang served as a project manager of Bangmeng Huijun Management Consulting (Xiamen) Co., Ltd. Mr. Zhuang received a bachelor’s degree in Accounting from Jimei University in 2010.

Mr. Fangzhong Sun has served as our director since February 2022. Since May 2016, Mr. Fangzhong Sun as served as the Chief Education Specialist and director of China Liberal (Beijing) Education Technology Co., Ltd., a limited liability company formed in the PRC and a wholly owned subsidiary of the Company. Since June 2004, Mr. Fangzhong Sun has served as an expert at the Ministry of Education of the People’s Republic of China. From October 2004 to November 2014, Mr. Fangzhong Sun served as the vice president of China Higher Vocational and Technical Education Research Association. From September 1995 to October 2014, Mr. Sun was the president of Fujian Higher Vocational Education Research Association. Prior to that, Mr. Fangzhong Sun served as the president of Fuzhou Vocational and Technical College from October 2002 to July 2008. In 1984, Mr. Fangzhong Sun participated in the formation of Minjiang Vocational University (“MVU”), and from November 1984 to October 2002, Mr. Fangzhong Sun successively served as Secretary and President of Gulou Branch of MVU, Deputy Secretary of the Party Committee of MVU, Vice President, Executive Vice President, and President of MVU. Mr. Fangzhong Sun obtained his bachelor’s degree in Inorganic Chemical Technology from Fuzhou University in the PRC in 1969.

Ms. *Ngo Yin Tsang* has served as our independent director since May 2020. Since November 2020, Ms. Tsang has been the company secretary and chief financial officer with DTXS Silk Road Investment Holdings Company Limited (HKEX: 620), a public company listed on the Hong Kong Stock

Exchange engaging in auction business, winery, trading, property development and investment in China and Hong Kong. Since April 2014, Ms. Tsang has been the executive director of Good Talent Limited, a Hong Kong-based investment holding company. Since October 2021, Ms. Tsang has been acting as an independent director at Fu Shek Financial Holdings Limited (HKEX: 2263), a company providing securities trading services, placing and underwriting services, and investment advisory services in Hong Kong. From December 2016 to June 2021, Ms. Tsang was the independent non-executive director of Standard Development Group Limited (HKEX: 1867), a public company listed on the Hong Kong Stock Exchange engaging in interior renovation for residential, industrial and commercial properties in Hong Kong. Ms. Tsang has over 20 years of experience in auditing, accounting, corporate governance monitoring and financial management. Ms. Tsang holds a bachelor's degree in Business Administration from Simon Fraser University in Canada in 1999, a bachelor's degree in Law from Tsinghua University in the PRC in 2008, and a master's degree in Law from the University of Wolverhampton in the United Kingdom in 2014. She is a member of the American Institute of Certified Public Accountants and also a member of Hong Kong Institute of Certified Public Accountants.

Mr. *Wandong Chen* has served as our independent director since July 2021. Mr. Wandong Chen has over 17 years of experience in accounting and finance. Mr. Wandong Chen has served as a partner at Moore Stephens Da Hua CPAs since December 2016. Prior to that, Mr. Wandong Chen served as the deputy general manager at Beijing De He CPAs from May 2010 to November 2016. Mr. Chen received his bachelor's degree in accounting from Harbin University of Commerce in 2000.

Ms. *Xinyu Deng* has served as our independent director since July 2021. Since September 2010, Ms. Deng has served as the deputy general counsel at Baomihua.com, a China-based media company, responsible for overseeing the company's regulatory compliance and risk management functions. Prior to that, Ms. Deng served as a lawyer at Beijing Mingtai Law Firm from May 2009 to August 2010 and a lawyer at Yingke Law Firm from January 2005 to April 2009. Ms. Deng received her bachelor's degree in law from Peking University in 2001.

Board Diversity

The table below provides certain information regarding the diversity of our board of directors as of the date of this annual report.

Board Diversity Matrix				
Country of Principal Executive Offices:	China			
Foreign Private Issuer	Yes			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	5			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	3	2	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction	0			
LGBTQ+	0			
Did Not Disclose Demographic Background	1			

B. Compensation

For the fiscal year ended December 31, 2022, we paid an aggregate of \$10,431 in cash to our executive officer and an aggregate of \$13,885 in cash as compensation to our non-executive and independent directors. For the fiscal year ended December 31, 2022, we also granted 1,954,000 Ordinary Shares to executive officers and a total of 796,000 Ordinary Shares to certain non-executive and independent directors, and the corresponding share-based compensation expenses were \$2.0 million and \$0.8 million, respectively. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period, which will be renewed upon both parties' agreement thirty days before the end of the current employment term. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of their employment, conviction of a criminal offense, willful disobedience of a lawful and reasonable order, fraud or dishonesty, receiving bribes, or severe neglect of his or her duties. An executive officer may terminate his or her employment at any time with a one-month prior written notice. Each executive officer has agreed to hold, both during and after the employment agreement expires, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information.

Director Offer Letter Agreements

We have entered into director offer letter agreements with each of our directors. Under these agreements, each of our director shall continue serving as a director until his or her successor is duly elected and qualified. Each membership on the Board may be terminated for any or no reason by a vote of the shareholders holding at least a majority of the shares of the Company's issued and outstanding shares entitled to vote or by a written resolution adopted by the shareholders holding at least a majority of the shares of the Company's issued and outstanding shares entitled to vote. A director may also terminate his or her position on the Board or on any Board committee for any or no reason by delivering a written notice of resignation to the Company. Each director agrees that he or she will hold in trust and confidence all confidential information, as defined under the letter agreement, and will not disclose to others, directly or indirectly, any confidential information or anything relating to such information without the prior written consent of the Company, subject to certain exceptions. The directors are also subject to certain non-competition and non-solicitation provisions under the director offer letter agreements.

2021 Share Incentive Plan

In October 2021, our shareholders approved the 2021 Share Incentive Plan, to provide additional incentives to employees, directors and consultants and promote the success of our business. In December 2021, we granted a total of 1,500,000 Ordinary Shares as awards to certain employees and directors of our Company under our 2021 Share Incentive Plan.

The following paragraphs describe the principal terms of the 2021 Share Incentive Plan.

Types of Awards. The 2021 Share Incentive Plan permits the awards of options, share appreciation rights, share awards, restricted share units, dividend equivalents, or any other type of awards that the administrator decides.

Plan Administration. Our board of directors or a committee designated by the board of directors will act as the plan administrator. The plan administrator will determine the participants who are to receive awards, the type or types of awards to be granted, the number of awards to be granted, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2021 Share Incentive Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our employees, directors and consultants of our company. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our parent companies and subsidiaries.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than in accordance with the exceptions provided in the 2021 Share Incentive Plan, such as transfers by will or the laws of descent and distribution.

Termination and Amendment of the 2021 Share Incentive Plan. Unless terminated earlier, the 2021 Share Incentive Plan has a term of ten years. Our board of directors has the authority to amend or terminate the 2021 Share Incentive Plan. However, no such action may adversely affect in any material way any awards previously granted unless agreed by the relevant grantee.

In December 2021, share awards representing 1,500,000 Ordinary Shares have been issued under the 2021 Share Incentive Plan.

In October 2022, we issued a total of 2,750,000 Ordinary Shares to certain employees, officers and directors of the Company as share incentives.

C. Board Practices

Board of directors

Our board of directors consists of five directors, including three independent directors. A director is not required to hold any shares in our company to qualify to serve as a director. The Listing Rules of the Nasdaq Stock Market generally require that a majority of an issuer's board of directors must consist of independent directors. However, the Listing Rules of the Nasdaq Stock Market permit foreign private issuers like us to follow "home country practice" in certain corporate governance matters. Even though we do not currently rely on this "home country practice" exception, we may consider following home country practice in the future.

Committees of the board of directors

We have established the following committees in our board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee.

The committees operate in accordance with terms of reference established by our board of directors.

Audit Committee. Our audit committee consists of Wandong Chen, Ngo Yin Tsang and Xinyu Deng. Wandong Chen is the chairman of our audit committee. We have determined that Wandong Chen, Ngo Yin Tsang and Xinyu Deng satisfy the “independence” requirements of Section 5605(a)(2) of the Nasdaq Listing Rules and Rule 10A-3 under the Securities Exchange Act. Our board also has determined that Wandong Chen qualifies as an audit committee financial expert within the meaning of the SEC rules or possesses financial sophistication within the meaning of the Nasdaq Listing Rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing any audit problems or difficulties and management’s response with the independent auditors;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of Xinyu Deng, Ngo Yin Tsang and Wandong Chen. Xinyu Deng is the chairperson of our compensation committee. We have determined that Xinyu Deng, Ngo Yin Tsang and Wandong Chen satisfy the “independence” requirements of Section 5605(a)(2) of the Nasdaq Listing Rules and Rule 10A-3 under the Securities Exchange Act. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and recommending compensation packages for our most senior executive officers to the board;
- approving and overseeing compensation packages for our executives other than the most senior executive officers;
- reviewing and recommending to the board with respect to the compensation of our directors;
- reviewing periodically and approving any long-term incentive compensation or equity plans;
- selecting compensation consultants, legal counsel or other advisors after taking into consideration all factors relevant to that person’s independence from management; and
- programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee currently consists of Ngo Yin Tsang, Wandong Chen and Xinyu Deng. Ngo Yin Tsang is the chairperson of our nominating and corporate governance committee. Wandong Chen, Ngo Yin Tsang and Xinyu Deng satisfy the “independence” requirements of Section 5605(a)(2) of the Nasdaq Listing Rules and Rule 10A-3 under the Securities Exchange Act. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing annually with our board of directors its current composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to our board the directors to serve as members of committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to our board of directors on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties and Functions of Directors

Under Cayman Islands law, all of our directors owe three types of duties to us: (i) statutory duties, (ii) fiduciary duties, and (iii) common law duties. The Companies Act (As Revised) of the Cayman Islands imposes a number of statutory duties on a director. A Cayman Islands director’s fiduciary duties are not codified, however, the courts of the Cayman Islands have held that a director owes the following fiduciary duties: (a) a duty to act in what the director bona fide considers to be in the best interests of the company, (b) a duty to exercise their powers for the purposes they were conferred, (c) a duty to avoid fettering his or her discretion in the future and (d) a duty to avoid conflicts of interest and of duty. The common law duties owed by a director are those to act with skill, care and diligence that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and, also, to act with the skill, care and diligence in keeping with a standard of care commensurate with any particular skill they have which enables them to meet a higher standard than a director without those skills. In fulfilling their duty of care to us, our directors must ensure compliance with our amended and restated articles of association, as amended and restated from time to time. We have the right to seek damages if a duty owed by any of our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others, (i) convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings, (ii) declaring dividends and other distributions, (iii) appointing officers and determining their terms of offices and responsibilities, and (iv) approving the transfer of shares of our company, including the registering of such shares in our share register.

Terms of Directors and Officers

Each of our directors holds office until a successor has been duly elected and qualified or upon his earlier resignation or removal, unless the director was appointed by the board of directors, in which case such director holds office until the next following annual meeting of shareholders at which time such director is eligible for reelection. All of our executive officers are appointed by and serve at the discretion of our board of directors.

Family Relationships

There is no family relationship among any of our directors or executive officers as defined in Item 401 of Regulation S-K.

D. Employees

We had 369 employees as of December 31, 2022, which included 112 part-time teachers. We had 27 and 41 full-time employees as of December 31, 2021 and 2020, respectively. All of our employees are based in the PRC. The following table sets forth a breakdown of our employees by function as of December 31, 2022:

Functions:	As of December 31, 2022	
	Number	% of Total
Management	14	3.8
Teaching (include 112 full-time teachers and 112 part-time teachers)	224	60.7
Sales	12	3.3
Technical support	5	1.4
Operations	14	3.8
Administrative	100	27.1
Total	369	100.0

E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our Ordinary Shares as of May 4, 2023 by:

- each of our directors and executive officers; and
- each of our principal shareholders who beneficially own more than 5% of our total outstanding Ordinary Shares. The calculations in the table below are based on 31,598,333 Ordinary Shares issued and outstanding as of May 4, 2023.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

Directors and Executive Officers:	Number	Ordinary Shares	
		Percentage of total Ordinary Shares	Percentage of aggregate voting power*
Ngai Ngai Lam ⁽¹⁾	5,995,942	18.98%	18.98%
Wenhui Zhuang	—	—%	—%
Fangzhong Sun	16,000	0.051%	0.051%
Ngo Yin Tsang	13,000	0.041%	0.041%
Wandong Chen	8,000	0.025%	0.025%
Xinyu Deng	8,000	0.025%	0.025%
All Directors and Executive Officers as a Group:	6,040,942	19.122%	19.122%
5% Shareholders:			
Ever Alpha Global Limited ⁽¹⁾	5,995,942	18.98%	18.98%
Mingbo Zhou ⁽²⁾	2,000,000	6.33%	6.33%

Notes:

- * For each person included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person by the voting power of all of our Ordinary Shares as a single class.

Unless otherwise indicated, the address of our directors and executive officers is Room 805, Block 15, No A1 Chaoqian Road, Science and Technology Park, Changping District, Beijing, the PRC.

- (1) Represents 5,995,942 Ordinary Shares held by Ever Alpha Global Limited, which is 100% owned by Ms. Ngai Ngai Lam. The registered address of Ever Alpha Global Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town Tortola, VG1110, British Virgin Islands.
- (2) The address of Mingbo Zhou is Room 805, Building 15, No. A1 Chaoqian Road, Changping District, Beijing, China.

To our knowledge, as of May 4, 2023, a total of 22,780,391 Ordinary Shares are held by two record holders in the United States, including CEDE&CO, representing approximately 72.09% of our total outstanding shares.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Due to related parties

As of December 31, 2022 and 2021, the balance due to related parties are comprised of advances from the Company’s principal shareholders, Ms. Ngai Ngai Lam and Mr. Mingbo Zhou, which were used for working capital during the Company’s normal course of business. These advances were non-trade in nature, unsecured, interest free and repayable on demand. Due to related parties amounted to \$390,550 and \$23,557 as of December 31, 2022 and 2021, respectively.

Employment Agreements

See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Employment Agreements.”

Share Incentive Plan

See “Item 6. Directors, Senior Management and Employees—B. Compensation—2021 Share Incentive Plan.”

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

We are currently not involved in any material legal or administrative proceedings. From time to time, we may be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Such legal or administrative claims and proceedings, even if without merit, could result in the expenditure of financial and management resources and potentially result in civil liability for damages.

Dividend Policy

We do not have any present plan to pay any cash dividends on our Ordinary Shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us.

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Our Ordinary Shares have been listed on the Nasdaq Capital Market since May 8, 2020 under the symbol “CLEU.”

B. Plan of Distribution

Not applicable.

C. Markets

Our Ordinary Shares have been listed on the Nasdaq Capital Market since May 8, 2020 under the symbol “CLEU.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands and our affairs are governed by our Amended and Restated Memorandum and Articles of Association, as amended and restated from time to time, and Companies Act (As Revised) of the Cayman Islands, which we refer to as the Companies Act below, and the common law of the Cayman Islands.

We incorporate by reference into this annual report our Amended and Restated Memorandum and Articles of Association, the form of which was filed as Exhibit 3.1 and 3.2 to our registration statement on Form F-1 (File Number 333-233016) filed with the U.S. Securities and Exchange Commission on August 5, 2019, as amended. Our shareholders adopted our Amended and Restated Memorandum and Articles of Association by a special resolution in July 2019, which became effective immediately prior to completion of our initial public offering of Ordinary Shares.

The following are summaries of material provisions of our Amended and Restated Memorandum and Articles of Association and the Companies Act insofar as they relate to the material terms of our Ordinary Shares.

Board of Directors

See “Item 6. Directors, Senior Management and Employees.”

Ordinary Shares

General

Our authorized share capital is US\$50,000 divided into 50,000,000 Ordinary Shares. All of our issued and outstanding Ordinary Shares are fully paid and non-assessable. Our Ordinary Shares are issued in registered form, and are issued when registered in our register of members.

Dividends

The holders of our Ordinary Shares are entitled to such dividends as may be declared by our board of directors and shareholders pursuant to our Amended and Restated Memorandum and Articles of Association and the Companies Act. Subject to the provisions of the Companies Act and any rights attaching to any class or classes of shares under and in accordance with our Amended and Restated Memorandum and Articles of Association: (a) the directors may declare dividends in accordance with the respective rights of the shareholders and authorize payment of the same out of the funds of the Company lawfully available therefore; and (b) shareholders may, by ordinary resolution, declare dividends (including interim dividends) in accordance with the respective rights of the shareholders but no such dividend shall exceed the amount recommended by the directors. Under the laws of the Cayman Islands, our company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

Subject to any rights or restrictions as to voting attached to any shares, unless any share carries special voting rights, on a show of hands every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote. On a poll, every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote for each share of which he or the person represented by proxy is the holder. In addition, all shareholders holding shares of a particular class are entitled to vote at a meeting of the holders of that class of shares. Votes may be given either personally or by proxy.

Transfer of Ordinary Shares

Subject to the restrictions contained in our Amended and Restated Memorandum and Articles of Association, any shareholder may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by any Designated Stock Exchange (as defined under our articles) or in any other form approved by our board of directors and may be under hand or, if the transferor or transferee is a Clearing House (as defined under our articles), by hand or by electronic machine imprinted signature or by such other manner of execution as the our board of directors may approve from time to time.

Our board of directors may, in its absolute discretion, and without giving any reason therefore, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- a fee of such maximum sum as any Designated Stock Exchange (as defined under our articles) may determine to be payable or such lesser sum as our board of directors may from time to time require is paid to us in respect thereof;
- the instrument of transfer is in respect of only one class of shares;
- the ordinary shares are fully paid and free of any lien;
- the instrument of transfer is lodged at the registered office or such other place at which the register of members is kept in accordance with the accompanied by any relevant share certificate(s) and/or such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- if applicable, the instrument of transfer is duly and properly stamped.

If our directors refuse to register a transfer, they are required, within one month after the date on which the instrument of transfer was lodged, to send to the transferee notice of such refusal.

