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JH Educational Technology INC.

嘉宏教育科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1935)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “**Board**”) of JH Educational Technology INC. (the “**Company**”) is pleased to announce the unaudited interim consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2018. The unaudited interim consolidated financial results for the Reporting Period have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

HIGHLIGHTS

	Six months ended 30 June			
	2019	2018	Change	Percentage Change
	RMB'000	RMB'000	RMB'000	
	(unaudited)	(unaudited)		
Revenue	254,829	98,454	+156,375	+159%
Gross profit	147,476	68,632	+78,844	+115%
Profit for the period	128,724	124,753	+3,971	+3%
Core net profit ^(Note)	142,585	133,511	+9,074	+7%

Note: Core net profit is defined as the profit for the period of the Group after adjusting for those items which are not indicative of the Group's operating performance. For details of the reconciliation of the profit for the period to the core net profit of the Group, please refer to the section headed “Financial Review” in this announcement.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
	Notes	2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	254,829	98,454
Cost of sales		<u>(107,353)</u>	<u>(29,822)</u>
Gross profit		<u>147,476</u>	<u>68,632</u>
Other income and gains	4	18,179	4,459
Selling and distribution expenses		(2,857)	(755)
Administrative expenses		(27,738)	(11,994)
Other expenses		(952)	(4,624)
Finance costs		(2,615)	—
Share of profits of:			
Joint ventures		—	75,016
An associate		<u>—</u>	<u>2</u>
PROFIT BEFORE TAX	5	131,493	130,736
Income tax expense	6	<u>(2,769)</u>	<u>(5,983)</u>
PROFIT FOR THE PERIOD		<u>128,724</u>	<u>124,753</u>
Attributable to:			
Owners of the parent		98,570	57,271
Non-controlling interests		<u>30,154</u>	<u>67,482</u>
		<u>128,724</u>	<u>124,753</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period	8	<u>RMB0.0802</u>	<u>RMB0.0477</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>128,724</u>	<u>124,753</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statement	<u>(258)</u>	<u>1</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(258)</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(258)</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>128,466</u>	<u>124,754</u>
Attributable to:		
Owners of the parent	<u>98,312</u>	<u>57,272</u>
Non-controlling interests	<u>30,154</u>	<u>67,482</u>
	<u>128,466</u>	<u>124,754</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

		As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		934,335	936,818
Right-of-use assets	2.2	304,092	—
Prepaid land lease payments	2.2	—	299,130
Goodwill		110,995	110,995
Other intangible assets		13,393	16,871
Prepayments for purchases of property, plant and equipment		11,068	8,553
Total non-current assets		1,373,883	1,372,367
CURRENT ASSETS			
Trade receivables	9	423	1,624
Tax recoverable		2,462	4,279
Prepayments, deposits and other receivables		5,721	30,402
Amounts due from shareholders		—	3,884
Other current assets		542	574
Time deposits		497,871	284,336
Cash and cash equivalents		344,877	172,872
Total current assets		851,896	497,971
CURRENT LIABILITIES			
Other payables and accruals	10	102,146	109,333
Interest-bearing bank loans		109,000	89,000
Lease liabilities	2.2	542	—
Contract liabilities	4	17,409	259,203
Deferred income		1,852	1,653
Amount due to a shareholder		—	516
Dividends payable		—	42,732
Tax payable		1,026	391
Total current liabilities		231,975	502,828
NET CURRENT ASSETS/(LIABILITIES)		619,921	(4,857)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,993,804	1,367,510

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2019

	<i>Note</i>	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES			
Deferred income		12,780	14,336
Lease liabilities	2.2	469	—
Other liabilities		103	31
Total non-current liabilities		13,352	14,367
Net assets		1,980,452	1,353,143
EQUITY			
Equity attributable to owners of the parent			
Share capital		110,307	68
Reserves		1,552,314	1,065,398
		1,662,621	1,065,466
Non-controlling interests		317,831	287,677
Total equity		1,980,452	1,353,143

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 June 2017. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 June 2019.

The Company is an investment holding company. During the period, the Company and its subsidiaries including structured entities (collectively referred to as the “**Group**”) were principally engaged in the provision of educational services in the People’s Republic of China (the “**PRC**”).

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements (“**Historical Financial Information**”) included in the Accountants’ Report set forth in Appendix IA to the Company’s Prospectus dated 4 June 2019 (the “**Prospectus**”).

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s Historical Financial Information included in the Prospectus, except for the adoption of the new and revised International Financial Reporting Standards (“**IFRSs**”) effective as of 1 January 2019.

