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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 (the “**Reporting Period**” or “**Period**”), together with the comparative figures for the corresponding period in 2020. 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		Change	Percentage Change
	2021	2020		
	RMB'000	RMB'000	RMB'000	
	(unaudited)	(unaudited)		
Revenue	318,352	274,733	43,619	16%
Gross profit	192,326	165,103	27,223	16%
Profit for the period	192,539	161,894	30,645	19%
Core net profit^(Note)	195,849	172,633	23,216	13%

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 2021

	<i>Notes</i>	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	318,352	274,733
Cost of sales		(126,026)	(109,630)
Gross profit		192,326	165,103
Other income and gains	4	23,375	18,601
Selling and distribution expenses		(2,363)	(674)
Administrative expenses		(16,950)	(12,768)
Other expenses		(2,349)	(6,527)
Finance costs		(6)	(31)
PROFIT BEFORE TAX	5	194,033	163,704
Income tax expense	6	(1,494)	(1,810)
PROFIT FOR THE PERIOD		192,539	161,894
Attributable to:			
Owners of the parent		148,611	128,285
Non-controlling interests		43,928	33,609
		192,539	161,894
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	RMB9.28 cents	RMB8.01 cents

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

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	192,539	161,894
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of financial statements	(3)	5
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(3)	5
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of financial statements	(3,397)	8,179
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(3,397)	8,179
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(3,400)	8,184
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	189,139	170,078
Attributable to:		
Owners of the parent	145,211	136,469
Non-controlling interests	43,928	33,609
	189,139	170,078

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,141,698	1,049,928
Right-of-use assets		287,420	291,734
Goodwill		110,995	110,995
Other intangible assets		10,782	9,230
Prepayments for purchases of property, plant and equipment		20,362	23,256
Total non-current assets		<u>1,571,257</u>	<u>1,485,143</u>
CURRENT ASSETS			
Trade receivables	9	224	1,190
Prepayments, deposits and other receivables		10,371	9,456
Other current assets		664	654
Cash and cash equivalents		810,380	1,149,627
Total current assets		<u>821,639</u>	<u>1,160,927</u>
CURRENT LIABILITIES			
Other payables and accruals	10	115,051	113,524
Lease liabilities		46	451
Contract liabilities	4	21,883	323,998
Deferred income		2,982	2,761
Tax payable		3,989	2,591
Total current liabilities		<u>143,951</u>	<u>443,325</u>
NET CURRENT ASSETS		<u>677,688</u>	<u>717,602</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,248,945</u>	<u>2,202,745</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2021

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Deferred income	26,099	19,729
Other liabilities	794	499
	<hr/>	<hr/>
Total non-current liabilities	26,893	20,228
	<hr/>	<hr/>
Net assets	2,222,052	2,182,517
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	110,362	110,362
Reserves	1,668,966	1,673,359
	<hr/>	<hr/>
	1,779,328	1,783,721
	<hr/> <hr/>	<hr/> <hr/>
Non-controlling interests	442,724	398,796
	<hr/>	<hr/>
Total equity	2,222,052	2,182,517
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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 2021 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 2020.

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 2020, 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 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendment to IFRS 16

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. These amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest-bearing bank borrowings.
- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. During the period ended 30 June 2021, 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.

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 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 revenue from services provided to a single customer accounted to 10% or more of total revenue of the Group during the Period.

4. REVENUE, OTHER INCOME AND GAINS

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

		Six months ended 30 June	
	Notes	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue			
Tuition fees		280,842	258,933
Boarding fees		27,864	9,531
Other education service fees	(i)	9,646	6,269
		<u>318,352</u>	<u>274,733</u>
Total revenue from contracts with customers		<u>318,352</u>	<u>274,733</u>
Other income and gains			
Interest income		12,083	9,173
Rental income		3,612	1,313
Government grants	(ii)		
— related to expenses		5,167	4,759
— related to assets		1,265	3,266
Others		1,248	90
		<u>23,375</u>	<u>18,601</u>

Notes:

- (i) During the periods, revenue from other education services mainly represents fees received for training services provided 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 2021 and 31 December 2020 and are expected to be recognised as revenue within one year:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Tuition fees	17,220	290,412
Boarding fees	4,663	32,449
Other education service fees	—	1,137
	<u>21,883</u>	<u>323,998</u>
Total contract liabilities	<u>21,883</u>	<u>323,998</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.

