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**JH Educational Technology INC.**  
**嘉宏教育科技有限公司**  
(incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1935)

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**HIGHLIGHTS**

	Year ended			Percentage Change
	31 December		Change RMB'000	
	2020 RMB'000	2019 RMB'000		
<b>Revenue</b>	<b>561,314</b>	485,117	<b>76,197</b>	<b>16%</b>
<b>Gross profit</b>	<b>334,334</b>	258,102	<b>76,232</b>	<b>30%</b>
<b>Profit for the year</b>	<b>325,598</b>	227,227	<b>98,371</b>	<b>43%</b>
<b>Profit attributable to owners of the Company</b>	<b>265,932</b>	175,774	<b>90,158</b>	<b>51%</b>
<b>Core net profit<sup>(Note)</sup></b>	<b>331,760</b>	249,706	<b>82,054</b>	<b>33%</b>

*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 recommended the payment of a final dividend of HK5.00 cents per ordinary share and the payment of a special final dividend of HK6.25 cents per ordinary share.

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 2020 (the "**Year**"), together with the comparative figures for the corresponding period in 2019. 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 2020

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>561,314</b>	485,117
Cost of sales		<u>(226,980)</u>	<u>(227,015)</u>
Gross profit		<u>334,334</u>	<u>258,102</u>
Other income and gains	4	<b>40,433</b>	35,811
Selling and distribution expenses		<b>(5,934)</b>	(7,021)
Administrative expenses		<b>(33,790)</b>	(50,286)
Other expenses		<b>(7,657)</b>	(2,185)
Finance costs	6	<b>(49)</b>	(4,086)
<b>PROFIT BEFORE TAX</b>	5	<b>327,337</b>	230,335
Income tax expense	7	<u>(1,739)</u>	<u>(3,108)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>325,598</b></u>	<u>227,227</u>

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

Year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		(23)	29
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		(23)	29
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>			
Exchange differences on translation of financial statements		(15,396)	10,251
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(15,396)	10,251
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(15,419)</b>	10,280
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>310,179</b>	237,507
Profit attributable to:			
Owners of the parent		265,932	175,774
Non-controlling interests		59,666	51,453
		<b>325,598</b>	227,227
Total comprehensive income attributable to:			
Owners of the parent		250,513	186,054
Non-controlling interests		59,666	51,453
		<b>310,179</b>	237,507
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
9			
Basic and diluted			
— For profit for the year		<b>RMB16.61 cents</b>	RMB12.41 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,049,928</b>	977,294
Right-of-use assets		<b>291,734</b>	300,589
Goodwill		<b>110,995</b>	110,995
Other intangible assets		<b>9,230</b>	10,556
Prepayments for purchase of property, plant and equipment		<b>23,256</b>	27,506
		<hr/>	<hr/>
Total non-current assets		<b>1,485,143</b>	1,426,940
		<hr/> <hr/>	<hr/> <hr/>
<b>CURRENT ASSETS</b>			
Trade receivables	<i>10</i>	<b>1,190</b>	890
Prepayments, deposits and other receivables		<b>9,456</b>	18,699
Other current assets		<b>654</b>	615
Time deposits		<b>—</b>	426,484
Cash and cash equivalents		<b>1,149,627</b>	524,502
		<hr/>	<hr/>
Total current assets		<b>1,160,927</b>	971,190
		<hr/> <hr/>	<hr/> <hr/>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	<i>11</i>	<b>113,524</b>	103,945
Lease liabilities		<b>451</b>	1,040
Contract liabilities	<i>4</i>	<b>323,998</b>	290,419
Deferred income		<b>2,761</b>	1,846
Tax payable		<b>2,591</b>	1,295
		<hr/>	<hr/>
Total current liabilities		<b>443,325</b>	398,545
		<hr/> <hr/>	<hr/> <hr/>
<b>NET CURRENT ASSETS</b>		<b>717,602</b>	572,645
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,202,745</b>	1,999,585
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2020

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	—	467
Deferred income	<b>19,729</b>	16,555
Other liabilities	<b>499</b>	392
	<hr/>	<hr/>
Total non-current liabilities	<b>20,228</b>	17,414
	<hr/>	<hr/>
Net assets	<b>2,182,517</b>	1,982,171
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	<b>110,362</b>	110,362
Reserves	<b>1,673,359</b>	1,532,679
	<hr/>	<hr/>
	<b>1,783,721</b>	1,643,041
	<hr/>	<hr/>
Non-controlling interests	<b>398,796</b>	339,130
	<hr/>	<hr/>
Total equity	<b>2,182,517</b>	1,982,171
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# 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year’s consolidated financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) 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.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.
- (d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 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 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.