Amendments to IFRS 9
IFRS 16
Amendments to IAS 19
Amendments to IAS 28
IFRIC-Int 23
Annual Improvements
2015–2017 Cycle

Prepayment Features with Negative Compensation
Leases
Plan Amendment, Curtailment or Settlement
Long-term Interests in Associates and Joint Ventures
Uncertainty over Income Tax Treatments
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases — Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for property and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-

value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	308,324
Decrease in prepaid land lease payments	(299,130)
Decrease in prepayments, deposits and other receivables	(7,918)
Increase in total assets	1,276
Liabilities	
Increase in lease liabilities	1,276
Increase in total liabilities	1,276
Decrease in retained earnings	—

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<i>RMB'000</i> (Unaudited)
Operating lease commitments as at 31 December 2018	1,445
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Lease liabilities as at 1 January 2019	<u>1,276</u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the Historical Financial Information in the Prospectus is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect

the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			Lease liabilities
	Property and buildings	Prepaid land lease payments	Total	
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2019	1,276	307,048	308,324	1,276
Additions	—	—	—	—
Depreciation charge	(273)	(3,959)	(4,232)	—
Interest expense	—	—	—	30
Payments	—	—	—	(295)
As at 30 June 2019	1,003	303,089	304,092	1,011

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of higher and secondary education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the reporting period, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the Group during the reporting period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

		Six months ended 30 June	
	<i>Notes</i>	2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue			
Tuition fees		229,056	84,121
Boarding fees		20,531	9,269
Other education service fees	(i)	5,242	5,064
Total revenue from contracts with customers		254,829	98,454
Other income and gains			
Bank interest income		3,266	1,977
Rental income		2,625	807
Government grants	(ii)		
— related to expenses		11,263	1,064
— related to assets		834	532
Others		191	79
		18,179	4,459

Notes:

- (i) During the periods, revenue from other education service mainly represents fees received for the provision of adult education services and training services to the students, which was amortised over the training periods of the services rendered.
- (ii) Government grants are related to government industry grants and subsidies received from local government for the purpose of compensating the operating expenses arising from the Group's teaching activities and expenditures on teaching facilities. There were no unfulfilled conditions or contingencies relating to these grants.

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 30 June 2019 and 31 December 2018 and will be expected to be recognised within one year:

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Tuition fees	8,596	227,897
Boarding fees	2,778	22,962
Other education service fees	6,035	8,344
Total contract liabilities	17,409	259,203

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Six months ended 30 June 2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		50,791	24,368
Pension scheme contributions		5,368	2,720
Other welfare expenses		234	196
		56,393	27,284
Depreciation of property, plant and equipment		21,263	6,497
Depreciation of right-of-use assets	2.2	4,232	—
Amortisation of prepaid land lease payments		—	1,665
Amortisation of other intangible assets		3,560	55
Impairment of trade receivables		688	50
Bank interest income	4	(3,266)	(1,977)
Government grants			
— related to expenses	4	(11,263)	(1,064)
— related to assets	4	(834)	(532)
Loss on disposal of a joint venture		—	389
Loss on disposal of an associate		—	1
Listing expenses		16,008	4,727

6. INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

JH Education Technology HK Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the period and up to the date of this report, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, College of Information and Business, Changzheng College and Jingyi Secondary School did not pay corporate income tax for the income from the provision of formal educational services and had enjoyed the preferential tax treatment during the period. As a result, no income tax expense was recognised by College of Information and Business, Changzheng College and Jingyi Secondary School for the income from the provision of formal educational services during the period.

The non-academic education services provided by the schools are subject to corporate income tax at a rate of 25%.

Except for College of Information and Business, Changzheng College and Jingyi Secondary School, all of the Group's subsidiaries established in the PRC were subject to corporate income tax at a rate of 25% during the period.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	<u>2,769</u>	<u>5,983</u>

7. DIVIDENDS

An interim dividend of HK\$0.021 per ordinary share and a special interim dividend of HK\$0.054 per ordinary share for the six months ended 30 June 2019 have been proposed by the board of directors and are subject to approval by the shareholders at the forthcoming extraordinary general meeting of the Company.

Dividends of RMB23,182,000 were declared by Changzheng College, a subsidiary of the Company, to a non-controlling shareholder during the periods ended 30 June 2018.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of RMB98,570,000 (six months ended 30 June 2018: RMB57,271,000), and the weighted average number of ordinary shares of 1,228,729,282 (six months ended 30 June 2018: 1,200,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

As of 1 January 2018, the Company had 10,000 ordinary shares in issue.

