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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

	Year ended 31 December			
	2019	2018	**Change**	**Percentage Change**
	RMB'000	*RMB'000*	***RMB'000***	
Revenue	**485,117**	301,818	**183,299**	**61%**
Gross profit	**258,102**	161,749	**96,353**	**60%**
Profit for the year	**227,227**	286,856	**(59,629)**	**(21)%**
Core net profit *(Note)*	**249,706**	228,147	**21,559**	**9%**

Note: Core net profit is defined as the profit for the year 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 year to the core net profit of the Group, please refer to the section headed "Financial Review" in this announcement.

The board of directors (the "**Board**") of JH Educational Technology INC. (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**"), together with the comparative figures for the corresponding period in 2018. The annual consolidated financial results for the Year has been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
REVENUE	*4*	**485,117**	301,818
Cost of sales		**(227,015)**	(140,069)
Gross profit		**258,102**	161,749
Other income and gains	*4*	**35,811**	15,437
Selling and distribution expenses		**(7,021)**	(3,883)
Administrative expenses		**(50,286)**	(41,608)
Other expenses		**(2,185)**	(5,970)
Finance costs	*6*	**(4,086)**	(2,140)
Remeasurement gain of previously held equity interests in an acquiree		**—**	90,295
Share of profits of:			
Joint ventures		**—**	74,284
Associate		**—**	2
PROFIT BEFORE TAX	*5*	**230,335**	288,166
Income tax expense	*7*	**(3,108)**	(1,310)
PROFIT FOR THE YEAR		**227,227**	286,856
Attributable to:			
Owners of the parent		**175,774**	156,046
Non-controlling interests		**51,453**	130,810
		227,227	286,856
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted			
— For profit for the year		**RMB0.1241**	RMB0.1300

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

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**227,227**	286,856
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**29**	3
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**29**	3
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**10,251**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**10,251**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**10,280**	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**237,507**	286,859
Attributable to:		
Owners of the parent	**186,054**	156,049
Non-controlling interests	**51,453**	130,810
	237,507	286,859

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**977,294**	936,818
Right-of-use assets		**300,589**	—
Prepaid land lease payments		**—**	299,130
Goodwill		**110,995**	110,995
Other intangible assets		**10,556**	16,871
Prepayments for purchase of property, plant and equipment		**27,506**	8,553
Total non-current assets		**1,426,940**	1,372,367
CURRENT ASSETS			
Trade receivables	*10*	**890**	1,624
Tax recoverable		**—**	4,279
Prepayments, deposits and other receivables		**18,699**	30,402
Amounts due from shareholders		**—**	3,884
Other current assets		**615**	574
Time deposits		**426,484**	284,336
Cash and cash equivalents		**524,502**	172,872
Total current assets		**971,190**	497,971
CURRENT LIABILITIES			
Other payables and accruals	*11*	**103,945**	109,333
Interest-bearing bank loans		**—**	89,000
Lease liabilities		**1,040**	—
Contract liabilities	*4*	**290,419**	259,203
Deferred income		**1,846**	1,653
Amount due to a shareholder		**—**	516
Dividends payable		**—**	42,732
Tax payable		**1,295**	391
Total current liabilities		**398,545**	502,828
NET CURRENT ASSETS/(LIABILITIES)		**572,645**	(4,857)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,999,585**	1,367,510

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2019

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**467**	—
Deferred income	**16,555**	14,336
Other liabilities	**392**	31
Total non-current liabilities	**17,414**	14,367
Net assets	**1,982,171**	1,353,143
EQUITY		
Equity attributable to owners of the parent		
Share capital	**110,362**	68
Reserves	**1,532,679**	1,065,398
	1,643,041	1,065,466
Non-controlling interests	**339,130**	287,677
Total equity	**1,982,171**	1,353,143

NOTES TO FINANCIAL STATEMENTS

1. Corporate and Group 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 year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the provision of higher and secondary education services and the related management services in the People's Republic of China (the "**PRC**").