(e) 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, or both. The amendments did not have any significant impact on the financial position and 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 revenue from service provided to a single customer accounted 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:

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>			
Tuition fees		<b>520,204</b>	434,141
Boarding fees		<b>28,824</b>	40,355
Other education service fees	<i>(i)</i>	<b>12,286</b>	10,621
		<hr/>	<hr/>
Total revenue from contracts with customers		<b>561,314</b>	485,117
		<hr/> <hr/>	<hr/> <hr/>
<b>Other income and gains</b>			
Bank interest income		<b>17,629</b>	13,717
Rental income		<b>4,649</b>	5,858
Government grants	<i>(ii)</i>		
— related to expenses		<b>15,074</b>	14,421
— related to assets		<b>2,253</b>	1,364
Others		<b>828</b>	451
		<hr/>	<hr/>
		<b>40,433</b>	35,811
		<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (i) During the year, revenue from other education services mainly represents fees received for 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 obligations as at 31 December 2020 and 2019 and are expected to be recognised as revenue within one year:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Tuition fees	<b>290,412</b>	259,336
Boarding fees	<b>32,449</b>	26,987
Other education service fees	<b>1,137</b>	4,096
	<u>323,998</u>	<u>290,419</u>
Total contract liabilities	<u><b>323,998</b></u>	<u>290,419</u>

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 balance during the year are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	<b>290,419</b>	259,203
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<b>(290,419)</b>	(259,203)
Increases due to cash received, excluding amounts recognised as revenue during the year	<b>323,998</b>	290,419
	<u>323,998</u>	<u>290,419</u>
At the end of the year	<u><b>323,998</b></u>	<u>290,419</u>

## 5. Profit Before Tax

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

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Employee benefit expense (excluding directors' remuneration)			
Wages and salaries		<b>116,286</b>	104,334
Pension scheme contributions		<b>7,280</b>	12,382
Other welfare expenses		<b>3,537</b>	2,626
		<u><b>127,103</b></u>	<u>119,342</u>
Depreciation of property, plant and equipment		<b>43,257</b>	42,736
Depreciation of right-of-use assets		<b>8,855</b>	8,654
Amortisation of other intangible assets (i)		<b>4,508</b>	7,149
Impairment of trade receivables (iii)		<b>194</b>	698
Bank interest income (ii)	4	<b>(17,629)</b>	(13,717)
Government grants			
— related to expenses (ii)	4	<b>(15,074)</b>	(14,421)
— related to assets (ii)	4	<b>(2,253)</b>	(1,364)
Loss on disposal of items of property, plant and equipment (iii)		<b>157</b>	41
Auditor's remuneration		<b>2,000</b>	2,000
Share issue expenses		<b>—</b>	17,760
Foreign exchange differences, net		<b>1,168</b>	915

(i) Amounts of RMB4,435,000 (2019: RMB7,094,000) were included in "Cost of sales" and amounts of RMB73,000 (2019: RMB55,000) were included in "Administrative expenses" in profit or loss during the years ended 31 December 2020.

(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:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest on bank loans	—	4,253
Interest on lease liabilities	<b>49</b>	66
	<b>49</b>	4,319
Less: Interest capitalised	—	(233)
	<b>49</b>	4,086

## 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, 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 have 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 year.

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 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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Current — Mainland China		
Charge for the year	<b>1,306</b>	1,295
Under provision in prior years	<b>433</b>	1,813
	<hr/>	<hr/>
Total tax charge for the year	<b>1,739</b>	3,108
	<hr/> <hr/>	<hr/> <hr/>

## 8. Dividends

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Interim — nil (2019: dividend of HK2.10 cents and special dividend of HK5.40 cents) per ordinary share	—	108,353
Proposed final — dividend of HK5.00 cents and special dividend of HK6.25 cents (2019: dividend of HK2.10 cents and special dividend of HK5.40 cents) per ordinary share	<b>151,574</b>	107,549
	<hr/>	<hr/>
	<b>151,574</b>	215,902
	<hr/> <hr/>	<hr/> <hr/>