On 30 May 2019, the authorised share capital of the Company was subdivided from US\$50,000 divided into 50,000 shares of US\$1.00 each to US\$50,000 divided into 5,000,000 shares of US\$0.01 each and the authorised share capital of the Company was increased from US\$50,000 divided into 5,000,000 shares of US\$0.01 each to US\$300,000,000 divided into 30,000,000,000 shares of US\$0.01 each. Therefore, the number of ordinary shares in issue became 1,000,000 (the “**Share Split**”).

On 18 June 2019, the Company was listed on the Main Board of the Stock Exchange (the “**Listing**”) by way of issuing 400,000,000 new ordinary shares and capitalisation issue of 1,199,000,000 ordinary shares (the “**Capitalisation Issue**”).

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the six months ended 30 June 2019 and 2018 was based on 10,000 ordinary share of the Company issued as of 1 January 2018, 990,000 ordinary shares of the Company issued under the Share Split and 1,199,000,000 ordinary shares of the Company issued under the Capitalisation Issue, as if these additional shares issued under the Share Split and Capitalisation Issue had been completed throughout the six months ended 30 June 2019 and 2018.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent,		
used in the basic and diluted earnings		
per share calculation	98,570	57,271

	Number of shares	
	Six months ended 30 June	
	2019	2018
Shares		
Number of issued shares on 1 January	10,000	10,000
Effect of Share Split on 30 May 2019	990,000	990,000
Effect of Capitalisation Issue on 18 June 2019	1,199,000,000	1,199,000,000
Effect of the IPO (excluding shares issued under the over-allotment option) on 18 June 2019	28,729,282	—
Weighted average number of ordinary shares in issue during the period for the purpose of the basic earnings per share calculation	1,228,729,282	1,200,000,000
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted	RMB0.0802	RMB0.0477

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the period, based on the transaction date and net of provisions, is as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within 1 year	134	688
1 to 2 years	271	122
2 to 3 years	14	336
More than 3 years	4	478
	423	1,624

10. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Payables for salaries and welfares	32,277	40,719
Other tax payables	7,484	6,689
Miscellaneous advances received from students	12,366	16,377
Receipt on behalf of ancillary services providers	5,109	5,448
Payables for acquisition of prepaid land lease payments	—	4,691
Payables for listing expenses	9,353	4,173
Payables for accommodation service	3,681	3,681
Payables for textbooks	875	513
Payables for purchase of property, plant and equipment	1,358	1,603
Other payables	29,643	25,439
	<u>102,146</u>	<u>109,333</u>

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals as at the end of the period approximated to their fair values due to their short-term maturities.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

We are committed to providing high-quality private education to our students, including formal undergraduate education, junior college education and high school education. For our formal undergraduate education and junior college education, we have dedicated our resources to designing comprehensive and diversified curriculums that encompass a broad range of practical major offerings. We are of the view that these majors and curriculums are instrumental in equipping our students with readily applicable and practical skills that enable them to have a competitive advantage in the labor market upon graduation and help them meet the evolving demands of employers. Our majors and curriculums are market-oriented. We generally create and regularly update major offerings at our Zhejiang Changzheng Vocational & Technical College (“**Changzheng College**”) and Zhongyuan University of Technology College of Information and Business (“**College of Information and Business**”) by conducting thorough research on regional economic development and industry needs to identify under-served segments of the labor market. Based on our research of the current and anticipated market demands, we have established several market-oriented clusters of majors after careful consideration.

Our business operations are located in Zhejiang province and Henan province. According to the Frost & Sullivan Report, we are the largest private provider of junior college education and the fourth largest private provider of formal higher education in Zhejiang province in terms of the total number of student enrollment as of 31 December 2017. In addition to offering higher education, we provide secondary education to high school students in Zhejiang province. We control and operate three schools, namely Changzheng College, College of Information and Business and Jingyi Secondary School.

Changzheng College

Changzheng College is a junior college located in Hangzhou, Zhejiang province, the PRC, which provides formal junior college education. The school was co-sponsored by Zhejiang Committee of the Revolutionary Committee of the Chinese Kuomintang (中國國民黨革命委員會浙江委員會) and JH Holdings Group. Changzheng College’s educational philosophy is “to maintain teaching quality, to improve management system, to distinguish with unique characteristics, and to empower by talent” (質量立校, 制度治校, 特色興校, 人才強校). Its educational goal is to build a high level private higher institution.

