嘉宏教育
JH educational technology inc

2019
ANNUAL REPORT

嘉宏教育科技有限公司
JH Educational Technology INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1935

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Yuguo *(Chairman)*
Mr. Chen Yuchun
Mr. Chen Shu
Mr. Chen Nansun
Mr. Chen Lingfeng

Non-executive Director

Ms. Zhang Xuli

Independent non-executive Directors

Mr. Fung Nam Shan
Mr. Wang Yuqing
Ms. Bi Hui (appointed on 18 November 2019)
Mr. Chen Danhua (resigned on 18 November 2019)

Audit committee

Mr. Fung Nam Shan *(Chairman)*
Ms. Bi Hui (appointed on 18 November 2019)
Mr. Wang Yuqing
Mr. Chen Danhua (resigned on 18 November 2019)

Remuneration committee

Mr. Wang Yuqing *(Chairman)*
Mr. Fung Nam Shan
Ms. Bi Hui (appointed on 18 November 2019)
Mr. Chen Danhua (resigned on 18 November 2019)

Nomination committee

Ms. Bi Hui *(Chairwoman)*
(appointed on 18 November 2019)
Mr. Chen Danhua *(Chairman)*
(resigned on 18 November 2019)
Mr. Fung Nam Shan
Mr. Wang Yuqing

Company secretary

Ms. Mak Po Man Cherie

Authorized representatives

Mr. Chen Lingfeng
Ms. Mak Po Man Cherie

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and principal place of business in PRC

No. 618 Liuweng Road
Liushi Town
Yueqing
Zhejiang, PRC

Principal place of business in Hong Kong

Room 2106, 21/F, Emperor Group Centre
288 Hennessy Road
Wanchai, Hong Kong

Principal share registrar and transfer office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Legal advisers

As to Hong Kong law:

Luk & Partners
In Association with Morgan, Lewis & Bockius
Suites 1902–09, 19/F
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Auditor

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

Compliance adviser

Southwest Securities (HK) Capital Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Principal banks

Hangzhou United Rural Commercial Bank Co., Ltd.
Liuxia Branch
1st and 2nd Floor, Junyihui Building
Cross of Xixi Road and Liunan Road,
Xihu District
Hangzhou, Zhejiang
PRC

Zhongyuan Bank Co., Ltd.
Zhengzhou Huanghe Road Branch
Cross of Huanghe Road and Yaozhai Road,
Jinshui District
Zhengzhou, Henan
PRC

Company website

www.jheduchina.com

Stock code

1935

Listing date

18 June 2019

FINANCIAL AND OPERATING HIGHLIGHTS

Comparison of Four Years' Significant Financial Data

Results of Operating

	Year ended 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	162,481	171,993	301,818	**485,117**
Gross profit	96,611	102,316	161,749	**258,102**
Profit before tax	171,226	191,597	288,166	**230,335**
Profit for the year	137,405	190,611	286,856	**227,227**
Core net profit	170,614	194,015	228,147	**249,706**

Assets and Liabilities

	As of 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Current assets	296,657	438,014	497,971	**971,190**
Current liabilities	309,156	478,860	502,828	**398,545**
Net current (liabilities)/assets	(12,499)	(40,846)	(4,857)	**572,645**
Total non-current assets	1,020,546	1,239,397	1,372,367	**1,426,940**
Total equity	996,790	1,187,466	1,353,143	**1,982,171**

Key Financial Ratios

	As of and for the year ended 31 December			
	2016	2017	2018	2019
Liquidity ratio				
Current ratio[1]	1.0	0.9	1.0	**2.4**
Profitability ratios				
Net profit margin[2]	84.6%	110.8%	95.0%	**46.8%**
Return on assets[3]	11.5%	12.7%	16.2%	**10.6%**
Return on equity[4]	14.6%	17.5%	22.6%	**13.6%**
Capital adequacy ratio				
Gearing ratio[5]	0.1%	—	6.6%	**—**

Notes:

(1) Current ratio equals our current assets as of the end of the year divided by current liabilities as of the end of the year.

(2) Net profit margin equals our net profit for the year divided by revenue for the year.

(3) Return on assets equals net profit for the year divided by average total assets as of the end of the year.

(4) Return on equity equals net profit for the year divided by average total equity as of the end of the year.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of JH Educational Technology INC., I am pleased to present the annual report of the Group for the year ended 31 December 2019.

Overview

The Group is the largest private provider of formal higher education in Zhejiang Province. Meanwhile, it is also one of the leading private higher diploma education institutions in Henan Province. We provide higher education and secondary education through three schools controlled and operated by us. The Group was successfully listed on the Stock Exchange on 18 June 2019. The Company raised net proceeds of approximately HK$524 million (equivalent to RMB461 million) from the Listing. The Group will principally use the net proceeds from the Listing for business expansion purposes.

Business Review

We believe that China's higher education market has huge growth and development space and private higher education institutions are expected to continue to fill the gap between the fast growing demand for available public higher education resources and their relative scarcity. We can fully take advantage of the market potential and opportunities of China's higher education industry. Our schools have a total of 33,988 on-campus students. We will continue to consolidate our positions as leading private higher education institutions in Zhejiang and Henan, focus on nurturing professional talents, and utilize our operation experiences to further expand our domestic and overseas school networks.

Results Review

We experienced growth in our revenue and student enrollment during the Year. Our revenue increased from RMB301.8 million for the year ended 31 December 2018 to RMB485.1 million for the year ended 31 December 2019. The number of enrolled students of our schools increased from 32,068 during the school year 2018/2019 to 33,988 during the school year 2019/2020.

Outlook

We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies: (i) expand our business operations and school network to achieve economies of scale; (ii) enhance our profitability by enhancing our pricing strategies and diversify our revenue sources; (iii) continue to attract and retain qualified teachers and elevate their research and curriculum development capabilities; and (iv) continue to improve our course and major offerings and design special disciplines based on evolving market trends in order to improve our educational quality and reputation.

Appreciation

The first annual report of the Group since its listing has demonstrated that we have achieved satisfactory results in our operations. In the foreseeable future, we will continue to pursue the Group's development strategy, expand our business scale through external mergers and acquisitions. I would like to take this opportunity to express deepest gratitude to our students, parents, bankers, professional teams and local governmental agencies and shareholders for their steadfast support. I would also like to express appreciation to our Board members and senior management, headmasters, teachers and employees for their efforts in contributing to the listing and the business of the 2019 financial year.

Chen Yuguo
Chairman

Hong Kong, the PRC
26 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

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

Our business operations are located in Zhejiang province and Henan province. We are the largest private provider of formal higher education in Zhejiang province and we are also one of the leading private higher diploma education institution in Henan province. In addition to offering higher education, we provide secondary education to high school students in Zhejiang province. We control and operate three schools, namely Changzheng College, College of Information and Business and Jingyi Secondary School.

Changzheng College

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

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

The school offers approximately 38 majors across seven key subject categories. These categories are financial accounting, business and trade, operation and management, applied linguistics, computer information, intelligent technologies and construction and engineering management. The majors include, among others, accounting, construction project management, software technology, international economics and trade, human resource management, and business English. Among the majors Changzheng College offers, international economics and trade has been designated as a "provincial advantage major" by the Zhejiang Department of Education, whereas several other majors, including accounting and management of business enterprises, have been recognized by the Zhejiang Department of Education as "provincial specialty majors."

College of Information and Business

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

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

College of Information and Business has six key subject areas, comprising management, economics, engineering, arts, literature and law. The school has established three majors (mechanical manufacturing and automation, control theory and control engineering, and business management), which has become provincial level key construction disciplines, and two provincial level experimental teaching demonstration centers focusing on clothing and textile design and economic management. Among the available majors College of Information and Business currently offers, nine were designated as "provincial private higher education branded majors" and four were designated as the "pilot majors under the provincial comprehensive reform". College of Information and Business currently has ten departments, including business, accounting, politics, law and media, foreign languages, mechanical engineering, electrical engineering, information technology, construction engineering, artistic design and basic principles. It offers 47 majors in the undergraduate program, including, among others, financial management, mechanical design and manufacturing and automation, architecture and network engineering. In addition, the school offers 16 majors under the junior college program, including accounting, engineering cost, multimedia technology, and clothing and apparel design. Among the majors College of Information and Business offers, accounting, information management and information system, English, clothing and apparel design have been designated by the Henan Department of Education as "provincial advantage majors", whereas several other majors, including financial management, marketing, international economics and trade, have been recognized by the Henan Department of Education as "provincial specialty majors". In addition to offering in-class courses under each of the majors, College of Information and Business provides students with practical training courses based on the school's education orientation, professional training objectives and specifications.

Jingyi Secondary School

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

Our Teaching Staff

We believe the quality of our teachers is one of the most vital factors affecting our educational quality and future growth and success. Before hiring each teacher, we usually consider his or her education background and/or performance in the interview. We prefer to recruit teachers who have the following characteristics: (i) have sufficient prior teaching experience or teaching track record; (ii) are dedicated to teaching and improving students' academic performance and practical skills; (iii) demonstrate strong command of their subject areas; (iv) can effectively implement tailored teaching methods; and (v) possess strong communication, language and interpersonal skills. We also prefer to recruit teachers who have master's degree or above, and for certain practical/vocational subjects, those that hold relevant professional and/or technical qualifications. As of 31 December 2019, approximately 99.3% of our teachers had a bachelor's degree or above, and approximately 67.7% had a master's degree or above.

Tuition Fees and Boarding Fees

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

Student Capacity and Utilization

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

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

Average Tuition Fees and Average Boarding Fees

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

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

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

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

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

Future Prospects

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

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

- We are constructing new buildings in the main campus of College of Information and Business by constructing three additional student dormitories and two new teaching buildings with an aggregate gross floor area of 27,000 sq. m. We expect that the student capacity of College of Information and Business will increase to approximately 25,000 students in 2020/2021 school year.

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

- We plan to establish a new campus of College of Information and Business in Kaifeng, Henan province, that will primarily offer undergraduate courses. The estimated student capacity is approximately 15,000 students.

- We also plan to establish a new campus of Changzheng College in 2022. On 11 October 2016, we entered into a framework agreement with Hangzhou East River Industrial Cluster Management Committee (杭州大江東產業集聚區管委會), an independent third party, pursuant to which the parties agreed to establish a new campus of Changzheng College with an aggregate expected enrollment of not less than 5,000 students.

