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 2020

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 2020 (the "**Reporting Period**" or "**Period**"), together with the comparative figures for the corresponding period in 2019. 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			
	2020	2019	**Change**	**Percentage Change**
	RMB'000	*RMB'000*	***RMB'000***	
	(unaudited)	(unaudited)		
Revenue	**274,733**	254,829	**+19,904**	**+8%**
Gross profit	**165,103**	147,476	**+17,627**	**+12%**
Profit for the period	**161,894**	128,724	**+33,170**	**+26%**
Core net profit^(Note)^	**172,633**	142,585	**+30,048**	**+21%**

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 2020

		Six months ended 30 June	
	Notes	**2020**	2019
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	*4*	**274,733**	254,829
Cost of sales		**(109,630)**	(107,353)
Gross profit		**165,103**	147,476
Other income and gains	*4*	**18,601**	18,179
Selling and distribution expenses		**(674)**	(2,857)
Administrative expenses		**(12,768)**	(27,738)
Other expenses		**(6,527)**	(952)
Finance costs		**(31)**	(2,615)
PROFIT BEFORE TAX	*5*	**163,704**	131,493
Income tax expense	*6*	**(1,810)**	(2,769)
PROFIT FOR THE PERIOD		**161,894**	128,724
Attributable to:			
Owners of the parent		**128,285**	98,570
Non-controlling interests		**33,609**	30,154
		161,894	128,724
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period	*8*	**RMB0.0801**	RMB0.0802

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

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**161,894**	128,724
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of financial statements	**5**	(258)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**5**	(258)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of financial statements	**8,179**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**8,179**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**8,184**	(258)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**170,078**	128,466
Attributable to:		
Owners of the parent	**136,469**	98,312
Non-controlling interests	**33,609**	30,154
	170,078	128,466

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	**As at 30 June 2020 (Unaudited)** ***RMB'000***	As at 31 December 2019 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**982,473**	977,294
Right-of-use assets		**296,183**	300,589
Goodwill		**110,995**	110,995
Other intangible assets		**8,332**	10,556
Prepayments for purchases of property, plant and equipment		**18,938**	27,506
Total non-current assets		**1,416,921**	1,426,940
CURRENT ASSETS			
Trade receivables	*9*	**332**	890
Prepayments, deposits and other receivables		**10,467**	18,699
Other current assets		**682**	615
Time deposits		**390,000**	426,484
Cash and cash equivalents		**355,057**	524,502
Total current assets		**756,538**	971,190
CURRENT LIABILITIES			
Other payables and accruals	*10*	**103,186**	103,945
Lease liabilities		**957**	1,040
Contract liabilities	*4*	**6,821**	290,419
Deferred income		**3,017**	1,846
Tax payable		**2,662**	1,295
Total current liabilities		**116,643**	398,545
NET CURRENT ASSETS		**639,895**	572,645
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,056,816**	1,999,585

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2020

	As at 30 June 2020 (Unaudited) *RMB'000*	As at 31 December 2019 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**52**	467
Deferred income	**13,955**	16,555
Other liabilities	**393**	392
Total non-current liabilities	**14,400**	17,414
Net assets	**2,042,416**	1,982,171
EQUITY		
Equity attributable to owners of the parent		
Share capital	**110,362**	110,362
Reserves	**1,559,315**	1,532,679
	1,669,677	1,643,041
Non-controlling interests	**372,739**	339,130
Total equity	**2,042,416**	1,982,171

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 (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**").

Zhongyuan University of Technology College of Information and Business, a wholly-owned subsidiary of the Company, was transformed, as approved by the relevant government authorities in June 2020, from an independent college to a wholly-privately owned undergraduate college and was renamed as Zhengzhou College of Economics and Business.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 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 annual consolidated financial statements for the year ended 31 December 2019.

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

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 annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the period ended 30 June 2020, no monthly lease payments for the leases of the Group's office have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The amendments did not have any impact on the financial position and performance of the Group.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information.