The registration of transfers of shares or of any class of shares may, after compliance with any notice requirement of any Designated Stock Exchange (as defined under our Amended and Restated Memorandum and Articles of Association), be suspended and our register of members be closed at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as our board of directors may determine. This, however, is unlikely to affect market transactions of the Ordinary Shares purchased by investors in the public offering. Since our Ordinary Shares are listed on the Nasdaq, the legal title to such Ordinary Shares and the registration details of those Ordinary Shares in our register of members remain with Transshare Corporation. All market transactions with respect to those Ordinary Shares will then be carried out without the need for any kind of registration by the directors, as the market transactions will all be conducted through the Transshare Corporation systems.

Liquidation

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the excess shall be distributed *pari passu* amongst the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that, as nearly as may be, the losses are borne by our shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. The foregoing is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

Inspection of Books and Records

Holders of our Ordinary Shares will have no general right under the Companies Act to inspect or obtain copies of our register of members or our corporate records (other than the register of mortgages).

General Meeting of Shareholders

Our annual general meeting shall be held in each year (other than the year in which our articles were adopted) at such time as determined by our board of directors and we may, but shall not (unless required by the Companies Act) be obliged to, in each year hold any other general meeting.

Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders but a general meeting may be called by shorter notice, subject to the Companies Act, if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all the shareholders entitled to attend and vote thereat; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the shareholders having the right to attend and vote at the meeting together holding not less than ninety-five percent (95%) of all votes attaching to all the issued shares giving that right.

A quorum required for and throughout a meeting of shareholders consists of shareholders entitled to vote upon the business to be transacted at the meeting present in person or by proxy or in the case of a shareholder being a corporation, by its duly authorized representative, holding not less than an aggregate of one-third in nominal value of our total issued voting shares entitled to vote upon the business to be transacted.

Exempted Company

We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- is not required to make its register of members open to inspection by shareholders;
- does not have to hold an annual general meeting;
- may issue bearer shares or shares with no par value (subject to the provisions of the Companies Act);
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance); and
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder's shares of the company, except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company,” “Item 7.

Major Shareholders and Related Party Transactions—B. Related Party Transactions” or elsewhere in this annual report.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Exchange.”

E. Taxation

The following summary of the British Virgin Islands, the Cayman Islands, Hong Kong, PRC and U.S. federal income tax considerations of an investment in the Ordinary Shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax considerations relating to an investment in the Ordinary Shares, such as the tax considerations under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the British Virgin Islands, the People's Republic of China and the United States.

Unless otherwise noted in the following discussion, this section is the opinion of H&J Law Firm, our PRC counsel, insofar as it relates to legal conclusions with respect to matters of People's Republic of China Enterprise Taxation.

British Virgin Islands

The British Virgin Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. No stamp duty is payable in the British Virgin Islands on the issue of shares by, or any transfers of shares of, British Virgin Islands companies (except those which hold interests in land in the British Virgin Islands).

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us or holders of our Ordinary Shares levied by the government of the Cayman Islands, except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of Ordinary Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of Ordinary Shares, nor will gains derived from the disposal of Ordinary Shares be subject to Cayman Islands income or corporation tax.

Hong Kong

Our subsidiaries incorporated in Hong Kong, Boya Hong Kong and Wanzhong HK, are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Under the Hong Kong tax laws, we are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax. We did not generate any assessable profits arising in or derived from Hong Kong for the fiscal years ended December 31, 2022, 2021 and 2020, and accordingly no provision for Hong Kong profits tax was made in these periods.

People's Republic of China Taxation

Enterprise Income Tax

According to the EIT Law, which was promulgated by the Standing Committee of the National People's Congress on March 16, 2007, and became effective on January 1, 2008, and then amended on February 24, 2017 and December 29, 2018, and the *Implementation Rules of the EIT Law*, or the Implementation Rules, which were promulgated by the State Council on December 6, 2007, became effective on January 1, 2008 and was last amended on April 23, 2019, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises pay enterprise income tax on their incomes obtained in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no institutions in the PRC, and non-resident enterprises with income having no substantial connection with their institutions in the PRC, pay enterprise income tax on their income obtained in the PRC at a reduced rate of 10%.

We are a holding company incorporated in the Cayman Islands and we gain substantial income by way of dividends paid to us from our PRC subsidiaries. The EIT Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential tax rate or a tax exemption.

Under the EIT Law, an enterprise established outside of China with a "de facto management body" within China is considered a "resident enterprise," which means that it is treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define "de facto management body" as a managing body that actually, comprehensively manage and control the production and operation, staff, accounting, property and other aspects of an enterprise, the only official guidance for this definition currently available is set forth in the *Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management*, or SAT Notice 82, which provides guidance on the determination of the tax residence status of a Chinese-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although China Liberal does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of SAT Notice 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in SAT Notice 82 to evaluate the tax residence status of China Liberal and its subsidiaries organized outside the PRC.

According to SAT Notice 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (i) the places where senior management and senior management departments that are responsible for daily production, operation and management of the enterprise perform their duties are mainly located within the territory of China; (ii) financial decisions (such as money borrowing, lending, financing and financial risk management) and personnel decisions (such as appointment, dismissal and salary and wages) are decided or need to be decided by organizations or persons located within the territory of China; (iii) main property, accounting books, corporate seal, the board of directors and files of the minutes of shareholders’ meetings of the enterprise are located or preserved within the territory of China; and (iv) one half (or more) of the directors or senior management staff having the right to vote habitually reside within the territory of China.

We believe that we do not meet some of the conditions outlined in the immediately preceding paragraph. For example, as a holding company, the key assets and records of China Liberal Education Holdings Limited, including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities. Accordingly, we believe that China Liberal and its offshore subsidiaries should not be treated as a “resident enterprise” for PRC tax purposes if the criteria for “de facto management body” as set forth in SAT Notice 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body” as applicable to our offshore entities, we will continue to monitor our tax status.

The implementation rules of the EIT Law provide that, (i) if the enterprise that distributes dividends is domiciled in the PRC or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or gains are treated as China-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for PRC tax purposes, any dividends we pay to our overseas shareholders which are non-resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%. We are unable to provide a “will” opinion because H&J Law Firm, our PRC counsel, believes that it is more likely than not that the Company and its offshore subsidiaries would be treated as a non-resident enterprise for PRC tax purposes because they do not meet some of the conditions outlined in SAT Notice. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities as of the date of this annual report. Therefore, we believe that it is possible but highly unlikely that the income received by our overseas shareholders will be regarded as China-sourced income. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—*If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.*”

Generally, PRC entities are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%. The EIT Law grants preferential tax treatment to 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 was approved as an HNTE in December 2016 and is entitled to a reduced income tax rate of 15%. China Liberal Beijing successfully renewed its HNTE certificate with local tax authority twice and will continue to enjoy the reduced income tax rate of 15% for another three years until December 2025. Oriental Wisdom has also been accredited as an HNTE and entitled to a reduced income tax rate of 15% since December 2016. The EIT Law is typically enforced through 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 years 2022, 2021 and 2020 were reported at a reduced rate of 15% as a result of China Liberal Beijing and Oriental Wisdom being approved as HNTEs. The EIT is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards. If the PRC tax authorities determine that China Liberal Beijing is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises.

In addition, non-resident enterprise shareholders may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of our Ordinary Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends or gains realized by non-PRC individuals, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of the Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that the Company is treated as a PRC resident enterprise. There is no guidance from the PRC government to indicate whether or not any tax treaties between the PRC and other countries would apply in circumstances where a non-PRC company was deemed to be a PRC tax resident, and thus there is no basis for expecting how tax treaty between the PRC and other countries may impact non-resident enterprises.

Value-added Tax

Pursuant to the *Provisional Regulations on Value-Added Tax of the PRC*, or the VAT Regulations, which were promulgated by the State Council on December 13, 1993, and took effect on January 1, 1994, and were amended on November 10, 2008, February 6, 2016, and November 19, 2017, respectively, and the *Rules for the Implementation of the Provisional Regulations on Value Added Tax of the PRC*, which were promulgated by the MOF, on December 25, 1993, and were amended on December 15, 2008, and October 28, 2011, respectively, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the People’s Republic of China are taxpayers of value-added tax. The VAT rate is 13% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods, except otherwise specified; 9% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods, except otherwise specified; 6% for taxpayers selling services or intangible assets.

According to *Announcement of the State Taxation Administration on Matters Relating to Deepening the VAT Reform* (Announcement [2019] No.14 of the State Taxation Administration), or the Announcement, issued by the State Administration of Taxation, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 16% to 13% and from 10% to 9%, respectively. The Notice took effect on April 1, 2019, and the adjusted VAT rates took effect at the same time.

The *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* on March 23, 2016, which took effect on May 1, 2016 and last amended in 2019. Pursuant to such circular, the Value Added Tax Pilot Program has been applicable nationwide since May 1, 2016.

According to the VAT Regulations and the related rules, as of the date of this annual report, as a taxpayer selling services, China Liberal Beijing is generally subject to 6% VAT rate. We are subject to value-added tax at a rate of 6% on the revenues generated from services provided in the PRC, less any deductible value-added tax we have already paid or borne. We are also subject to surcharges on value-added tax payments in accordance with PRC law.

Dividend Withholding Tax

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to an *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes*, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the *Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties*, or the SAT Circular 81, issued on February 20, 2009, by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the *Circular on Several Questions regarding the "Beneficial Owner" in Tax Treaties*, which was issued on February 3, 2018, by the SAT and took effect on April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. The Measures for the Administration of Non-resident Taxpayers' Enjoyment of Treaty Benefits, or SAT Circular 35, which was promulgated by the State Administration of Taxation on October 14, 2019 and became effective on January 1, 2020 provides that non-resident taxpayers' enjoyment of treaty benefits shall be handled in the manner of "self-assessment, claim for and enjoyment of treaty benefits, and retention of relevant materials for review". If a non-resident taxpayer determines through self-assessment that he or she is eligible for treaty benefits, he or she may, when filing tax returns, or when a withholding agent file withholding returns, enjoy tax treaty benefits, and collect and retain relevant materials for review in accordance with the provisions of SAT Circular 35 and accept the follow-up administration of tax authorities.

As of the date of this annual report, when considered as a non-PRC resident investor, which is much more likely to happen than not, Boya Hong Kong shall be subject to the dividend withholding tax at the rate of 10%. Upon identified as the Hong Kong resident enterprise stipulated by the Double Tax Avoidance Arrangement and other applicable laws, the withholding tax may be reduced to 5%.

United States Federal Income Tax Considerations

The following does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- persons that elect to mark their securities to market;
- U.S. expatriates or former long-term residents of the U.S.;
- governments or agencies or instrumentalities thereof;

- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding our Ordinary Shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting power or value (including by reason of owning our Ordinary Shares);
- persons who acquired our Ordinary Shares pursuant to the exercise of any employee share option or otherwise as compensation;
- persons holding our Ordinary Shares through partnerships or other pass-through entities;
- beneficiaries of a Trust holding our Ordinary Shares; or
- persons holding our Ordinary Shares through a Trust.

The discussion set forth below is addressed only to U.S. Holders (defined below) that own our Ordinary Shares. Prospective purchasers are urged to consult their own tax advisors about the application of the U.S. federal income tax rules to their particular circumstances as well as the state, local, foreign and other tax consequences to them of the purchase, ownership and disposition of our Ordinary Shares.

Material Tax Consequences Applicable to U.S. Holders of Our Ordinary Shares

The following sets forth the material U.S. federal income tax consequences related to the ownership and disposition of our Ordinary Shares. It is directed to U.S. Holders (as defined below) of our Ordinary Shares and is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This description does not deal with all possible tax consequences relating to ownership and disposition of our Ordinary Shares or U.S. tax laws, other than the U.S. federal income tax laws, such as the tax consequences under non-U.S. tax laws, state, local and other tax laws.

The following brief description applies only to U.S. Holders (defined below) that hold Ordinary Shares as capital assets and that have the U.S. dollar as their functional currency. This brief description is based on the federal income tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The brief description below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of Ordinary Share and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our Ordinary Shares, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partnerships and partners of a partnership holding our Ordinary Shares are urged to consult their tax advisors regarding an investment in our Ordinary Shares.

Taxation of Dividends and Other Distributions on our Ordinary Shares

Subject to the PFIC (defined below) rules discussed below, the gross amount of distributions made by us to you with respect to the Ordinary Shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). With respect to corporate U.S. Holders, the dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the Ordinary Shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are not a PFIC (defined below) for either our taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. Because there is no income tax treaty between the United States and the Cayman Islands, clause (1) above can be satisfied only if the Ordinary Shares are readily tradable on an established securities market in the United States. Under U.S. Internal Revenue Service authority, Ordinary Shares are considered for purpose of clause (1) above to be readily tradable on an established securities market in the United States because they are listed on the Nasdaq Capital Market. You are urged to consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our Ordinary Shares, including the effects of any change in law after the date of this annual report.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to our Ordinary Shares will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

As of the date of this annual report, we have not declared any dividends or made any distributions to our shareholders or U.S. investors. To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your Ordinary Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Taxation of Dispositions of Ordinary Shares

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the Ordinary Shares. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the Ordinary Shares for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes which will generally limit the availability of foreign tax credits.

Passive Foreign Investment Company (“PFIC”) Consequences

A non-U.S. corporation is considered a PFIC, as defined in Section 1297(a) of the U.S. Internal Revenue Code, for any taxable year if either:

- at least 75% of its gross income for such taxable year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. In determining the value and composition of our assets for purposes of the PFIC asset test, the value of our assets must be determined based on the market value of our Ordinary Shares from time to time, which could cause the value of our non-passive assets to be less than 50% of the value of all of our assets on any particular quarterly testing date for purposes of the asset test.

Based on our operations and the composition of our assets, we do not expect to be treated as a PFIC for U.S. federal income tax purposes for our current taxable year. We must make a separate determination each year as to whether we are a PFIC, however, and there can be no assurance with respect to our status as a PFIC for our current taxable year or any future taxable year. Depending on the amount of assets held for the production of passive income, it is possible that, for our current taxable year or for any subsequent taxable year, more than 50% of our assets may be assets held for the production of passive income. We will make this determination following the end of any particular tax year. In addition, because the value of our assets for purposes of the asset test will generally be determined based on the market price of our Ordinary Shares, our PFIC status will depend in large part on the market price of our Ordinary Shares. Accordingly, fluctuations in the market price of the Ordinary Shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend our liquid assets. We are under no obligation to take steps to reduce the risk of our being classified as a PFIC, and as stated above, the determination of the value of our assets will depend upon material facts (including the market price of our Ordinary Shares from time to time) that may not be within our control. If we are a PFIC for any year during which you hold Ordinary Shares, we will continue to be treated as a PFIC for all succeeding years during which you hold Ordinary Shares. If we cease to be a PFIC and you did not previously make a timely “mark-to-market” election as described below, however, you may avoid some of the adverse effects of the PFIC regime by making a “purging election” (as described below) with respect to the Ordinary Shares.

If we are a PFIC for your taxable year(s) during which you hold Ordinary Shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Ordinary Shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Ordinary Shares;
- the amount allocated to your current taxable year, and any amount allocated to any of your taxable year(s) prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each of your other taxable year(s) will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Ordinary Shares cannot be treated as capital, even if you hold the Ordinary Shares as capital assets.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election under Section 1296 of the US Internal Revenue Code for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for first taxable year which you hold (or are deemed to hold) Ordinary Shares and for which we are determined to be a PFIC, you will include in your income each year an amount equal to the excess, if any, of the fair market value of the Ordinary Shares as of the close of such taxable year over your adjusted basis in such Ordinary Shares, which excess will be treated as ordinary income and not capital gain. You are allowed an ordinary loss for the excess, if any, of the adjusted basis of the Ordinary Shares over their fair market value as of the close of the taxable year. However, such ordinary loss is allowable only to the extent of any net mark-to-market gains on the Ordinary Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to any loss realized on the actual sale or disposition of the Ordinary Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Ordinary Shares. Your basis in the Ordinary Shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “— Taxation of Dividends and Other Distributions on our Ordinary Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including the Nasdaq Capital Market. If the Ordinary Shares are regularly traded on the Nasdaq Capital Market and if you are a holder of Ordinary Shares, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election under Section 1295(b) of the US Internal Revenue Code with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold Ordinary Shares in any taxable year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such Ordinary Shares, including regarding distributions received on the Ordinary Shares and any gain realized on the disposition of the Ordinary Shares.

If you do not make a timely “mark-to-market” election (as described above), and if we were a PFIC at any time during the period you hold our Ordinary Shares, then such Ordinary Shares will continue to be treated as stock of a PFIC with respect to you even if we cease to be a PFIC in a future year, unless you make a “purging election” for the year we cease to be a PFIC. A “purging election” creates a deemed sale of such Ordinary Shares at their fair market value on the last day of the last year in which we are treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, you will have a new basis (equal to the fair market value of the Ordinary Shares on the last day of the last year in which we are treated as a PFIC) and holding period (which new holding period will begin the day after such last day) in your Ordinary Shares for tax purposes.

IRC Section 1014(a) provides for a step-up in basis to the fair market value for our Ordinary Shares when inherited from a decedent that was previously a holder of our Ordinary Shares. However, if we are determined to be a PFIC and a decedent that was a U.S. Holder did not make either a timely qualified electing fund election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) our Ordinary Shares, or a mark-to-market election and ownership of those Ordinary Shares are inherited, a special provision in IRC Section 1291(e) provides that the new U.S. Holder’s basis should be reduced by an amount equal to the Section 1014 basis minus the decedent’s adjusted basis just before death. As such if we are determined to be a PFIC at any time prior to a decedent’s passing, the PFIC rules will cause any new U.S. Holder that inherits our Ordinary Shares from a U.S. Holder to not get a step-up in basis under Section 1014 and instead will receive a carryover basis in those Ordinary Shares.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in our Ordinary Shares and the elections discussed above.

Information Reporting and Backup Withholding

Dividend payments with respect to our Ordinary Shares and proceeds from the sale, exchange or redemption of our Ordinary Shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding under Section 3406 of the U.S. Internal Revenue Code with at a current flat rate of 24%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information. We do not intend to withhold taxes for individual shareholders. However, transactions effected through certain brokers or other intermediaries may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

Under the Hiring Incentives to Restore Employment Act of 2010, certain U.S. Holders are required to report information relating to our Ordinary Shares, subject to certain exceptions (including an exception for Ordinary Shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold Ordinary Shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC registration statement on Form F-1 (File Number 333-233016), as amended, to register our Ordinary Shares in relation to our initial public offering. We also previously filed with the SEC registration statement on Form F-1 (File Number 254146), as amended, to register our Ordinary Shares in relation to our follow-on offering.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov. The SEC maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

In accordance with Rule 5250(d) of the Nasdaq Listing Rules, we will post this annual report on Form 20-F on our website <http://ir.chinaliberal.com>. In addition, we will provide hardcopies of our annual report free of charge upon request.