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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 Group has adopted the following new and revised IFRSs for the first time for the current year's consolidated financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and Annual Improvements to IFRSs 2015–2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 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.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of 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 leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019. 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 as at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact as at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	**308,349**
Decrease in prepaid land lease payments	**(299,130)**
Decrease in prepayments, other receivables and other assets	**(7,918)**
Increase in total assets	**1,301**
Liabilities	
Increase in lease liabilities	**1,301**
Increase in total liabilities	**1,301**

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

	RMB'000
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	1,301

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically includes requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered the interpretation did not have any impact on the financial position or performance of the Group.

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 year, 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 further 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:

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Revenue			
Tuition fees		**434,141**	265,772
Boarding fees		**40,355**	26,589
Other education service fees	*(i)*	**10,621**	9,457
Total revenue from contracts with customers		**485,117**	301,818
Other income and gains			
Bank interest income		**13,717**	4,840
Rental income		**5,858**	4,159
Government grants	*(ii)*		
— related to expenses		**14,421**	4,516
— related to assets		**1,364**	1,339
Donation income		**—**	59
Others		**451**	524
		35,811	15,437

Notes:

(i) During the year, revenue from other education services 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.

4. Revenue, Other Income and Gains (continued)

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

	2019	2018
	RMB'000	*RMB'000*
Tuition fees	**259,336**	227,897
Boarding fees	**26,987**	22,962
Other education service fees	**4,096**	8,344
Total contract liabilities	**290,419**	259,203

The Group receives tuition fees, boarding fees, other education service fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the periods of the relevant programme. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

The transaction price associated with unsatisfied or partially unsatisfied performance obligations does not include variable consideration that is constrained.

Significant changes in the contract liabilities balances during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**259,203**	97,274
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(259,203)**	(97,274)
Increases due to cash received, excluding amounts recognised as revenue during the year	**290,419**	259,203
At the end of the year	**290,419**	259,203

5. Profit Before Tax

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

	Note	**2019**	2018
		RMB'000	*RMB'000*
Employee benefit expense (excluding directors' remuneration)			
Wages and salaries		**104,334**	67,692
Pension scheme contributions		**12,382**	9,748
Other welfare expenses		**2,626**	2,140
		119,342	79,580
Depreciation of property, plant and equipment		**42,736**	27,246
Depreciation of right-of-use assets (2018: amortisation of land lease payments)		**8,654**	5,611
Amortisation of other intangible assets (i)		**7,149**	3,878
Impairment of trade receivables (iii)		**698**	839
Bank interest income (ii)	*4*	**(13,717)**	(4,840)
Government grants			
— related to expenses (ii)	*4*	**(14,421)**	(4,516)
— related to assets (ii)	*4*	**(1,364)**	(1,339)
Loss on disposal of items of property, plant and equipment (iii)		**41**	14
Loss on disposal of a joint venture (iii)		**—**	389
Loss on disposal of an associate (iii)		**—**	1
Auditor's remuneration		**2,000**	—
Share issue expenses		**17,760**	21,133
Foreign exchange differences, net		**915**	—

(i) Amounts of RMB7,094,000 and RMB3,863,000 were included in "Cost of sales" and amounts of RMB55,000 and RMB15,000 were included in "Administrative expenses" in profit or loss during the years ended 31 December 2019 and 2018, respectively.

(ii) Included in "Other income and gains" in profit or loss.

(iii) Included in "Other expenses" in profit or loss.

6. Finance Costs

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**4,253**	2,140
Interest on lease liabilities	**66**	—
	4,319	2,140
Less: Interest capitalised	**(233)**	—
	4,086	2,140

During the year, the interest capitalisation amount of the Group's borrowings has been included in property, plant and equipment.

7. Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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 Educational Technology HK Limited and JH Investment (Hong Kong) Limited, the subsidiaries incorporated in Hong Kong, are 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 year.