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:

	Notes	**Six months ended 30 June 2020** *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited)
Revenue			
Tuition fees		**258,933**	229,056
Boarding fees		**9,531**	20,531
Other education service fees	*(i)*	**6,269**	5,242
Total revenue from contracts with customers		**274,733**	254,829
Other income and gains			
Bank interest income		**9,173**	3,266
Rental income		**1,313**	2,625
Government grants	*(ii)*		
— related to expenses		**4,759**	11,263
— related to assets		**3,266**	834
Others		**90**	191
		18,601	18,179

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 2020 and 31 December 2019 and will be expected to be recognised within one year:

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Tuition fees	**4,309**	259,336
Boarding fees	**342**	26,987
Other education service fees	**2,170**	4,096
Total contract liabilities	**6,821**	290,419

5. PROFIT BEFORE TAX

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

		Six months ended 30 June	
	Note	**2020** *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited)
Employee benefit expense (excluding directors' remuneration)		**55,535**	56,393
Depreciation of property, plant and equipment		**21,205**	21,263
Depreciation of right-of-use assets		**4,419**	4,232
Amortisation of other intangible assets		**2,239**	3,560
Impairment of trade receivables		**219**	688
Bank interest income	*4*	**(9,173)**	(3,266)
Government grants			
— related to expenses	*4*	**(4,759)**	(11,263)
— related to assets	*4*	**(3,266)**	(834)
Listing expenses		**—**	16,008

6. 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 Education 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 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 polices 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, Zhengzhou College of Economics 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 since their establishment. As a result, no income tax expense was recognised by Zhengzhou College of Economics 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 Zhengzhou College of Economics 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	**1,810**	2,769

7. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final declared and paid – dividend of HK0.021 and special dividend of HK0.054 (2019: nil) per ordinary share	**109,833**	—
Proposed interim – nil (2019: dividend of HK0.021 and special dividend of HK0.054 per ordinary share)	**—**	108,353
	109,833	108,353

Note:

A final dividend of HK0.021 and special dividend of HK0.054 per ordinary share in respect of the year ended 31 December 2019 has been proposed by the board of directors and was approved by the shareholders at the annual general meeting of the Company on 22 May 2020, which has been fully distributed by 30 June 2020.

No interim dividend was proposed for the six months ended 30 June 2020 (six months ended 30 June 2019: dividend of HK0.021 and special dividend of HK0.054 per ordinary share).

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 RMB128,285,000 (six months ended 30 June 2019: RMB98,570,000), and the weighted average number of ordinary shares of 1,600,830,000 in issue during the period (six months ended 30 June 2019: 1,228,729,282 ordinary shares, as adjusted to reflect the Share Split and Capitalisation Issue as set out below).

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 authorized 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**").

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 six months ended 30 June 2019 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.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**128,285**	98,570

	Number of shares	
	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Number of issued shares on 1 January	**1,600,830,000**	10,000
Effect of Share Split on 30 May 2019	**—**	990,000
Effect of Capitalisation Issue on 18 June 2019	**—**	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	**1,600,830,000**	1,228,729,282
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted	**RMB0.0801**	RMB0.0802

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 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Within 1 year	**237**	481
1 to 2 years	**27**	336
2 to 3 years	**68**	53
More than 3 years	**—**	20
	332	890

10. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Payables for salaries and welfares	**26,660**	33,844
Other tax payables	**8,490**	8,232
Miscellaneous advances received from students	**16,073**	17,425
Receipt on behalf of ancillary services providers	**2,111**	7,253
Payables for accommodation service	**3,681**	3,681
Payables for textbooks	**2,023**	1,053
Payables for purchase of property, plant and equipment	**2,966**	6,872
Payables for co-operation costs	**14,792**	—
Other payables	**26,390**	25,585
	103,186	103,945

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 & Technology College ("**Changzheng College**") and Zhengzhou College of Economics 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, we provide secondary education to high school students in Zhejiang province. We control and operate three schools, namely Changzheng College, Zhengzhou College of Economics and Business (formerly known as Zhongyuan University of Technology 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 Company Limited ("**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 10 on-campus training bases, including training base for financial and accounting of small and micro enterprises, e-commerce training base, cross-border e-commerce training base, open training base for robot applications of small and medium enterprises, network information training base, comprehensive training base for service and management of medium, small and micro enterprises, applied linguistics training base, engineering management training base, public computer centers and multi-media technology centers and has approximately 120 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 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."