I. Subsidiary Information

For a listing of our subsidiaries, see "Item 4. Information on the Company—C. Organizational Structure."

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

You should read the following information in conjunction with Item 5, "Operating and Financial Review and Prospects;" Item 3, "Risk Factors;" and our consolidated financial statements, including the related notes thereto, both of which are included elsewhere in this annual report on Form 20-F. The following discussion about our financial risk management activities includes "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected in these forward-looking statements.

Foreign Exchange Risk

Substantially all of our revenues and most of our expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our Ordinary Shares will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our Ordinary Shares will be traded in U.S. dollars.

The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our Ordinary Shares, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

As of December 31, 2022, we had U.S. dollar-denominated cash and cash equivalents of US\$11.7 million. A 10% depreciation of U.S. dollar against the Renminbi based on the foreign exchange rate on December 31, 2022 would result in a decrease of RMB8.1 million in cash and cash equivalents. A 10% appreciation of U.S. dollar against the Renminbi based on the foreign exchange rate on December 31, 2021 would result in an increase of RMB8.1 million in cash and cash equivalents.

Interest Rate Risk

Fluctuations in market interest rates may negatively affect our financial condition and results of operations. We have not been exposed to material risks due to changes in market interest rates as we do not currently have borrowings.

Inflation risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for 2020, 2021 and 2022 were increases of 2.5%, 3.1% and 2.0%, respectively. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Seasonality

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

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, due to the material weakness identified below, as of December 31, 2022, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all potential misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management, including our chief executive officer and chief financial officer, assessed the effectiveness of internal control over financial reporting as of December 31, 2022 using the criteria set forth in the report “Internal Control—Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the management concluded that our internal control over financial reporting was ineffective as of December 31, 2022 because of the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual consolidated financial statements will not be prevented or detected on a timely basis. The material weakness identified relate to (i) a lack of accounting staff and resources with appropriate knowledge of generally accepted accounting principles in the United States (“U.S. GAAP”) and SEC reporting and compliance requirements; (ii) a lack of sufficient documented financial closing policies and procedures; (iii) lack of risk assessment in accordance with the requirement of COSO 2013 framework; (iv) a lack of an effective review process by the accounting manager which led to material audit adjustments to the financial statements; and (v) lack of communications between management and the Board of Directors with respect to approval for significant related party transactions.

To remedy our identified material weakness subsequent to December 31, 2022, we plan to undertake steps to strengthen our internal control over financial reporting, including (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework; (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; (iii) setting up an internal audit function as well as engaging an external consulting firm to assist us with assessment of Sarbanes-Oxley compliance requirements and improvement of overall internal control. However, we cannot assure you that we will remediate our material weaknesses in a timely manner, or at all. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—*If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our Ordinary Shares may be materially and adversely affected.*”

As a company with less than US\$1.235 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company’s internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of our registered public accounting firm due to rules of the SEC where domestic and foreign registrants that are non-accelerated filers, which we are, and “emerging growth companies” which we also are, are not required to provide the auditor attestation report.

Changes in Internal Control

Other than as described above, there were no material changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED.]

ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Wandong Chen, chairman of our audit committee and an independent director (under the standards set forth in Nasdaq Stock Market Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act), is an audit committee financial expert.

ITEM 16.B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to all of our directors, officers, employees, including certain provisions that specifically apply to our principal executive officer, principal financial officer or controller and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 of our registration statement on Form F-1 (File Number: 333-233016), as amended, initially filed with the SEC on August 5, 2019.

ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Audit Alliance LLP, our independent registered public accounting firm, for the periods indicated.

**Audit Alliance LLP
Services**

	Years Ended December 31,	
	2021	2022
	US\$	US\$
Audit Fees ⁽¹⁾	150,000	165,000
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	-	-
Other fees ⁽⁴⁾	-	-
Total	<u>150,000</u>	<u>165,000</u>

Note:

- (1) “Audit fees” means the aggregate fees billed for professional services rendered by our principal accounting firm for the audit of our annual financial statements, the review of our comparative interim financial statements and registration statement related work.
- (2) “Audit-related fees” means the aggregate fees billed for professional services rendered by our principal accounting firm for the assurance and related services, which mainly included the audit and review of financial statements and are not reported under “Audit fees” above.
- (3) “Tax fees” means the aggregate fees billed for professional services rendered by our principal accounting firm for tax compliance, tax advice and tax planning.
- (4) “Other fees” means the aggregate fees incurred in each of the fiscal years listed for the professional tax services rendered by our principal accounting firm other than services reported under “Audit fees,” “Audit-related fees” and “Tax fees.”

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firms including audit services, audit-related services, tax services, and other services as described above.

ITEM 16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16.F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

On December 20, 2021, the Company appointed Audit Alliance LLP as its independent registered public accounting firm, effective on the same day. Audit Alliance LLP replaces Friedman LLP, the former independent registered public accounting firm, which the Company dismissed on December 20, 2021. The appointment of Audit Alliance LLP was made after a careful consideration and evaluation process was undertaken by the Company and has been approved by the audit committee of the board of directors of the Company and the board of directors of the Company. The Company’s decision to make this change was not the result of any disagreement between the Company and Friedman LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The audit report of Friedman on the consolidated financial statements of the Company as of December 31, 2020 and for the fiscal year ended December 31, 2020 did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, scope of accounting principles.

(b) During the two most recent fiscal years of the Company and any subsequent interim periods prior to the engagement of Audit Alliance, neither the Company, nor someone on behalf of the Company, has consulted Audit Alliance regarding either (a) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, and neither a written report was provided to the Company nor oral advice was provided that Audit Alliance concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or any matter that was the subject of a disagreement as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16F of Form 20-F, or any reportable events as described in Item 16F(a)(1)(v) of Form 20-F.

ITEM 16.G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the Nasdaq Capital Market, we are subject to the Nasdaq Capital Market corporate governance listing standards. However, Nasdaq Capital Market rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq Capital Market corporate governance listing standards.

Nasdaq Listing Rule 5635 generally provides that shareholder approval is required of U.S. domestic companies listed on the Nasdaq Capital Market prior to issuance (or potential issuance) of securities (i) equaling 20% or more of the company's common stock or voting power for less than the greater of market or book value (ii) resulting in a change of control of the company; and (iii) which is being issued pursuant to a stock option or purchase plan to be established or materially amended or other equity compensation arrangement made or materially amended. Notwithstanding this general requirement, Nasdaq Listing Rule 5615(a)(3)(A) permits foreign private issuers to follow their home country practice rather than these shareholder approval requirements. The Cayman Islands do not require shareholder approval prior to any of the foregoing types of issuances. The Company, therefore, is not required to obtain such shareholder approval prior to entering into a transaction with the potential to issue securities as described above. The Board of Directors of the Company has elected to follow the Company's home country rules as to such issuances and will not be required to seek shareholder approval prior to entering into such a transaction. Also pursuant to the home country rule exemption set forth under Nasdaq Listing Rule 5615, we elected to be exempted from Nasdaq Listing Rules 5605 with respect to the composition requirement of the board of directors, audit committee, compensation committee and nominating committee. Currently, a majority of our board members are independent. However, if we change our board composition such that independent directors do not constitute a majority of our board of directors, our shareholders may be afforded less protection than they would otherwise enjoy under Nasdaq's corporate governance requirements applicable to U.S. domestic issuers. See "Item 3. Key Information—D. Risk Factors—Risks Related to the Trading Market— *Because we are a foreign private issuer and are exempt from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer.*"

Other than as described in this section, our corporate governance practices do not differ from those followed by domestic companies listed on the Nasdaq Capital Market.

ITEM 16.H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16.I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of China Liberal Education Holdings Limited are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Amended and Restated Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.1 to the registration statement on Form F-1 (File No. 333-233016), as amended, initially filed with the SEC on August 5, 2019).
1.2	Amended and Restated Memorandum of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1 (File No. 333-233016), as amended, initially filed with the SEC on August 5, 2019).
2.1	Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1 (File No. 333-233016), as amended, initially filed with the SEC on August 5, 2019).
2.2	Registrant's Form of Ordinary Share Purchase Warrant (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-233016), as amended, initially filed with the SEC on August 5, 2019).
2.3	Description of Securities (incorporated herein by reference to Exhibit 2.3 to the annual report on Form 20-F (File No. 001-39259), as amended, initially filed with the SEC on April 30, 2021).
4.1	Form of Employment Agreement between the Registrant and an executive officer of the Registrant (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-233016), as amended, initially filed with the SEC on August 5, 2019).
4.2	Unofficial English Translation of the IGEC Program Agreement with Strait College, dated July 8, 2013, with Two Amendments dated May 21, 2015 and November 16, 2017, respectively (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1 (File No. 333-233016), as amended, initially filed with the SEC on August 5, 2019).
4.3	Unofficial English Translation of the Smart Campus Agreement with FMP, dated August 29, 2017, with One Amendment dated December 18, 2018 2016 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-233016), as amended, initially filed with the SEC on August 5, 2019).
4.4	Unofficial English Translation of the Smart Campus Agreement with FMP (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form F-1 (File No. 333-254146), as amended, initially filed with the SEC on March 11, 2021).
4.5	Form of Director Offer Letter Agreement between the Registrant and the directors of the Registrant. (incorporated herein by reference to Exhibit 4.21 to the annual report on Form 20-F (File No. 001-39259), as amended, initially filed with the SEC on April 30, 2021).

Table of Contents

4.6	Stock Purchase Agreement, dated June 9, 2022, by and among the Company, China Liberal Beijing, Oriental Wisdom, and Beijing Cloud Class Technology Co. (incorporated herein by reference to Exhibit 10.1 to the Report of foreign issuer on Form 6-K (File No. 001-39259), filed with the SEC on June 10, 2022)
4.7	Stock Purchase Agreement, dated February 1, 2022, by and among the Company, Wanwang, Xiaoshi Huang, and Thrive Shine Limited (incorporated herein by reference to Exhibit 1 to the Report of foreign issuer on Form 6-K (File No. 001-39259), filed with the SEC on February 3, 2022)
4.8*	English Translation of the Cooperation Agreement, dated July 5, 2016, by and between Minjiang University and Fujian Wanzhong, on the formation of IEN College, as amended on July 8, 2016 and January 10, 2017
4.9*	English Translation of the Cooperation Agreement, dated September 8, 2009, by and between Minjiang University and Fujian Wanzhong, on the formation of Strait College, as amended on June 25, 2014
8.1*	List of Subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-233016), as amended, initially filed with the SEC on August 5, 2019)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following financial statements from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags
104 *	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

China Liberal Education Holdings Limited

Dated: May 15, 2023

By: /s/ Ngai Ngai Lam
Name: Ngai Ngai Lam
Title: Chief Executive Officer and Chairperson of the Board
of Directors
(Principal Executive Officer)

INDEX TO FINANCIAL STATEMENTS
CHINA LIBERAL EDUCATION HOLDINGS LIMITED AND SUBSIDIARIES

TABLE OF CONTENTS

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm (PCAOB ID: 3487)	F-2
Report of Independent Registered Public Accounting Firm (PCAOB ID: 711)	F-3
Consolidated Balance Sheets as of December 31, 2022 and 2021	F-4
Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2022, 2021 and 2020	F-5
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2022, 2021 and 2020	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020	F-7
Notes to Consolidated Financial Statements	F-8



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A Top 18 Audit Firm
10 Anson Road, #20-16 International Plaza, Singapore 079903.

UEN: T12LL1223B GST Reg No: M90367663E Tel: (65) 6227 5428
Website: www.allianceaudit.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
China Liberal Education Holdings Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of China Liberal Education Holdings Limited and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity, and cash flows for the year ended December 31, 2022 and 2021, including the related notes and schedules (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Material Uncertainty Related to Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As disclosed in Note 2 to the financial statements, the Company incurred a net loss of US\$1,688,903 for the financial year ended 31 December 2022, as of December 31, 2022, the Company’s current liabilities exceeded its current assets by US\$1,577,013 and as of December 31, 2022, the Company’s accumulated loss by US\$1,828,205. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern and therefore they may not be able to realize their assets and discharge their liabilities in the normal course of business.

The validity of the going concern basis on which the financial statements are prepared is dependent on certain assumptions and the successful outcome of the Company’s various efforts as disclosed in Note 2 to the financial statements. The assumptions are premised on future events, the outcome of which are inherently uncertain. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Audit Alliance LLP

We have served as the Company’s auditor since 2021.

Singapore
May 15, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
China Liberal Education Holdings Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operation and comprehensive income, changes in stockholders' equity, and cash flows of China Liberal Education Holdings Limited and its subsidiaries (collectively, the "Company") for the year ended December 31, 2020, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ Friedman LLP

We have served as the Company's auditor since 2018 to 2021.

New York, New York
April 30, 2021

CHINA LIBERAL EDUCATION HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 13,650,071	\$ 32,678,421
Account receivables, net	1,047,809	2,462,550
Contract assets	-	2,014,146
Advance to suppliers	44,105	4,525,794
Prepayment to acquire subsidiaries	-	1,492,772
Inventories, net	193,738	201,091
Prepaid expenses and other current assets, net	3,475,714	175,956
TOTAL CURRENT ASSETS	\$ 18,411,437	\$ 43,550,730
NON-CURRENT ASSETS		
Goodwill	73,676,370	-
Property and equipment, net	10,194,930	35,384
Land use right, net	1,269,436	-
Intangible assets, net	423,272	-
Right-of-use assets	13,107	47,617
TOTAL NON-CURRENT ASSETS	\$ 85,577,115	\$ 83,001
TOTAL ASSETS	\$ 103,988,552	\$ 43,633,731
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Account payables	\$ 878,429	\$ 169,137
Contract liabilities	7,772,227	291,833
Short-term bank loans	20,784	-
Taxes payable	1,354,965	740,966
Due to related parties	390,550	23,557
Lease liability	10,887	47,617
Loans from third parties	975,716	-
Accrued expenses and other current liabilities	8,584,892	402,233
TOTAL CURRENT LIABILITIES	\$ 19,988,450	\$ 1,675,343
NON-CURRENT LIABILITY		
Contingent consideration	21,515,801	-
TOTAL LIABILITY	\$ 41,504,251	\$ 1,675,343
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized, 31,598,333 and 13,848,333 shares issued and outstanding at December 31, 2022 and 2021, respectively	\$ 31,598	\$ 13,848
Additional paid-in capital	63,191,010	40,686,311
Statutory reserve	1,006,384	719,804
(Accumulated losses) retained earnings	(1,828,205)	147,278
Accumulated other comprehensive income	83,514	391,147
Total shareholders' equity	\$ 62,484,301	\$ 41,958,388
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 103,988,552	\$ 43,633,731

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

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

	For the years ended December 31,		
	2022	2021	2020
REVENUE	\$ 11,603,300	\$ 3,909,546	\$ 5,023,099
COST OF REVENUE	(5,598,048)	(1,149,148)	(2,157,033)
GROSS PROFIT	<u>6,005,252</u>	<u>2,760,398</u>	<u>2,866,066</u>
OPERATING EXPENSES			
Allowance for doubtful accounts	(734,750)	-	-
Selling expenses	(384,885)	(152,759)	(229,656)
General and administrative expenses	(6,270,504)	(3,778,329)	(1,199,690)
Total operating expenses	<u>(7,390,139)</u>	<u>(3,931,088)</u>	<u>(1,429,346)</u>
(LOSS) INCOME FROM OPERATIONS	<u>(1,384,887)</u>	<u>(1,170,690)</u>	<u>1,436,720</u>
OTHER INCOME			
Interest income	22,150	94,195	101,257
Other income (expenses), net	133,874	126,648	(26,035)
Total other income, net	<u>156,024</u>	<u>220,843</u>	<u>75,222</u>
(LOSS) INCOME BEFORE INCOME TAXES	<u>(1,228,863)</u>	<u>(949,847)</u>	<u>1,511,942</u>
INCOME TAX EXPENSE	(460,040)	(300,034)	(303,246)
NET (LOSS) INCOME	<u>\$ (1,688,903)</u>	<u>\$ (1,249,881)</u>	<u>\$ 1,208,696</u>
COMPREHENSIVE (LOSS) INCOME			
Total currency translation differences arising from consolidation	(307,633)	232,001	471,554
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (1,996,536)</u>	<u>\$ (1,017,880)</u>	<u>\$ 1,680,250</u>
(Loss) earnings per share			
Basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.12)</u>	<u>\$ 0.21</u>
Weighted average number of shares outstanding			
Basic and diluted	<u>23,687,374</u>	<u>10,368,563</u>	<u>5,852,459</u>

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

CHINA LIBERAL EDUCATION HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Ordinary shares		Additional paid in capital	Statutory reserve	Retained earnings (accumulated losses)	Accumulated other comprehensive (loss) income	Total shareholders' equity
	Shares	Amount					
Balance as of December 31, 2019	5,000,000	\$ 5,000	\$ 4,579,116	\$ 379,952	\$ 528,315	\$ (312,408)	\$ 5,179,975
Issuance of ordinary shares in initial public offering, net	1,333,333	1,333	4,779,371	-	-	-	4,780,704
Net income	-	-	-	-	1,208,696	-	1,208,696
Appropriation to statutory reserve	-	-	-	171,194	(171,194)	-	-
Foreign currency translation gain	-	-	-	-	-	471,554	471,554
Balance as of December 31, 2020	<u>6,333,333</u>	<u>\$ 6,333</u>	<u>\$ 9,358,487</u>	<u>\$ 551,146</u>	<u>\$ 1,565,817</u>	<u>\$ 159,146</u>	<u>\$ 11,640,929</u>
Issuance of ordinary shares, net	6,000,000	6,000	29,041,088	-	-	-	29,047,088
Share-based compensation	1,515,000	1,515	2,286,736	-	-	-	2,288,251
Net loss	-	-	-	-	(1,249,881)	-	(1,249,881)
Appropriation to statutory reserve	-	-	-	168,658	(168,658)	-	-
Foreign currency translation gain	-	-	-	-	-	232,001	232,001
Balance as of December 31, 2021	<u>13,848,333</u>	<u>\$ 13,848</u>	<u>\$ 40,686,311</u>	<u>\$ 719,804</u>	<u>\$ 147,278</u>	<u>\$ 391,147</u>	<u>\$ 41,958,388</u>
Issuance of ordinary shares, net	8,000,000	8,000	11,981,949	-	-	-	11,989,949
Issuance of ordinary shares for acquisition	7,000,000	7,000	7,693,000	-	-	-	7,700,000
Share-based compensation	2,750,000	2,750	2,829,750	-	-	-	2,832,500
Net loss	-	-	-	-	(1,688,903)	-	(1,688,903)
Appropriation to statutory reserve	-	-	-	286,580	(286,580)	-	-
Foreign currency translation loss	-	-	-	-	-	(307,633)	(307,633)
Balance as of December 31, 2022	<u>31,598,333</u>	<u>\$ 31,598</u>	<u>\$ 63,191,010</u>	<u>\$ 1,006,384</u>	<u>\$ (1,828,205)</u>	<u>\$ 83,514</u>	<u>\$ 62,484,301</u>