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 year and up to the date of this announcement, 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 have enjoyed the preferential tax treatment since their establishment. 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 year.

7. Income Tax (continued)

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 year.

Corporate income tax of the Group has been provided at the applicable tax rate on the estimated taxable profits arising in Mainland China during the year. The major components of income tax expense of the Group are as follows:

	2019	2018
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**3,108**	1,310

8. Dividends

	2019	2018
	RMB'000	*RMB'000*
Interim — dividend of HK0.021 cents and special dividend of HK0.054 cents (2018: Nil) per ordinary share	**108,353**	—
Proposed final — dividend of HK0.021 cents and special dividend of HK0.054 cents (2018: Nil) per ordinary share	**107,549**	—
	215,902	—

The proposed final dividend and special final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB175,774,000 (2018: RMB156,046,000), and the weighted average number of 1,416,274,712 ordinary shares in issued during the year ended 31 December 2019, as adjusted to reflect the Share Split and Capitalisation Issue as set out below (2018: 1,200,000,000 ordinary shares, which were deemed to have been issued by way of Share Split and capitalisation throughout the year ended 31 December 2018).

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**").

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (continued)

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**").

On 11 July 2019, the over-allotment option was partially exercised and the Company allotted and issued 830,000 additional shares, which were initially available on 16 July 2019 (the "**Over-allotment**").

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2019 and 2018 was based on 10,000 ordinary shares 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 years ended 31 December 2019 and 2018.

The Group had no potentially dilutive ordinary shares in issue during years ended 31 December 2019 and 2018.

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**175,774**	156,046

	Number of shares	
	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	**215,890,411**	—
Effect of the Over-allotment on 16 July 2019	**384,301**	—
Weighted average number of ordinary shares in issue during the year for the purpose of the basic earnings per share calculation	**1,416,274,712**	1,200,000,000
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted	**RMB0.1241**	RMB0.1300

10. Trade Receivables

	2019	2018
	RMB'000	*RMB'000*
Tuition and boarding fees receivables	**2,809**	2,845
Impairment	**(1,919)**	(1,221)
	890	1,624

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. Trade receivables represent amounts due from students whose families were in financial difficulties. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables are related to a number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and repayable on demand.

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**481**	688
1 to 2 years	**336**	122
2 to 3 years	**53**	336
More than 3 years	**20**	478
	890	1,624

11. Other Payables and Accruals

	2019	2018
	RMB'000	*RMB'000*
Payables for salaries and welfares	**33,844**	40,719
Other tax payables	**8,232**	6,689
Miscellaneous advances received from students	**17,425**	16,377
Receipt on behalf of ancillary services providers	**7,253**	5,448
Payables for acquisition of prepaid land lease payments	**—**	4,691
Payables for share issue expenses	**—**	4,173
Payables for accommodation service	**3,681**	3,681
Payables for textbooks	**1,053**	513
Payables for purchase of property, plant and equipment	**6,872**	1,603
Other payables	**25,585**	25,439
	103,945	109,333

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

12. Events after the reporting period

Subsequent to the end of the reporting period, there was an outbreak of the Corona Virus Disease (COVID-19) across China. The Group had provided and completed its education services for the 2019/2020 fall semester by early January 2020 but the opening of the school campuses has been delayed during the outbreak period. The Group has implemented certain alternative action plans for students during the closure period, including implementing on-line modules and remote website learning activities.

In view of the alternative action plans described above, the Directors assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the year ended 31 December 2019.