The proposed final dividend and special final dividend for the year ended 31 December 2020 are 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 amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB265,932,000 (2019: RMB175,774,000), and the weighted average number of 1,600,830,000 ordinary shares in issue during the year ended 31 December 2020 (2019: 1,416,274,712 ordinary shares, which were deemed to have been issued by way of Share Split and capitalisation throughout the year ended 31 December 2019).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u><b>265,932</b></u>	<u>175,774</u>
	<b>Number of shares</b>	
	<b>2020</b>	2019
<b>Shares</b>		
Number of issued shares on 1 January	<b>1,600,830,000</b>	10,000
Effect of the Share Split on 30 May 2019	—	990,000
Effect of the 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	—	215,890,411
Effect of the Over-allotment on 16 July 2019	—	384,301
	<u>—</u>	<u>384,301</u>
Weighted average number of ordinary shares in issue during the year for the purpose of the basic earnings per share calculation	<u><b>1,600,830,000</b></u>	<u>1,416,274,712</u>
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted	<u><b>RMB16.61 cents</b></u>	<u>RMB12.41 cents</u>

## 10. Trade Receivables

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Tuition and boarding fees receivables	<b>3,303</b>	2,809
Impairment	<u><b>(2,113)</b></u>	<u>(1,919)</u>
	<u><b>1,190</b></u>	<u>890</u>

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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	<b>1,037</b>	481
1 to 2 years	<b>86</b>	336
2 to 3 years	<b>67</b>	53
More than 3 years	<b>—</b>	20
	<u><b>1,190</b></u>	<u>890</u>

## 11. Other Payables and Accruals

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Payables for salaries and welfares	<b>33,124</b>	33,844
Other tax payables	<b>9,324</b>	8,232
Miscellaneous advances received from students	<b>19,551</b>	17,425
Receipt on behalf of ancillary services providers	<b>8,987</b>	7,253
Payables for accommodation service	<b>3,681</b>	3,681
Payables for textbooks	<b>2,506</b>	1,053
Payables for purchase of property, plant and equipment	<b>5,274</b>	6,872
Payables for north campus co-operation costs to Zhongyuan University of Technology	<b>3,007</b>	—
Other payables	<b>28,070</b>	25,585
	<u><b>113,524</b></u>	<u>103,945</u>

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### *Overview*

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 institutions in Henan province. In addition to offering higher education, we provide secondary education for high school students in Zhejiang province.

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 Zhengzhou College of Economics and Business (“**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.

Our major business operations are located in Zhejiang province and Henan province. Our two higher education institutions are located in Hangzhou and Zhengzhou, which are the provincial capital cities of Zhejiang province and Henan province, respectively. Zhejiang province is one of the most economically active provinces in China. It attaches great importance to education and its thriving economy is the main driving force for the private higher education market. The 2020 admission program of Changzheng College, the school operated by us in Hangzhou, ranked No. 1 among student enrolment programs of private junior colleges in Zhejiang province. The economy in Henan Province is developing rapidly at a higher growth rate than the average in China and Henan’s total revenue of private higher education is continuously growing noticeably. However, Henan’s higher education enrollment rate significantly lags behind the country’s average level and demand for higher education is expected to continue to increase. The 2020 undergraduate admission program of College of Economics and Business ranked No. 7 among all undergraduate enrolment programs of private undergraduate colleges in Henan province. The employment rates for graduates from Changzheng College and College of Economics and Business have been consistently higher than those of similar colleges in their respective provinces.



There was an outbreak of the Corona Virus Disease (COVID-19) across China in early 2020. Before the COVID-19 outbreak, the Group has provided and completed its education services for the 2019/2020 fall semester by early January 2020. Upon 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 was adopted for the campus and the time for students to return to school for the spring semester was postponed. During 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 exceptional 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 students to participate in learning activities 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 Year; 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 amounted to RMB17.3 million in relation to the period that students have not yet returned to school being refunded to the students by our schools.

### *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 education 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 seven tier-2 departments, namely finance and accounting, commerce and trade, management, humanities and education, computer and information technology, construction engineering and smart technology as well as basic course teaching department, ideological and political theory teaching department.

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.”

In 2020, Changzheng College expanded its campus by constructing new student dormitories, a student knowledge exchange center and canteens. From the new school year beginning in September 2020, the student capacity of Changzheng College has increased to 13,900 students accordingly.

### *College of Economics and Business*

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, 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 Ministry of Education 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. The educational philosophy of College of Economics and Business is “to focus on service as the principle and employment as the guidance, use special characteristics to create brand and quality to seek development” (以服務為宗旨，以就業為導向，以特色創品牌，以質量謀發展). 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.