2. *Acquisitions:*

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

3. *Establish a new school overseas:*

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

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

- The tuition fees and boarding fees we charge are significant factors affecting our profitability. The tuition fee rates for our schools are generally subject to the approval of the relevant government pricing authorities in the areas where we operate. Our Changzheng College had the discretion to set the tuition fee rates applicable to newly enrolled students beginning in the 2016/17 school year based on its operating costs. Changzheng College shall make appropriate filings with the Pricing Bureau of Zhejiang and the Zhejiang Department of Education for each tuition fee rate adjustment. Prior to 2017, College of Information and Business was required to obtain prior approval from the relevant government pricing authorities in connection with any adjustment of the tuition fee standards. Since 2017, College of Information and Business has had the discretion to set the tuition fee rates within the statutory upper limits to newly enrolled students, subject to the filings to be made with the pricing and educational authorities of Henan province. Due to the increase of our brand awareness and market recognition, we believe we are in a good position to further optimize our pricing without compromising our reputation and our ability to attract and retain students.

Financial Review

Overview

Revenue

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

Cost of Sales

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

Gross Profit

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

Other Income and Gains

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

Selling Expenses

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

Administrative Expenses

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

Other Expenses

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

Financing Costs

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

Share of Profits of Joint Ventures

Share of profits of joint ventures was RMB74.3 million for the year ended 31 December 2018, and there was no such profit for the year ended 31 December 2019, primarily because the financial results of College of Information and Business had been consolidated into that of the Group since 6 July 2018 and there was no such share of profits of joint ventures following 5 July 2018.

Profit before Tax

As a result of the foregoing, the profit before income tax for the year ended 31 December 2019 was RMB230.3 million, while the profit before income tax for the year ended 31 December 2018 was approximately RMB288.2 million. Profit before tax decreased by RMB57.8 million during the Year despite of the favorable operating results because the Group recorded a remeasurement gain of previously held equity interested of approximately RMB90.3 million in the previous year as a result of the acquisition of College of Information and Business in July 2018.

Income Tax Expenses

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

Profit for the Year

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

Core Net Profit

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

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

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

Finance and Liquidity Position

Net Current Assets

As of 31 December 2019, net current assets amounted to approximately RMB572.6 million (31 December 2018: net current liabilities of approximately RMB4.9 million). The increase in net current assets was due to (i) an increase in time deposits and bank deposits of approximately RMB493.8 million, primarily attributable to the proceeds from the Listing; and (ii) a decrease in bank loan balance of RMB89 million during the Year.

Indebtedness

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

Contingent Liabilities and Guarantees

Save as disclosed above, as of 31 December 2019, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against the Group.

Foreign Exchange Exposure

Most of the Group's gains and losses are denominated in RMB. As of 31 December 2019, several bank balances were denominated in US Dollars or Hong Kong Dollars. The Group currently does not have any foreign exchange hedging policy. The management will continue to monitor the Group's foreign exchange risk and consider adopting discreet measures as and when appropriate.

Charge on Group Assets

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

Gearing Ratio

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

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

Capital Expenditures

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

Employee and Remuneration Policy

As of 31 December 2019, we had 1,611 employees. The total employee benefit expense (excluding directors' remuneration) for the year ended 31 December 2019 amounted to approximately RMB119.3 million. Remuneration of the Group's employees is determined based on their performance and experience as well as prevailing industry practices, and all remuneration policies and packages are regularly reviewed. As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. We believe we maintained a good working relationship with our employees and did not experience any material labor disputes. Directors and the senior management can also buy options pursuant to the share option scheme adopted by the Company on 30 May 2019. The purpose of the scheme is to give the eligible persons an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. In addition, our Group offers comprehensive training to existing and new employees and/or funds employees to participate in various occupational training courses.

Significant Investments, Material Acquisition and Disposal

Save as disclosed in this report, the Group did not make any significant investments, material acquisitions or disposals of subsidiaries, nor have any other plans regarding material investment and asset acquisition or disposal.

Events Subsequent to the End of the Year

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

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

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

Save as above and the declaration and the proposed payment of final dividend and special final dividend disclosed in this report, there is no other material events subsequent to 31 December 2019 which would materially affect the Group's operating and financial performance as of the date of this report.

Teacher-to-student Ratios

The following tables set forth the teacher-to-student ratios for our PRC Operating Schools that provide higher education as of the dates indicated:

	Changzheng College		
As of	Number of Teachers	Student Enrollment	Teacher-to-student Ratio
31 December 2019	400	11,448	1:28.6
31 December 2018	396	10,520	1:26.6

	College of Information and Business		
As of	Number of Teachers	Student Enrollment	Teacher-to-student Ratio
31 December 2019	784	21,506	1:27.4
31 December 2018	747	20,613	1:27.6

As advised by our PRC legal advisors, the teacher-to-student ratios of our PRC Operating Schools which provide higher education should be maintained at a level of not less than 1:18 in accordance with applicable rules and regulations in the PRC, and each of our Changzheng College and College of Information and Business did not fully meet the regulatory requirements of the teacher-to-student ratio during the Year. As advised by our PRC legal advisors, the teacher-to-student ratio is one of the basic school operating condition indicators (基本辦學條件指標) under the relevant PRC regulations; in the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement, the school may receive a yellow card issued by competent authority and the number of enrolled student shall not exceed that of the graduates in the same year; and in the event that a school receives a yellow card for three consecutive years, it may receive a red card issued by competent government authority and its student admission will be subject to suspension.

Our Directors confirm that our colleges have not received any yellow or red card from, or been subject to any form of administrative penalty by, competent authorities in relation to its compliance with the teacher-to-student ratio. Based on the foregoing, our PRC legal advisors are of the view that the risk that our colleges being penalized by the education departments for its teacher-to-student ratio is relatively low.

We endeavor to continuously improve the quality of our education and the teacher-to-student ratio is one of the many metrics under consideration. We will monitor and adjust the teacher-to-student ratio as necessary and where practicable based on the needs of our increasing student enrolments and our schools' education plans and activities without compromising the quality of our education or profitability. We intend to devote additional resources to stepping up our teacher recruitment and retention efforts going forward to further improve our teacher-to-student ratio and our overall teaching quality in light of our growth in student enrolment and the complexity of our course offerings.

The Ratio between School Site Area/Building Area and Number of Students

The table below sets forth the teaching and administrative building area per student for the school years indicated and the prescribed requirement for our PRC Operating Schools conducting higher education:

School	Teaching and Administrative Building Area per Student(1) 2018/2019 (sq. m.)	2019/2020 (sq. m.)	Prescribed Requirement (sq. m.)
Changzheng College(2)	8.3*	**8.6***	14
College of Information and Business(2)	7.0*	**7.2***	9

Notes:

* The ratios marked with "*" represent the ratios that are lower than the corresponding prescribed ratios.

(1) According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》), the teaching and administrative building area per student = total floor area of teaching and administrative buildings/number of full-time students. The floor area refers to the floor area of the teaching and administrative buildings used by the school.

(2) As advised by our PRC Legal Advisors, Changzheng College and College of Information and Business are subject to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》). According to the Ministry of Education ("MOE"), Changzheng College is categorized as a comprehensive junior college, and the applicable prescribed requirement for such category of schools is 14 sq. m. per student, whereas College of Information and Business is categorized as a finance college and the applicable prescribed requirement for such category of schools is 9 sq. m. per student.

The table below sets forth the site area per student for the school years indicated and the prescribed requirement for our PRC Operating Schools conducting higher education:

School	Site Area per Student(1) 2018/2019 (sq. m.)	2019/2020 (sq. m.)	Prescribed Requirement (sq. m.)
Changzheng College(2)	32.0*	**29.7***	54
College of Information and Business(2)	29.4*	**28.2***	54

Notes:

* The ratios marked with "*" represent the ratios that are lower than the corresponding prescribed ratio.

(1) According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》), the site area per student = total site area/number of full-time students. The site area refers to the site area of the land used by the school.

(2) As advised by our PRC Legal Advisors, Changzheng College and College of Information and Business are subject to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》). According to the MOE, the prescribed requirement applicable to comprehensive junior college and financial college is 54 sq. m. per student.

As advised by our PRC Legal Advisors, our Changzheng College and College of Information and Business were subject to certain regulatory requirements in relation to the prescribed ratio between our school's site area/building area and the number of students enrolled. According to the MOE Notice on Basic Conditions for Operating Higher Education Institutions (Trial) (教育部關於印發《普通高等學校基本辦學條件指標（試行）》的通知) and the Basic Conditions for Operating Higher Education Institutions (Trial) (普通高等學校基本辦學條件指標（試行）) promulgated by the MOE in 2004, except for sports and art schools, the ratio between a higher education institution's teaching and administrative building area and the number of students should be 9 to 16 sq. m. per student. As advised by our PRC Legal Advisors, such ratio is one of the basic school operating condition indicators (基本辦學條件指標) under the regulation; in the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement, the college may receive a yellow card issued by competent authority and its student admission will be subject to certain restrictions; and in the event that a college receives a yellow card for three consecutive years, it may receive a red card issued by competent government authority and its student admission will be subject to suspension. In addition, except for sports and art schools, the ratio between a higher education institution's site area and its number of students should be 54 to 59 sq. m. per student. As advised by our PRC Legal Advisors, such ratio is one of the monitoring school operating condition indicators (監測辦學條件指標) under the regulation; a school will not be subject to any penalty for failure to meet such indicator.

During the Year, our PRC Operating Schools conducting higher education did not fully meet neither the regulatory requirements in terms of the teaching and administrative building area per student nor the site area per student.

Moreover, based on the consultations with officials of the Division of Private Education of Henan Provincial Department of Education and the Foreign Affairs Division of Zhejiang Provincial Department of Education, we are advised that the ratio between a higher education institution's site area and its number of students belongs to the monitoring school operating condition indicators (監測辦學條件指標) under the regulation, which is one of the monitoring standards for operating higher education institutions, as opposed to the basic conditions for operating higher education institutions. While the failure to meet the basic operation conditions, such as the teacher-to-student ratio and the prescribed ratio between teaching and administrative building area and the number of students, may result in restrictions or suspensions of student enrollment, a monitoring index is not a strict requirement, and no legal consequence has been formulated relating to the breach of such monitoring index. According to the relevant PRC regulations, the monitoring index is a supplement to the basic operating conditions and primarily reflects the improvement of the operation conditions of higher education institutions. It has significant guiding effects on improving the teaching quality and the information technology of higher education institutions. Our PRC Legal Advisors have advised us that as of the Latest Practicable Date, the relevant legislations do not state any legal consequences for a breach of the monitoring index.

Based on the foregoing, our PRC Legal Advisors are of the view that the failure of Changzheng College and College of Information and Business to comply with the ratio between the site area and the number of students did not constitute a material non-compliance.