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. We are the largest private provider of formal higher education in Zhejiang province and we are also one of the leading private higher diploma education institution in Henan province. In addition to offering higher education services, 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 38 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 and become our wholly-owned subsidiary since 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 final 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, nine 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 47 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 financial management, 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 financial management, 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, canteens 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 31 December 2019, approximately 99.3% of our teachers had a bachelor's degree or above, and approximately 67.7% 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:

	As at 31 December			
	Student capacity		School utilization rate (%)	
School name	**2019**	2018	**2019**	2018
College of Information and Business	**22,947**	22,947	**93.7**	89.8
Changzheng College	**11,472**	11,472	**99.8**	91.7
Jingyi Secondary School(note)	**1,144**	1,144	**90.4**	81.7

Average Tuition Fees and Average Boarding Fees

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

	For the year ended 31 December			
	Average tuition fees		Average boarding fees	
School name	**2019**	2018	**2019**	2018
	(RMB)	*(RMB)*	***(RMB)***	*(RMB)*
College of Information and Business	**12,984**	12,173	**1,008**	1,002
Changzheng College	**14,165**	13,904	**1,674**	1,573
Jingyi Secondary School(note)	**11,818**	10,173	**755**	766

The following table sets forth information relating to the student enrollment by school for the school years indicated:

	Number of student enrollments	
	School year	
School name	**2019/2020**	2018/2019
College of Information and Business	**21,506**	20,613
Changzheng College	**11,448**	10,520
Jingyi Secondary School(note)	**1,034**	935
Total	**33,988**	32,068

Note: Jingyi Secondary School included training program to students whose student status were not registered with school. The program has been provided by Yueqing Jiaxin Education Training Centre Company Limited beginning in 2019/2020 school year.

Future Prospects

We intend to solidify our position as the largest 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 are constructing 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 students capacity of College of Information and Business will increase to approximately 25,000 in 2020/2021 school year.

- We have expanded the existing campus of Changzheng College in Hangzhou, Zhejiang province, by constructing new student dormitories, a student knowledge exchange center and canteens. The student capacity of Changzheng College will increase to approximately 13,900 students in 2020/2021 school year.

- 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 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 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. 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. Due to the increase of our brand awareness and market recognition, we believe we are in a good position to further optimize our pricing without compromising our reputation and our ability to attract and retain students.

Financial Review

Overview

Revenue

Our revenue increased by 61% from RMB301.8 million for the year ended 31 December 2018 to RMB485.1 million for the year ended 31 December 2019. The increase was primarily because the full year financial results of College of Information and Business had been consolidated into that of the Group during the Year. The financial results of College of Information and Business were not consolidated into that of the Group before 6 July 2018.

Cost of Sales

Cost of sales increased by 62% from RMB140.1 million for the year ended 31 December 2018 to RMB227.0 million for the year ended 31 December 2019. The increase mainly included the increases of (i) salaries and benefits of approximately RMB36.7 million; (ii) depreciation and amortization of approximately RMB20.2 million; and (iii) co-operating costs of approximately RMB19.8 million, primarily because the full year financial results of College of Information and Business had been consolidated into that of the Group during the Year. The financial results of College of Information and Business were not consolidated into that of the Group before 6 July 2018.

Gross Profit

Gross profit increased by 60% from RMB161.7 million for the year ended 31 December 2018 to RMB258.1 million for the year ended 31 December 2019. The increase was primarily because the full year financial results of College of Information and Business had been consolidated into that of the Group during the Year. The financial results of College of Information and Business were not consolidated into that of the Group before 6 July 2018.

Other Income and Gains

Other income and gains increased by 132% from RMB15.4 million for the year ended 31 December 2018 to RMB35.8 million for the year ended 31 December 2019. The increase was primarily due to (i) the increase in government grants of approximately RMB9.9 million; and (ii) an increase in bank interest income of approximately RMB8.9 million arising from the increase in bank deposits.

Selling Expenses

Selling expenses increased by 81% from RMB3.9 million for the period ended 31 December 2018 to RMB7.0 million for the year ended 31 December 2019, which was due to the full year financial results of College of Information and Business had been consolidated into that of the Group during the Year. The financial results of College of Information and Business were not consolidated into that of the Group before 6 July 2018.