The school has teaching buildings, experimental training buildings, a library, a gymnasium and student dormitories, among other school facilities. Changzheng College has eight on-campus training bases, including, among others, training bases for financial accounting, cross-border e-commerce, service administration, applied linguistics, network information, robot applications and project management, and has approximately 115 on-campus practical training rooms. The school’s e-commerce vocational education training base has been supported financially by the PRC central government, whereas the financial accounting training base has been identified by the provincial government of Zhejiang as a model training base. Changzheng College currently has nine departments, including humanities, basic course teaching, construction engineering, ideological and political theory teaching, adult education, management, economics, computer and information technology and finance and accounting.

The school offers approximately 33 majors across seven key subject categories. These categories are financial accounting, business and trade, operation and management, applied linguistics, computer information, intelligent technologies and construction and engineering management. The majors include, among others, accounting, construction project management, software technology, international economics and trade, human resource management, and business English. Among the majors Changzheng College offers, international economics and trade has been designated as a “provincial advantage major” by the Zhejiang Department of Education, whereas several other majors, including accounting and management of business enterprises, have been recognized by the Zhejiang Department of Education as “provincial specialty majors.”

College of Information and Business

College of Information and Business is an independent college located in Zhengzhou, Henan province, China, which provides formal undergraduate education and junior college education. It has been our joint venture school since November 2007 until July 2018. The school was recognized by the Ministry of Education of the PRC (中華人民共和國教育部) as an independent college in December 2003. College of Information and Business will be transformed, subject to the regulatory approval from the relevant PRC government authorities, from an independent college to a wholly-privately owned undergraduate college.

College of Information and Business’ educational philosophy is “to focus on service as the principle and employment as the guidance, use special characteristics to create brand and hope to develop with quality” (以服務為宗旨，以就業為導向，以特色創品牌，以品質謀發展). College of Information and Business has teaching buildings, administrative buildings, experimental training buildings, a library, gymnasiums, indoor and outdoor sports facilities and student dormitories, among other school facilities.

College of Information and Business has six key subject areas, comprising management, economics, engineering, arts, literature and law. The school has established three majors (mechanical manufacturing and automation, control theory and control engineering, and business management), which has become provincial level key construction disciplines, and two provincial level experimental teaching demonstration centers focusing on clothing and textile design and economic management. Among the available majors College of Information and Business currently offers, seven were designated as “provincial private higher education branded majors” and four were designated as the “pilot majors under the provincial comprehensive reform”. College of Information and Business currently has ten departments, including business, accounting, politics, law and media, foreign languages, mechanical engineering, electrical engineering, information technology, construction engineering, artistic design and basic principles. It offers approximately 44 majors in the undergraduate program, including, among others, accounting, mechanical design and manufacturing and automation, architecture and network engineering. In addition, the school offers 16 majors under the junior college program, including accounting, engineering cost, multimedia technology, and clothing and apparel design. Among the majors College of Information and Business offers, accounting, information management and information system, English, clothing and apparel design have been designated by the Henan Department of Education as “provincial advantage majors”, whereas several other majors, including accounting, marketing, international economics and trade, have been recognized by the Henan Department of Education as “provincial specialty majors”. In addition to offering in-class courses under each of the majors, College of Information and Business provides students with practical training courses based on the school’s education orientation, professional training objectives and specifications.

Jingyi Secondary School

Jingyi Secondary School is located in Wenzhou, Zhejiang province, the PRC, and mainly focuses on providing non-compulsory private education for high school students. The school's educational goals are to “teach students to learn, to be human, to be happy, and to help them get into the ideal college” (教會學生學習, 教會學生做人, 教會學生快樂, 讓學生考上自己理想的大學). Jingyi Secondary School has teaching buildings, a science and technology building, an administrative building, classrooms and student dormitories. It also has numerous sporting facilities, such as outdoor track and field, to encourage students to participate in physical activities in order to improve their health. To further stimulate students' interest in learning and to create a conducive educational environment, Jingyi Secondary School has numerous multimedia rooms, laboratories and computer rooms, to provide students with visual, audio and hands-on practical training. The core curriculum is generally designed with reference to the ordinary high school curricular standards formulated by the Zhejiang education authorities. In accordance with the curriculum requirements of the Zhejiang Department of Education, Jingyi Secondary School currently offers 13 main courses in Chinese, mathematics, English (while a small number of students studies Japanese), technology, politics, history, geography, physics, chemistry, biology, sports, arts and music. Among them, Chinese, mathematics, English, technology, politics, history, geography, physics, chemistry and biology are 10 subjects that are part of Zhejiang academic proficiency examinations. Chinese, mathematics and English are required subjects in Gaokao while three of the seven courses in technology, politics, history, geography, physics, chemistry and biology are selective courses in Gaokao.