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	Six months ended 30 June	
		2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Employee benefit expense (excluding directors' remuneration)		76,460	55,535
Depreciation of property, plant and equipment		22,944	21,205
Depreciation of right-of-use assets		4,267	4,419
Amortisation of other intangible assets		1,325	2,239
Impairment of trade receivables		139	219
Interest income	4	(12,083)	(9,173)
Government grants			
— related to expenses	4	(5,167)	(4,759)
— related to assets	4	(1,265)	(3,266)
Loss on disposal of items of property, plant and equipment		2,145	1
Foreign exchange differences, net		(106)	1,150
		<u>2,145</u>	<u>1,150</u>

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 policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the period and up to the date of this interim results 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 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	1,494	1,810

7. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final dividend declared and paid	<u>149,604</u>	<u>109,833</u>

Note:

The final dividend of HK2.10 cents and special dividend of HK5.40 cents per ordinary share in respect of the year ended 31 December 2019 was approved by the shareholders at the annual general meeting of the Company on 22 May 2020. A total amount of RMB109,833,000 has been fully distributed during the period ended 30 June 2020.

The final dividend of HK5.00 cents and special dividend of HK6.25 cents per ordinary share in respect of the year ended 31 December 2020 was approved by the shareholders at the annual general meeting of the Company on 14 May 2021. A total amount of RMB149,604,000 has been fully distributed during the period ended 30 June 2021.

No interim dividend was proposed for the six months ended 30 June 2021 and 2020.

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 RMB148,611,000 (six months ended 30 June 2020: RMB128,285,000), and the weighted average number of ordinary shares of 1,600,830,000 (six months ended 30 June 2020: 1,600,830,000) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>148,611</u>	<u>128,285</u>

	Number of shares	
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period for the purpose of the basic earnings per share calculation	<u>1,600,830,000</u>	<u>1,600,830,000</u>
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted	<u>RMB9.28 cents</u>	<u>RMB8.01 cents</u>

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	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 year	157	1,037
1 to 2 years	48	86
2 to 3 years	15	67
More than 3 years	4	—
	<u>224</u>	<u>1,190</u>

10. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Payables for salaries and welfares	26,517	33,124
Miscellaneous advances received from students	24,747	19,551
Payables for north campus co-operation costs to Zhongyuan University of Technology	14,513	3,007
Other tax payables	9,339	9,324
Receipt on behalf of ancillary services providers	6,122	8,987
Payables for purchase of property, plant and equipment	4,947	5,274
Payables for accommodation service	3,681	3,681
Payables for textbooks	3,226	2,506
Other payables	21,959	28,070
	115,051	113,524

The above balances are unsecured, non-interest-bearing and repayable on demand.

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 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 Zhengjiang Changzheng Vocational & Technology College (“**Changzheng College**”) and Zhengzhou College of Economics & Business (“**College of Economics & 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 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 employment rates for graduates from our two higher education institutions have been consistently higher than those of similar colleges in their respective provinces.

Changzheng College

Changzheng College is a junior college located in Hangzhou, Zhejiang province, the PRC, which provides formal junior college education. Changzheng College’s educational philosophy is “to maintain teaching quality, to improve management system, to distinguish with unique characteristics, and to empower by talent” (品質立校、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. The 2021 admission program of Changzheng College ranked No. 1 among student enrolment programs of private junior colleges in Zhejiang province.

Distinctive majors

Changzheng College currently has eight faculties, namely finance and accounting, commerce and trade, management, humanities and education, computer and information technology, construction engineering, smart technology and nursing and health. In addition, it has two teaching departments, namely basic course teaching department, and ideological and political theory teaching department. The school offers 38 majors across eight key subject categories. These categories are financial accounting, business and trade, operation and management, applied linguistics, computer information, intelligent technologies, construction and engineering management, and nursing and health. The majors include big data and accounting, construction project management, software technology, international economics and trade, human resource management, and business English. Among the majors offered by Changzheng College:

- the e-commerce vocational education training base has been supported financially by the PRC central government;
- the financial accounting training base has been identified by the provincial government of Zhejiang province as a model training base;
- the international economics and trade major is a key major recognized by the Ministry of Education of the PRC and a provincial specialty major;
- the big data and accounting, statistics and accounting, industrial and commercial enterprise management and e-commerce are provincial-level specialty majors; and
- the cross-border e-commerce major cluster (including five majors, being international economics and trade, cross-border e-commerce, business English, e-commerce and modern logistics management) is a major cluster planned for high-quality development in Zhejiang province.