Administrative Expenses

Administrative expenses increased by 21% from RMB41.6 million for the year ended 31 December 2018 to RMB50.3 million for the year ended 31 December 2019, which was mainly due to (i) the increase in audit fee and professional expense of approximately RMB3.4 million; and (ii) the increases in salaries and benefits of approximately RMB4.8 million. Other administrative expense also increased due to the consolidation of the full year financial results of College of Information and Business during the Year. The increase was partially reduced by the decline in listing expense of approximately RMB3.4 million.

Other Expenses

Other expenses decreased by 63% from RMB6.0 million for the year ended 31 December 2018 to RMB2.2 million for the year ended 31 December 2019. The decrease in other expenses was primarily because there was a surcharge for overdue income tax payment of approximately RMB4.2 million in the year ended 31 December 2018, while there was no such expenses during the Year.

Financing Costs

Financing costs for the year ended 31 December 2019 amounted to RMB4.1 million while financing costs for the year ended 31 December 2018 amounted to RMB2.1 million. The increase in financing costs was primarily due to the increase in average bank loan balance during the Year.

Share of Profits of Joint Ventures

Share of profits of joint ventures was RMB74.3 million for the year ended 31 December 2018, and there was no such profit for the year ended 31 December 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 year ended 31 December 2019 was approximately RMB230.3 million, while the profit before income tax for the year ended 31 December 2018 was approximately RMB288.2 million. Profit before tax decreased by RMB57.8 million during the Year, despite of the favorable operating results because the Group recorded a remeasurement gain of previously held equity interested of approximately RMB90.3 million in the previous year, as a result of the acquisition of College of Information and Business in July 2018.

Income Tax Expenses

Income tax expenses increased from RMB1.3 million for the year ended 31 December 2018 to RMB3.1 million for the year ended 31 December 2019, primarily due to tax adjustments in respect of non-deductible expenses in previous year.

Profit for the Year

As a result of the foregoing, the Group recorded a profit of approximately RMB227.2 million for the year ended 31 December 2019, while the profit for the year ended 31 December 2018 was approximately RMB286.9 million.

Core Net Profit

The Group's core net profit does not represent its profit for the year after the adjustment of the Group's operating performance (as presented in the table below), and is not an IFRSs 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 year to core net profit of the Group for the two financial years presented:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
		(unaudited)
Profit for the year	**227,227**	286,856
Less:		
Government industry grants[(Note)]	**8,084**	—
Gains arising from acquisition	**—**	90,295
Add:		
Listing expenses	**17,760**	21,133
Amortisation of fixed assets and intangible assets arising from the acquisition of College of Information and Business	**11,888**	6,221
Surcharge for overdue tax payment	**—**	4,232
Net exchange loss	**915**	—
Core net profit	**249,706**	228,147

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 31 December 2019, net current assets amounted to approximately RMB572.6 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 RMB493.8 million, primarily attributable to the proceeds from the Group's listing on 18 June 2019 (the "**Listing Date**"); and (ii) a decrease in bank loan balance of approximately RMB89 million during the Year.

Indebtedness

We borrow loans from banks from time to time to supplement our working capital. The Group had no bank borrowings as at 31 December 2019. The Board further confirmed that the Group did not experience any difficulties in obtaining bank loans, or breach of covenants for the Year.

Contingent Liabilities and Guarantees

As of 31 December 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 31 December 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 of 31 December 2019, the Group did not have any charges on its assets.

Gearing Ratio

Gearing ratio was nil (31 December 2018: 6.6%) as of 31 December 2019 as we had no outstanding bank loans as of the same date (31 December 2018: RMB89 million).

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

Capital Expenditures

The Group's capital expenditures consisted of purchase or construction costs relating to property and equipment. For the year ended 31 December 2019, our capital expenditures were approximately RMB96.4 million. The Group's capital expenditures during the year ended 31 December 2019 were primarily related to the construction of buildings and school facilities at the existing campuses. The Group financed these capital expenditures primarily using the cash generated from operations.