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

CHINA LIBERAL EDUCATION HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	2022	2021	2020
Cash flows from operating activities			
Net (loss) income	\$ (1,688,903)	\$ (1,249,881)	\$ 1,208,696
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation of property and equipment	638,612	18,652	15,891
Amortization of intangible assets	32,365	-	-
Amortization of land use right	15,690	-	-
Non-cash lease expenses	86,911	91,386	41,524
Loss from disposal of property and equipment	-	607	37,468
Share-based compensation	2,832,500	2,288,251	-
Changes in operating assets and liabilities:			
Accounts receivable, net	1,932,649	(1,504,828)	(343,165)
Contract receivable, net	1,898,236	2,781,603	(719,615)
Advance to suppliers	4,223,766	(4,355,926)	756,846
Inventory, net	(8,368)	199	(185,985)
Prepaid expenses and other current assets	(3,050,385)	33,653	128,658
Accounts payable	(3,438,152)	40,239	66,961
Contract liabilities	8,336,652	462,253	(421,834)
Taxes payable	649,753	90,150	191,373
Operating lease liabilities	97,222	(67,754)	(60,907)
Accrued expenses and other current liabilities	(12,134,951)	(40,842)	(80,097)
Net cash provided by (used in) operating activities	423,597	(1,412,238)	635,814
Cash flows from investing activities			
Purchase of property and equipment	(612,955)	(4,439)	(21,230)
Prepayment for acquisitions	-	(1,474,217)	-
Advance to a related party	-	-	(1,374,895)
Acquisitions of subsidiaries, net of cash	(31,938,273)	-	-
Repayment of advance from related parties	-	1,471,113	-
Net cash used in investing activities	(32,551,228)	(7,543)	(1,396,125)
Cash flows from financing activities			
Proceeds from advance from a related party	-	9,415	-
Proceeds from loans from third parties	996,610	-	-
Repayment of due to a related party	(91,308)	-	(1,439,799)
Net proceeds from issuance of ordinary shares	11,989,949	29,047,088	5,405,451
Net cash provided by financing activities	12,895,251	29,056,503	3,965,652
Effect of changes of foreign exchange rates on cash	204,030	34,250	99,829
Net (decrease) increase in cash	(19,028,350)	27,670,972	3,305,170
Cash, beginning of year	32,678,421	5,007,449	1,702,279
Cash, end of year	\$ 13,650,071	\$ 32,678,421	\$ 5,007,449
Supplemental disclosure of cash flow information:			
Cash paid for interest expense	\$ 2,399	\$ 40,555	\$ 2,697
Cash paid for income tax	-	-	\$ 20,775
Supplemental disclosure of non-cash investing and financing activities			
Right-of-use assets obtained in exchange for operating lease obligations	-	-	\$ 180,528

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

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

NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION

China Liberal Education Holdings Limited (“China Liberal” or the “Company”) was 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 Liberal Beijing Education Group Co., Limited (“Boya Hong Kong”), formerly known as Haier International Investment Holding Limited, was incorporated in accordance with the laws and regulations of Hong Kong on May 11, 2011, and changed to its current name on July 19, 2016. Yi Xin BVI owns 100% equity interest in Boya Hong Kong.

China Liberal, Yi Xin BVI and Boya Hong Kong are currently not engaging in any active business operations and 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 (“WFOE”) in the People’s Republic of China (the “PRC” or “China”), 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. The Company borrowed cash from a related party to make this acquisition payment. After this transaction, China Liberal Beijing became a 100% owned subsidiary of Boya Hong Kong.

China Liberal Fujian Education Technology Group Co., Ltd (“China Liberal Fujian”) was formed on April 19, 2021 in the PRC, with the registered capital of RMB50 million (\$7.9 million). China Liberal Beijing owns 100% equity interest in China Liberal Fujian.

On July 14, 2022, the Company closed the transactions contemplated by the Stock Purchase Agreement entered into on June 9, 2022 by and among the Company, China Liberal Beijing, Oriental Wisdom Cultural Development Co., Ltd., the acquired company (“Oriental Wisdom”), and Beijing Cloud Class Technology Co., Ltd., the seller of the acquired company, and completed its acquisition of Oriental Wisdom, an integrated education services provider focusing on operating jointly-managed academic programs in the vocational higher education industry in China.

On September 2, 2022, the Company closed the transactions contemplated by the Stock Purchase Agreement entered into on February 1, 2022 by and among the Company, Wanwang Investment Limited, the acquired company (“Wanwang”), Xiaoshi Huang and Thrive Shine Limited, the sellers of the acquired company, and completed its acquisition of Wanwang. Wanwang, through its subsidiaries, operates two colleges, Fuzhou Melbourne Polytechnic (“FMP”) and Strait College of Mingjiang University (“Strait College”).

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

The Company, through its wholly-owned subsidiaries, is primarily engaged in providing educational services in 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 (see Note 2). 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.

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

NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION

Details of the subsidiaries of the Company as of December 31, 2022 were set out below:

Name of Entity	Date of Incorporation	Place of Incorporation	% of Ownership	Principal Activities
China Liberal	February 25, 2019	Cayman Islands	Parent	Investment holding
Yi Xin BVI	October 19, 2010	BVI	100%	Investment holding
Boya Hong Kong	May 11, 2011	Hong Kong	100%	Investment holding
China Liberal Beijing	August 8, 2011	Beijing, PRC	100%	Education service provider
China Liberal Fujian	April 19, 2021	Fuzhou, PRC	100%	Education service provider
Oriental Wisdom	August 17, 2009	Beijing, PRC	100%	Education service provider
Wanwang	March 23, 2018	BVI	100%	Holding company
Wan Zhong (H. K.) Education Investment Co., Ltd (“Wan Zhong”)	July 20, 2016	Hong Kong	100%	Holding company
Fujian Wanzhong Education Investment Management Co., Ltd (“Fujian Wanzhong”)	December 12, 2008	Fujian, China	100%	Holding company
Aiways Automobile	September 29, 2022	Cayman Islands	100%	Investment holding
Aiways Merger Sub	September 29, 2022	Cayman Islands	100%	Investment holding
FMP	January 24, 2017	Fujian, China	Control through agreements	Education program to college students
Strait College	September 1, 2009	Zhejiang, China	Control through agreements	Education program to college students

NOTE 2 — GOING CONCERN UNCERTAINTIES

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

The financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. As disclosed the financial statements, the Company incurred a net loss of US\$1,688,903 for the fiscal year ended December 31, 2022. As of December 31, 2022, the Company’s current liabilities exceeded its current assets by US\$1,577,013 and the Company’s accumulated loss by US\$1,828,205. The continuation of the Company as a going concern through the next twelve months is dependent upon the continued financial support from its shareholders.

These conditions raise substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties. Management believes that the actions presently being taken to obtain additional funding and implement its strategic plan provides the opportunity for the Company to continue as a going concern.

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

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries. All inter-company balances and transactions are eliminated upon consolidation.

Uses of estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. 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.

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

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.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity

For the years ended December 31, 2022 and 2021, the Company had a net loss. For the year ended December 31, 2021, the Company had a negative cash flow from operations. As of December 31, 2022, the Company had cash of approximately \$13.7 million. The Company's liquidity is influenced by the level of its operations, the numerical volume and dollar value of its sales contracts, the progress of execution on its customer contracts, and the timing of accounts receivable collections. Management believes that the Company's current cash as of December 31, 2022 will be sufficient to meet its working capital needs for at least the next 12 months from the date of this filing.

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 and Hong Kong. Cash maintained in banks within the PRC of less than RMB0.5 million (equivalent to \$72,493) per bank are covered by "deposit insurance regulation" promulgated by the State Council of the People's Republic of China. Cash maintained in banks in Hong Kong of less than HKD0.5 million (equivalent to \$64,090) per bank are covered by "deposit insurance scheme" oversee by a statutory body, Hong Kong Deposit Protection Board, established under the Deposit Protection Scheme Ordinance. As of December 31, 2022 and 2021, cash at bank in Hong Kong amounted to \$11.7 million and \$31.9 million, respectively.

Account receivables and contracts assets, net

Account receivables 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 December 31, 2022 and 2021, allowance for doubtful accounts was \$0.6 million and nil, respectively.

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

Note 3 — 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. Advances to suppliers are short-term in nature and are reviewed periodically to determine whether their carrying value has become impaired. As of December 31, 2022 and 2021, there was no allowance recorded as the Company considers all of the advances to be fully realizable.

Inventories

Inventories as of December 31, 2022 and 2021 mainly consists of computer components to be sold within our Technological Consulting and Support Services revenue stream. Inventories are stated at the lower of cost or net realizable value. Costs include the cost of raw materials, freight, direct labor and related production overhead. The cost of inventories is calculated using the weighted average method. Any excess of the cost over the net realizable value of each item of inventories is recognized as a provision for diminution in the value of inventories.

Net realizable value is the estimated selling price in the normal course of business less any costs to complete and sell products. The Company evaluates inventories on a yearly basis for its net realizable value adjustments, and reduces the carrying value of those inventories that are obsolete or in excess of the forecasted usage to their estimated net realizable value based on various factors including aging and future demand of each type of inventories. The Company recorded inventory reserve of \$6,308 and \$1,114 as of December 31, 2022 and 2021, respectively.

Lease

The Company determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments. As the interest rate implicit in the Company’s leases is not readily determinable, the Company utilizes its borrowing rates set by the Central Bank of the People’s Republic of China, determined by class of underlying asset, to discount the lease payments.

The Company leases premises for offices under non-cancellable operating leases. Right-of-use assets are expensed over the term of lease. The Company leases do not include options to extend nor any restrictions or covenants. The Company has historically been able to renew its office leases. Under the terms of the lease agreements, the Company has no legal or contractual asset retirement obligations at the end of the lease.

Impairment of long-lived Assets

Long-lived assets with finite lives, primarily property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition below are the asset’s carrying value, then the asset is deemed to be impaired and written down to its fair value. There were no impairments of these assets as of December 31, 2022 and 2021.

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

Note 3 — 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 as of December 31, 2022 and 2021 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.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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
Building	50 years
Transportation vehicles	5 years
Electronic equipment	5 years

Construction-in-progress represents property and buildings under construction and consists of construction expenditures, equipment procurement, and other direct costs attributable to the construction. Construction-in-progress is not depreciated. Upon completion and ready for intended use, construction-in-progress is reclassified to the appropriate category within property, plant, and equipment.

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.

Land use rights

Land use rights are stated at cost less accumulated amortization, which are amortized using the straight-line method with the estimated useful lives of 50 years.

Goodwill

In accordance with ASC 350, Intangibles - Goodwill and Other, the Company assesses goodwill for impairment annually as of December 31, and more frequently if events and circumstances indicate that goodwill might be impaired.

Goodwill impairment testing is performed at the reporting unit level. Goodwill is assigned to reporting units at the date the goodwill is initially recorded. Once goodwill has been assigned to reporting units, it no longer retains its association with a particular acquisition, and all of the activities within a reporting unit, whether acquired or internally generated, are available to support the value of the goodwill.

Traditionally, goodwill impairment testing is a two-step process. Step one involves comparing the fair value of the reporting units to its carrying amount. If the carrying amount of a reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount is greater than the fair value, the second step must be completed to measure the amount of impairment, if any. Step two involves calculating an implied fair value of goodwill.

The Company determines the fair value of its reporting units using an income approach. Under the income approach, the Company determined fair value based on estimated discounted future cash flows of each reporting unit. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, discount rates and future market conditions, among others.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Intangible assets

Intangible assets consist primarily of online courses and software copyrights. Intangible assets are stated at cost less accumulated amortization, which are amortized using the composite life method with the estimated useful lives of 10 years.

Accounts payable

Accounts payable represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

Borrowings

Borrowings are recognized initially at fair value, net of upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees. Upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees are recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated income statements over the estimated term of the facilities using the effective interest method.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent consideration

The Company accounts for “contingent consideration” according to FASB ASC 805, “Business Combinations” (“FASB ASC 805”). Contingent consideration typically represents the acquirer’s obligation to transfer additional assets or equity interests to the former owners of the acquiree if specified future events occur or conditions are met. FASB ASC 805 requires that contingent consideration be recognized at the acquisition-date fair value as part of the consideration transferred in the transaction. FASB ASC 805 uses the fair value definition in Fair Value Measurements, which defines fair value 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. As defined in FASB ASC 805, contingent consideration is (i) an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquiree as part of the exchange for control of the acquiree, if specified future events occur or conditions are met or (ii) the right of the acquirer to the return of previously transferred consideration, if specified conditions are met.

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.

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.

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 years ended December 31, 2022, 2021 and 2020, respectively.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- *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 years ended December 31, 2022, 2021 and 2020 which required material adjustment to the amount of fees received by the Company.

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

Sales of textbooks and course materials

In order to ensure the quality of the course content to meet international standards, the Company has developed, edited, and published 12 English textbooks and course materials with emphasis on language training, and sells these textbooks and course materials to students enrolled under the Sino-foreign joint education programs. Revenue from sales of textbooks and related course materials is recognized upon delivery of textbooks and course materials, which is when the risks and titles are transferred and the Company's performance obligation is satisfied.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (Continued)

- *Overseas Study Consulting Service*

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

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (Continued)

- *Technological Consulting and Support Services*

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. Since late 2020, the Company also started to provide technical support services to business entities in addition to universities/ colleges to help customers to construct and establish multi-location video conference center and other technical solutions. The Company's technological consulting and support 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 solutions and services are delivered.

In addition, some of the Company's 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.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (Continued)

- *Technological Consulting and Support Services (continued)*

We evaluate “smart campus” solution service contracts and determines whether these contracts contain multiple performance obligations. A performance obligation is a promise to transfer to the customer either (1) a good or service (or a bundle of goods or services) that is distinct; or (2) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Performance obligations in the agreements are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services or goods is separately identifiable from other promises in the contract.

We determine “smart campus” solution and application customization service, installations of hardware and software components, and post-contract continuous maintenance support, as separate performance obligations in the same fixed-fee contract, because our promise to transfer each of these services is separately identifiable from other promises in the contract and the customer can benefit from each service or goods deliver either on its own or together with other resources that are readily available. We allocate contract revenue to the identified separate units based on their relative standalone selling price. The standalone selling price is the price at which an entity would sell a promised good or service separately to a customer. Revenue associated with post-contract continuous maintenance support performance obligation is recognized over the time. Revenue associated with the solution and application customization service and installations of hardware and software components are recognized at a point in time upon completion of the performance obligation is satisfied and accepted by the customers. 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.

- *Tailored job readiness training services*

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. Similar to Sino-foreign jointly-managed academic programs, the Company forges partnerships with selected Chinese vocational schools or colleges to provide tailored job readiness training services to students. The partner schools utilize their existing administrative ability, campus classrooms and facilities to recruit students into such training programs. The Company selects, recruits and appoints qualified faculty, trainers or professionals to provide trainings and bears related costs, develops and delivers major training content and materials to students to optimize their learning outcome, improve their social and technical skills, coordinate with employers to provide internship job opportunities to students and eventually help students to find appropriate jobs after completion of the trainings and graduation. The Company actively supports and interacts with enrolled students to ensure successful completion of the trainings, which normally takes several months up to three years. The Company’s contracts with partner schools are fixed price contracts, pursuant to which, the Company is to receive a fixed portion of training fees for services rendered. The training fees are collected first by partner schools from enrolled students before the training services get started, and then remitted to the Company. The Company initially records such training service fees as deferred revenue and ratably recognized it as revenue over the training service period as the Company’s performance obligations related to teaching, training, management and other supporting services are carried throughout the training period.

- *Course fees*

Course fees are generally received in advance prior to the beginning of each applicable course or program. Course fees are recognized proportionately over the terms of the applicable course or program because the students simultaneously receive and consume the benefits provided by the Company. The portion of course fees received from students but not earned is recorded as deferred revenue. Revenues are reported net of all value added taxes.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (Continued)

Contract Balances and Remaining Performance Obligations

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

The Company's contract assets, consist primarily of account receivable related to providing educational services associated with technological consulting services for smart campus solutions to Chinese universities / colleges, 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 contract assets of nil and \$2.0 million as of December 31, 2022 and 2021, respectively, primarily derived from providing technological consulting services for smart campus solutions to Chinese universities / colleges.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (Continued)

Contract Balances and Remaining Performance Obligations (continued)

The Company's deferred revenue, which are reflected in its consolidated balance sheets as contract liabilities of \$7.8 million and \$0.3 million as of December 31, 2022 and 2021, respectively, consist primarily of the unsatisfied performance obligations as of the balance sheet dates. The contract liabilities balance as of December 31, 2022 primarily consisted of \$7.5 million deferred revenue associated with course fees and \$0.3 million deferred revenue associated with tailored job readiness training services. The deferred revenue balance as of December 31, 2021 primarily consisted of deferred revenue associated with Overseas Study Consulting Services.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the years ended December 31, 2022, 2021 and 2020. The Company does not believe there was any uncertain tax provision as of December 31, 2022 and 2021.

The Company’s operating subsidiaries in China are subject to the income tax laws of the PRC. No significant income was generated outside the PRC for the fiscal years ended December 31, 2022, 2021 and 2020. As of December 31, 2022, all of the tax returns of the Company’s PRC subsidiaries 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 subsidiaries ranged from 3% to 6%.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company applies ASC 718 (“ASC 718”), Compensation - Stock Compensation, to account for its employee share-based payments. In accordance with ASC 718, the Company determines whether an award should be classified and accounted for as a liability award or an equity award. All the Company’s share-based awards to employees were classified as equity awards.