Training bases

Changzheng College has seven 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 133 on-campus practical training rooms.

College-enterprise co-operation

Changzheng College considers reforms and innovations as its driving force to strengthening the development of the students' potentials and social service skills and improving its overall education and teaching quality in order to cultivate high-quality technical and skilled personnel who can adapt to regional economic and social development. Changzheng College has:

- established off-campus practice and training bases with 328 enterprises, public institutions and associations including Alibaba, Zhejiang Geely Holding Group Co., Ltd., Zhejiang Sanjian Construction Group Co., Ltd., Guosen Securities Co., Ltd., Hangzhou Hanggang Metro Co., Ltd., Zhejiang SF Express Co., Ltd. and Zhejiang Merchants Museum, etc;
- cooperated with 14 enterprises including Hangzhou Cross-border E-commerce Industrial Park and Alibaba Haibo, etc in training modern talents with apprenticeship;
- worked with Dajiangdong Industrial Cluster in training skilled talents in industrial robot technology and automotive electronics application technology; and
- cooperated with Dream Town affiliated enterprises in training innovative and entrepreneurial talents.

The school is among the second batch of modern apprenticeship pilot units in Zhejiang Province and a vice chairman unit of the Geely Automobile Smart Manufacturing Industry-Education Integration Alliance. In addition, Hangzhou Jiande (West Zhejiang) Cross-border E-commerce Industrial Park has become a “cross-border e-commerce talent training model park of Zhejiang Changzheng Vocational & Technical College”.

College of Economics and Business

College of Economics and Business is a wholly-privately owned undergraduate college located in Zhengzhou, Henan province, the PRC, which provides formal undergraduate education and junior college education. Its predecessor was Zhongyuan University of Technology College of Information and Business (中原工學院信息商務學院), 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 of the PRC in June 2020, from an independent college to a wholly-privately owned undergraduate college and was renamed as Zhengzhou College of Economics and Business (鄭州經貿學院). 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，以品質謀發展). 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. The 2021 undergraduate admission program (excluding undergraduate-oriented junior college program) of College of Economics and Business ranked No. 7 among the undergraduate enrolment programs of private undergraduate colleges in Henan province.

Distinctive disciplines and majors

The courses of College of Economics and Business cover six key disciplines, comprising management, economics, engineering, arts, literature and law. It has 12 faculties and one department, covering 46 majors in the undergraduate program (including accounting, mechanical design, manufacturing and automation, architecture and network engineering) and 20 majors under special disciplines (including accounting, project costing, computer application technology, and fashion and apparel design). Among the disciplines and majors offered by College of Economics and Business, there are:

- 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);
- one modelling established major discipline of virtual simulation experiential education in Henan Province (fashion and textile design);
- nine 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 pilot majors under the provincial comprehensive reform (accounting, information management and information system, fashion and apparel design and English).

College-enterprise co-operation

College of Economics and Business is proactive in introducing high-quality resources of industrial enterprises to carry out college-enterprise cooperation. The College has:

- established college-government-enterprise cooperation with Shanghai Minhang District Investment Promotion Service Center, Hangzhou Lin'an District Bureau of Commerce and the Human Resources and Social Security Bureau of Kunshan Economic and Technological Development Zone;
- set up high-quality off-campus practice bases with over 200 enterprises including Xinzheng International Airport, Henan Xiangrong Media Group Co., Ltd., YTO Group Corporation, China (Hangzhou) Cross-border E-commerce Comprehensive Pilot Zone (Lin'an Park), ABDAS Space Information Technology Co., Ltd., Beijing Ocean Airlines Service Co., Ltd., Dongguan Yishion Group Co., Ltd. and Sichuan Yixin Industrial Co., Ltd., etc; and
- co-operated with enterprises to offer more than 10 experimental classes with integration of industry and education and collaborative education by college and enterprises including "Cross-border E-commerce", "Fund Manager", "Muyuan Group", "Fengrun Group" and "Handian Group".