Our Teaching Staff

We believe the quality of our teachers is one of the most vital factors affecting our educational quality and future growth and success. Before hiring each teacher, we usually consider his or her education background and/or performance in the interview. We prefer to recruit teachers who have the following characteristics: (i) have sufficient prior teaching experience or teaching track record; (ii) are dedicated to teaching and improving students' academic performance and practical skills; (iii) demonstrate strong command of their subject areas; (iv) can effectively implement tailored teaching methods; and (v) possess strong communication, language and interpersonal skills. We also prefer to recruit teachers who have master's degree or above, and for certain practical/vocational subjects, those that hold relevant professional and/or technical qualifications. As of 30 June 2019, approximately 99.0% of our teachers had a bachelor's degree or above, and approximately 67.8% had a master's degree or above.

Tuition Fees and Boarding Fees

We typically charge our students fees comprising tuition fees and boarding fees. The school year for Changzheng College and College of Information and Business is generally from September of the current year to August of the following year, whereas the school year for Jingyi Secondary School is usually from August of the current year to July of the following year. In general, tuition fees and boarding fees for each school year are paid in advance prior to the start of each school year and we recognize revenue proportionately over the relevant period of the school program.

Student Capacity and Utilization

The following table sets forth information relating to the student capacity and utilization rate by school:

School name	As at 30 June			
	Student capacity		School utilization Rate (%)	
	2019	2018	2019	2018
Changzheng College	11,472	11,472	91.2	92.5
Jingyi Secondary School	1,144	1,144	81.8	81.5
College of Information and Business	22,947	22,947	89.5	89.9

Average Tuition Fees and Average Boarding Fees

Average tuition fees and average boarding fees by school for the periods indicated are set out below:

School name	For the six months ended 30 June			
	Average tuition fees		Average boarding fees	
	2019	2018	2019	2018
	(RMB)	(RMB)	(RMB)	(RMB)
Changzheng College	7,791	7,454	898	830
Jingyi Secondary School	6,234	5,536	437	457
College of Information and Business	7,006	6,785	530	537

Future Prospects

We intend to solidify our position as a leading private provider of formal higher education in Zhejiang province focusing on nurturing professional talent. We intend to leverage our operating experience in Henan province to further expand our school network in the PRC and overseas. To achieve this goal, we plan to pursue the following business strategies:

1. *Expand our business operations and school network to achieve economies of scale*

- We plan to establish a new campus of College of Information and Business in Kaifeng, Henan province, that will primarily offer undergraduate courses. The estimated student capacity is approximately 15,000 students.
- We also plan to construct new buildings in the main campus of College of Information and Business by constructing three additional student dormitories and two new teaching buildings with an aggregate gross floor area of 27,000 sq. m. We expect that the student capacity of College of Information and Business will increase to approximately 25,000 once these buildings are put into use.

- We plan to expand the existing campus of Changzheng College in Hangzhou, Zhejiang province, by constructing new student dormitories, a student knowledge exchange center and canteens. We expect that the student capacity of Changzheng College will increase to approximately 13,024 once these buildings are put into use.
- We also plan to establish a new campus of Changzheng College in 2022. On 11 October 2016, we entered into a framework agreement with Hangzhou East River Industrial Cluster Management Committee (杭州大江東產業集聚區管委會), an independent third party, pursuant to which the parties agreed to establish a new campus of Changzheng College with an aggregate expected enrollment of not less than 5,000 students.

2. *Acquisitions:*

- We prefer to acquire or invest in schools that offer higher education with relatively low utilization rates and/or have substantial growth potential in the PRC. We prefer to acquire qualified undergraduate colleges and/or junior colleges whose school sponsors have elected them to be for-profit private schools in central China, eastern China and southern China.

3. *Establish a new school overseas:*

- We plan to establish a degree-granting higher education institution in California, the United States (the “**California School**”) to offer programs relating to business administration and international business. We have engaged an agent who has experience in post-secondary education to assist us in establishing the California School in California and filing applications with the California Bureau for Private Postsecondary Education regarding the establishment of a higher education institution in California.