In accordance with ASC 718, the Company recognizes share-based compensation cost for equity awards to employees with a performance condition based on the probable outcome of that performance condition. Compensation cost is recognized if it is probable that the performance condition will be achieved.

A change in any of the terms or conditions of the awards is accounted for as a modification of the awards. Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the fair value of the awards and other pertinent factors at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurs. For unvested awards, the Company recognizes over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. If the fair value of the modified award is lower than the fair value of the original award immediately before modification, the minimum compensation cost the Company recognizes is the cost of the original award. When the vesting conditions (or other terms) of the equity awards granted to employees are modified, the Company first determines on the modification date whether the original vesting conditions were expected to be satisfied, regardless of the entity’s policy election for accounting for forfeitures. If the original vesting conditions were not expected to be satisfied, the grant date fair value of the original equity awards are ignored and the fair value of the equity awards measured at the modification date are recognized if the modified awards ultimately vest.

The Company uses the accelerated method to recognize compensation expense for all awards granted. The Company determined the fair value of the awards granted to employees. The Group adopted ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, (“ASU 2016-09”) and elected to account for forfeitures as they occur.

Earnings (loss) per share

Basic EPS is measured as net income (loss) divided by the weighted average ordinary shares outstanding for the period. Diluted presents the dilutive effect on a per share basis of potential ordinary 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 ordinary 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 years ended December 31, 2022, 2021 and 2020, there were no dilutive shares.

Related parties

Parties, which can be a corporation or individuals, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Foreign currency translation

The functional currency for China Liberal, Yi Xin BVI, Wanwang, Boya Hong Kong and Wan Zhong is the U.S Dollar (“US\$”). However, China Liberal, Yi Xin BVI, Wanwang, Boya Hong Kong and Wan Zhong currently only serve as the holding companies and did not have active operation as of December 31, 2022. The Company operates primarily through its subsidiaries and the affiliated entities in the PRC, and the functional currency for these companies in China is the Chinese Yuan (“RMB”). The Company’s consolidated financial statements have been translated into the reporting currency 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:

	December 31, 2022	December 31, 2021	December 31, 2020
Year-end spot rate	US\$1=RMB6.8972	US\$1=RMB6.3640	US\$1=RMB6.5250
Average rate	US\$1=RMB6.7526	US\$1=RMB6.4441	US\$1=RMB6.8878

Comprehensive income (loss)

Comprehensive income consists of two components, net income and other comprehensive income (loss). The foreign currency translation gain or loss resulting from translation of the financial statements expressed in RMB to US\$ is reported in other comprehensive income (loss) in the consolidated statements of income and comprehensive income.

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

Note 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Cash Flows

In accordance with ASC 230, “Statement of Cash Flows”, cash flows from the Company’s operations are formulated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheets.

Recent accounting pronouncements

The Company considers the applicability and impact of all 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, the Company plans to adopt this guidance effective January 1, 2023. The Company is currently evaluating the impact of the pending adoption of ASU 2016-13 on the Company’s consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (ASU 2020-06). The amendments in ASU 2020-06 simplify the accounting for convertible instruments by removing major separation models and removing certain settlement condition qualifiers for the derivatives scope exception for contracts in an entity’s own equity, and simplify the related diluted net income per share calculation for both Subtopics. ASU 2020-06 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023, for smaller reporting companies, as defined by the SEC. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is evaluating the impact of this ASU on its consolidated financial statements and disclosures.

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

NOTE 4 – BUSINESS COMBINATIONS

During the year ended December 31, 2022, the Company completed two acquisitions. These acquisitions are expected to strengthen the Company's business expansion and to generate synergy with the Company's organic business. The results of the acquired entities' operations have been included in the Company's consolidated financial statements since their respective dates of acquisition. The Company completed the valuation necessary to assess the fair value of the acquired assets and liabilities, resulting from which the amounts of goodwill were determined and recognized as of the respective acquisition dates.

Management has recorded a total provisional goodwill of \$73,676,370 arising from the two acquisitions below. The final goodwill arising from the above acquisitions is dependent on the completion of the valuation of the assets acquired and liabilities assumed (including any intangible assets). Adjustments to the provisional amount may be required upon finalisation of the valuation of net assets. There is a twelvemonth period to finalise the purchase price allocation, accordingly we noted that Management's assessment is provisional at this time.

Goodwill arising from the business combinations, which are not tax deductible, are mainly attributable to synergies expected to be achieved from the acquisitions.

On July 14, 2022, the Company closed the transactions contemplated by the Stock Purchase Agreement entered into on June 9, 2022 by and among the Company, China Liberal Beijing, Oriental Wisdom, and Beijing Cloud Class Technology Co., Ltd., the seller of the acquired company, and completed its acquisition of Oriental Wisdom at a total consideration of \$9.9 million (consisted of issuance of 7 million ordinary shares worth \$7.7 million at \$1.10 per ordinary share and contingent consideration of \$2.2 million). Oriental Wisdom is an integrated education services provider focusing on operating jointly managed academic programs in the vocational higher education industry in China.

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	For the year ended December 31, 2022
Cash	\$ 4,467
Accounts receivable	687,612
Other receivables	23,211
Property and equipment, net	34,192
Intangible assets, net	468,482
Right-of-use assets, net	233,467
Total assets	\$ 1,451,431
Accounts payable	\$ (1,028,338)
Short-term bank loans	(409,572)
Taxes payable	(35,425)
Due to related parties	(82,909)
Lease liability	(45,551)
Accrued expenses and other current liabilities	(1,631,183)
Less: Total liabilities	\$ (3,232,978)
Net tangible liabilities	\$ (1,781,547)
Goodwill	11,681,547
Total fair value of purchase price allocation	\$ 9,900,000
Consideration in the form of shares	\$ 7,700,000
Contingency consideration	2,200,000
Total consideration	\$ 9,900,000

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

On September 2, 2022, the Company closed the transactions contemplated by the Stock Purchase Agreement entered into on February 1, 2022 by and among the Company, Wanwang, the acquired company, Xiaoshi Huang and Thrive Shine Limited, the sellers of the acquired company, and completed its acquisition of Wanwang at a total consideration of \$60 million (consisted of \$40.7 million in cash of which \$1.5 million was prepaid in 2021 and contingent consideration of \$19.3 million). Wanwang, through its subsidiaries, operates two colleges, FMP and Strait College.

	For the year ended December 31, 2022
Cash	\$ 7,335,975
Other receivables	951,139
Property and equipment, net	10,154,195
Intangible assets, net	1,284,797
Total assets	<u>\$ 19,726,106</u>
Accounts payable	\$ (3,089,786)
Taxes payable	(747)
Accrued expenses and other current liabilities	(18,630,396)
Less: total liabilities	<u>\$ (21,720,929)</u>
Net tangible liabilities	\$ (1,994,823)
Goodwill	61,994,823
Total fair value of purchase price allocation	<u>\$ 60,000,000</u>
Consideration in the form of cash (prepaid in fiscal 2021)	\$ 1,492,772
Consideration in the form of receivables offsetting purchase consideration	39,191,427
Contingency consideration	19,315,801
Total consideration	<u>\$ 60,000,000</u>

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

NOTE 5 — ACCOUNT RECEIVABLES, NET

Account receivables, net, consist of the following:

	December 31, 2022	December 31, 2021
Accounts receivable - tailored job readiness training services	\$ 1,503,452	\$ 1,363
Accounts receivable - course fee receivable	93,206	-
Accounts receivable - smart campus projects	50,144	-
Accounts receivable - Sino-foreign Jointly Managed Academic Programs	-	2,398,821
Accounts receivable - Overseas Study Consulting Services	-	62,366
Sub-total	1,646,802	2,462,550
Less: allowance for doubtful accounts	(598,993)	-
Accounts receivable, net	<u>\$ 1,047,809</u>	<u>\$ 2,462,550</u>

The Company routinely evaluates the need for allowance for doubtful accounts based on specifically identified amounts that the management believes to be uncollectible. If the actual collection experience changes, revisions to the allowance may be required. As of December 31, 2022 and 2021, the allowance for doubtful accounts was \$0.6 million and nil, respectively.

NOTE 6 — CONTRACT ASSETS

Contract assets consist of the following:

	December 31 2022	December 31 2021
Contract assets - “Smart Campus” related technological consulting services with FMP (1)	-	\$ 1,350,683
Contract assets - “Smart Campus” project maintenance and technical support fee with FMP	-	601,461
Contract assets – Other “Smart Campus” related technological consulting services	-	54,345
Financing component associated with FMP contract assets (1)	-	7,657
Total contract assets, net	-	2,014,146
Less: current portion of contract assets	-	2,014,146
Contract assets, non-current	<u>-</u>	<u>\$ -</u>

(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 (the “FMP 2017 Contract”). 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 RMB16.68 million (approximately \$2.4 million) for completion of the software and hardware installation, plus additional RMB5.05 million (approximately \$0.73 million) post-contract maintenance and technical support fee during the period of 2019 to 2021.

As of December 31, 2021, total outstanding contract assets from the FMP 2017 Contract amounted to \$209,724, including the following:

	Amount as of December 31, 2021	Contracted payment due date
2017 FMP Contract		
Maintenance fees	\$ 209,724	
Total	209,724	
Less: current portion of contract assets	209,724	By December 31, 2022
Non-current portion	<u>\$ -</u>	

As of December 31, 2022, contract asset of \$209,724 was fully collected.

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

NOTE 6 — CONTRACT ASSETS (continued)

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 a 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 “FMP 2019 Contract”).

The contract for the information engineering laboratory training center includes 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 RMB7.1 million (\$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 (\$0.5 million). In 2020, the Company completed the experiment-based simulation center for FMP’s hotel management major, with satisfactory inspection and acceptance by FMP and recognized RMB4.6 million (\$0.7 million) revenue. Due to the COVID-19 pandemic and temporary school closure, the performance of the Phase II contract was delayed and rescheduled to be completed in 2021. During the year ended December 31, 2021, the Company completed the information engineering experiment training center for FMP’s big data and cloud computing training room equipment, with satisfactory inspection and acceptance by FMP and recognized RMB2.1 million (\$0.3 million) revenue.

As of December 31, 2021, total outstanding contract assets from the FMP 2019 Contract amounted to \$1,750,077, including the following:

2019 FMP Contract	Amount as of December 31, 2021	Contracted payment due date
Contract assets	\$ 1,358,340	
Maintenance fees	391,737	
Total	1,750,077	
Less current portion	1,750,077	By December 31, 2021
Non-current portion	\$ -	By December 31, 2022

As of December 31, 2021, contract assets associated with the FMP 2019 Contract amounted to \$1,750,077, including receivable of \$259,982 for services completed before December 31, 2019, receivable of \$766,289 for services completed during 2020, receivable of \$332,069 for services completed during 2021 and maintenance fees of \$391,737. As of December 31, 2022, contract asset of \$1,750,077 was fully collected.

NOTE 7 — 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 nil and \$4.5 million as of December 31, 2022 and 2021, respectively. There was no allowance recorded as the Company considers all of the advances fully realizable.

NOTE 8 — PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets, net, consisted of the following:

	December 31 2022	December 31 2021
Receivable from Minjiang University	\$ 1,520,472	-
Prepaid expenses (2)	1,350,171	67,827
Security deposits	178,947	97,208
Receivable from Fuzhou Education Bureau	126,441	-
Receivable from Melbourne Institute of Technology	119,903	-
Other receivable (1)	300,133	10,921
Subtotal	3,596,067	175,956
Allowance for doubtful accounts	(120,353)	-
Prepaid expenses and other current assets, net	\$ 3,475,714	\$ 175,956

(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 security deposits for performance of contracts.

(2) Prepaid expenses and other primarily include prepaid course fees which are amortized over the service periods.

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

NOTE 9 — PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	December 31, 2022	December 31, 2021
Office equipment and furniture	\$ 9,625,248	\$ 9,581
Property	9,118,253	-
Transportation vehicles	252,936	238,851
Electronic equipment	91,288	98,937
Subtotal	<u>19,087,725</u>	<u>347,369</u>
Construction in progress	975,758	-
Less: accumulated depreciation	<u>(9,868,553)</u>	<u>(311,985)</u>
Property and equipment, net	<u>\$ 10,194,930</u>	<u>\$ 35,384</u>

Depreciation expense was \$638,612, \$18,652 and \$15,891 for the years ended December 31, 2022, 2021 and 2020, respectively.

The construction in progress relates to 20 units of housing project which are expected to be delivered in 2023. The contract amount was \$1.0 million which had been fully provided for, no further capital commitment for this housing project as of December 31, 2022.

NOTE 10 – LAND USE RIGHTS, NET

Land use rights, net, consist of the following:

	December 31, 2022	December 31, 2021
Land use rights	\$ 1,762,469	-
Less: accumulated amortization	(493,033)	-
Land use rights, net	<u>\$ 1,269,436</u>	<u>-</u>

Amortization expense was \$15,690, nil and nil for the years ended December 31, 2022, 2021 and 2020, respectively.

Estimated future amortization expense is as follows:

	Amortization expense
Fiscal 2023	\$ 35,249
Fiscal 2024	35,249
Fiscal 2025	35,249
Fiscal 2026	35,249
Fiscal 2027	35,249
Thereafter	1,093,191
Total	<u>\$ 1,269,436</u>

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

NOTE 11 – INTANGIBLE ASSETS, NET

	December 31, 2022	December 31, 2021
Online course and software copyrights	\$ 633,300	-
Less: accumulated amortization	(210,028)	-
Intangible asset, net	<u>\$ 423,272</u>	<u>-</u>

Amortization expense was \$32,365, nil and nil for the fiscal years ended December 31, 2022, 2021, and 2020, respectively.

Estimated future amortization expense is as follows:

Twelve months ending December 31,	Amortization expense
Fiscal 2023	\$ 63,330
Fiscal 2024	63,330
Fiscal 2025	63,330
Fiscal 2026	63,330
Fiscal 2027	62,720
Thereafter	107,232
Total	<u>\$ 423,272</u>

NOTE 12 – CONTRACT LIABILITIES

Contract liabilities consist of the following:

	December 31, 2022	December 31, 2021
Contract liabilities - course fees	\$ 7,520,859	-
Contract liabilities - tailored job readiness training services	251,368	-
Contract liabilities - overseas study consulting services	-	291,833
Total	<u>\$ 7,772,227</u>	<u>\$ 291,833</u>

Contract liabilities primarily consists of \$7.5 million in course fees received from students and \$0.3 million in tailored job readiness training service fees received from education institutions for which the Company's revenue recognition criteria have not been met. The Company's remaining performance obligations represents the amount of the transaction price for which service has not been performed. The course fees and the training service fees will be recognized as revenue once the criteria for revenue recognition are met. The Company expects to recognize revenue of \$7.8 million arising from contract liabilities as of December 31, 2022, for the financial year ending December 31, 2023.

Revenue from overseas study consulting services recognized during the year ended December 31, 2022 that was included in the contract liabilities as of December 31, 2021 amounted to \$0.3 million.

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

NOTE 13 – SHORT-TERM BANK LOAN

Short-term bank loan consists of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term bank loan		
China Construction Bank	\$ 20,784	-
Total short-term bank loan	<u>\$ 20,784</u>	<u>-</u>

The following table summarizes the loan commencement date, loan maturity date, loan amount in RMB and its equivalent to the United States dollar, and the effective interest rate of unsecured short-term bank loan:

For the year ended December 31, 2022	<u>Loan commencement date</u>	<u>Loan maturity date</u>	<u>Loan amount in RMB</u>	<u>Loan amount in USD</u>	<u>Effective interest rate</u>
Unsecured short-term bank loan					
China Construction Bank	April 27, 2022	April 27, 2023	143,353	\$ 20,784	4.70%
Total unsecured short-term bank loan			<u>143,353</u>	<u>\$ 20,784</u>	

NOTE 14 – CONTINGENT CONSIDERATION

- On February 1, 2022, the Company entered into a stock purchase agreement with Wanwang, Xiaoshi Huang and Thrive Shine Limited, a company incorporated in the BVI (together with Xiaoshi Huang, the “Sellers”) to acquire all of the equity interests in Wanwang from the Sellers for a consideration of \$60 million. The stock purchase agreement was amended on February 16, 2022 to update the payment method and the transaction was closed on August 31, 2022. As of December 31, 2022, a consideration of \$8.7 million was paid and the remaining \$19.3 million consideration is contingent on the Sellers meeting the following conditions: (i) to ensure the quality of teaching for FMP and Strait College; (ii) either total income or net profit equals or exceeds 20% of total income or net profit of 2021 of FMP and Strait College; and (iii) to ensure management and personnel stability.
- On June 9, 2022, the Company entered into a stock purchase agreement with Beijing Cloud Class Technology Co., Ltd. (the “Seller”) to acquire all of the equity interests in Oriental Wisdom for a consideration of \$9.9 million. As of December 31, 2022, a consideration of \$7.7 million was settled by issuance of 7 million ordinary shares to the Seller and the remaining \$2.2 million consideration is contingent on the Seller meeting the following conditions: (i) net profit of Oriental Wisdom for 2023 exceeding RMB6 million (\$0.9 million) and (ii) net profit of Oriental Wisdom for 2024 exceeding RMB9 million (\$1.3 million).

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

NOTE 15 — TAXES

(a) Corporate Income Taxes (“CIT”)

Cayman Islands

Under the current tax laws of the Cayman Islands, the Company, Aiways Automobile, and Aiways Merger Sub are 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 and Wanwang are incorporated in the BVI as an offshore holding company and are not subject to tax on income or capital gain under the laws of BVI.

Hong Kong

Boya Hong Kong and Wan Zhong are incorporated in Hong Kong and are subject to profit taxes in Hong Kong at a rate of 16.5%. However, Boya Hong Kong and Wan Zhong did not generate any assessable profits arising in or derived from Hong Kong for the fiscal years ended December 31, 2022, 2021 and 2020, and accordingly no provision for Hong Kong profits tax has been made in these periods.

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

NOTE 15 — TAXES (continued)**(a) Corporate Income Taxes (“CIT”) (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 was approved as a HNTE and is entitled to a reduced income tax rate of 15% and can claim additional tax deductions for certain expenses (“Preferential Tax Treatment”) beginning December 2016, which is valid for three years. In December 2019, China Liberal Beijing successfully renewed its HNTE Certificate with local government and has since continued 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 the PRC. Each local tax authority at times may grant tax holidays to local enterprises as a way to encourage entrepreneurship and stimulate local economy. Other subsidiaries in the PRC are subject to a standard 25% income tax rate.