College of Economics and Business’s courses cover six key disciplines, comprising management, economics, engineering, arts, literature and law. The College has established three provincial level key development disciplines (mechanical manufacturing and automation, control theory and control engineering, and business management), five provincial first-class disciplines (financial management, fashion and apparel design, computer science and technology, accounting and marketing), two provincial level experiential education and demonstration centers (integrated experiential education center for fashion and textile design, and experiential education center for economic management), and one modelling established major discipline of virtual simulation experiential education in Henan province (fashion and textile design). Among the available majors offered by College of Economics and Business currently, nine were designated as “provincial private higher education branded majors” (building environment and energy application engineering, fashion and apparel design, marketing, electrical engineering and automation, accounting, financial management, international economics and trade, e-commerce, and broadcasting and television) and four were designated as the “pilot majors under the provincial

comprehensive reform” (accounting, information management and information system, fashion and apparel design and English). College of Economics and Business currently has 12 schools and one department, including the business school, management school, accountancy school, economics school, media school, foreign language school, Marxism school (legal studies), Intelligent manufacturing school, computer and artificial intelligence school, civil engineering school, art design school and public education department. It offers approximately 46 majors in the undergraduate program, including accounting, mechanical design, manufacturing and automation, architecture and network engineering. In addition, the College offers 20 majors under special disciplines such as accounting, project costing, computer application technology, and fashion and apparel design. The courses offered by College of Economics and Business include three first-class undergraduate courses in Henan province (photography skills and arts, English reading III, market research and analysis), one high-quality resources sharing course in Henan province (civil law), one excellent ideological and political theory course for higher education in Henan province (overview of the theoretical system of Maoism and socialism with Chinese characteristics), and six top-quality online open courses for higher education in Henan province (operating system, 3D animation design, career planning and entrepreneurship, marketing, Excel application in finance, management accounting). In addition, College of Economics and Business also established five outstanding basic-level education units for higher education in Henan province (e-commerce education and research office, English education and research office, financial management education and research office, fashion and apparel design education and research office, computer science and technology education and research office). In addition to offering in-class courses under each of the majors, College of Economics and Business provides students with practical training courses based on the relevant school’s education policy, vocational training objectives and specifications.

In 2020, College of Economics and Business constructed new buildings in the main campus including three additional student dormitories and two new teaching buildings with an aggregate gross floor area of 27,000 sq.m. From the new school year beginning in September 2020, the total student capacity of College of Economics and Business has increased to 24,809 students.

## *Jingyi Secondary School*

Yueqing 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 elective 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 2020, approximately 99.1% of our teachers had a bachelor’s degree or above, and approximately 68.5% 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 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.

## Student Capacity and Utilization

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

School name	As at 31 December			
	Student capacity		School utilization rate (%)	
	2020	2019	2020	2019
College of Economics and Business	<b>24,809</b>	22,947	<b>97.3</b>	93.7
Changzheng College	<b>13,900</b>	11,472	<b>97.4</b>	99.8
Jingyi Secondary School <sup>(Note)</sup>	<b>1,144</b>	1,144	<b>96.8</b>	90.4

## Average Tuition Fees and Average Boarding Fees

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

School name	For the year ended 31 December			
	Average tuition fees		Average boarding fees	
	2020	2019	2020	2019
	(RMB)	(RMB)	(RMB)	(RMB)
College of Economics and Business	<b>13,982</b>	12,984	<b>549</b>	1,008
Changzheng College	<b>14,633</b>	14,165	<b>1,273</b>	1,674
Jingyi Secondary School <sup>(Note)</sup>	<b>15,955</b>	11,818	<b>479</b>	755

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

School name	Number of student enrollments	
	School year	
	2020/2021	2019/2020
College of Economics and Business	<b>24,147</b>	21,506
Changzheng College	<b>13,542</b>	11,448
Jingyi Secondary School <sup>(Note)</sup>	<b>1,107</b>	1,034
Total	<b>38,796</b>	33,988

*Note:* Jingyi Secondary School included training programs to students whose student status were not registered with school. The program has been provided by Yueqing Jiixin Education Training Centre Company Limited beginning in the 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 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*

- In 2020, we completed the expansion of the main campus of 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. From the new school year beginning in September 2020, our student capacity has increased to 24,809 students.

We plan to further expand the main campus of College of Economics and Business to increase the student capacity.

- In 2020, we 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 has increased to 13,900 students since 2020/2021 school year.

We plan to further expand the campus of Changzheng College to increase the student capacity.