We endeavor to continuously improve the ratio of teaching and administrative building area to the number of students and the ratio of site area to the number of students and aim to meet such requirements within the next two to three years. We will monitor and adjust these ratios as necessary and practicable based on the needs of our increasing student enrolments and our schools' education plans and activities without compromising the quality of our existing education or profitability. We have also taken these ratios into account when formulating our expansion plans, which are expected to result in improvements to these ratios. We will continue to seek suitable expansion opportunities with a particular focus on improving the ratio of teaching and administrative building area to the number of students. Where appropriate, we will allocate greater proportion of gross floor area to teaching and administrative buildings and prioritize such construction. We seek to maximize the use of our current premises and identify whether it is feasible to reconfigure existing non-teaching and administrative or idle buildings for the purpose of making available additional teaching and academic facilities to the students, thereby improving such ratios for the benefit of the students. We will consult with the relevant government authorities regarding these ratios and ensure that all the newly acquired or established schools or campuses will not be penalized in relation to these ratios before the commencement of school operations.

Customers and Suppliers

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 5% of our revenue for the years ended 31 December 2019 and 2018.

Our suppliers primarily comprise construction companies and information technology equipment and service providers, all of which were Independent Third Parties. For the years ended 31 December, 2019 and 2018, purchases from our five largest suppliers amounted to RMB33.3 million and RMB12.2 million, respectively. Purchase from our largest suppliers for the years ended 31 December 2019 and 2018 amounted to RMB13.7 million and RMB7.7 million, respectively.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of our issued share capital) had any interest in our five largest customers and suppliers.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chen Yuguo (陳餘國), aged 59, the founder of our Group, was appointed as the chairman of the Board, chief executive officer and an executive Director of our Company in June 2017 and is in charge of the overall management and strategic development of our Group.

Mr. Chen has more than 22 years of experience in education. The following table shows the key work experience of Mr. Chen:

Period	Company	Position	Roles and responsibilities
September 1997 to present	Jingyi Secondary School	Chairman of the board of directors	Overall work of the board of directors
July 2000 to August 2017	Zhejiang Changzheng College of Finance & Economics* (浙江長征財經進修學院), known as Changzheng College since December 2000	Chairman of the board of directors	Overall work of the board of directors and major decision making
August 2017 to present	Changzheng College	Chairman of the board of directors	Overall work of the board of directors and major decision making

* *For identification purpose only*

Mr. Chen obtained the qualification as senior engineer granted by Chenzhou Personnel Bureau* (郴州市人事局) in November 2010. He was awarded as "Zhejiang Province Outstanding Private Entrepreneur" for the year 2014.

Mr. Chen is the younger brother of Mr. Chen Yuchun (executive Director of our Company), father of Mr. Chen Shu and Mr. Chen Lingfeng (executive Directors of our Company), uncle of Mr. Chen Nansun (executive Director of our Company), brother-in-law of Ms. Zhang Xuli (non-executive Director of our Company).

Mr. Chen Yuchun (陳餘春), aged 68, the founder of our Group, was appointed as an executive Director of our Company on 3 November 2018, and is responsible for campus infrastructure construction of Changzheng College.

Mr. Chen has more than 22 years of experience in education.

From September 1997 to December 2002, Mr. Chen was the director of Jingyi Secondary School, and his roles and responsibilities included campus infrastructure construction and so on. From June 2003 to present, Mr. Chen has been the executive director of Changzheng College, with his roles and responsibilities including campus infrastructure construction and so on.

Mr. Chen is the elder brother Mr. Chen Yuguo (executive Director of our Company), uncle of Mr. Chen Nansun, Mr. Chen Shu and Mr. Chen Lingfeng (executive Directors of our Company), and brother-in-law of Ms. Zhang Xuli (non-executive Director of our Company).

Mr. Chen Shu (陳澍) whose former name was Chen Ru (陳如), aged 34, joined our Group in March 2009 and was appointed as an executive Director of our Company on 3 November 2018, responsible for logistics, procurement and external cooperation of Changzheng College.

Mr. Chen has more than 11 years of experience in education.

From March 2009 to present, Mr. Chen has been the assistant to the chairman of the board of directors of Changzheng College, with his roles and responsibilities including logistics, procurement and external cooperation.

Mr. Chen graduated from the Hubei University of Economics (湖北經濟學院) in Wuhan City, Hubei Province, the PRC with a degree of bachelor of administration in June 2008. He graduated from the University of Electronic Science and Technology of China (電子科技大學) in Chengdu City, Sichuan Province, the PRC with a degree of master of engineering in June 2014.

Mr. Chen is the son of Mr. Chen Yuguo (executive Director of our Company), elder brother of Mr. Chen Lingfeng (executive Director of our Company), nephew of Mr. Chen Yuchun (executive Director of our Company), nephew of Mr. Zhang Xuli (non-executive Director of our Company) and cousin of Mr. Chen Nansun (executive Director of our Company).

Mr. Chen Nansun (陳南孫), aged 34, joined our Group in September 2008 and was appointed as an executive Director of our Company on 3 November 2018, responsible for management of students of Changzheng College.

Mr. Chen has approximately 11 years of experience in education.

From September 2008 to present, Mr. Chen has been acting as the deputy officer of the student affairs department of Changzheng College, responsible for student management related matters.

Mr. Chen graduated from the Wuhan University of Science and Technology (武漢科技大學) in Wuhan City, Hubei Province, the PRC majoring in international economics and trade in June 2008. He graduated from the University of Electronic Science and Technology of China (電子科技大學) in Chengdu City, Sichuan Province, the PRC with a degree of master of engineering in June 2013.

Mr. Chen is nephew of Mr. Chen Yuchun (executive Director of our Company), Mr. Chen Yuguo (executive Director of our Company) and Mr. Zhang Xuli (non-executive Director of our Company) and cousin of Mr. Chen Shu and Mr. Chen Lingfeng (executive Directors of our Company).

Mr. Chen Lingfeng (陳淩峰), aged 31, joined our Group in November 2015 and was appointed as an executive Director of our Company on 3 November 2018, responsible for the management of students and logistics of College of Information and Business.

From November 2015 to present, Mr. Chen has been the assistant to the principal of College of Information and Business, with his roles and responsibilities including student enrollment and recruitment, school logistics and security.

Mr. Chen graduated from Shanghai Jian Qiao University (上海建橋學院) in Shanghai City, the PRC majoring business administration (marketing) in July 2009. He was enrolled in Bilingo-China International College, Beijing Foreign Studies University (北京外國語大學北外諾加國際教育學校) from September 2009 to June 2010 and completed all courses of the Pre-Master program in Business Administration. He graduated from Teesside University in Middlesbrough, the United Kingdom, with a degree of master of science in September 2012.

Mr. Chen is son of Mr. Chen Yuguo (executive Director of our Company), younger brother of Mr. Chen Shu (executive Director of our Company), nephew of Mr. Chen Yuchun (executive Director of our Company) and Mr. Zhang Xuli (non-executive Director of our Company), and cousin of Mr. Chen Nansun (executive Director of our Company).

Non-executive Director

Ms. Zhang Xuli (張旭麗), aged 53, was appointed as a non-executive Director of our Company on 3 November 2018.

From August 1985 to present, Ms. Zhang has been the deputy head of medical center of the People's Hospital of Yueqing City* (樂清市人民醫院), with her roles and responsibilities including overall management and operation of medical center.

Ms. Zhang studied clinical care in Wenzhou Medical College* (溫州醫學院) in Wenzhou City, Zhejiang Province, the PRC and obtained the professional certificate of clinical nursing (long-distance course) in July 1996. She graduated from China Central Radio & TV University (中央廣播電視大學) in Beijing City, the PRC majoring in law in July 2004. She graduated from Zhejiang University (浙江大學) majoring in public services management (online course) in October 2008. She graduated from the program of master of business administration in the Business School of Renmin University of China (中國人民大學商學院) in Beijing City, the PRC, in September 2009.

Mr. Zhang is sister-in-law of Mr. Chen Yuchun and Mr. Chen Yuguo (executive Directors of our Company), aunt of Mr. Chen Shu, Mr. Chen Nansun and Mr. Chen Lingfeng (executive Directors of our Company).

Independent non-executive Directors

Mr. Fung Nam Shan (馮南山), aged 43, was appointed as an independent non-executive Director of our Company on 3 November 2018.

The following table shows the key work experience of Mr. Fung:

Period	Company	Position	Roles and responsibilities
October 2007 to November 2009	PricewaterhouseCoopers	Audit manager	Auditing and accounting
December 2009 to February 2011	Sinocom Management (B) Limited	Financial controller	Finance related matters

* *For identification purpose only*

Period	Company	Position	Roles and responsibilities
February 2011 to April 2013	South China Assets Holding Limited, formerly known as South China Land Limited (Stock code: 8155)	Financial controller and company secretary	Daily financial management, provision of financial and taxation advisory service and provision for budgetary control on development and construction projects
May 2013 to present	CityLinkers Corporate Solutions Limited	Partner	Loan management, providing financing advice and financial consultancy service
July 2014 to present	Seamless Green China (Holdings) Limited (Stock code: 8150)	Company secretary and authorized representative	Company secretarial matters
May 2015 to May 2017	China Ocean Fishing Holdings Limited (Stock code: 8047)	Company secretary and authorized representative	Company secretarial matters
May 2015 to present	Energy International Investments Holdings Limited (Stock code: 353)	Independent non-executive director	Providing opinion and judgment to the board
November 2015 to October 2016	Future Bright Mining Holdings Limited (Stock code: 2212)	Joint company secretary	Compliance
November 2015 to present	Thelloy Development Group Limited (Stock code: 1546)	Company secretary	Company secretarial matters
February 2016 to present	Camsing International Holding Limited (Stock code: 2662)	Company secretary	Company secretarial matters
March 2016 to present	Yat Sing Holdings Limited	Company secretary and authorized representative	Company secretarial matters

Mr. Fung graduated from the University of Newcastle (紐卡素大學) in Australia with a bachelor's degree of commerce. Mr. Fung is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia.

Mr. Wang Yuqing (王裕清), aged 67, was appointed as an independent non-executive Director of our Company on 3 November 2018.

The following table shows the key work experience of Mr. Wang:

Period	Company	Position	Roles and responsibilities
February 1992 to January 1997	Jiaozuo Coal Mining School	Deputy director of Dean's Office	Management matters relating to his position
February 1997 to December 2002	Jiaozuo Coal Mining School	Dean of Adult Education College and the Head of Admission Office, Dean of School of Higher Vocational Education	Administrative matters and students enrollment relating to his position
December 2002 to May 2005	Jiaozuo Coal Mining School	Dean of Wanfang College of Science & Technology, Dean of Adult Education College, Dean of School of Higher Vocational Education	Administrative matters relating to his position
May 2005 to September 2006	Henan Polytechnic University	Dean of Wanfang College of Science & Technology	Administrative matters relating to his position
October 2006 to October 2008	Henan Polytechnic University	Assistant to Principal of Henan Polytechnic University and Dean of Wanfang College of Science & Technology	Administrative matters relating to his position

Period	Company	Position	Roles and responsibilities
October 2008 to October 2013	Henan Polytechnic University	Vice principal of Henan Polytechnic University and Dean of Wanfang College of Science & Technology	Administrative matters relating to his position
October 2013 to March 2018	Henan Polytechnic University	Dean of Wanfang College of Science & Technology	Administrative matters relating to his position

Mr. Wang graduated from the Jiaozuo Coal Mining School (焦作礦業學院), currently known as the Henan Polytechnic University (河南理工大學), in Jiaozuo City, Henan Province, the PRC majoring in engineering in 1978. He graduated from the Taiyuan Polytechnic University* (太原工業大學), currently known as the Taiyuan University of Technology (太原理工大學), in Taiyuan City, Shanxi Province, the PRC with a degree of master of engineering in 1995.