The corporate income taxes of China Liberal Beijing for fiscal years 2021 and 2020 were reported at the Preferential Tax Treatment as a result of China Liberal Beijing being approved as a HNTE. The corporate income taxes of Oriental Wisdom for the fiscal year 2022 was also reported at the Preferential Tax Treatment due to its status as an HNTE. The corporate income taxes for fiscal year 2021 were reported at a blended reduced rate as a result of China Liberal Beijing being approved as a HNTE and enjoying a 15% reduced income tax rate, while China Liberal Fujian is subject to a standard 25% income tax rate. The impact of the Preferential Tax Treatment noted above decreased corporate income taxes of China Liberal Beijing by \$0.8 million, \$0.2 million and \$0.2 million for the years ended December 31, 2022, 2021 and 2020, respectively. The benefit of the tax holidays on net income per share (basic and diluted) \$0.04, \$0.02 and \$0.04 for the years ended December 31, 2022, 2021 and 2020, respectively.

The components of the income tax provision are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Current tax provision			
Cayman	\$ -	\$ -	\$ -
BVI	-	-	-
Hong Kong	-	-	-
PRC	460,040	300,034	303,246
Total current tax provision	<u>\$ 460,040</u>	<u>\$ 300,034</u>	<u>\$ 303,246</u>
Deferred tax provision			
Cayman	\$ -	\$ -	\$ -
BVI	-	-	-
Hong Kong	-	-	-
PRC	-	-	-
Total deferred tax provision	-	-	-
Income tax provision	<u>\$ 460,040</u>	<u>\$ 300,034</u>	<u>\$ 303,246</u>

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

NOTE 15 — TAXES (continued)**(a) Corporate Income Taxes (“CIT”) (continued)**

The following table reconciles the China statutory rates to the Company’s effective tax rate for the years ended December 31, 2022, 2021 and 2020:

	December 31, 2022	December 31, 2021	December 31, 2020
China Income tax statutory rate	(25.0%)	25.0%	25.0%
Permanent difference	23.1%	1.1%	0.6%
Effect of PRC preferential tax treatment	(31.5%)	(9.9%)	(10.0%)
Non-PRC entities not subject to PRC income tax	70.8%	15.4%	4.5%
Effective tax rate	<u>37.4%</u>	<u>31.6%</u>	<u>20.1%</u>

The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of December 31, 2022, all of the Company’s tax returns for its PRC subsidiaries remain open for statutory examination by PRC tax authorities.

(b) Taxes payable

Taxes payable consist of the following:

	December 31, 2022	December 31, 2021
Income tax payable	\$ 865,605	\$ 517,272
Value added tax payable	475,861	221,243
Other taxes payable	13,499	2,451
Total taxes payable	<u>\$ 1,354,965</u>	<u>\$ 740,966</u>

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

NOTE 16 — RELATED PARTY TRANSACTIONS

Due to related parties

As of December 31, 2022 and 2021, the balance due to related parties are comprised of advances from the Company's principal shareholders and used for working capital during the Company's normal course of business. These advances were non-trade in nature, unsecured, interest free and repayable on demand. Due to related parties amounted to \$390,550 and \$23,557 as of December 31, 2022 and 2021, respectively.

NOTE 17 — LEASES

The Company leases office spaces for its headquarter office under non-cancelable operating lease agreement with expiration date in May 2023. Lease expense for the years ended December 31, 2022, 2021 and 2020 was \$86,911, \$92,537 and \$158,612, respectively.

As of December 31, 2022 and 2021, the remaining lease term was 5 months and 6 months, respectively. The Company's lease agreements do not provide a readily determinable implicit rate nor is it available to the Company from its lessors. Instead, the Company estimates its incremental borrowing rate based on actual incremental borrowing for 2022 and based on the benchmark lending rate for three-year loans as published by China's central bank for 2021 to discount lease payments to present value. The weighted-average discount rate of the Company's operating leases was 3.85% and 3.95%, as of December 31, 2022 and 2021, respectively.

Supplemental balance sheet information related to operating leases was as follows:

	December 31, 2022	December 31, 2021
Right-of-use assets under operating leases	\$ 13,107	\$ 47,617
Operating lease liabilities, current	10,887	47,617
Total operating lease liabilities	<u>\$ 10,887</u>	<u>\$ 47,617</u>

As of December 31, 2022, maturities of lease liability were as follows:

Twelve months ending December 31,	As of December 31, 2022
2023	\$ 10,909
Total Future minimum lease payments	10,909
Less: Imputed interest	(22)
Total	<u>\$ 10,887</u>

NOTE 18 – LOANS FROM THIRD PARTIES

Loans from third parties consist of an unsecured loan of \$666,958 from a third party at an effective annual interest rate of 3.45% for working capital purposes and an unsecured loan of \$308,758 from another third party at an effective annual interest rate of 20% for working capital purposes. These loans do not have repayment period and are repayable on demand.

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

NOTE 19 — SHAREHOLDERS' EQUITY***Ordinary Shares***

The authorized share capital of the Company is 50,000,000 shares of par value of \$0.001 each.

Issuance of ordinary shares

On May 12, 2020, the Company completed its initial public offering of 1,333,333 ordinary shares at a public offering price of \$6.00 per share. The gross proceeds were \$8 million before deducting underwriting discounts and other offering expenses, resulting in net proceeds of approximately \$5.4 million. In connection with the offering, the Company's ordinary shares began trading on the Nasdaq Capital Market under the symbol "CLEU."

In March 2021, the Company filed a Registration Statement on Form F-1 to register 6,000,000 ordinary shares of the Company in an effort to offer these shares to potential investors and raise funds as working capital and potential future acquisitions. On April 19, 2021, the Company entered into certain subscription agreements with investors through a self-written public offering, pursuant to which the Company sold an aggregate of 6,000,000 ordinary shares, par value \$0.001 per share, at a purchase price of \$5.0 per share. The net proceeds to the Company from this offering were \$29.0 million.

On February 20, 2022, the Company entered into a subscription agreement (the "Subscription Agreement") with Ms. Ngai Ngai Lam, the chief executive officer and chairperson of the board of directors of the Company, pursuant to which Ms. Ngai Ngai Lam agreed to subscribe for and purchase, and the Company agreed to issue and sell to Ms. Ngai Ngai Lam, 2,000,000 ordinary shares of the Company, par value \$0.001 per share, at a purchase price of \$1.50 per ordinary share and an aggregate purchase price of \$3.0 million. The net proceeds to the Company from this offering were \$3.0 million.

On April 18, 2022, the Company issued and sold a total of 6,000,000 ordinary shares at a price of \$1.50 per share to certain accredited investors in a private placement transaction. The net proceeds to the Company from this offering were \$9.0 million.

As of December 31, 2022 and 2021, the Company had a total of 31,598,333 and 13,848,333 ordinary shares issued and outstanding, respectively.

Statutory reserve and restricted net assets

The Company's PRC subsidiaries are restricted in their ability to transfer a portion of their 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 of the Company (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 each of the Company's PRC subsidiaries 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 a PRC subsidiary's accumulated profits may be distributed as dividends to the Company without the consent of a third party. As of December 31, 2022 and 2021, the restricted amounts as determined pursuant to PRC statutory laws totaled \$1.0 million and \$0.7 million, respectively, and total restricted net assets amounted to \$7.6 million and \$10.1 million, respectively.

Share-based compensation

On May 14, 2021, the Board of Directors granted the Company's independent directors a total of 15,000 ordinary shares, par value \$0.001 per share, vested immediately in full upon the grant. The fair value of the ordinary shares granted was \$53,250 as of May 14, 2021, based on the market price of the Company's ordinary share as of the date of the grant. The Company recognized share-based compensation expense of \$53,250 for the year ended December 31, 2021.

On December 16, 2021, the Board of Directors granted a total of 1,500,000 ordinary shares, par value of \$0.001 per share to 12 employees of the Company under the 2021 Share Incentive Plan, vested immediately in full upon the grant. The fair value of the ordinary shares granted was \$2,235,000 as of December 16, 2021, based on the market price of the Company's ordinary share as of the date of the grant. The Company recognized share-based compensation expense of \$2,235,000 for the year ended December 31, 2021.

On October 14, 2022, the Board of Directors granted a total of 2,750,000 ordinary shares, par value of \$0.001 per share to 12 employees of the Company, vested immediately in full upon the grant. The fair value of the ordinary shares granted was \$2,832,500 as of October 14, 2022, based on the market price of the Company's ordinary share as of the date of the grant. The Company recognized share-based compensation expense of \$2,832,500 for the year ended December 31, 2022.

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

NOTE 20 — CONCENTRATIONS

For the year ended December 31, 2022, two customers accounted for approximately 15.8% and 13.0% of the Company's total revenue, respectively. For the year ended December 31, 2021, two customers accounted for approximately 48.4% and 36.0% of the Company's total revenue, respectively. For the year ended December 31, 2020, three customers accounted for approximately 45.3%, 30.1% and 12.2% of the Company's total revenue, respectively.

As of December 31, 2022, three customers accounted for 39.8%, 18.0% and 14.5% of the total outstanding accounts and contracts receivable balance. As of December 31, 2021, two customers accounted for 79.6% and 17.7% of the total outstanding accounts and contracts receivable balance.

For the year ended December 31, 2022, there was no supplier accounted for more than 10% of the total purchases. For the year ended December 31, 2021, there was no supplier accounted for more than 10% of the total purchases. For the year ended December 31, 2020, one supplier accounted for approximately 33.1% of the total purchases.

NOTE 21 — 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 six operating segments as defined by ASC 280, including Sino-foreign Jointly Managed Academic Programs, textbooks and course material sales, Overseas Study Consulting Services, Technological Consulting Services for Smart Campus Solutions and Tailored Job Readiness Training Services.

Substantially all of the Company's revenues for the years ended December 31, 2022, 2021 and 2020 were generated from the PRC. As of December 31, 2022 and 2021, 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 revenue by service type from the Company's operations for the years ended December 31, 2022, 2021 and 2020, respectively:

	For the years ended December 31,		
	2022	2021	2020
Revenue from course fees	\$ 6,385,017	-	-
Revenue from Sino-foreign Jointly Managed Academic Programs	3,343,316	2,676,147	2,772,679
Revenue from tailored job readiness training services	1,264,411	137,772	76,400
Revenue from Technological Consulting Services for Smart Campus Solutions	279,380	1,059,453	1,995,559
Revenue from Overseas Study Consulting Services	317,228	36,174	129,485
Revenue from textbook and course material sales	13,948	-	48,976
Total revenue	\$ 11,603,300	\$ 3,909,546	\$ 5,023,099

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

NOTE 22 — SUBSEQUENT EVENTS

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

On April 30, 2023, pursuant to Section 10.01(f) of the Merger Agreement, the Company tendered its notice to terminate the Merger Agreement and the transactions contemplated therein, effective from the date thereof. By virtue of terminating the Merger Agreement, the Support Agreement and the Company Voting Agreement, as such terms were defined in the Merger Agreement, were also terminated.

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

NOTE 23 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

Pursuant to the requirements of Rule 12-04(a), 5-04(c) and 4-08(e)(3) of Regulation S-X, the condensed financial information of the parent company shall be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with such requirement and concluded that it was applicable to the Company as the restricted net assets of the Company's PRC subsidiaries exceeded 25% of the consolidated net assets of the Company, therefore, the condensed financial statements for the parent company are included herein.

For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the Company's proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party.

The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the parent company used the equity method to account for investment in its subsidiaries. Such investment is presented on the condensed balance sheets as "Investment in subsidiaries" and the respective profit or loss as "Equity in earnings of subsidiaries" on the condensed statements of income.

The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

The Company did not pay any dividend for the periods presented. As of December 31, 2022 and 2021, there were no material contingencies, significant provisions for long-term obligations, or guarantees of the Company, except for those which have been separately disclosed in the consolidated financial statements, if any.

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

NOTE 23 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

CHINA LIBERAL EDUCATION HOLDINGS LIMITED
PARENT COMPANY BALANCE SHEET

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Prepaid expenses and other current assets	-	\$ 23,713
Non-current assets		
Investment in subsidiaries	84,026,689	41,934,675
Total assets	<u>\$ 84,026,689</u>	<u>\$ 41,958,388</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Contingent consideration	21,515,801	-
Due to a related party	9,415	-
Accrued expenses and other current liabilities	17,172	-
Total liabilities	<u>\$ 21,542,388</u>	<u>-</u>
COMMITMENT AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Ordinary shares, \$0.001 par value, 50,000,000 shares authorized, 31,598,333 and 13,848,333 shares issued and outstanding at December 31, 2022 and 2021, respectively	31,598	13,848
Additional paid-in capital	63,191,010	40,686,311
(Accumulated deficits) retained earnings	(738,307)	1,258,229
Total shareholders' equity	<u>62,484,301</u>	<u>41,958,388</u>
Total liabilities and shareholders' equity	<u>\$ 84,026,689</u>	<u>\$ 41,958,388</u>

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

NOTE 23 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (continued)

CHINA LIBERAL EDUCATION HOLDINGS LIMITED
PARENT COMPANY STATEMENTS OF INCOME

	For the years ended December 31,		
	2022	2021	2020
Operating expenses:			
General and administrative expenses	\$ (3,471,403)	\$ (3,016,735)	(\$488,735)
Other expenses			
Other expenses	-	-	(10)
Loss from operations	\$ (3,471,403)	\$ (3,016,735)	\$ (488,745)
Equity in earnings of subsidiaries	1,474,867	1,998,855	2,168,995
Net (loss) income and comprehensive (loss) income attributable to the Company	<u>\$ (1,996,536)</u>	<u>\$ (1,017,880)</u>	<u>\$ 1,680,250</u>

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

NOTE 23 — CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (continued)

CHINA LIBERAL EDUCATION HOLDINGS LIMITED
PARENT COMPANY STATEMENTS OF CASH FLOWS

	For the Years ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	\$ (1,996,536)	\$ (1,017,880)	\$ 1,680,250
Share-based compensation	2,832,500	-	-
Adjustments to reconcile net loss to net provided by (used in) operating activities			
Equity in earnings of subsidiaries	1,474,867	(2,168,995)	(437,904)
Prepaid expenses and other current assets	23,713	(55,639)	-
Accrued expenses and other current liabilities	17,171	-	-
Net cash provided by (used in) operating activities	2,351,715	(3,242,514)	-
Cash flow from financing activities			
Investment in subsidiaries	(14,341,664)	(2,162,937)	-
Net proceeds from issuance of ordinary shares	11,989,949	5,405,451	-
Net cash (used in) provided by financing activities	(2,351,715)	3,242,514	-
Change in cash	-	-	-
Cash, beginning of year	-	-	-
Cash, end of year	-	-	-

Agreement on Cooperation between Minjiang University and Fujian Wanzhong Education Investment Management Co., Ltd. to Establish IEN Institute of Minjiang University

The parties to this Agreement are:

Party A: Minjiang University

Legal representative: Zhuang Yumin

Address: No.200, Xiyuangong Road, Shangjie Town, Minhou County, Fuzhou, Fujian

Party B: Fujian Wanzhong Education Investment Management Co., Ltd.

Legal representative: Huang Xiaoshi

Address: Floor 7, Building 4 , Guanmao Metropolis, No.123, Liuyi Middle Road, Gulou District, Fuzhou City, Fujian Province

Whereas:
In order to expand the opening of education and promote the development of Sino-foreign cooperation in running schools, Minjiang University and Fujian Wanzhong Education Investment Management Co., Ltd. have reached the following agreement on the establishment of IEN Institute of Minjiang University (hereinafter referred to as "IEN Institute"/"College") through friendly consultation:

1. The principle of cooperation

1.1 The cooperation between both parties shall be in accordance with the provisions of the Education Law of the People's Republic of China, the Higher Education Law of the People's Republic of China, the Regulations on Chinese-Foreign Cooperation in Running Schools, the Measures for the Implementation of the Regulations on Chinese-Foreign Cooperation in Running Schools and other relevant laws and regulations.

1.2 Jointly abide by Chinese laws, implement China's educational policy, conform to China's public morality, and shall not harm China's national sovereignty, security and social interests.

1.3 School-running orientation: Based in Fuzhou, serving the west coast of the Taiwan Strait, aiming at cultivating international applied technical talents, we are committed to becoming an open, distinctive and high-level Sino-foreign cooperative school-running institution.

2. Overview of Cooperation Project

2.1 Name of the cooperatively-run school:" " in Chinese and IEN Institute of Minjiang University in English.

2.2 Training objective: Fully implement the Party's educational policy, adhere to the socialist orientation of running schools, introduce international high-quality resources, and train international applied technical talents with international vision, familiarity with international operation rules and international professional standards of the same kind.

2.3 School-running scale: The College plans to have 2,000 full-time students by 2019. In the future, the scale of students will be appropriately expanded according to social needs and school-running conditions.

2.4 School-running level: The college mainly implements full-time college education, applies for full-time undergraduate education when conditions are ripe, and carries out non-academic education such as international vocational qualification certificate training according to school-running conditions.

2.5 Specialty setting: According to the economic and social development of Fujian Province and Fuzhou City and the demand of modern enterprises for international talents, we will concentrate our efforts on building a number of financial and economic majors at the specialist level. Available majors: international economy and trade, accounting, marketing, computer application technology, e-commerce, finance and insurance, business English, multimedia design and production, and hotel management.

2.6 Certificate and employment: Students who have completed their studies will be awarded the diploma of IEN Institute of Minjiang University and the associate degree of Melbourne Institute of Technology. Graduates choose their own jobs according to the principle of two-way choice.

3. Nature and Management System of the College

3.1 IEN Institute is jointly run by Party A and Melbourne Institute of Technology, Australia, and Party A introduces Party B as the partner to provide funds for IEN Institute.

3.2 IEN Institute is a Chinese-foreign cooperatively-run school with independent legal person status that does not require reasonable returns, and Party A designates the legal representative of the College. The College enjoys the autonomy of running a school in accordance with the law, assumes legal responsibilities independently, and enjoys the preferential policies prescribed by the state in accordance with the law, including the support and reward policies for Chinese-foreign cooperatively-run schools.