4. *Enhance our profitability by optimizing our pricing strategies*

- The tuition fees and boarding fees we charge are significant factors affecting our profitability. The tuition fee rates for our schools are generally subject to the approval of the relevant government pricing authorities in the areas where we operate. Our Changzheng College had the discretion to set the tuition fee rates applicable to newly enrolled students beginning in the 2016/17 school year based on its operating costs. Changzheng College shall make appropriate filings with the Pricing Bureau of Zhejiang and the Zhejiang Department of Education for each tuition fee rate adjustment. We intend to raise tuition fee rates to newly enrolled students of Changzheng College for the 2019/20 school year. Prior to 2017, College of Information and Business was required to obtain prior approval from the relevant government pricing authorities in connection with any adjustment of the tuition fee standards. Since 2017, College of Information and Business has had the discretion to set the tuition fee rates within the statutory upper limits to newly enrolled students, subject to the filings to be made with the pricing and educational authorities of Henan province. Accordingly, College of Information and Business made filings with the pricing and educational authorities of Henan province and increased the tuition fee rates in the 2017/18 school year, and we intend to increase our tuition fee rates applicable to newly enrolled students at our College of Information and Business for the 2019/20 school year.

Financial Review

Overview

Revenue

Our revenue increased by 159% from RMB98.5 million for the six months ended 30 June 2018 to RMB254.8 million for the six months ended 30 June 2019. The increase was primarily because the financial results of College of Information and Business, including its revenue of approximately RMB154.8 million, had been consolidated into that of the Group during the Reporting Period. The financial results of College of Information and Business were not consolidated for the first half in 2018.

Cost of Sales

Cost of sales increased by 260% from RMB29.8 million for the six months ended 30 June 2018 to RMB107.4 million for the six months ended 30 June 2019. The increase was primarily because the financial results of College of Information and Business had been consolidated into that of the Group during the Reporting Period, which included (i) cost of sales of approximately RMB69.6 million for the first half of the year from College of Information and Business and (ii) amortization of fixed assets and intangible assets arising from the acquisition of College of Information and Business amounting to approximately RMB5.8 million. The financial results of College of Information and Business were not consolidated for the first half in 2018.

Gross Profit

Gross profit increased by 115% from RMB68.6 million for the six months ended 30 June 2018 to RMB147.5 million for the six months ended 30 June 2019. The increase was primarily because the financial results of College of Information and Business, including its gross profit of approximately RMB85.1 million for the first half of the year, had been consolidated into that of the Group during the Reporting Period. The financial results of College of Information and Business were not consolidated for the first half in 2018.

Other Income and Gains

Other income and gains increased by 308% from RMB4.5 million for the six months ended 30 June 2018 to RMB18.2 million for the six months ended 30 June 2019. The increase was primarily due to (i) that the financial results of College of Information and Business, including its other income and gains of approximately RMB2.2 million for the six months ended 30 June 2019, had been consolidated into that of the Group during the Reporting Period; (ii) the increase in government grants of approximately RMB9.83 million; and (iii) an increase in bank interest income of approximately RMB1.2 million arising from the increase in bank deposits.

Selling Expenses

Selling expenses increased by 278% from RMB0.8 million for the period ended 30 June 2018 to RMB2.9 million for the six months ended 30 June 2019, which was due to the financial results of College of Information and Business, including its selling expenses of approximately RMB1.3 million for the six months ended 30 June 2019, had been consolidated into that of the Group during the Reporting Period. The financial results of College of Information and Business were not consolidated for the first half in 2018. In addition, Changzheng College's selling expenses increased by approximately RMB0.74 million, primarily due to the increase in student recruitment publicity expenses.

Administrative Expenses

Administrative expenses increased by 131% from RMB12.0 million for the six months ended 30 June 2018 to RMB27.7 million for the six months ended 30 June 2019, which was due to (i) the financial results of College of Information and Business, including its administrative expenses of approximately RMB5.8 million for the period ended 30 June 2019, had been consolidated into that of the Group during the Reporting Period. The financial results of College of Information and Business were not consolidated for the first half in 2018; and (ii) the increase in listing fees of approximately RMB11.3 million.

Other Expenses

Other expenses decreased by 79% from RMB4.6 million for the six months ended 30 June 2018 to RMB1.0 million for the six months ended 30 June 2019. The decrease in other expenses was primarily because there was a surcharge for overdue income tax payment of approximately RMB4.0 million in the first half of 2018 while there was no such expense in the first half of 2019.

Financing Costs

Financing costs for the six months ended 30 June 2019 amounted to RMB2.6 million while there were no such costs for the six months ended 30 June 2018. The increase in financing costs was primarily due to the increase in bank loans amounting to RMB109 million.

Share of Profits of Joint Ventures

Share of profits of joint ventures was RMB75.0 million for the six months ended 30 June 2018, and there was no such profit for the six months ended 30 June 2019, primarily because the financial results of College of Information and Business had been consolidated into that of the Group since 6 July 2018 and there was no such share of profits of joint ventures following 5 July 2018.

Profit before Tax

As a result of the foregoing, the profit before income tax for the six months ended 30 June 2019 was RMB131.5 million, while the profit before income tax for the six months ended 30 June 2018 was approximately RMB130.7 million.