College of Economics and Business also introduces a number of enterprises to carry out practical training in the campus. It continues to explore the construction of industrial schools and comprehensively promoted college-enterprise cooperation in order to improve the development level of application-based majors and strengthen its application-based talent training quality and the competitiveness of its students in employment.

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 education authorities of Zhejiang province. In accordance with the curriculum requirements of the Department of Education of Zhejiang province, 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 academic proficiency examinations of Zhejiang province. 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: (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 2021, approximately 99.2% of our teachers had a bachelor's degree or above, and approximately 71.5% of them 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 30 June			
	Student capacity		School utilization	
	2021	2020	Rate (%)	2021
College of Economics and Business	24,809	22,947	97.0	93.7
Changzheng College	13,900	11,472	95.8	99.8
Jingyi Secondary School ^(Note)	1,144	1,144	95.2	90.4

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 since 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:

School name	For the six months ended 30 June			
	Average tuition fees		Average boarding fees	
	2021	2020	2021	2020
	(RMB)	(RMB)	(RMB)	(RMB)
College of Economics and Business ^(Note)	7,200	7,630	648	163
Changzheng College	8,206	7,950	949	512
Jingyi Secondary School	9,195	7,570	449	330

Note: The decrease in average tuition fee of College of Economics and Business was mainly due to the early completion of the first semester for the school year 2020/2021 in December 2020, while the first semester for the school year 2019/2020 was completed in January 2020. Tuition income was recognized according to the period of education services rendered.

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 with the proceeds from the Listing and the internal fund generated from our operation. To achieve this goal, we plan to pursue the following business strategies:

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

- We are expanding the campus of College of Economics and Business by constructing new buildings in the main campus including seven additional student dormitories and one restaurant building with an aggregate gross floor area of approximately 65,685 sq.m. Following the beginning of the new school year in September 2021, the total student capacity of College of Economics and Business will increase to 29,688 students.
- We plan to expand the campus of Changzheng College by constructing new training buildings, dormitory buildings and administrative office space with an aggregate gross floor area of approximately 57,102 sq.m., which will increase the student capacity by approximately 5,000 students.

- 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.
- We also plan to establish a new campus of 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 province and the Department of Education of Zhejiang province for each tuition fee rate adjustment. 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 16% from RMB274.7 million for the six months ended 30 June 2020 to RMB318.4 million for the six months ended 30 June 2021. This increase was primarily due to (i) the increase in tuition fee income of RMB21.9 million as a result of the net effect of the increase in enrollment quota for the school year 2020/2021 commencing in September 2020 as the Group expanded its existing school campuses of College of Economics and Business and Changzheng College in 2020, which was partially offset by the decrease in certain tuition fee income due to the early completion of the first semester of College of Economics and Business for the school year 2020/2021 in December 2020; (ii) the increase in boarding fee income of RMB18.3 million since the Group recorded a lower boarding income in the same period last year as a portion of boarding fees was refunded to the students due to the outbreak of the COVID-19 pandemic.

Cost of Sales

Cost of sales increased by approximately RMB16.4 million from RMB109.6 million for the six months ended 30 June 2020 to RMB126.0 million for the Period, mainly due to the increase in staff costs included in cost of sales of RMB17.9 million and the increase in other expenses, including utilities, maintenance costs and student activities costs, totalling to approximately RMB5.4 million. However, such increase was partially offset by the decrease in school co-operating cost of approximately RMB9.2 million.

Gross Profit

Gross profit increased by 16% from RMB165.1 million for the six months ended 30 June 2020 to RMB192.3 million for the Period. The increase in gross profit was in line with the increase in revenue.

Other Income and Gains

Other income and gains increased by approximately RMB4.8 million from RMB18.6 million for the six months ended 30 June 2020 to RMB23.4 million for the Period, mainly due to the increase in interest income of RMB2.9 million and the increase in rental income of RMB2.3 million.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB1.7 million from RMB0.7 million for the six months ended 30 June 2020 to RMB2.4 million for the Period, mainly due to lower promotion and student enrollment expenses for the six months ended 30 June 2020 because of the outbreak of COVID-19 pandemic in 2020.