Ms. Bi Hui (畢慧), aged 55, was appointed as an independent non-executive director of the Company on 18 November 2019. Ms. Bi has been teaching at Zhejiang University of Technology (浙江工業大學) since July 2004 and currently is an associate professor of the Law School thereat, and she has also been working as a part-time lawyer at Zhejiang Kang City Law Firm (浙江康城律師事務所) since March 2005. Ms. Bi worked as a part-time lawyer at Zhejiang Huichen Law Firm (浙江匯忱律師事務所) from March 1993 to March 2005 and as the head of the legal department to Zhejiang Yaojiang Group (浙江耀江集團) from 1997 to 2004, apart from which, Ms. Bi had worked as a legal advisor to various private companies and public institutions since 1993 and accumulated extensive experience in practicing civil and commercial cases and dealing with corporate law-related matters. Ms. Bi obtained a bachelor's degree of law from Southwest University of Political Science and Law (西南政法大學) in Chongqing, the PRC in July 1992 and a master's degree of law from Zhejiang University (浙江大學) in Zhejiang, the PRC in March 2008.

SENIOR MANAGEMENT

Mr. Lyu Zhenhe (呂振合), aged 55, joined our Group in 2007 and was appointed as a senior management of our Company on 4 November 2018. Mr. Lyu has more than 33 years of experience in education and is responsible for the overall management and operation of College of Information and Business.

* *For identification purpose only*

The following table shows the key work experience of Mr. Lyu:

Period	Company	Position	Roles and responsibilities
July 1986 to September 1994	Forestry College of Inner Mongolia Agricultural University	Teacher of department of social science	Teaching activity
September 1994 to February 1996	Forestry College of Inner Mongolia Agricultural University	Section chief of propaganda department of party committee (黨委宣傳部科長)	Party committee matters relating to his position
February 1996 to March 1997	Forestry College of Inner Mongolia Agricultural University	Vice minister of propaganda department of party committee (黨委宣傳部副部長)	Party committee matters relating to his position
March 1997 to June 1999	Forestry College of Inner Mongolia Agricultural University	Deputy director of party committee organization (黨委辦公室副主任)	Party committee matters relating to his position
June 1999 to November 2001	Inner Mongolia Agricultural University	Deputy director of party committee organization (黨委辦公室副主任)	Party committee matters relating to his position
November 2001 to December 2004	Inner Mongolia Agricultural University	Director of research department of higher education (高等教育研究室主任)	Overall management and research relating to his position
June 2007 to September 2007	Changzheng College	Vice principal	Overall administrative management, and management on office, human resources, finance and external affairs

Period	Company	Position	Roles and responsibilities
September 2007 to September 2009	Changzheng College	Administrative vice principal	Overall administrative management, and management on office, human resources, finance and external affairs
September 2009 to February 2016	Changzheng College	Executive principal	Overall administrative management, and management on office, human resources, finance and external affairs
December 2015 to May 2016	Zhejiang Guangsha College of Applied Construction Technology	Vice principal	Teaching activities
April 2017 to March 2018	College of Information & Business	Administrative vice principal	Administrative matters relating to his position
March 2018 to present	College of Information & Business	Principal	Overall management relating to his position

Mr. Lyu graduated from Inner Mongolia University (內蒙古大學) in Huhehaote City, Inner Mongolia, the PRC with a degree of bachelor of philosophy in July 1986. He graduated from Beijing Normal University (北京師範大學) with a degree of doctor of laws in June 2005. He graduated from Tsinghua University (清華大學) in Beijing, the PRC conducting postdoctoral research on philosophy from July 2005 to June 2007.

Mr. Wang Qijun (王其軍), aged 57, joined our Group in 2010 and was appointed as a senior management of our Company on 4 November 2018. Mr. Wang has more than 9 years of experience in education.

Mr. Wang joined Changzheng College in April 2010, and currently is the secretary of party committee (黨委書記) and administrative vice principal (常務副院長) of Changzheng College. His roles and responsibilities include administrative matters, management of office, finance, human resources and external affairs of Changzheng College.

Mr. Wang Qijun graduated from China College of Mining and Technology (中國礦業學院), currently known as China University of Mining and Technology (中國礦業大學), in Xuzhou City, Jiangsu Province, the PRC with a degree of bachelor of engineering in July 1986. He graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou City, Jiangsu Province, the PRC with a degree of master of engineering in December 2003. He graduated from Shandong University of Science and Technology (山東科技大學) in Qingdao City, Shandong Province, the PRC with a degree of doctor of engineering in June 2007.

Mr. Du Baoshan (杜寶山), aged 56, joined our Group in 2010 and was appointed as a senior management of our Company on 4 November 2018. Mr. Du has more than 9 years of experience in education and is responsible for the supervision on teaching activities of Changzheng College.

From January 2010 to February 2017, Mr. Du was the vice principal of Changzheng College, and his roles and responsibilities included teaching activities. Since February 2017 to present, Mr. Du has been the vice principal and a member of the party committee (黨委委員) of Changzheng College, with his roles and responsibilities including teaching activities.

Mr. Du graduated from Inner Mongolia Normal University (內蒙古師範大學) in Huhehaote City, Inner Mongolia, the PRC with a degree of bachelor of science in July 1987. He graduated from Jilin University (吉林大學) in Changchun City, Jilin Province, the PRC with a degree of master of science in November 2000.

Mr. Chan Cheung (陳翔), aged 46, was appointed as the chief financial officer of the Group in 2019. Prior to joining the Group, he served as the qualified accountant, company secretary and authorised representative of a Hong Kong listed company. He also worked as the financial controller of a company listed on Nasdaq in the United States. Mr. Chan has over 22 years of experience in the field of financial management and auditing. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Certified Chartered Accountants. Mr. Chan graduated from the Hong Kong Polytechnic University with an honorary bachelor's degree in accounting.

Ms. Zhang Ledi (張樂弟), aged 45, joined our Group in 1997 and was appointed as a financial manager of our Company on 4 November 2018. Ms. Zhang has more than 22 years of experience in education and is responsible for party committee affairs and discipline inspection of Changzheng College, and financial control of our Company.

From September 1997 to June 2000, Ms. Zhang was the financial manager of Jingyi Secondary School, and was responsible for finance related works. From July 2000 to present, Ms. Zhang has been the vice secretary of the party committee (黨委副書記) and secretary of commission for discipline inspection (紀委書記) of Changzheng College, with her roles and responsibilities including party committee matters and discipline inspection.

Save as otherwise disclosed, there is no relationship between any of members of the Board and senior management, and there is no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B (1).

The Board is pleased to present the Report of the Board and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Corporate Information and Initial Public Offering

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 June 2017. The Company's principal place of business in Hong Kong is located at Room 2106, 21/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong. The shares were listed on the Main Board of the Stock Exchange on 18 June 2019.

Principal Activities

The Company is an investment holding company. The Group is principally engaged in the provision of higher and secondary education services and the related management services in the People's Republic of China. Business activities and details of the Company's subsidiaries are set out in note 1 to the consolidated financial statements.

Results

The annual results for 2019 and the financial position as at 31 December 2019 of the Group are set out on pages 103 to 175 of the audited consolidated financial statements in this annual report.

Review of Annual Results

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2019 in conjunction with the Company's external and internal auditors.

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors, Mr. Fung Nam Shan, Mr. Wang Yuqing and Ms. Bi Hui. Mr. Fung Nam Shan serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfil its responsibilities over audit.

Financial Summary

The results of the Group for the past 4 financial years are set out in the section headed "Financial and Operating Highlights" on pages 4 to 5 of this annual report. The summary does not form part of the audited consolidated financial statements.

Business Review

Please refer to the section headed "Management Discussion and Analysis" on pages 8 to 21 of this annual report for details of the business conditions for 2019 and the outlook for 2020 of the Group. Save for the events disclosed in the "Events Subsequent to the End of the Year", there was no significant event from 31 December 2019 up to the date of this annual report that had impact on the Group. In 2019, the Group strictly complied with the relevant laws, regulations and environmental policies in China, and established corresponding mechanisms for compliant operation.

Major Risks and Uncertainties

Our business is exposed to various risks and we believe that risk management is essential to our growth and success. Major operational risks faced by us include, among other things:

1. Our business will depend to a large extent on the market recognition and reputation of the brand of our schools and the Group;

2. We may not be able to execute our growth strategy successfully or manage growth effectively, which may impair our ability to seize new commercial opportunities;

3. We face fierce competition in China's education industry, which may lead to adverse pricing pressure, decrease of operation profit margin and market share, resignations of qualified teachers and increase of capital expense;

4. Our business and operation depend on the tuitions and accommodation fees we are able to charge and whether we can maintain and increase tuitions and accommodation fees; and

5. We may not succeed in increasing the number of enrolled students of our schools, which may impair our capacity to expand business.

Environmental Policies and Performance

As an education enterprise, the Company does not involve any material impact on the environment during its daily operations. Despite this, the Company still attaches great importance to environmental protection, advocates the concept of low-carbon operation, and strives to integrate the concept of environmental protection into the cultivation and education of the new generation. During the Year, the Company did not have any non-compliance events relating to environmental protection. The details are set out in the Environmental, Social and Governance ("ESG") Report on pages 80 to 96 of this annual report.

Compliance with Laws and Regulations

The Group complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Key Relationship with Employees, Customers and Suppliers

The Group understands that obtaining support from employees, suppliers and clients is important to achieve corporate goals. The Group values employees who are indispensable to the Group's continuous development. Our employees were offered competitive salary packages, as well as discretionary bonuses and contributions to social insurance. In order to ensure that our employees remain competitive in the industry, the Group has adopted training programs for its employees which are managed by its human resources department. The Company has also adopted a share option scheme to recognise and motivate contributions of the employees. Further details regarding the share option scheme is set out in the paragraph headed "Share Option Scheme" on pages 61 to 63 of this annual report.

The Group provides high quality services to our clients. The Group also communicates with our clients regularly to maintain close relationship with them.

The Group strives to maintain fair and cooperative relationships with its suppliers. The Group maintains good relationships with employees, suppliers and clients.

Property, School Premises and Equipment

Changes in the property, school premises and equipment of the Group in 2019 are set out in note 13 to the audited consolidated financial statements.