Income Tax Expenses

Income tax expenses decreased from RMB6.0 million for the six months ended 30 June 2018 to RMB2.8 million for the period ended 30 June 2019, primarily due to the distribution of dividends from Changzheng College to JH Holdings Group in April 2018.

Profit for the Period

As a result of the foregoing, the Group recorded a profit of approximately RMB128.7 million for the six months ended 30 June 2019, while the profit for the period ended 30 June 2018 was approximately RMB124.8 million.

Core Net Profit

The Group's core net profit does not represent its profit for the period after the adjustment of the Group's operating performance (as presented in the table below), and is not an International Financial Reporting Standards measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management, analysts and investors. The following table reconciles from profit for the period to core net profit for the two financial periods presented:

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period	128,724	124,753
Less:		
Exchange gain	7	—
Government industry grants ^(Note)	8,084	—
Add:		
Listing expenses	16,008	4,727
Amortisation of fixed assets and intangible assets arising from the acquisition of College of Information and Business	5,944	—
Surcharge for overdue tax payment	—	4,031
Core net profit	<u>142,585</u>	<u>133,511</u>

Note: The adjustment represented government industry grants received from Yueqing municipal Government to recognise the Group's economic achievement and contribution in Yueqing City.

Finance and Liquidity Position

Net Current Assets

As of 30 June 2019, net current assets amounted to approximately RMB619.9 million (31 December 2018: net current liabilities of approximately RMB4.9 million). The increase in net current assets was due to (i) an increase in time deposits and bank deposits of approximately RMB385.5 million, primarily attributable to the proceeds from the Group's listing on 18 June 2019 (the "**Listing Date**"); and (ii) a decrease in contractual liabilities of approximately RMB241.8 million, primarily because most of prepaid tuitions and accommodation fees had been recognized as income.

Indebtedness

We primarily borrow loans from banks to supplement our working capital. As of 30 June 2019, bank loans of approximately RMB109 million bore effective interest rates ranging from 4.6% to 7.2%. Such bank loans were primarily used to pay the remaining consideration of approximately RMB120.0 million in connection with the transformation of College of Information and Business. The Board confirmed that there were no material covenants relating to any outstanding debts and there was no breach of any covenants. The Board further confirmed that the Group did not experience any difficulties in obtaining bank loans, default on outstanding bank loan repayments or breach of covenants for the Reporting Period.

Contingent Liabilities and Guarantees

Save as disclosed above, as of 30 June 2019, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against the Group.

Foreign Exchange Exposure

Most of the Group's gains and losses are denominated in RMB. As of 30 June 2019, several bank balances were denominated in US Dollars or Hong Kong Dollars ("HK\$"). The Group currently does not have any foreign exchange hedging policy. The management will continue to monitor the Group's foreign exchange risk and consider adopting discreet measures as and when appropriate.

Charge on Group Assets

As at 30 June 2019, the Group did not have any charges on its assets.

Gearing Ratio

Gearing ratio was 5.5% (31 December 2018: 6.6%) as of 30 June 2019 as we had RMB109 million of interest-bearing bank loans as of the same date (31 December 2018: RMB89 million). Gearing ratio decreased mainly due to the increase in total equity during the Reporting Period.

(Note: Gearing ratio equals total debt divided by total equity as of the end of the period. Total debt includes all interest-bearing bank loans and other borrowings.)

Employee and Remuneration Policy

As of 30 June 2019, we had 1,569 employees. The total employee benefit expense (excluding directors' remuneration) for the six months ended 30 June 2019 amounted to approximately RMB56.4 million. Remuneration of the Group's employees is determined based on their performance and experience as well as prevailing industry practices, and all remuneration policies and packages are regularly reviewed. 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 provident fund, pension, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. We believe we maintained a good working relationship with our employees and did not experience any material labor disputes. Directors and the senior

management can also buy options pursuant to the share option scheme adopted by the Company on 30 May 2019. The purpose of the scheme is to give the eligible persons an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. In addition, our Group offers comprehensive training to existing and new employees and/or funds employees to participate in various occupational training courses.

Significant Investments, Material Acquisition and Disposal

Save as disclosed in this interim results announcement, the Group did not have any other plans regarding material investment and asset acquisition or disposal.

Events After the Reporting Period

Save as the declaration and payment of interim dividend and special interim dividend disclosed in this interim results announcement, there is no material events subsequent to 30 June 2019 which would materially affect the Group's operating and financial performance as of the date of this announcement.