Employee and Remuneration Policy

As of 31 December 2019, we had 1,611 employees. The total employee benefit expense (excluding directors' remuneration) for the year ended 31 December 2019 amounted to approximately RMB119.3 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, workrelated 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 subscribe shares pursuant to the share option scheme adopted by the Company on 30 May 2019. The purpose of the share option 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 cooperative 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

During the Year, the Group did not make any significant investments, material acquisitions or disposals of subsidiaries, nor have any other plans regarding material investment and asset acquisition or disposal.

Events After the Reporting Period

Subsequent to the end of the reporting period, there was an outbreak of the Corona Virus Disease (COVID-19) across China. The Group had provided and completed its education services for the 2019/2020 fall semester by early January 2020 but the opening of the school campuses has been delayed during the outbreak period. The Group has implemented certain alternative action plans for students during the closure period, including implementing on-line modules and remote website learning activities.

In view of the alternative action plans described above, the Directors assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the year ended 31 December 2019 and up to the date of this announcement. The Directors will remain alert to the development of the pandemic and take additional measures as appropriate.

The Group will release further announcement as and when appropriate in the event that there is any significant financial impact from COVID-19 on the Group's financial results and reflect such impact (if any) in the Group's 2020 interim and annual financial statements.

Save as above and the declaration and the proposed payment of final dividend and special final dividend disclosed in this results announcement, there is no other material events subsequent to 31 December 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 of Corporate Governance

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 31 December 2019, except for the following deviation.

Pursuant to code provision A.2.1 of the Corporate Governance 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of 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 31 December 2019.

Final Dividend and Special Final Dividend

At the meeting of the Board held on 26 March 2020, the Board recommended the payment of a final dividend of HK$0.021 per ordinary share and the payment of a special final dividend of HK$0.054 per ordinary share for the year ended 31 December 2019 (2018: nil) to shareholders whose names are on the register of members of the Company on 29 May 2020. The above proposed final dividend and special final dividend will be subject to the approval of the Company's shareholders in the annual general meeting to be held on Friday, 22 May 2020 (the "**AGM**") and are expected to be distributed to shareholders on or before Tuesday, 9 June 2020.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive), for the purpose of determining the entitlement to attend and vote at the AGM scheduled to be held on Friday, 22 May 2020. The record date will be Friday, 22 May 2020. In order to be eligible to attend and vote at the AGM, 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 Monday, 18 May 2020.

In order to determine the entitlement of shareholders to the proposed final dividend and special final dividend, the register of members of the Company will be closed from Thursday, 28 May 2020, to Monday, 1 June 2020 (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 Wednesday, 27 May 2020.

Audit Committee

The Board has established the Audit Committee, which consists of three independent non-executive Directors, namely Mr. Fung Nam Shan, Ms. Bi Hui 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 audited annual consolidated financial results of the Group for the year ended 31 December 2019 and this annual 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 31 December 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$524 million (equivalent to approximately RMB461 million) after deducting the underwriting commission and other offering expenses from the Listing.

From the Listing Date to 31 December 2019, the Company has applied the net proceeds from the Global Offering as follows:

Use of Proceeds	% of the Net Proceeds	Proceeds Allocated *(RMB million)*	Amount Utilized *(RMB million)*	Unutilized Balance *(RMB million)*	Expected Time of Full Utilization of Unutilized Balance *(RMB million)*
— Expansion of our school network, through the acquisition of other schools	50%	231	—	231	31 December 2022
— Expansion of our business, including establishing new campuses of College of Information and Business and Changzheng College	40%	184	—	184	31 December 2022
— Working capital and general corporate purposes	10%	46	—	46	31 December 2022
Total	100%	461	—	461	

Details of the use of net proceeds from the Global Offering are set out in "Future Plans and Use of Proceeds" of the prospectus of the Company dated 4 June 2019.

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 Annual Results Announcement and Annual Report

This annual 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 annual report of the Company for the year ended 31 December 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, 26 March 2020

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 Ms. Bi Hui, Mr. Fung Nam Shan and Mr. Wang Yuqing.