3.3 IEN Institute shall establish the Board of Directors in accordance with the law. The Board of Directors is the highest decision-making body established by the partners of the College in accordance with the agreement on cooperation in running schools, and exercises decision-making power according to law.

3.3.1 The board of directors of IEN Institute shall be composed of representatives of the faculty and staff of the Chinese Party (Party A and Fujian Wanzhong Education Investment Management Co., Ltd.), Melbourne Institute of Technology and IEN Institute, and more than one third of the directors shall have more than 5 years of teaching or management experience in higher education. The term of office of the members of the board of directors shall be four years, and those who are able to continue to perform their duties upon the expiration of their term of office may be reappointed. The name list of the Council shall be submitted to the examination and approval authority for the record.

3.3.2 The board of directors of IEN Institute is composed of 9 members, including 5 members from the Chinese side (3 members from Party A and 2 members from Fujian Wanzhong Investment Management Co., Ltd.), 3 members from the foreign side (Melbourne Institute of Technology), and 1 member from the faculty of Aien College. The board of directors shall have one chairman and one vice chairman. The chairman shall be the director appointed by Party A, and the vice chairman shall be the director appointed by Melbourne Institute of Technology. The board of directors shall hold at least one meeting of the board of directors every year. The meeting can be conducted by remote communication. An interim meeting of the board of directors may be convened upon the proposal of the chairman or one third of the directors. The Council operates on a one person, one vote system. Resolutions on general matters at a meeting of the Board of Directors shall be valid only if they are adopted by at least half of the votes. When the votes for and against are equally divided, the Chairman shall have the right to make the final decision.

3.3.3 The Council shall exercise the following functions and powers:

- (1) Re-election or by-election of the members of the board of directors;
- (2) to appoint and dismiss the president and vice-presidents;
- (3) to amend the statute of the Institute and to formulate the rules and regulations of the Institute;
- (4) to formulate development plans and approve annual work plans;
- (5) raising funds for the establishment of a school, and examining and approving budgets and final accounts;
- (6) to decide on the staffing quota and salary standards for the teaching and administrative staff;
- (7) to decide on the division, merger and termination of the College;
- (8) other major matters stipulated in the articles of association.

The following matters to be discussed by the Council shall be adopted with the consent of more than two-thirds of the members of the Council:

- (1) to appoint or resign the president of the hospital or the chief administrative officer;
- (2) to amend the statutes of the Institute;
- (3) Formulating development plans;
- (4) to examine and approve budgets and final accounts; and;
- (5) to decide on the division, merger or termination of the College;
- (6) other important matters stipulated in the statute of the College.

3.4 IEN Institute implements the president responsibility system under the leadership of the board of directors. The president of the College shall be a citizen who has the qualifications prescribed by the state, has more than 10 years' experience in higher education management and is not more than 70 years old. The candidate shall be nominated by the college Council and appointed by the Council after being approved by the examination and approval authority. The term of office of the president shall be four years, and the president may be reappointed with the approval of the examination and approval authority. The Deputy Dean shall be nominated by the Dean and appointed by the College Council.

3.4.1 The Dean of the College shall be responsible to the Board of Directors, undertake the educational, teaching and administrative work of the College, and exercise the following functions and powers:

- (1) To implement the decisions of the Board of Governors of the Academy;
- (2) implementing the development plan, drafting the annual work plan, the financial budget and the rules and regulations of the College;
- (3) to appoint and dismiss the staff of the Institute, and to implement rewards and punishments;
- (4) organizing educational, teaching and scientific research activities and ensuring the quality of education and teaching;
- (5) To be responsible for the daily management of the College;
- (6) The fundamental rights stipulated in the articles of association.

3.5 IEN Institute shall establish and improve the Party and League organizations in accordance with the law, and establish the system of grass-roots organizations of the Communist Party of China, Communist Youth League organizations, trade union organizations and staff congresses.

3.6 IEN Institute has set up a teaching working committee. Under the leadership of the dean, to study and decide on some major issues in the teaching management of the college.

3.7 An academic committee shall be set up at IEN Institute. It is responsible for reviewing discipline construction, specialty setting and teaching and scientific research work plans, and evaluating teaching and scientific research achievements.

3.8 IEN Institute implements an independent personnel management system. According to the staffing and total salary approved by the board of directors, it independently decides to employ the faculty and staff, and implements the contract appointment system for all staff. The faculty and staff are open to the whole society for recruitment, and the dean and the employee sign an employment contract. The College is responsible for the education and professional training of teachers and staff. The salaries and welfare benefits of the teaching and administrative staff shall be guaranteed according to law, and social insurance shall be paid for the teaching and administrative staff.

3.9 IEN Institute is subject to the evaluation and supervision of the educational level and teaching quality of the College by the Chinese Education Administration Department and the relevant Australian Education Quality Association. Accept the supervisors appointed by the Chinese education administration department and consciously accept their supervision and guidance.

4. Assets and Finance

4.1 Party B, as the investor of the full amount of the educational funds of IEN Institute jointly recognized by Party A and Melbourne Institute of Technology, undertakes to invest no less than RMB 100 million in the construction of infrastructure and equipment of IEN Institute before April 30, 2024, and submit the written plan of the above investment to Party A for filing, and accept Party A's supervision on Party B's performance of investment obligations. At the same time, Party B shall, in accordance with the laws and regulations of China and the provisions of the education administration department, ensure that the basic conditions for running IEN Institute meet the requirements of the education administration department.

4.2 IEN Institute shall establish and improve the financial, accounting and asset management systems in accordance with the law, and set up accounting accounts in accordance with the relevant provisions of the state. The foreign exchange revenue and expenditure activities of the College and the opening and use of foreign exchange accounts shall comply with the provisions of the State on foreign exchange control. The College implements an independent financial budget and various financial accounting, and the executive body regularly reports the financial implementation to the Council and accepts the supervision and inspection of the Council. The annual financial budget of the College shall be submitted to Party A for filing after being approved by the Council of the College.

4.3 During the existence of IEN Institute, the College shall enjoy the property rights of legal persons in accordance with the law for the assets, state-owned assets, donated property and school-running accumulation invested by the sponsors and co-sponsors, and no organization or individual shall occupy them.

4.4 The charging items and standards of IEN Institute shall be determined and published in accordance with the relevant provisions of the state on government pricing. Tuition fees and other items shall be calculated and collected in RMB. The fees collected shall be mainly used for educational and teaching activities and for improving the conditions for running schools.

4.5 IEN Institute shall prepare financial and accounting reports at the end of each fiscal year, entrust social audit institutions to conduct audits according to law, publish audit results to the public, and report them to the examination and approval authorities for the record.

4.6 All the funds of IEN Institute shall be used for the development of the business scope and undertakings stipulated in the Articles of Association; at the end of each fiscal year, the College shall draw a development fund at a rate of not less than 25% from the annual increase in net assets. The development fund shall be mainly used for the construction and maintenance of the College, the addition and renewal of teaching equipment, and the improvement of the conditions for running the College; Support the planning and construction, specialty construction, staff team construction and transformation of scientific research achievements of the College; reward the members of the Council, faculty and students who have made outstanding contributions to the College. The right to decide on the use of the development fund of the College shall be vested in the Council of the College and shall be managed by the Council.

4.7 Party A shall provide an area of 119,345.9 square meters near the mountain of Minhou County Campus as the campus construction land of IEN Institute, and the term of use shall expire in September 2058.

4.7.1 In the name of Party A, the land shall be divided into different school-running functional areas to apply for the state-owned land use right certificate. The land use right certificate shall be kept by Party A, and the land use right shall remain unchanged.

4.7.2 Both parties promise that the land shall be used for running a school, and shall not change the use of the land, nor be used for loans, mortgages and guarantees.

4.8 The brand name and related rights and interests of “IEN Institute of Minjiang University” shall be jointly owned by Party A and Party B, and both parties shall jointly cherish and protect the brand name and related rights and interests, and the contents of intellectual property rights shall be separately signed. Party A has no objection that the brand name and relevant rights and interests of IEN Institute shall be owned by Party B. Party B has no objection to the fact that the brand name and related rights and interests of Minjiang University belong to Party A.

5. Responsibilities, rights and obligations of both parties

5.1 Responsibilities, rights and obligations of Party A

5.1.1 Party A is not responsible for the funding of IEN Institute, but as the sponsor of IEN Institute, it guides and supervises the education, teaching and management of the College.

5.1.2 Appoint directors and some educational and teaching staff to participate in the management and teaching of the College. During the period of working in the College, Party A shall retain the file salary and qualifications for job promotion and title evaluation, and the College shall be responsible for their salary, welfare and other benefits for the formal staff of Party A who have been approved to be employed by IEN Institute.

5.1.3 It is agreed that all kinds of full-time professional and technical personnel recruited by IEN Institute will participate in the teacher qualification certification and professional and technical post evaluation and employment organized by Party A according to their qualifications if necessary.

5.1.4 Party A agrees that IEN Institute shall use Party A's public resources (including library, network, classroom, laboratory and various recreational and sports facilities), and the use fee shall be determined by Party A and IEN Institute through negotiation.

5.1.5 Party A shall be responsible for arranging the accommodation of the students in the school quarter, and the accommodation and other expenses shall be charged according to the charging standard of Party A's students.

5.2 Responsibilities, rights and obligations of Party B

5.2.1 As the investor of the full school-running funds of IEN Institute, he shall enjoy the due rights of the cooperative school-running scholars according to law.

5.2.2 Party B shall invest in the College to ensure that the basic conditions for running the College meet the requirements of the competent educational authorities, and the debts and claims of Party B arising therefrom shall have nothing to do with Party A and IEN Institute. If Party B fails to meet the basic conditions for running a school due to insufficient investment, Party A shall notify Party B to make corrections 90 days in advance. If Party B fails to make corrections or take effective measures in time, Party A shall have the right to terminate the cooperative relationship in advance, and the responsibilities arising therefrom shall be borne by Party B.

5.2.3 Appoint personnel to participate in the board of directors and participate in the decision-making of the board of directors of IEN Institute.

5.2.4 Assist in introducing high-quality educational resources from abroad to ensure the completion of the school-running objectives of IEN Institute.

6. Period of validity and entry into force

6.1 The term of cooperation between the two parties is up to September 2058.

6.2 This Agreement shall come into force from the date of signature, unless terminated earlier due to legal provisions or force majeure. If either party proposes to terminate this Agreement in advance, it must submit a written proposal to the Council Meeting of IEN Institute of Minjiang University for voting half a year in advance.

7. Relations between the parties to the cooperation

7.1 The Parties hereby agree that:

7.1.1 The rights, obligations and liabilities of the parties hereto are independent and not joint and several in each case.

7.1.2 Neither party hereto shall be liable for any debt, liability or obligation arising from the act of the other party in respect of any matter under this Agreement.

7.1.3 The relationship between the parties is limited to the activities related to the establishment and operation of the Iain International College, and therefore nothing contained in this Agreement shall constitute an agency relationship between either party to the other nor create an agency relationship between the parties for any purpose whatsoever.

7.2 The Parties agree that the personnel employed by IEN Institute shall not be employees of the Parties. Each party is responsible for the employment obligations of its employees.

8. Breach of Contract and Dispute Settlement

8.1 If this Agreement cannot be performed or operated normally due to force majeure, both parties shall not be liable for breach of contract.

8.2 If Party B terminates its status as a cooperator due to Party A's reasons, Party A shall be responsible for repaying Party B's investment in IEN Institute of Minjiang University and its fruits, and the total amount of investment shall be subject to the final audit. Party A has the right to require Party B to bear the full amount of compensation liability if Party A causes the failure of the existence of IEN Institute of Minjiang University due to Party B's reasons.

8.3 Any dispute arising from the performance of this Agreement shall be settled by both parties through negotiation; if the negotiation fails, it shall be submitted to the people's court with jurisdiction for settlement.

9. Termination and Liquidation

9.1 IEN Institute shall be terminated under any of the following circumstances:

9.1.1 It is terminated in accordance with the regulations of the College or by consensus of both parties and approved by the examination and approval authority;

9.1.2 The school-running license is revoked;

9.1.3 Unable to continue to run the school due to insolvency.

9.2 In addition to the above three cases, both parties must guarantee to perform their obligations within the validity period of the agreement. Both parties shall be responsible for the students in the school, properly arrange the students in the school and protect the rights and interests of the students when IEN Institute is terminated.

9.3 Upon the termination of IEN Institute, it shall be liquidated in accordance with the relevant laws.

9.4 After liquidation according to law, except that the land ownership belongs to Party A and relevant agreements, other properties of IEN Institute shall be disposed of in accordance with relevant national regulations.

10. Announcement

All press releases, advertisements, announcements not relating to this Agreement or the IEN Institute, without the prior consent of the other party, either party. The other party's name or trademark shall not be used.

11. Supplementary provisions

11.1 In case of any inconsistency between the signatures made by both parties on the cooperation matters before signing this Agreement and this Agreement, this Agreement shall prevail.

11.2 This Agreement and future agreements shall be written in Chinese and made in quadruplicate, each of which shall have the same legal effect.

11.3 During the execution of this Agreement, if both parties believe that there are matters not covered in this Agreement, they may supplement and improve it in the form of a supplementary agreement through consultation.

Party A: Minjiang University

Signature of legal representative or authorized representative:

Signed on: July 5, 2016

Party B: Fujian Wanzhong Education Investment Management Co., Ltd.

Signature of legal representative or authorized representative:

Signed on: June 29, 2016

Minjiang University and Fujian Wanzhong Education Investment Management Co., Ltd.
Supplementary Agreement No. 1 to the Agreement on Cooperative Establishment of IEN Institute of Minjiang University

Party A: Minjiang University

Domicile: No.1, Wenxian Road, Shangjie Town, Minhou County, Fuzhou City

Legal Representative:

Party B: Fujian Wanzhong Education Investment Management Co., Ltd.

Domicile: Floor 9, Building 1, Jianxing Guangxia, Shuangtuoqiao Yili, Yangqiao East Road, Fuzhou City

Legal Representative:

Party A and Party B, on the basis of the Agreement on Cooperative Establishment of IEN Institute of Minjiang University signed in June 2016, enter into this Supplementary Agreement through full consultation:

1. The term of cooperation between Party A and Party B is 50 years, starting from the date of completion of the building of IEN Institute of Minjiang University (hereinafter referred to as "IEN Institute" or "College") in September 2008.
2. Party A shall participate in the tuition distribution of College with its brand and responsibilities. College shall pay Party A 20% of the annual tuition fee of each academic student after deducting the foreign party's expenses (not exceeding 46% of the tuition fee) for the brand of "Minjiang University" and the expenses for assuming responsibilities. This fee shall be paid by Party B in a lump sum before October 31 of each year according to the actual number of students.
3. The director of Minjiang University, the director of Wanzhong Company and the representative director of the faculty and staff in the Council of IEN Institute shall form a coordination group headed by the chairman of Minjiang University. Before the meeting of the Council of IEN Institute, the group leader shall discuss and reach a consensus on the issues of the Council, and the group leader shall have a veto power.
4. Party B agrees that during the period from January 1, 2015 to December 31, 2034, College shall pay Party A one million yuan (1,000,000 yuan) of public resource occupancy fee and other resource use fee before October 31 of each year. The fees for the use of public resources and other resources in other years within the term of cooperation between Party A and Party B shall be settled by Party A and Party B through negotiation.
5. Party A confirms that the area of 119345.9 square meters near the mountain of Party A's Minhou County Campus, which has been used by College, will continue to be used by College within the term of cooperation in running schools.
6. Due to the need for College to apply for an independent legal person to run a school, Party A shall apply for the state-owned land use right certificate in the name of Party A according to the different functional areas of running a school. The state-owned land use right certificate shall be kept by Party A, and the land use right shall remain unchanged by Party A.
7. Both parties promise that the land under this supplementary agreement is only used for running a school, and the land use shall not be changed, and shall not be used for loans, mortgages and guarantees.
8. During the term of use of the land, College shall pay the corresponding use fee in accordance with the relevant provisions of the Agreement on the Construction Land for the Campus of Aien Start College of Minjiang University signed by Party A and Shanghai Aida Investment Management Co., Ltd., the investment entity inherited by Party B, on August 28, 2005.
9. Before the expiration of the term of cooperation in running a school, if Party A and Party B have a new way of running a school, the use of the land under this supplementary agreement by the new school-running institution invested by them shall be implemented only after the signing of supplementary terms by both parties; If College is terminated due to force majeure such as government expropriation and policy changes, both parties shall negotiate to solve the disposal of fixed assets such as land and above-ground buildings.
10. Upon the expiration of the above term of cooperation in running schools, Party B shall have the priority to cooperate with Party A in running schools under the same conditions; if College is terminated after the expiration of the term, it shall be liquidated in accordance with the relevant provisions of the state.
11. From the effective date of this supplementary agreement, the agreement signed by Party A and Party B shall be subject to the Agreement on Cooperative Establishment of IEN Institute of Minjiang University and this supplementary agreement, and other agreements shall be cancelled accordingly.

12. Matters not covered in this Supplementary Agreement shall be supplemented by both parties through negotiation.
13. This Supplementary Agreement shall be made in quadruplicate, with each party holding two copies, and shall come into force as of the date of signature and seal by both parties.

Party A: Minjiang University

Signature of authorized representative:

8 July 2016

Party B: Fujian Wanzhong Education Investment Management Co., Ltd.

Signature of authorized representative:

8 July 2016

Minjiang University and Fujian Wanzhong Education Investment Management Co., Ltd.
Supplementary Agreement No. 2 to the Agreement on the Establishment of IEN Institute of Minjiang University in June 2016

Party A: Minjiang University

Legal representative: Zhuang Yumin

Address: No.200, Xiyuangong Road, Shangjie Town, Minhou County, Fuzhou, Fujian

Party B: Fujian Wanzhong Education Investment Management Co., Ltd.

Legal representative: Huang Xiaoshi

Address: Floor 7, Guanmao City Xianlou, No.123, Liuyi Middle Road, Gulou District, Fuzhou City, Fujian Province

On the basis of the Agreement on Jointly Establishing IEN Institute of Minjiang University signed by Party A and Party B in June 2016, Party A and Party B have reached a consensus through full consultation to conclude this Supplementary Agreement:

1. Name of the cooperatively-run school: _____ in Chinese and Fuzhou-Melbourne Polytechnic in English
2. School-running scale: The school-running scale of the college shall be controlled within 1000 students in the initial stage (the first three years), and then gradually controlled within 2000 students. In the future, according to the needs of society and the conditions of running schools, the scale of students will be appropriately expanded.
3. When the college is terminated, both parties shall be responsible for the students in school, and properly place the students in school to protect their rights and interests. For the students in school, the two sides should properly arrange the teaching and life of the students in accordance with the requirements of the general rules of enrollment and the commitment of running a school, so as to ensure that the students graduate smoothly and obtain the Chinese diploma and the Australian associate degree.
4. From the effective date of this supplementary agreement, the relevant terms involved in the Agreement on Joint Establishment of IEN Institute of Minjiang University signed by Party A and Party B in June 2016 shall be subject to this supplementary agreement.