Share Capital

As of the date of this annual report, the authorised share capital of the Company is US$300,000,000 divided into 30,000,000,000 shares of US$0.01 each. As of 31 December 2019 and the date of this annual report, the number of issued and paid-up shares is 1,600,830,000. Details of the changes in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements in this annual report.

Taxation

The information on the taxation of the Company and the Group in 2019 is set out in note 10 to the audited consolidated financial statements.

Events Subsequent to the End of the Year

Details of the events of the Group subsequent to the end of the Year are set out in note 33 to the audited consolidated financial statements.

Distributable Reserves

Details of the changes in the reserves of the Company and the Group in 2019 are set out in note 25 to the audited consolidated financial statements and the consolidated statement of changes in equity on pages 107 to 108, and the reserves available for distributable to shareholders amounted to approximately RMB1,179 million as at 31 December 2019.

Final Dividend and Special Final Dividend

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

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

Annual General Meeting

The Company will hold the AGM on Friday, 22 May 2020. A notice convening the AGM will be published and despatched to Shareholders in due course.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive), for the purpose of determining the entitlement to attend and vote at the AGM scheduled to be held on Friday, 22 May 2020. The record date will be Friday, 22 May 2020 In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 18 May 2020.

For the purposes of determining the Shareholders' entitlement to the proposed final dividend for the year ended 31 December 2019, the register of members of the Company will be closed from Thursday, 28 May 2020 to Monday, 1 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. The record date will be Friday, 29 May 2020 In order to be eligible for the above proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 27 May 2020.

Use of Proceeds from the Initial Public Offering of the Company

On 18 June 2019, the Company issued 400,000,000 ordinary shares at a price of HK$1.5 per share pursuant to the initial public offering of shares, the total proceeds of which amounted to approximately HK$600 million, and the shares were listed on the Main Board of the Stock Exchange. On 16 July 2019, the Company issued 830,000 shares at a price of HK$1.5 per share pursuant to a partial exercise of the over-allotment option relating to the Listing, the total proceeds of which amounted to approximately HK$1.2 million. The net proceeds from the Listing (net of underwriting fees and relevant expenses) amounted to approximately HK$524 million (equivalent to RMB461 million). As at 31 December 2019, none of the net proceeds from the initial public offering have been utilised and all the net proceeds were deposited into interest-bearing bank accounts with licensed commercial banks and authorised financial institutions in Hong Kong. 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 Information and Business and Changzheng College	40%	184	—	184	31 December 2022
— Working capital and general corporate purposes	10%	46	—	46	31 December 2022
Total	100%	461	—	461	

Bank and Other Borrowings

Details of the bank and other borrowings of the Group as at 31 December 2019 are set out in note 23 to the audited consolidated financial statements.

Donation

During the year ended 31 December 2019, there was no charitable donations made by the Group.

Directors

The Directors in office during the year ended 31 December 2019 and up to the date of this annual report are as follows:

Executive Directors

Mr. Chen Yuguo *(Chairman)*
Mr. Chen Yuchun
Mr. Chen Shu
Mr. Chen Nansun
Mr. Chen Lingfeng

Non-executive Director

Ms. Zhang Xuli

Independent non-executive Directors

Mr. Fung Nam Shan
Mr. Wang Yuqing
Ms. Bi Hui (appointed on 18 November 2019)
Mr. Chen Danhua (resigned on 18 November 2019)

Every Director shall retire from office once every three years and for this purpose, at each AGM one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest to but not less than one-third (1/3) shall retire from office by rotation. The Director to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or was last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Subject to the Articles of Association, a retiring Director shall be eligible for re-election at the meeting at which he retires. For the avoidance of doubt, each Director shall retire at least once every three (3) years.

In accordance with Article 84 of the Articles of Association, all Directors shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming AGM.

Biographies of Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out in the section headed "Biographies of Directors and Senior Management" on pages 22 to 30 in this annual report.

Confirmation of Independent Non-Executive Directors on Independence

The Company has received the confirmation of each independent non-executive Director on his/her independence in accordance with Rule 3.13 of the Listing Rules, and the Company considers that all independent non-executive Directors are independent during the period from the date of Listing to 31 December 2019 and up to the date of this annual report.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing on the date of Listing. The independent non-executive Directors (Mr. Fung Nam Shan and Mr. Wang Yuqing) have entered into a letter of appointment with the Company for a term of three years commencing on the date of Listing while Ms. Bi Hui has entered into a letter of appointment on 18 November 2019, unless terminated by not less than one month's notice in writing served by either party on the other.

None of the Directors has entered into any service contract or letter of appointment with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Remuneration of Directors and Five Highest Paid Individuals

A remuneration committee was set up for reviewing the Group's emolument policy and structure for the directors and senior management of the Company, having regard to the Group's operating results, individual performance of the directors and senior management of the Company and comparable market practices. The emolument policy aims to make sure that our competitive remuneration package attracts and retains talents for our business development and operation. The Company adopted a share option scheme to motivate all Directors. Please refer to pages 61 to 63 of this report for details of the share option scheme. The emolument of Directors is reviewed on a regular basis with reference to the salaries paid by comparable companies, time commitment, duties and responsibilities, experience and employment conditions elsewhere in the Group. Directors' emolument is subject to Shareholders' approval at general meetings. Details of the emoluments of the Directors and five highest paid individuals during the reporting period are set out in note 8 and note 9 to the consolidated financial statements in this annual report.

During the year ended 31 December 2019, none of the directors of the Company waived his/her emoluments nor has agreed to waive his/her emoluments for the year.

Management Contracts

No contract concerning the management or administration of the whole or any substantial part of the business of the Company was entered into or existed in 2019.

Directors and Controlling Shareholders' Significant Interests in Contracts, Transactions or Arrangements

Save for those disclosed in note 30 "Related Party Transactions and Balances" to the consolidated financial statements and the paragraph headed "Connected Transactions" in this annual report, no Directors or entities related to the Directors still have or used to have any significant interest directly or indirectly in any contract, transaction or arrangement of the Company or any of its subsidiaries that remained in effect during or as at the end of the year ended 31 December 2019 and was significant to the business of the Group.

Contract of Significance

Save for those disclosed in note 30 "Related Party Transactions and Balances" to the consolidated financial statements and the paragraph headed "Connected Transactions" in this annual report, at no time during the year ended 31 December 2019 had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

Saved as disclosed in this annual report, no contract of significance has been made between the Company or any one of its subsidiaries and a controlling shareholder or its subsidiaries during the year ended 31 December 2019 or as at the date of this annual report.

Directors' Interests in Competing Business

As at 31 December 2019, none of the Directors or their associates has any competing interests in any business which had competed or might compete with that of the Company, either directly or indirectly.

Non-competition Undertaking by Controlling Shareholders

The Company has received confirmation from each of the Controlling Shareholders that they complied with all the undertakings made in the non-competition undertaking under the Structured Contracts provided to the Company in 2019. For details of the non-competition undertaking under the Structured Contracts, please refer to the paragraph headed "Connected Transactions — Structured Contracts — B. Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreements" in this report.

The independent non-executive Directors have reviewed the performance of the non-competition undertakings during the year ended 31 December 2019 based on the information and confirmation provided by the Controlling Shareholders, and are satisfied that the Controlling Shareholders have complied with and enforced the non-competition undertakings.

Connected Transactions

For the year ended 31 December 2019, the Group entered into the following non-exempt continuing connected transaction:

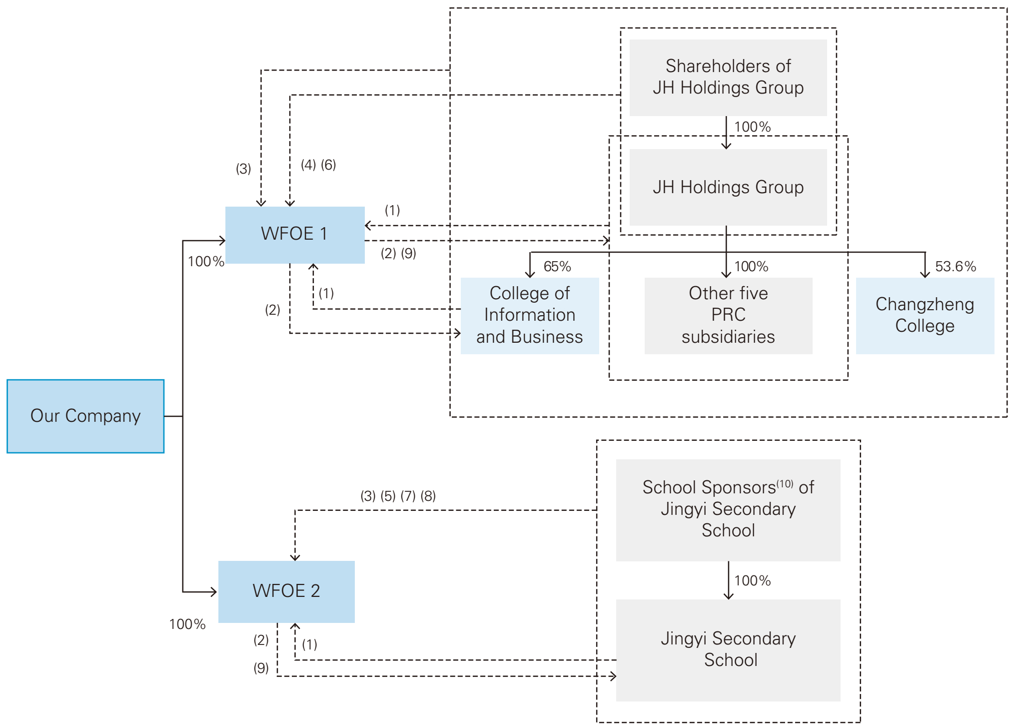
Structured Contracts

A. *Description*

The PRC laws and regulations currently restrict the operation of formal higher education and high school education to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, no government approval for establishing and operating formal higher education institutions and high school education institutions in the PRC by way of Sino-foreign ownership was granted. As a result, our Group, through the WFOEs, JH Holdings Group and its subsidiaries Jingyi Secondary School, College of Information and Business, the shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through our PRC Operating Schools while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Schools, to the extent permitted by PRC law and regulations, and the right to acquire the equity interest in and/or the assets of our PRC Consolidated Affiliated Entities after the Listing through the WFOEs. As we operate our education business through our PRC Operating Schools, which are controlled by their respective school sponsors, and we do not hold any direct equity interest in our PRC Operating Schools, the Structured Contracts were entered into on 7 November 2018 pursuant to which all material business activities of our PRC Operating Schools are instructed and supervised by our Group, through the WFOEs, and the relevant economic benefits arising from such business of our PRC Operating Schools are transferred to our Group.