Zhengzhou College of Economics and Business

Zhengzhou College of Economics and Business is a wholly-privately owned undergraduate college located in Zhengzhou, Henan province, China, which provides formal undergraduate education and junior college education. Its predecessor was Zhongyuan University of Technology College of Information and Business ("**College of Information and Business**"), which 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. It has been transformed, as approved by the relevant government authorities in June 2020, from an independent college to a wholly-privately owned undergraduate college and was renamed as Zhengzhou College of Economics and Business. It has been our joint venture school since November 2007 and our wholly-owned subsidiary since July 2018.

Zhengzhou College of Economics 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，以質量謀發展). Zhengzhou College of Economics 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.

Zhengzhou College of Economics 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 Zhengzhou College of Economics 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". Zhengzhou College of Economics 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 financial management, 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 Zhengzhou College of Economics 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, Zhengzhou College of Economics 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 30 June 2020, 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 Zhengzhou College of Economics 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. A portion of the boarding fees were refunded to the students due to the postponement of school resumption as a result of the outbreak of the COVID-19 pandemic during the Period.

Student Capacity and Utilization

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

	As at 30 June			
	Student capacity		**School utilization Rate (%)**	
School name	**2020**	2019	**2020**	2019
Zhengzhou College of Economics and Business	**22,947**	22,947	**93.7**	89.5
Changzheng College	**11,472**	11,472	**99.8**	91.2
Jingyi Secondary School*(Note)*	**1,144**	1,144	**90.4**	81.8

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.

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 six months ended 30 June			
	Average tuition fees		**Average boarding fees**	
School name	**2020 *(RMB)***	2019 *(RMB)*	**2020 *(RMB)***	2019 *(RMB)*
Zhengzhou College of Economics and Business	**7,630**	7,006	**163**	530
Changzheng College	**7,950**	7,791	**512**	898
Jingyi Secondary School	**7,570**	6,234	**330**	437

Corona Virus Disease (COVID-19)

There was an outbreak of the Corona Virus Disease (COVID-19) across China in early 2020. Due to the COVID-19 outbreak, the Group has provided and completed its education services for the 2019/2020 fall semester by early January 2020. After the outbreak of COVID-19, the Group strictly accorded top priority to the personal safety and health of its teachers and students and comprehensively implemented the requirements under "level 1 response" to effectively prevent the spread of the pandemic into the campus. Closed-end management has been adopted for the campus and the time for students to return to school for the spring semester has been postponed. During the outbreak of the pandemic, the Group strengthened the tutoring for students and implemented the policy of suspension of classes but no suspension of learning. Teaching plans and management plans during this special period have been formulated scientifically by actively utilizing the "Internet+" model to launch remote educational and teaching activities or online learning programs. Innovative teaching methods have been used based on different grades and majors with systematically arranged daily online classes to guide learning activities of students at home. All of our teachers stepped up their efforts in launching and preparing online classes to facilitate teaching and remote academic tutoring in an orderly manner. Quality of online teaching was ensured through monitoring. Upon evaluation, the Group considered that the outbreak of COVID-19 has had no material impact on the financial condition of the Group. All teaching goals have been completed on schedule. Tuition fees collected at the beginning of the academic year have been recognized as revenue through educational services during the Period; and boarding fees have been recognized as revenue based on the time during which the students stayed at school, with the portion of boarding fees in relation to the period that student have not yet returned to school being refunded to the students by our schools.