Party A: Minjiang University

Signature of legal representative or authorized representative:

Signing date: January 10, 2017

Party B: Fujian Wanzhong Education Investment Management Co., Ltd.

Signature of legal representative or authorized representative:

Signing date: January 10, 2017

Minjiang University
Wanzhong (Hong Kong) Investment Co., Ltd.
Agreement on Cooperation in Establishing the Straits College of Minjiang University
September 2009

Party A: Minjiang University

Domicile: No.1, Wenxian Road, Minhou Street, Fuzhou, Fujian
Legal Representative: Yang Bin Title: President

Party B: WANZHONG (HK) INVESTMENT LIMITED

Domicile: FLAT/RM 34F/A GAO FENG BLDG HARBOR HEIGHT PARK NORTH POINT HONGKONG
Legal representative: Gong Qinghai

In accordance with the spirit of Fujian Province's "Opinions on Higher Vocational Education Serving the Reform and Construction Project of the Economic Zone on the West Bank of the Straits" (Min Zheng Ban [2008] No.59) and "Opinions on Implementing Fujian-Taiwan Educational Exchange and Cooperation Project" (Min Zheng Ban [2008] No.176). On the basis of the approval of Fujian Provincial Education Department for the joint talent training project between Party a and Taiwan University of Chinese Culture and Taiwan University of Practice, in order to further implement the State Council's "Some Opinions on Supporting Fujian Province to Accelerate the Construction of the Economic Zone on the West Bank of the Straits" and the Fujian Provincial Party Committee and the provincial government on the construction of "Cross-Strait People's Exchange and Cooperation". Party A and Party B agree to cooperate in the establishment of the Straits College of Minjiang University (hereinafter referred to as the Straits College). Hereby agree as follows:

I. Name of the college: Straits College of Minjiang University (subject to the name approved by the competent educational authority of the Chinese government).

II. Nature of the College: In accordance with the provisions of the Education Law of the People's Republic of China, the Law of the People's Republic of China on the Promotion of Privately-run Education, the Regulations on Sino-foreign Cooperation in Running Schools, the Measures for the Implementation of the Regulations on Sino-foreign Cooperation in Running Schools and other relevant laws and regulations, A cooperatively-run school established by Party B as a third-party investor by Party A in cooperation with Taiwan Chinese Culture University, Shih Chien University and other universities in Taiwan.

In the initial stage of the establishment of the Straits College, the undergraduate project of "sectional docking" joint training of talents in Fujian and Taiwan higher vocational colleges approved by Fujian Provincial Department of Education was implemented, which was established in accordance with the mode of Party a's Ai'en College, and was changed into an independent college with legal personality when conditions were ripe.

III. School-running level, scale and academic certificate

1. School-running level: undergraduate education in ordinary colleges and universities, four years of schooling, recruiting candidates who have reached the undergraduate admission qualification in the general college entrance examination.
2. School scale: 340 full-time students will be enrolled in the first session, 600 to 800 students will be enrolled in the second session, and the final scale will reach about 1200 students.
3. Academic certificate: The undergraduate diploma and bachelor's degree certificate of Minjiang University will be issued to the students who have passed the examination and appraisal at the end of the study period. The student's certificate of study or certificate of completion during his study in Taiwan shall be issued by Taiwan's colleges and universities, and the diploma of Taiwan's colleges and universities shall be issued when conditions are ripe.

IV. Authority of the College

1. The college implements the president responsibility system under the leadership of the board of directors, which is the highest authority of the Straits College.
2. The board of directors shall be composed of representatives appointed by Party A and Party B in accordance with the relevant provisions of the Measures for the Implementation of the Regulations of the People's Republic of China on Running Schools in Taiwan, China and Foreign Countries, in which Party A shall appoint three, Party B shall appoint three, and other members of the board of directors shall be determined by both parties through consultation. The board of directors shall have one chairman and one vice chairman.
3. The Straits College shall have one dean and no more than two vice-deans. The president and vice president shall be appointed by the board of directors for a term of four years, and the candidates shall be selected through consultation between Party A and Party B. The full-time general Party branch secretary shall be appointed by Party A.

V. Management of the College

1. The Straits College adopts the mode of independent college for management and has its own system.
2. The full-time education and teaching activities of Straits College shall meet the requirements of Party A, and the formulation of teaching plans, the setting and teaching of courses and the management of students' status shall be implemented under the guidance of Party A, and shall be reported to Party A for the record. Students' graduation, graduation, dropout, dropout, transfer, etc. Shall be put forward by the Straits College in accordance with the regulations on student status management and submitted to Party A for examination and approval.
3. The Straits College shall conduct independent financial accounting and be responsible for its own profits and losses. Party A and Party B shall exercise the right to supervise and inspect the financial affairs through the directors appointed by them to the Straits College. The Straits College shall provide Party A and Party B with the financial audit report of the previous year 30 days after the end of each fiscal year.

4. The Straits College implements a relatively independent personnel management system, employs employees according to the staffing and total wages approved by the board of directors, and implements a full-staff contract appointment system.

VI. Investment of the College

1. According to the plan of Fujian Provincial Department of Education to establish Fujian-Taiwan Education Cooperation Park, Haixia Ziyuan actively strives for Party B to invest in the construction of a modern campus suitable for the scale of running a school in the cooperation park according to the national standards, and to allocate corresponding teaching equipment and books and materials.

2. Before the implementation of the construction plan of Fujian-Taiwan Education Cooperation Park, the location of the Straits College shall be determined in the campus of Aien College, and Party B shall construct teaching facilities to meet the needs of the Straits College in accordance with the relevant standards of the national education department.

3. In order to ensure the teaching needs of the Straits University, Party B shall, within two years from the date of signing this agreement, invest 30 million yuan in the construction of necessary teaching facilities such as teaching, experimental and administrative buildings in accordance with the standard of teaching and scientific research equipment per student assessed by the national education department for undergraduate teaching level and the regulation of 2000 students. In the first year, the construction investment of 20 million yuan will be completed, and in the second year, the investment of 10 million yuan will be completed.

4. Party B shall enjoy the right to use the newly-built real estate invested by Party B on the aforementioned soil products to meet the teaching needs of the Straits College for 20 years free of charge, and Party B shall enjoy the priority of lease after the expiration of the term.

5. Party B shall provide the corresponding certificates and the authentic accounting report issued by a Chinese certified public accounting firm for the funds invested in Paragraph 3 of this Article.

6. If the number of students increases year by year, Party B shall increase the amount of investment according to the standard of teaching and scientific research equipment per student assessed by the Ministry of Education until it meets the standard.

7. During the construction period, the first class of students enrolled by the Straits College shall be arranged to study by Party A free of charge.

VII. Rights and obligations of Party A and Party B

1. Rights and obligations of Party A

1.1 Party A shall assist in straightening out the relationship with the relevant departments of the Chinese government, handle the application and relevant business procedures of the Straits College, be responsible for applying for the enrollment plan of the Straits College to the competent educational administrative authorities of the Chinese government, and issue relevant certificates to the graduates of the Strait College according to the regulations.

1.2 Party A shall be responsible for providing public teaching resources, student dormitories and other supporting facilities for the Straits College and charging fees according to reasonable standards before the implementation of the school-running plan of the Straits College in the Fujian-Taiwan Education Cooperation Park.

1.3 Guide and supervise the educational and teaching activities of the Straits College, and organize relevant departments to assist the Straits College in applying for relevant educational and teaching licenses or acceptance of school-running qualifications according to the needs of the Straits College.

1.4 Fulfill the cooperative school-running contracts with Taiwan Chinese Culture University, Taiwan Practice and other Taiwan universities, and urge them to fulfill their obligations under the cooperative school-running contracts.

1.5 Obtain reasonable returns from the cooperation in running the school in accordance with this Agreement.

2. Rights and obligations of Party B

2.1 As the investor of the Straits College, provide funds for the Straits College, and timely increase the investment according to the scale of the school, until it meets the undergraduate standards of the Ministry of Education, so as to meet the educational and teaching needs of the Straits College.

2.2 Obtain reasonable returns for the cooperation in running the school in accordance with the provisions of this Agreement.

VIII. Earnings of both parties

1. Party A's income. During the period of study in Straits College (Mainland China), Party A shall obtain a fixed proportion of 25% of the tuition income, which shall be paid by Straits College within 30 days after the students register for each semester.

2. Party B's income. Party B shall be entitled to the income due to the investor, and the remaining part of the annual income of Straits College after paying Party A's income and various expenses for running the school shall be at the disposal of Party B.

3. During the construction period, during the period when the students of Straits College are arranged by Party A to study, Party B shall suspend the exercise of the right of control over the balance of the funds of Straits College (but retain the rights and interests), and resume the exercise after the investment of 20 million yuan is in place.

IX. Term of Cooperation

1. The term of cooperation agreed in this agreement is 20 years.

2. The education, teaching, administration, logistics facilities and other real estate built based on Party B's investment shall be owned by Party A free of charge after the expiration of the cooperation period.

3. After the expiration of the cooperation period, if Party A and Party B have the intention to cooperate, they shall sign a new agreement through negotiation.

X. Settlement of Disputes

1. If this Agreement cannot be performed or fully performed due to the revision or abolishment of national laws and regulations, or the change of relevant national and Fujian provincial policies, as well as force majeure, this Agreement shall be terminated naturally, and Party A and Party B shall not be liable for breach of contract.
2. The signing of this agreement is based on the joint school-running agreement signed by Party A and Taiwan universities such as Taiwan Chinese Culture University and Taiwan Shih Chien University. If the cooperation between Party A and Taiwan universities fails (including but not limited to the termination of the joint school-running agreement, natural termination, or termination by one party's exercise of the right of termination), this agreement will be terminated naturally, and both parties will not be liable for breach of contract.
3. If Party B fails to complete the investment and construction as agreed in Article 6 of this Agreement due to its own reasons, it shall bear the liability for breach of contract to Party A and pay a penalty of RMB 1 million yuan; if the delay exceeds 12 months, Party A shall have the right to terminate this Agreement and choose another partner for cooperation. The part invested by Party B (including but not limited to the completed real estate, purchased teaching and scientific research equipment, etc.) shall be accepted by Party A free of charge without any compensation.
4. If the performance of this Agreement is terminated before the expiration of the cooperation term due to reasons not attributable to both parties, the assets invested and built by Party B on the aforementioned land shall be owned by Party A. The assets shall be depreciated by 20 years based on the total cost audited by the relevant administrative departments of the state, and the years for which this Agreement has been performed shall be deducted; or the net value of the real estate appraised by the social intermediary structure when Party A and Party B handle the transfer shall prevail, and Party A shall compensate Party B for the residual value. The residual value after the aforesaid depreciation and the appraised net value shall be subject to the lower value.
5. No matter what causes the dissolution or termination of this Agreement, Party A and Party B shall properly handle the aftermath in the principle of being responsible for the students. In case of the aforesaid circumstances, the authority of the board of directors of Straits College shall be withdrawn and exercised by Party A. From now on, Party A shall send someone to take over the financial affairs of Straits College and dispose of them in accordance with the provisions of laws, regulations and policies, the opinions of the competent authorities of the Chinese government and the provisions of this Agreement, and Party B shall provide necessary assistance and cooperation.
6. As the cooperation period of this Agreement is relatively long, Party A and Party B shall cooperate wholeheartedly during the performance of this Agreement. In case of any dispute, Party A and Party B shall negotiate in advance; if the negotiation fails, the people's court in the place where the agreement is performed shall have jurisdiction.

XI. Termination and Liquidation

The termination and liquidation of the Straits College shall be carried out in accordance with the provisions of the Constitution of the Straits College. If there is no provision in the Constitution, it shall be handled in accordance with the relevant laws and regulations of the state.

XII. Other agreement

During the performance of this Agreement, with the consent of Party A, Party B may change the signing subject of this Agreement to an enterprise legal person in China controlled by Party B according to the needs of policy or investment management.

XIII. Entry into force

1. For matters not covered in this Agreement, Party A and Party B shall separately negotiate and sign a supplementary agreement, which shall have the same legal effect as this Agreement.

2. This Agreement is made in quadruplicate, two for each party, with the same legal effect, and shall come into force as of the date of signature.

Party A: Minjiang University
Legal Representative:
September 8, 2009

Party B: Wanzhong (Hong Kong) Investment Co., Ltd.
Legal Representative:
September 8, 2009

Supplementary Agreement No. 1 to the Agreement on the Cooperative Establishment of the Straits College of Minjiang University

Party A: Minjiang University

Domicile: No.1, Wenxian Road, Shangjie Town, Minhou County, Fuzhou City

Legal Representative:

Party B: Fujian Wanzhong Education Investment Management Co., Ltd.

Domicile: Floor 9, Building 1, Jianxing Guangxia, Shuangtuoqiao Yili, Yangqiao East Road, Fuzhou City

Legal Representative:

Whereas:

1. On September 8, 2009, Party A and Wanzhong (Hong Kong) Investment Co., Ltd., the wholly-owned investor of Party B, signed the Agreement on Cooperative Establishment of the Straits College of Minjiang University;
2. On June 29, 2010, the Department of Foreign Economic Cooperation of Fujian Province issued the Reply on the Equity Transfer of Fujian Aida Investment Management Co., Ltd. (Min Wai Jing Mao Zi [2010] No.244). Approve Wanzhong (Hong Kong) Investment Co., Ltd. to transfer the equity of other shareholders of Fujian Aida Investment Management Co., Ltd. and solely operate the renamed Fujian Wanzhong Education Investment Management Co., Ltd.;
3. Agreement on Cooperative Establishment of Transportation College of Minjiang University signed by Party A and Party B on December 28, 2010;
4. After the above two agreements came into effect, the policy of national university enrollment and Taiwan-related cooperative school-running projects has undergone major changes, resulting in the failure to achieve the goal of school-running scale agreed upon in the original agreement.

Based on the principles of equality, voluntariness and seeking truth from facts, and in combination with the facts of the changes in the above enrollment policies, both parties have reached a consensus through full consultation to conclude this supplementary agreement:

1. Party B agrees that Party A shall arrange appropriate enrollment indicators as the enrollment indicators of Minjiang University, Straits College and Transportation College (hereinafter referred to as "Straits College and Transportation College") jointly organized by both parties according to the annual enrollment quota and professional allocation plan.
2. From the academic year of 2014-2015, 27.5% of the total tuition income of all students of Straits College and Transportation College during their study in Party A shall be allocated to Party A as income. The income is paid by the Straits College and Transportation College within 30 days after the registration of students in each academic year.
3. Party B must invest sufficient funds for the construction of school-running conditions in accordance with the relevant requirements and standards of the competent educational authorities and the corresponding student size, so as to ensure that all school-running conditions of the Straits College and Transportation College meet the above standards. The specific implementation plan is formulated and implemented by the board of directors of the Straits College and the Transportation College.
4. In view of the fact that Wanzhong (Hong Kong) Investment Co., Ltd. has invested in Fujian Wanzhong Education Investment Management Co., Ltd., a wholly-owned enterprise in mainland China, the investor of the Agreement on Cooperative Establishment of Strait College of Minjiang University, Party B of this Agreement shall be changed to Fujian Wanzhong Education Investment Management Co., Ltd. from the effective date of this Agreement.
5. In case of any inconsistency between the Agreement on the Cooperative Establishment of the Straits College of Minjiang University and the Agreement on the Cooperative Establishment of the Transportation College of Minjiang University and this Supplementary Agreement, the provisions of this Supplementary Agreement shall prevail. Matters not covered in this Supplementary Agreement shall be supplemented by both parties through negotiation in accordance with the law and the principle of fairness and in combination with the actual situation.
6. This Agreement shall be made in quadruplicate, with each party holding two copies, and shall come into force as of the date of signature and seal by both parties.

Annex: 1. Agreement on Cooperation in Establishing the Straits College of Minjiang University
Agreement on Cooperative Establishment of Transportation College of Minjiang University

Party A: Minjiang University

Signature of authorized representative:

June 25, 2014

Party B: Attachment: Wanzhong Education Investment Management Co., Ltd.

Signature of authorized representative:

June 25, 2014

List of subsidiaries of the Registrant

Subsidiaries	Place of Incorporation
Aiways Automobile Holding Limited	Cayman Islands
Aiways Merger Sub Limited	Cayman Islands
Yi Xin International Investment Limited	British Virgin Islands
Wanwang Investment Limited	British Virgin Islands
China Boya Education Group Co., Ltd.	Hong Kong
Wanzhong (HK) Investment Limited	Hong Kong
China Liberal (Beijing) Education Technology Co., Ltd.	PRC
Fujian China Liberal Education Technology Group Co., Ltd	PRC
Beijing Oriental Wisdom Culture Development Co., Ltd.	PRC
Fujian Wanzhong Education Investment Management Co., Ltd.	PRC
Affiliated Entities	Place of Incorporation
Fuzhou Melbourne Polytechnic	PRC
Strait College of Minjiang University	PRC

Certification by the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ngai Ngai Lam, certify that:

1. I have reviewed this Annual Report on Form 20-F of China Liberal Education Holdings Limited (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 15, 2023

By: /s/ Ngai Ngai Lam

Name: Ngai Ngai Lam

Title: Chief Executive Officer

Certification by the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Wenhui Zhuang, certify that:

1. I have reviewed this Annual Report on Form 20-F of China Liberal Education Holdings Limited (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 15, 2023

By: /s/ Wenhui Zhuang
Name: Wenhui Zhuang
Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of China Liberal Education Holdings Limited (the "Company") on Form 20-F for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ngai Ngai Lam, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2023

By: /s/ Ngai Ngai Lam

Name: Ngai Ngai Lam

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of China Liberal Education Holdings Limited (the "Company") on Form 20-F for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wenhui Zhuang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2023

By: /s/ Wenhui Zhuang
Name: Wenhui Zhuang
Title: Chief Financial Officer