- We plan to establish a new campus of College of Economics and Business in Kaifeng, Henan province, that will primarily offer undergraduate courses. The estimated student capacity is approximately 15,000 students. Due to the adjustments to the relevant land planning currently carried out by Kaifeng Municipal Government, we have yet to obtain the land parcel in respect of the new campus.
- 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. Pending the issuance of the relevant land use rights certificate by Hangzhou Municipal Government, we expect to commence the construction works shortly after obtaining the relevant land use rights certificate and other necessary construction permits for the new campus.

## **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. Our Changzheng College has the right to set the tuition fee rates for students based on its operating costs independently. Changzheng College shall make appropriate filings with the Pricing Bureau of Zhejiang and the Department of Education under Zhejiang Provincial Development and Reform Commission for each tuition fee rate adjustment. College of Economics and Business has the discretion to set the tuition fee rates within the upper limits for new students specified in Henan province, 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 16% from RMB485.1 million for the year ended 31 December 2019 to RMB561.3 million for the year ended 31 December 2020. This increase was primarily due to the increases of student enrollments and tuition fees during the year ended 31 December 2020 as compared to the year ended 31 December 2019 and the growth in the number of new student enrollment for the school year 2020/2021 commencing in September 2020 due to the increase in enrollment quota as the Group expanded its existing school campuses in 2020.

#### *Cost of Sales*

Cost of sales maintained at approximately RMB227.0 million for both years ended 31 December 2019 and 2020. Staff cost included in cost of sales increased by 6% during the Year, nevertheless, it was offset by the decreases of other expenses such as depreciation and amortization, training activities, student activities costs and utilities, etc.

#### *Gross Profit*

Gross profit increased by 30% from RMB258.1 million for the year ended 31 December 2019 to RMB334.3 million for the year ended 31 December 2020. The increase in gross profit was mainly due to the increases in revenue; the gross profit margin also increased to 59.6% during the Year from 53.2% in 2019.

#### *Other Income and Gains*

Other income and gains increased slightly by 13% from RMB35.8 million for the year ended 31 December 2019 to RMB40.4 million for the year ended 31 December 2020. This was mainly due to the increase in bank interest income by RMB3.9 million.

#### *Selling Expenses*

Selling expenses decreased by 15% from RMB7.0 million for the year ended 31 December 2019 to RMB5.9 million for the year ended 31 December 2020, which was mainly due to the fact that with the outbreak of the COVID-19 pandemic during the Year, the Group adjusted its promotion and student enrollment activities in response to the COVID-19 pandemic.

#### *Administrative Expenses*

Administrative expenses decreased by 33% from RMB50.3 million for the year ended 31 December 2019 to RMB33.8 million for the year ended 31 December 2020. The decrease was primarily due to the fact that the Group incurred a listing fee of approximately RMB17.7 million for the year ended 31 December 2019 as a result of its listing in Hong Kong in June 2019. There was no relevant listing expense during the Year.



### *Other Expenses*

Other expenses increased by 250% from RMB2.2 million for the year ended 31 December 2019 to RMB7.7 million for the year ended 31 December 2020. During the Year, the Group donated RMB5 million for prevention and control of the COVID-19 pandemic and RMB1 million for poverty alleviation.

### *Financing Costs*

Financing costs decreased significantly from RMB4.1 million for the year ended 31 December 2019 to RMB49,000 for the year ended 31 December 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 Year.

### *Profit before Tax*

As a result of the foregoing, the profit before income tax for the year ended 31 December 2020 was approximately RMB327.3 million, while the profit before income tax for the year ended 31 December 2019 was approximately RMB230.3 million.

### *Income Tax Expenses*

Income tax expenses decreased from RMB3.1 million for the year ended 31 December 2019 to RMB1.7 million for the year ended 31 December 2020, primarily due to tax adjustments in respect of non-deductible expenses for the year ended 31 December 2019, no similar adjustment during the Year.

### *Profit for the Year*

As a result of the foregoing, the Group recorded a profit of approximately RMB325.6 million for the year ended 31 December 2020, while the profit for the year ended 31 December 2019 was approximately RMB227.2 million, representing an increase of approximately 43%.

### *Profit Attributable to Owners of the Company*

Profit attributable to owners of the Company for the year ended 31 December 2020 was approximately RMB265.9 million, represents an increase of approximately 51% as compared to that of last year.