The Structured Contracts consist of the Structured Contracts I and the Structured Contracts II. The Structured Contracts I consist of a series of agreements, including (i) the Business Cooperation Agreement entered into by and among the WFOE 1, JH Holdings Group and its subsidiaries, and the Shareholders of JH Holdings Group; (ii) the Exclusive Technical Service and Management Consultancy Agreement entered into by and among the WFOE 1, JH Holdings Group and its subsidiaries; (iii) the Exclusive Technical Service and Management Consultancy Agreement entered into between the WFOE 1 and College of Information and Business; (iv) the Exclusive Call Option Agreement entered into by and among the WFOE 1, the Shareholders of JH Holdings Group, and JH Holdings Group and its subsidiaries; (v) the Shareholders' Rights Entrustment Agreement entered into by and among the WFOE 1, the Shareholders of JH Holdings Group and JH Holdings Group; (vi) the Shareholder's Powers of Attorney; (vii) the Equity Pledge Agreement entered into by and among the WFOE 1, the WFOE 2, the Shareholders of JH Holdings Group and JH Holdings Group; and (viii) the Loan Agreement entered into by and among the WFOE 1, JH Holdings Group and its subsidiaries, each of which is an integral part of the Structured Contracts I. The Structured Contracts II consist of a series of agreements, including (i) the Business Cooperation Agreement entered into by and among the WFOE 2, Jingyi Secondary School, and the School Sponsors of Jingyi Secondary School; (ii) the Exclusive Technical Service and Management Consultancy Agreement entered into between WFOE 2 and Jingyi Secondary School; (iii) the Exclusive Call Option Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School, the school directors of Jingyi Secondary School and Jingyi Secondary School; (iv) the School Sponsors' and Directors' Rights Entrustment Agreement; (v) the School Sponsor's Powers of Attorney; (vi) the Directors' Powers of Attorney; (vii) the Accounts Receivable Pledge Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School; and (viii) the Loan Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, each of which is an integral part of the Structured Contracts II.

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities to our Group stipulated under the Structured Contracts:



——— denotes direct legal and beneficial ownership in equity or school sponsors' interest
------------ denotes arrangements under the Structured Contracts

Notes:

(1) Payment of service fees. See "B. Summary of the Material Terms of the Structured Contracts — (2) Exclusive Technical Service and Management Consultancy Agreements" in this report.

(2) Provision of exclusive technical and management consultancy services. See "B. Summary of the Material Terms of the Structured Contracts — (2) Exclusive Technical Service and Management Consultancy Agreements" in this report.

(3) Exclusive call option to acquire all or part of the equity interest in JH Holdings Group and its subsidiaries, and school sponsor's interest in Jingyi Secondary School. See "B. Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreements" in this report.

(4) Pledge of equity interest by the Shareholders of JH Holdings Group of their equity interest in JH Holdings Group. See "B. Summary of the Material Terms of the Structured Contracts — (4) Equity Pledge Agreement" in this report.

(5) Pledge of accounts receivable by the School Sponsors of Jingyi Secondary School of their interests over all of the proceeds receivable from third parties due to transfer or other forms of disposal of all or part of their respective sponsor's interest in Jingyi Secondary School. See "B. Summary of the Material Terms of the Structured Contracts — (5) Accounts Receivable Pledge Agreement" in this report.

(6) Entrustment of shareholders' rights by the Shareholders of JH Holdings Group including the Shareholder's Powers of Attorney. See "B. Summary of the Material Terms of the Structured Contracts — (6) Shareholders' Rights Entrustment Agreement" and "B. Summary of the Material Terms of the Structured Contracts — (7) Shareholder's Powers of Attorney" in this report.

(7) Entrustment of school sponsors' rights by the School Sponsors of Jingyi Secondary School including the School Sponsor's Powers of Attorney. See "B. Summary of the Material Terms of the Structured Contracts — (8) School Sponsors' and Directors' Rights Entrustment Agreement" and "B. Summary of the Material Terms of the Structured Contracts — (9) School Sponsor's Powers of Attorney" in this report.

(8) Entrustment of directors' rights in Jingyi Secondary School by the directors of Jingyi Secondary School including the Director's Powers of Attorney. See "B. Summary of the Material Terms of the Structured Contracts — (8) School Sponsors' and Directors' Rights Entrustment Agreement" and "B. Summary of the Material Terms of the Structured Contracts — (10) Director's Powers of Attorney" in this report.

(9) Provision of loans by the WFOEs to JH Holdings Group and the School Sponsors of Jingyi Secondary School. See "B. Summary of the Material Terms of the Structured Contracts — (11) Loan Agreements" in this report.

(10) According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" instead of "owners" or "shareholders."

B. Summary of the Material Terms of the Structured Contracts

A description of each of the specific agreements that comprise the Structured Contracts is set out below.

(1) Business Cooperation Agreements

Pursuant to the Business Cooperation Agreements, (i) the WFOE 1 shall provide technical services, management support and consulting services necessary for the private education business, and in return, JH Holdings Group and its subsidiaries shall make payments accordingly; and (ii) the WFOE 2 shall provide technical services, management support and consulting services necessary for the private education business, and in return, Jingyi Secondary School shall make payments accordingly.

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, the School Sponsors of Jingyi Secondary School, the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries and Jingyi Secondary School have undertaken that, without the prior written consent of the WFOEs or its designated party, they shall not conduct or cause to conduct any activity or transaction which may have any actual impact on: (i) the assets, business, staff, obligations, rights or operations of JH Holdings Group and its subsidiaries or Jingyi Secondary School; and (ii) the ability of the School Sponsors of Jingyi Secondary School, the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries or Jingyi Secondary School to perform the obligations under the Structured Contracts.

Furthermore, each of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School undertakes to the WFOEs that, unless with the prior written consent of the WFOEs, they (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities ("Competing Business"), (ii) use information obtained for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the School Sponsors of Jingyi Secondary School and the Shareholders of JH Holdings Group further consents and agrees that, in the event that they (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, the WFOEs and/or other entities as designated by us shall be granted an option to require the entity engaging in the Competing Business to (i) enter into an arrangement similar to that of the Structured Contracts; or (ii) stop engaging in such Competing Business.

(2) Exclusive Technical Service and Management Consultancy Agreements

Pursuant to the Exclusive Technical Service and Management Consultancy Agreements entered into (i) by and among the WFOE 1, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng, (ii) between WFOE 2 and Jingyi Secondary School, and (iii) between the WFOE 1 and College of Information and Business, each of the WFOE 1, the WFOE 2 and the WFOE 1 has agreed to provide exclusive technical services to JH Holdings Group and its subsidiaries, Jingyi Secondary School and College of Information and Business, respectively, including but not limited to, (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites; (c) design, development, update and maintenance of management information systems; (d) provision of other technical support; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services as reasonably requested by JH Holdings Group and its subsidiaries, Jingyi Secondary School or College of Information and Business.

Furthermore, each of the WFOE 1 and the WFOE 2 agreed to provide exclusive management consultancy services to JH Holdings Group and its subsidiaries, College of Information and Business, and Jingyi Secondary School (as the case may be), including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other management technical services as reasonably requested by JH Holdings Group and its subsidiaries, College of Information and Business, and Jingyi Secondary School (as the case may be).

In consideration of the technical and management consultancy services to be provided by the WFOE 1 and the WFOE 2 (as the case may be), (i) JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng agreed to pay on an annual basis the relevant services fees to the WFOE 1 equal to all of their net profit (after deducting all necessary costs and expenses (the amount of which shall be proposed by them but subject to final confirmation and determination by the WFOE 1), taxes, losses from previous years (if required by the law) and the legally compulsory public reserve fund (if required by law)); (ii) Jingyi Secondary School agreed to pay on an annual basis the relevant services fees to the WFOE 2 equal to all of its amount of surplus from operations (after deducting all necessary costs, expenses (the amount of which shall be proposed by it but subject to final confirmation and determination by the WFOE 2), taxes, losses from previous years (if required by the law), the legally compulsory development fund (if required by the law) and other fees required by the law); and (iii) College of Information and Business agreed to pay on an annual basis the relevant services fees to the WFOE 1 equal to all of its amount of surplus from operations (after deducting all necessary costs, expenses (the amount of which shall be proposed by it but subject to final confirmation and determination by JH Holdings Group), taxes, losses from previous years (if required by the law), the legally compulsory development fund (if required by the law) and other fees required by the law). The WFOE 1 and the WFOE 2 have the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of JH Holdings Group and its subsidiaries, College of Information and Business, and Jingyi Secondary School as the case may be, provided that any adjusted amount shall not exceed the amount mentioned above. JH Holdings Group, its subsidiaries and College of Information and Business, and Jingyi Secondary School do not have any right to make any such adjustment.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreements, unless otherwise prescribed under the PRC laws and regulations, the WFOE 1 and the WFOE 2 shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by the WFOE 1 and the WFOE 2 to JH Holdings Group and its subsidiaries, College of Information and Business, and Jingyi Secondary School as the case may be, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreements and/or any other agreements entered into between the WFOE 1 or the WFOE 2 or other parties.

(3) Exclusive Call Option Agreements

Under the Exclusive Call Option Agreements entered into (i) by and among the WFOE 1, the Shareholders of JH Holdings Group, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng, and (ii) by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School have, respectively, irrevocably granted the WFOEs or their designated purchaser the right to purchase all or part of equity interest in JH Holdings Group and its subsidiaries and the school sponsor's interest in Jingyi Secondary School, as the case may be ("Equity Call Option"). The purchase price payable by the WFOEs in respect of the transfer of such equity interest or school sponsor's interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. The WFOEs or their respective designated purchaser shall have the right to purchase such proportion of equity interest in JH Holdings Group and its subsidiaries or the school sponsor's interest in Jingyi Secondary School as they decide at any time.

In the event that PRC laws and regulations allow the WFOEs or us to directly hold all or part of the equity interest in JH Holdings Group and its subsidiaries or all or part of the school sponsor's interest in Jingyi Secondary School and operate private education business in the PRC, the WFOEs shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of equity interest and/or school sponsor's interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by the WFOEs or us under PRC laws and regulations.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Shareholders of JH Holdings Group unconditionally and irrevocably pledged and granted first priority security interests over all of his/her equity interest in JH Holdings Group together with all related rights thereto to the WFOE 1 and the WFOE 2 as security for performance of the Structured Contracts I and Structured Contracts II and all direct, indirect or consequential damages and foreseeable loss of interest incurred by the WFOE 1 and the WFOE 2 as a result of any event of default on the part of JH Holdings Group and its subsidiaries or the Shareholders of JH Holdings Group and all expenses incurred by the WFOE 1 and the WFOE 2 as a result of enforcement of the obligations of the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries, Jingyi Secondary School and the School Sponsors of Jingyi Secondary School under the Structured Contracts I (the "Secured Indebtedness").