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 have constructed new buildings in the main campus of Zhengzhou College of Economics 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 Zhengzhou College of Economics and Business will increase in 2020/2021 school year, and our revenues will increase accordingly.

- 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 in 2020/2021 school year, and our revenues will increase accordingly.

- We plan to establish a new campus of Zhengzhou College of Economics 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. 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 plan 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 has the discretion to set the tuition fee rates for students 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. Zhengzhou College of Economics and Business has the discretion to set the tuition fee rates within the statutory upper limits for new 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 8% from RMB254.8 million for the six months ended 30 June 2019 to RMB274.7 million for the six months ended 30 June 2020. This increase was primarily due to the increases of student enrollments and tuition fees regardless the refund of a portion of boarding fee to students for school postponement due to the outbreak of COVID-19 pandemic during the Period.

Cost of Sales

Cost of sales slightly increased by 2% from RMB107.4 million for the six months ended 30 June 2019 to RMB109.6 million for the six months ended 30 June 2020. The increase was less proportionate with the increase in revenue due to the reduction in the school activities expenses as a result of the outbreak of COVID-19 pandemic.

Gross Profit

Gross profit increased by 12% from RMB147.5 million for the six months ended 30 June 2019 to RMB165.1 million for the six months ended 30 June 2020. The increase in gross profit was in line with the increase in revenue.

Other Income and Gains

Other income and gains increased slightly by 2% from RMB18.2 million for the six months ended 30 June 2019 to RMB18.6 million for the six months ended 30 June 2020. Bank interest income increased by RMB5.9 million which was offset by the decreases in Government grants of RMB4.1 million and rental income of RMB1.3 million during the Period.

Selling Expenses

Selling expenses decreased by 76% from RMB2.9 million for the period ended 30 June 2019 to RMB0.7 million for the six months ended 30 June 2020, which was mainly due to the fact that China's Gaokao was postponed for a month as a result of the outbreak of COVID-19 pandemic during the Period and the Group adjusted and postponed its promotion and student enrollment activities due to the COVID-19 pandemic and the postponement of Gaokao.

Administrative Expenses

Administrative expenses decreased by 54% from RMB27.7 million for the six months ended 30 June 2019 to RMB12.8 million for the six months ended 30 June 2020. The decrease was primarily due to the fact that the Group incurred a listing fee of approximately RMB16.0 million for the six months ended 30 June 2019 as a result of its listing in Hong Kong in June 2019. There was no relevant listing fee during the Period.

Other Expenses

Other expenses increased by 586% from RMB1.0 million for the six months ended 30 June 2019 to RMB6.5 million for the six months ended 30 June 2020. During the Period, the Group donated RMB5 million to express its sympathy for medical institutions and front-line personnel combating at the frontline of the prevention and control of the COVID-19 pandemic.

Financing Costs

Financing costs decreased significantly from RMB2.6 million for the six months ended 30 June 2019 to RMB31,000 for the six months ended 30 June 2020. The decrease in financing costs was primarily due to the settlement of bank loan last year. The Group has no bank loan balance during the Reporting Period.

Profit before Tax

As a result of the foregoing, the profit before income tax for the six months ended 30 June 2020 was RMB163.7 million, while the profit before income tax for the six months ended 30 June 2019 was approximately RMB131.5 million.

Income Tax Expenses

Income tax expenses decreased from RMB2.8 million for the six months ended 30 June 2019 to RMB1.8 million for the period ended 30 June 2020, primarily due to tax adjustments in respect of non-deductible expenses for the period ended 30 June 2019, no similar adjustment during the Reporting Period.

Profit for the Period

As a result of the foregoing, the Group recorded a profit of approximately RMB161.9 million for the six months ended 30 June 2020, while the profit for the period ended 30 June 2019 was approximately RMB128.7 million, representing an increase of approximately 26%.