## 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 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 profit for the year to core net profit of the Group for the two financial years presented:

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000 (Unaudited)
Profit for the year	325,598	227,227
Less:		
Government industry grants	10,184	8,084
Add:		
Listing expenses	—	17,760
Amortisation of fixed assets and intangible assets arising from the acquisition of College of Economics and Business	9,178	11,888
Donations	6,000	—
Net exchange loss	1,168	915
Core net profit	<u>331,760</u>	<u>249,706</u>

## Finance and Liquidity Position

### *Net Current Assets*

As at 31 December 2020, net current assets amounted to approximately RMB717.6 million (31 December 2019: RMB572.6 million). The increase in net current assets was mainly due to an increase in bank balances of approximately RMB198.6 million, which is partially offset by the increase in contract liabilities of approximately RMB33.6 million, primarily due to the increase in prepaid tuitions and accommodation fees as a result of the increase in the number of student enrollments.

### *Liquidity and capital resources*

The Group had cash and cash equivalents of RMB1,149.6 million as at 31 December 2020 (31 December 2019: RMB524.5 million). Cash and cash equivalents increased by RMB625.1 million during the Year mainly caused by the (i) net cash flows from operating activities amounted to RMB441.5 million; (ii) net cash flows from investing activities amounted to RMB310.0 million, mainly due to the decrease in time deposits with original maturity of three months or more when acquired; and (iii) net cash flows used in financing activities mainly comprised the payment of dividends totaling RMB110.9 million. The Group's use of cash is primarily related to operating activities and capital expenditure. The Group finances its operations mainly through cash flows generated from operations.

The Group had no bank borrowings for the year ended 31 December 2020 and as at 31 December 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 Year.

### *Contingent Liabilities and Guarantees*

As at 31 December 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 31 December 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 31 December 2020, the Group did not have any charges on its assets.

### *Gearing Ratio*

No gearing ratio as at 31 December 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 31 December 2020, the Group had 1,749 employees. The total employee benefit expense (excluding directors' remuneration) for the year ended 31 December 2020 amounted to approximately RMB127.1 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 participates 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 receive 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 cooperative relationship 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**

The Group did not have any other plans regarding material investment and asset acquisition or disposal during the Year.

## 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 year ended 31 December 2020, 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 year ended 31 December 2020.

### Final Dividend and Special Final Dividend

At the meeting of the Board held on 26 March 2021, the Board recommended the payment of a final dividend of HK5.00 cents per ordinary share and the payment of a special final dividend of HK6.25 cents per ordinary share for the year ended 31 December 2020 (2019: final dividend of HK2.10 cents per ordinary share and special final dividend of HK5.40 cents per ordinary share) out of the share premium account of the Company to shareholders whose names are on the register of members of the Company on Thursday, 27 May 2021. The above proposed final dividend and special final dividend and the payment will be subject to the approval of the Company’s shareholders in the annual general meeting to be held on Friday, 14 May 2021 (the “**AGM**”) and are expected to be distributed to shareholders on or before Friday, 4 June 2021.

## **Closure of Register of Members**

The register of members of the Company will be closed from Monday, 10 May 2021 to Friday, 14 May 2021 (both days inclusive), for the purpose of determining the entitlement to attend and vote at the AGM scheduled to be held on Friday, 14 May 2021. The record date will be Friday, 14 May 2021. 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 share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 7 May 2021.

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 Tuesday, 25 May 2021 to Thursday, 27 May 2021 (both days inclusive), during which no transfer of shares will be registered. The record date will be Thursday, 27 May 2021. 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 p.m. on Monday, 24 May 2021.

## **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 2020 and this annual results announcement.

## **Scope of Work of Ernst & Young**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Ernst & Young in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary 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 year ended 31 December 2020.

## **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.

For the year ended 31 December 2020, 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
— Expansion of our school network, through the acquisition of other schools	50%	231	—	231	31 December 2022
— Expansion of our business, including establishing College of Economics and Business and new campuses of Changzheng College	40%	184	—	184	31 December 2023
— Working capital and general corporate purposes	10%	46	46	—	—
Total	<u>100%</u>	<u>461</u>	<u>46</u>	<u>415</u>	

Details of the use of net proceeds from the Global Offering and progress are set out in “Future Plans and Use of Proceeds” of the prospectus of the Company dated 4 June 2019 and the section headed “Future Prospects” in this announcement.

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](http://www.hkexnews.hk) and website of the Company at [www.jheduchina.com](http://www.jheduchina.com), respectively. The annual report of the Company for the year ended 31 December 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, Chief Executive Officer and Executive Director*

Zhejiang, the PRC

26 March 2021

*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.*