Pursuant to the Equity Pledge Agreement, without the prior written consent of the WFOE 1 and the WFOE 2, the Shareholders of JH Holdings Group shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by the WFOE 1 and the WFOE 2. The Shareholders of JH Holdings Group also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

(5) Accounts Receivable Pledge Agreement

Pursuant to the Accounts Receivable Pledge Agreement, each of the School Sponsors of Jingyi Secondary School unconditionally and irrevocably pledged and granted first priority security interests over all of the accounts receivable from third parties due to transfer or other forms of disposal of all or part of his/her sponsor interest in Jingyi Secondary School to the WFOE 2 as security for fulfilling contractual obligations and repaying secured debts.

(6) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Shareholders of JH Holdings Group has irrevocably authorized and entrusted the WFOE 1, the director of which is Mr. Zheng Yuelin (鄭岳林) (who is not a director of JH Holdings Group and therefore does not give rise to conflict of interest), as their agent to act on their behalf to exercise all of his/her respective rights as Shareholder of JH Holdings Group to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of JH Holdings Group; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meetings of JH Holdings Group; (c) the right to appoint directors or legal representative of JH Holdings Group; (d) the right to propose to convene interim shareholders' meetings of JH Holdings Group; (e) the right to sign all shareholders' resolutions and other legal documents which the Shareholders of JH Holdings Group have authority to sign in their respective capacity as Shareholder of JH Holdings Group; (f) the right to instruct the directors and legal representative of JH Holdings Group, as the case may be, to act in accordance with the instruction of the WFOE 1; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of JH Holdings Group; (h) the right to handle the legal procedures of registration, approval and licensing of JH Holdings Group, as the case may be, at the education department, the department of civil affairs or other government regulatory departments; (i) the right to decide to transfer or dispose of the equity interests of JH Holdings Group; and (j) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of JH Holdings Group as amended from time to time.

In addition, each of the Shareholders of JH Holdings Group has irrevocably agreed that (i) the WFOE 1 may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of the WFOE 1 or its designated person, without prior notice to or approval by the Shareholders of JH Holdings Group; and (ii) any person as successor of civil rights of the WFOE 1 and/or liquidator by reason of subdivision, merger, liquidation of the WFOE 1 or other circumstances shall have authority to replace the WFOE 1 to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(7) Shareholder's Powers of Attorney

Pursuant to the Shareholder's Powers of Attorney executed by each of the Shareholders of JH Holdings Group in favor of the WFOE 1, each of the Shareholders of JH Holdings Group authorized and appointed the WFOE 1, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as shareholders of the JH Holdings Group.

The WFOE 1 shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Shareholders of JH Holdings Group irrevocably agreed that the authorization appointment in the Shareholder's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Shareholder's Powers of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

(8) School Sponsors' and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement entered into by and among the School Sponsors of Jingyi Secondary School, the school directors of Jingyi Secondary School, Jingyi Secondary School and the WFOE 2, the School Sponsors of Jingyi Secondary School irrevocably authorized and entrusted the WFOE 2 to exercise all his/her/its rights as the school sponsor of Jingyi Secondary School to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the school; (b) the right to appoint and/or elect supervisors of the school; (c) the right to understand the operation and financial situation of the school; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the school; (e) the right to transfer school sponsors' interest in accordance with the laws; (f) the right to make the choice to register as a for-profit private school or non-profit private school in accordance with Chinese laws, regulations or regulatory documents; and (g) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of the school as amended from time to time.

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, each of the directors of Jingyi Secondary School (the "Appointees") has irrevocably authorized and entrusted the WFOE 2 to exercise all his/her rights as director of Jingyi Secondary School appointed by the School Sponsors of Jingyi Secondary School and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by the School Sponsors of Jingyi Secondary School; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of Jingyi Secondary School; (c) the right to propose to convene interim board meetings of Jingyi Secondary School; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by the School Sponsors of Jingyi Secondary School have authority to sign in his/her capacity as director of Jingyi Secondary School; (e) the right to instruct the legal representative and financial and business responsible persons of Jingyi Secondary School to act in accordance with the instruction of the WFOE 2; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of Jingyi Secondary School; (g) the right to handle the legal procedures of registration, approval and licensing of Jingyi Secondary School at the education department, the department of civil affairs or other government regulatory departments; and (h) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of Jingyi Secondary School as amended from time to time.

In addition, the School Sponsors of Jingyi Secondary School and the Appointees have irrevocably agreed that (i) the WFOE 2 may delegate its rights under the School Sponsors' and Directors' Rights Entrustment Agreement to the directors of the WFOE 2 or its designated person, without prior notice to or approval by the School Sponsors of Jingyi Secondary School and the Appointees; and (ii) any person as successor of civil rights of the WFOE 2 and/or liquidator by reason of subdivision, merger, liquidation of the WFOE 2 or other circumstances shall have authority to replace the WFOE 2 to exercise all rights under the School Sponsors' and Directors' Rights Entrustment Agreement.

(9) School Sponsor's Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by the School Sponsors of Jingyi Secondary School in favor of the WFOE 2, the School Sponsors of Jingyi Secondary School authorized and appointed the WFOE 2, the director of which is Mr. Zheng Lin (鄭林) (who is not a director of Jingyi Secondary School and therefore does not give rise to any conflicts of interest), as their agent to act on their behalf to exercise or delegate the exercise of all their rights as school sponsors of Jingyi Secondary School.

The WFOE 2 shall have the right to further delegate the rights so delegated to the directors of the WFOE 2 or other designated person. The School Sponsors of Jingyi Secondary School irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events of the School Sponsors of Jingyi Secondary School. The School Sponsor's Powers of Attorney shall constitute part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(10) Director's Powers of Attorney

Pursuant to the Director's Powers of Attorney executed by each of the Appointees in favor of the WFOE 2, each of the Appointees authorized and appointed the WFOE 2, the director of which is Mr. Zheng Lin (鄭林) (who is not a director of Jingyi Secondary School and therefore does not give rise to any conflicts of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of Jingyi Secondary School.

The WFOE 2 shall have the right to further delegate the rights so delegated to the directors of the WFOE 2 or other designated person. Each of the Appointees irrevocably agreed that the authorization appointment in the Director's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Director's Powers of Attorney shall constitute part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(11) Loan Agreements

Pursuant to the Loan Agreements entered into by and among (i) the WFOE 1, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng, and (ii) among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, the WFOEs agreed to provide interest-free loans to JH Holdings Group and the School Sponsors of Jingyi Secondary School in accordance with the PRC laws and regulations and JH Holdings Group and the School Sponsors of Jingyi Secondary School agreed to utilize the proceeds of such loans to contribute to the business operation and development of Changzheng College, College of Information and Business and Jingyi Secondary School. All parties agreed that all such capital contribution will be directly settled by the WFOEs on behalf of JH Holdings Group and/or the School Sponsors of Jingyi Secondary School.

C. Business Activities of PRC Operating Schools and Their Significance and Financial Contributions to the Group

The main business activities of the PRC Operating Schools are to provide students private formal higher education, junior college education and high school education. Pursuant to the Structured Contracts, the Group obtains control over and derives the economic benefits from the PRC Operating Schools. The table below sets out the financial contribution of the PRC Operating Schools to the Group:

	Significance and financial contribution to the Group		
	Revenue for the year ended 31 December 2019	**Net profit for the year ended 31 December 2019**	**Total assets as at 21 December 2019**
PRC Operating Schools	99.5%	111.5%	88.3%

D. Revenue and Assets Involved in Structured Contracts

The Table below sets out (i) revenue; and (ii) total assets involved in the PRC Operating Schools as at 31 December 2019, which would be consolidated into the Group's financial statements pursuant to the Structured Contracts:

	Revenue RMB'000	**Total assets RMB'000**
PRC Operating Schools	482,902	2,118,472

E. Regulatory Framewok

(1) Higher Education and High School Education

Pursuant to the Foreign Investment Catalog, the provision of higher education and high school education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalog explicitly restricts higher education and high school education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education and high school education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-foreign Regulation. In addition, the Foreign Investment Catalog also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction").

We had fully complied with the Foreign Control Restriction in respect of Changzheng College, College of Information and Business and Jingyi Secondary School on the basis that (a) the principals and the chief executive officers of the aforementioned schools are all PRC nationals; and (b) all the members of the board of directors are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Sino-foreign Regulation (《中華人民共和國中外合作辦學條例實施辦法》), if we were to apply for any of our schools to be reorganized as a Sino-foreign joint venture private school for PRC students at higher education or high school education institutions (a "Sino-foreign Joint Venture Private School"), the foreign investor in the Sino-foreign Joint Venture Private School must be a foreign educational institution with relevant qualification that provides high quality education (the "Qualification Requirement"). Our PRC Legal Advisors have advised, and as confirmed in the interviews with competent education authorities as mentioned below, that there are no implementation measures or specific guidance promulgated on the Qualification Requirement in accordance with the existing PRC laws, regulations or governmental documents but only general principles requiring school sponsor which applies for establishing a Sino-foreign joint venture school shall have relevant qualification and be able to provide high quality education services.

Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

Based on the consultation with competent authorities and as advised by our PRC Legal Advisors, we did not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement. Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We have undertaken to make periodic inquiries of relevant educational authorities to understand any regulatory developments, including whether there will be any change in policy for approving Sino-foreign Joint Venture Private Schools in Henan province and/or Zhejiang province, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations.

(2) Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the qualification requirements. As advised by our PRC legal advisors, there are only general principles that a school sponsor which applies for establishing a Sino-foreign joint venture school shall have relevant qualifications and be able to provide high quality education services. As (i) there are only general principles and no implementation measures or specific guidance promulgated for the qualification requirements, and (ii) the California School is established as a higher education institution in accordance with local regulations of the State of California, the U.S., and will provide higher education academic certificates recognized by the local government, our PRC legal advisors are of the view that based on their understanding of the general provisions of the existing PRC laws, we have taken reasonable and appropriate steps towards fulfilling the qualification requirements. We will provide periodic updates regarding the qualification requirements and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes, as well as our efforts and action undertaken in relation to the qualification requirements.

(3) Foreign Investment Law

On 1 January 2020, the Foreign Investment Law passed by the second session of the thirteenth National People's Congress became effect. The Foreign Investment Law has replaced the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Implementation Regulations for the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) (the "Implementation Regulations for the Foreign Investment Law") was passed by the 74th Executive Session of the State Council on 12 December 2019 and was implemented with effect from 1 January 2020.

Conducting operations through structured contracts has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. Since contractual arrangements are not specified as foreign investment under the Foreign Investment Law or the Implementation Regulations for the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, the structured contracts as a whole and each of the agreements comprising the structured contracts will not be affected and will continue to be legal, valid and binding on the parties. However, there are possibilities that future laws, administrative regulations and provisions prescribed by the State Council may regard the structured contracts as a form of foreign investment, at which time it will be uncertain whether the structured contracts will be deemed to be in violation of the then effective foreign investment access requirements and how the above-mentioned structured contracts will be handled.