OTHER INFORMATION

Compliance with the Code or Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and strengthen corporate value and accountability. The Company has adopted Appendix 14 Corporate Governance Code and Corporate Governance Report (the “**Corporate Governance Code**”) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

The Company devotes to the best practices on corporate governance, and has complied with the code provisions of the Corporate Governance Code during the period from the Listing Date to 30 June 2019, except for the following deviation.

Pursuant to code provision A.2.1 of the Code, the roles of chairman of the Board (the “**Chairman**”) and chief executive officer (the “**CEO**”) should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing.

Mr. Chen Yuguo is the Chairman and the CEO of the Company. As Mr. Chen Yuguo has been managing the Group's business and overall strategic planning since its establishment, the Directors consider that the vesting of the roles of Chairman and CEO in Mr. Chen Yuguo is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group, aligning the directions and approaches on the board level and execution level and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure

will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of its Chairman and CEO.

Model Code for Securities Transactions

The Company has adopted Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules as a code of conduct regarding securities transactions by directors of the Company (the “**Directors**”). After making specific enquiries with all Directors, all Directors confirmed that they complied with the standards set out in the Model Code during the period from the Listing Date to 30 June 2019.

Interim Dividend and Special Interim Dividend

At the meeting of the Board held on 28 August 2019, the Board recommended the payment of an interim dividend of HK\$0.021 per ordinary share and the payment of a special interim dividend of HK\$0.054 per ordinary share for the six months ended 30 June 2019 (six months ended 30 June 2018: nil) out of the share premium account of the Company to shareholders whose names are on the register of members of the Company on Thursday, 10 October 2019. The above interim dividend and special interim dividend will be subject to the approval of the Company’s shareholders in an extraordinary general meeting to be held on Thursday, 26 September 2019 (the “**EGM**”) and are expected to be distributed to shareholders on Monday, 21 October 2019.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 23 September 2019 to Thursday, 26 September 2019 (both days inclusive), for the purpose of determining the entitlement to attend and vote at the EGM scheduled to be held on Thursday, 26 September 2019. The record date will be Thursday, 26 September 2019. In order to be eligible to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 20 September 2019.

In order to determine the entitlement of shareholders to the interim dividend and special interim dividend, the register of members of the Company will be closed from Tuesday, 8 October 2019, to Thursday, 10 October 2019 (both days inclusive), during which no transfer of shares will be registered. All transfer documents together with the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Friday, 4 October 2019.

Audit Committee

The Board has established the Audit Committee, which consists of three independent non-executive Directors, namely Mr. Fung Nam Shan (Chairman), Mr. Chen Danhua and Mr. Wang Yuqing. The primary responsibility of the Audit Committee is to review and supervise the financial reporting process and internal control of the Company.

The Audit Committee, together with the management, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019 and this interim results announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from the Listing Date of the Company to 30 June 2019.

Use of Proceeds from the Listing

The shares of the Company were listed on the Stock Exchange on 18 June 2019, and the over-allotment option was partially exercised on 11 July 2019. The net proceeds from the initial public offering were approximately HK\$525.9 million after deducting the underwriting commission and other offering expenses from the listing. As stated in the Company's prospectus, the proposed use of the net proceeds from the initial public offering is set out below:

- (i) approximately 50.0%, or HK\$263.0 million, is expected to be used primarily to acquire other schools to expand our school network. In particular, we prefer to acquire qualified undergraduate colleges and/or junior colleges, including private universities and independent colleges whose school sponsors have elected to be or intend to elect them to be for-profit private schools in central China, eastern China, and southern China;
- (ii) approximately 40.0%, or HK\$210.3 million, is expected to be used primarily to expand our business, including establishing a new campus of College of Information and Business, and a new campus of Changzheng College; and
- (iii) approximately 10.0%, or HK\$52.6 million, is expected to be used to fund our working capital and general corporate purposes.

Details of the use of net proceeds from the Global Offering are set out in "Future Plans and Use of Proceeds" of the Prospectus.

For the six months ended 30 June 2019, the Group did not utilize any net proceeds from the Listing.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we have deposited the proceeds into interest-bearing bank accounts with licensed commercial banks and/or authorized financial institutions in Hong Kong.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and website of the Company at www.jheduchina.com, respectively. The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
JH Educational Technology INC.

Chen Yuguo
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 August, 2019

As at the date of this announcement, the executive Directors are Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Shu, Mr. Chen Nansun and Mr. Chen Lingfeng; the non-executive Director is Ms. Zhang Xuli; and the independent non-executive Directors are Mr. Chen Danhua, Mr. Fung Nam Shan and Mr. Wang Yuqing.