Administrative Expenses

Administrative expenses increased by RMB4.2 million from RMB12.8 million for the six months ended 30 June 2020 to RMB17.0 million for the Period. The increase was mainly due to the increase in staff costs included in administrative expenses of approximately RMB2.9 million, as well as the increase in other expenses including utilities and transportation costs of approximately RMB1.2 million during the Period.

Finance Costs

Finance costs for the six months ended 30 June 2020 and the Period were RMB31,000 and RMB6,000, respectively. The decrease in finance costs during the Period was mainly due to the decrease in the interests on lease liabilities.

Profit before Tax

As a result of the foregoing, profit before tax for the Period was approximately RMB194.0 million, representing an increase of 19% from the six months ended 30 June 2020.

Income Tax Expenses

Income tax expenses decreased from RMB1.8 million for the six months ended 30 June 2020 to RMB1.5 million for the Period primarily due to tax adjustment made in the previous period.

Profit for the Period

As a result of the foregoing, the Group recorded a profit of approximately RMB192.5 million for the Period, while the profit for the six months ended 30 June 2020 was approximately RMB161.9 million, representing an increase of approximately 19%.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2021, the profit attributable to owners of the Company amounted to approximately RMB148.6 million, representing an increase of approximately 16% compared to the corresponding period last year.

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 as 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	192,539	161,894
Less:		
Exchange gain	106	—
Add:		
Exchange loss	—	1,150
Amortisation of fixed assets and intangible assets arising from the acquisition of College of Economics and Business	3,416	4,589
Donations	—	5,000
Core net profit	195,849	172,633

Finance and Liquidity Position

Net Current Assets

As at 30 June 2021, net current assets amounted to approximately RMB677.7 million (31 December 2020: RMB717.6 million). The decrease in net current assets was mainly due to the net impact of the decrease in bank deposits of approximately RMB339.2 million as a result of the payment of final dividend and operating expenses and capital expenditure during the Period, and the decrease in contract liabilities of approximately RMB302.1 million as most of the prepaid tuitions and accommodation fees had been recognised as revenue during the Period.

Liquidity and Capital Resources

As at 30 June 2021, the Group had cash and cash equivalents of RMB810.4 million (31 December 2020: RMB1,149.6 million). Cash and cash equivalents decreased by RMB339.2 million mainly due to the capital expenditure payment of approximately RMB114.0 million and the payment of final dividends of approximately RMB149.6 million during the Period. 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.

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 2021. 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.

Capital Expenditures

For the six months ended 30 June 2021, the Group's capital expenditures were RMB114.0 million, which was primarily used for the construction of our school buildings and facilities and purchase of equipment and software.

Contingent Liabilities and Guarantees

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021, the Group did not have any charges on its assets.

Gearing Ratio

Gearing ratio was nil as at 30 June 2021 and 31 December 2020 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 2021, the Group had 1,870 employees. The total employee benefit expense (excluding directors' remuneration) for the six months ended 30 June 2021 amounted to approximately RMB76.5 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 the Company and help motivate them to optimize their future contributions to the 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 the Group. In addition, the Group offers comprehensive training to existing and new employees and/or funds employees to participate in various occupational training courses.

Significant Investments, Material Acquisition and Disposal

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

Events After the Reporting Period

There is no material events subsequent to 30 June 2021 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 2021 (six months ended 30 June 2020: nil).

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 2021 and this interim results announcement.

In addition, the independent auditors of the Company, Ernst & Young, have reviewed unaudited interim results for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Scope of Work of Ernst & Young

The financial figures set out in the announcement of interim results for the six months ended 30 June 2021 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's unaudited condensed consolidated financial information for the Period. The work performed by Ernst & Young in this respect did 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 announcement of interim results.

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 initial public offering of the Company (net of underwriting fees and relevant expenses) amounted to approximately HK\$524 million (equivalent to RMB461 million). 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 College of Economics and Business and Changzheng College	40%	184	—	184	31 December 2022
— Working capital and general corporate purposes	10%	46	46	—	
Total	<u>100%</u>	<u>461</u>	<u>46</u>	<u>415</u>	

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 2021 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, 26 August 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.