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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**161,894**	128,724
Less:		
Exchange gain	**—**	7
Government industry grants	**—**	8,084
Add:		
Exchange loss	**1,150**	—
Listing expenses	**—**	16,008
Amortisation of fixed assets and intangible assets arising from the acquisition of Zhengzhou College of Economics and Business	**4,589**	5,944
Donations	**5,000**	—
Core net profit	**172,633**	142,585

Finance and Liquidity Position

Net Current Assets

As at 30 June 2020, net current assets amounted to approximately RMB639.9 million (31 December 2019: RMB572.6 million). The increase in net current assets was mainly due to a decrease in contract liabilities of approximately RMB283.6 million, primarily because most of prepaid tuitions and accommodation fees had been recognized as income, which is partially offset by a decrease in time deposits and bank deposits of approximately RMB205.9 million.

Indebtedness

The Group borrows loans from banks to supplement the working capital from time to time. The Group had no bank borrowings as at 30 June 2020. The Board 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 Period.

Contingent Liabilities and Guarantees

Save as disclosed above, as at 30 June 2020, 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 at 30 June 2020, 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 2020, the Group did not have any charges on its assets.

Gearing Ratio

Gearing ratio was nil as at 30 June 2020 and 31 December 2019 as the Group had no bank loan and other borrowings.

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

Employee and Remuneration Policy

As at 30 June 2020, the Group had 1,629 employees. The total employee benefit expense (excluding directors' remuneration) for the six months ended 30 June 2020 amounted to approximately RMB55.5 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, the Group 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.

Structured Contracts

We currently conduct our private higher education and high school education businesses through our PRC operating schools in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions and high school education institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC operating schools. The structured contracts, through which we obtain control over and derive the economic benefits from our PRC operating schools, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We entered into the structured contracts for the existing PRC operating schools and expect to enter into structured contracts for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing structured contracts in all material aspects. On 28 August 2020, we terminated the existing structured contracts and entered into new structured contracts as (i) we have newly established Wenzhou Jia Xin Hao Educational Technology Co., Ltd. (溫州嘉信好教育科技有限責任公司) to replace Ningbo JX Educational Technology INC (寧波嘉信教育科技有限責任公司) as WFOE 1 and Wenzhou Jia Yao Educational Technology Co., Ltd. (溫州嘉耀教育科技有限責任公司) to replace Ningbo XY Educational Technology INC (寧波新耀教育科技有限責任公司) as WFOE 2 for administrative reasons and (ii) the change of name of College of Information and Business to Zhengzhou College of Economics and Business due to the completion of transformation in June 2020. Except for the aforementioned replacement of WFOEs and change of name, all the terms and conditions between the existing structured contracts and entered into new structured contracts are identical. We did not encounter any interference or encumbrance from any governing bodies in our plan to adopt the structured contracts so that the financial results of the operation of JH Holdings Group and its subsidiaries, Changzheng College, Zhengzhou College of Economics and Business and Jingyi Secondary School can be consolidated into those of our Group, details of which are described in the section headed "Structured Contracts" in the Prospectus.

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

There is no material events subsequent to 30 June 2020 which would materially affect the Group's operating and financial performance as of the date of this interim results 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 Reporting Period, 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 Reporting Period.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: interim dividend HK$0.021 and special interim dividend HK$0.054 per ordinary share).

Audit Committee

The Board has established the Audit Committee, which consists of three independent non-executive Directors, namely Mr. Fung Nam Shan (Chairman), 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 unaudited interim results of the Group for the six months ended 30 June 2020 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 Reporting Period.

Use of Proceeds from the Initial Public Offering of the Company

The net proceeds from the Listing (net of underwriting fees and relevant expenses) amounted to approximately HK$524 million (equivalent to RMB461 million). As at 30 June 2020, none of the net proceeds from the initial public offering have been utilised. The net proceeds will be applied in the following manners:

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**
— 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 Zhengzhou College of Economics 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	

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 2020 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

Zhejiang, the PRC, 28 August, 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.