F. *Risks Associated with the Contractual Arrangements and the Actions Taken to Mitigate the Risks*

As disclosed in the section headed "E. Regulatory Framework" above, foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. The Company has been and are expected to continue to be dependent on our Structured Contracts to operate its education business. Please refer to the section headed "Risk Factors — Risks Relating to Our Structured Contracts" in the Prospectus.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company has undertaken to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement;

(e) our Company will disclose, as soon as possible (i) any updates of changes to the Draft Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the final version of the Draft Foreign Investment Law as implemented, specific measures taken by us to fully comply with the final version of the Draft Foreign Investment Law supported by a PRC legal opinion and any material impact of the final version of the Draft Foreign Investment Law on our operations and financial position; and

(f) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of the WFOEs and JH Holdings Group and its subsidiaries, and Jingyi Secondary School to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that our executive Director, Mr. Chen Yuguo is one of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising not less than one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

G. Material Changes

Save as disclosed above, as of the date of this annual report, there were no material changes in the Structured Contracts and/or the circumstances under which the Structured Contracts were adopted.

H. Unwinding of the Structured Contracts

As of the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. In the event that the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), WFOEs will exercise the equity call option in full to unwind the contractual arrangements so that the Company will be able to directly operate the schools without using the Structured Contracts.

Listing Rule Implications

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. Chen Yuguo	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Shu	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Lingfeng	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Yuchun	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Ms. Zhang Xuli	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Nansun	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Yutian	a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Yucao	a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules

Notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transaction rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and the independent shareholders' approval requirements.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors have reviewed the contractual arrangements under the Structured Contracts and confirmed that the non-exempt continuing connected transactions:

(1) have been entered into the ordinary and usual course of business of our Group;

(2) were on normal commercial terms or better (as defined under the Listing Rules); and

(3) were carried out in accordance with the contracts governing them, on terms that were fair and reasonable and in the interests of our Company and the Shareholders as a whole.

The independent non-executive Directors also confirmed that (i) the transactions carried out during the year ended 31 December 2019 have been entered into in accordance with the relevant provisions of the contractual arrangements under the Structured Contracts, and operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) the contractual arrangements under the Structured Contracts and if any, any new transactions, contracts and agreements entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the year ended 31 December 2019 under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

Confirmations from the Company's Independent Auditors

The auditors of the Company have reviewed the above non-exempt continuing connected transactions and confirmed in a letter to the Board that:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. nothing has come to their attention that causes the auditors to believe that dividends or other distributions have been made by the PRC Operating Entities (as defined in our prospectus dated 4 June 2019) to the Controlling Shareholders (as defined in our prospectus dated 4 June 2019) which are not otherwise subsequently assigned or transferred to the Group.

Related Party Transactions

The related party transactions undertaken during the year ended 31 December 2019 are set out in note 30 to the consolidated financial statements. The Company has complied with all disclosure requirements as set out in Chapter 14A of the Listing Rules.

Changes in Directors' or Chief Executives' Information

Pursuant to Rule 13.51B(1), all change and updated information regarding the directors and chief executive are set out in the section headed "Biographies of Directors and Senior Management". Save as disclosed in the above section, there was no change to any of the information required to be disclosed pursuant to Rule 13.51(2)(a) to (e) and (g).

Interests and Short Positions of Directors and Chief Executives in the Shares, Underlying Shares and Debentures

As of 31 December 2019, the interests and short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares	Approximate percentage of the issued share capital of the Company (%)	Long position/ Short position
Mr. Chen Yuguo[1]	Interest in a controlled corporation	378,000,000	23.61	Long position
Mr. Chen Shu[2]	Interest in a controlled corporation	216,000,000	13.49	Long position
Mr. Chen Lingfeng[3]	Interest in a controlled corporation	216,000,000	13.49	Long position
Mr. Chen Yuchun[4]	Interest in a controlled corporation	120,000,000	7.50	Long position
Ms. Zhang Xuli[5]	Interest in a controlled corporation	120,000,000	7.50	Long position
Mr. Chen Nansun[6]	Interest in a controlled corporation	60,000,000	3.75	Long position

Notes:

1. Mr. Chen Yuguo holds the entire issued share capital of Guo's Investment Holdings Limited and is therefore deemed to be interested in the 378,000,000 shares held by Guo's Investment Holdings Limited under the SFO.

2. Mr. Chen Shu holds the entire issued share capital of Shu's Investment Holdings Limited and is therefore deemed to be interested in the 216,000,000 shares held by Shu's Investment Holdings Limited under the SFO.

3. Mr. Chen Lingfeng holds the entire issued share capital of Feng's Investment Holdings Limited and is therefore deemed to be interested in the 216,000,000 shares held by Feng's Investment Holdings Limited under the SFO.

4. Mr. Chen Yuchun holds the entire issued share capital of Chun's Investment Holdings Limited and is therefore deemed to be interested in the 120,000,000 shares held by Chun's Investment Holdings Limited under the SFO.

5. Ms. Zhang Xuli holds the entire issued share capital of ZXL Investment Holdings Limited and is therefore deemed to be interested in the 120,000,000 shares held by ZXL Investment Holdings Limited under the SFO.

6. Mr. Chen Nansun holds the entire issued share capital of CNS Investment Holdings Limited and is therefore deemed to be interested in the 60,000,000 shares held by CNS Investment Holdings Limited under the SFO.

Interests of Directors and Chief Executives in the Company's Associated Corporations

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Registered Capital (RMB)	Approximate percentage of shareholding (%)
Mr. Chen Yuguo	JH Holdings Group	Beneficial owner	15,750,000	31.50
Mr. Chen Shu	JH Holdings Group	Beneficial owner	9,000,000	18.00
Mr. Chen Lingfeng	JH Holdings Group	Beneficial owner	9,000,000	18.00
Mr. Chen Yuchun	JH Holdings Group	Beneficial owner	5,000,000	10.00
Ms. Zhang Xuli	JH Holdings Group	Beneficial owner	5,000,000	10.00
Mr. Chen Nansun	JH Holdings Group	Beneficial owner	2,500,000	5.00
Mr. Chen Yuguo	Jingyi Secondary School	Beneficial owner	450,000	45.00
Mr. Chen Yuchun	Jingyi Secondary School	Beneficial owner	150,000	15.00

Save as disclosed above, as of 31 December 2019, no Directors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange; or an interest or short position which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

As of 31 December 2019, to the knowledge of the Directors of the Company, the following persons, other than Directors and chief executives of the Company, had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein:

Long positions in the Company

Name	Capacity/ Nature of interest	Number of shares	Approximate percentage of the issued share capital of the Company (%)	Long position/ Short position
Guo's Investment Holdings Limited[1]	Beneficial owner	378,000,000	23.61	Long position
Ms. Zhao Xiaoyan[2]	Spouse interest	378,000,000	23.61	Long position
Shu's Investment Holdings Limited[3]	Beneficial owner	216,000,000	13.49	Long position
Ms. Lin Yunru[4]	Spouse interest	216,000,000	13.49	Long position
Feng's Investment Holdings Limited[5]	Beneficial owner	216,000,000	13.49	Long position
Chun's Investment Holdings Limited[6]	Beneficial owner	120,000,000	7.50	Long position
Ms. Zheng Suilan[7]	Spouse interest	120,000,000	7.50	Long position
ZXL Investment Holdings Limited[8]	Beneficial owner	120,000,000	7.50	Long position
Mr. Chen Yutian[9]	Spouse interest	120,000,000	7.50	Long position
Cao's Investment Holdings Limited[10]	Beneficial owner	90,000,000	5.62	Long position
Mr. Chen Yucao[10]	Interest in a controlled corporation	90,000,000	5.62	Long position
Ms. Nan Luoqiu[11]	Spouse interest	90,000,000	5.62	Long position

Notes:

1. Mr. Chen Yuguo is the sole shareholder of Guo's Investment Holdings Limited and is therefore deemed to be interested in the shares held by Guo's Investment Holdings Limited upon the Listing.

2. Ms. Zhao Xiaoyan is the wife of Mr. Chen Yuguo, and Ms. Zhao is therefore deemed to be interested in the shares held by Mr. Chen Yuguo upon the Listing.

3. Mr. Chen Shu is the sole shareholder of Shu's Investment Holdings Limited and is therefore deemed to be interested in the shares held by Shu's Investment Holdings Limited upon the Listing.

4. Ms. Lin Yunru is the wife of Mr. Chen Shu, and Ms. Lin Yunru is therefore deemed to be interested in the shares held by Mr. Chen Shu upon the Listing.

5. Mr. Chen Lingfeng is the sole shareholder of Feng's Investment Holdings Limited and is therefore deemed to be interested in the shares held by Feng's Investment Holdings Limited upon the Listing.

6. Mr. Chen Yuchun is the sole shareholder of Chun's Investment Holdings Limited and is therefore deemed to be interested in the shares held by Chun's Investment Holdings Limited upon the Listing.

7. Ms. Zheng Suilan is the wife of Mr. Chen Yuchun and is therefore deemed to be interested in the shares held by Mr. Chen Yuchun upon the Listing.

8. Ms. Zhang Xuli is the sole shareholder of ZXL Investment Holdings Limited and is therefore deemed to be interested in the shares held by ZXL Investment Holdings Limited upon the Listing.

9. Mr. Chen Yutian is the husband of Ms. Zhang Xuli and is therefore deemed to be interested in the shares held by Ms. Zhang Xuli upon the Listing.

10. Mr. Chen Yucao is the sole shareholder of Cao's Investment Holdings Limited and is therefore deemed to be interested in the shares held by Cao's Investment Holdings Limited upon the Listing.

11. Ms. Nan Luoqiu is the wife of Mr. Chen Yucao and is therefore deemed to be interested in the shares held by Mr. Chen Yucao upon the Listing.

Long positions in Jingyi Secondary School

Name	Capacity/ Nature of interest	Amount of capital (RMB)	Approximate percentage of shareholding of Jingyi Secondary School (%)	Long position/ Short position
Mr. Chen Yucao	Beneficial owner	250,000	25.00	Long position
Mr. Chen Yutian	Beneficial owner	150,000	15.00	Long position

Long positions in Changzheng College

Name	Capacity/ Nature of interest	Approximate percentage of shareholding of Changzheng College (%)	Long position/ Short position
Hangzhou Changzheng Vocational School (杭州長征業餘學校)	Beneficial owner	46.38	Long position
Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee (中國國民黨革命委員會浙江省委員會)[1]	Interest in a controlled corporation	46.38	Long position

Note:

1. The school sponsor's interest in Hangzhou Changzheng Vocational School was 100% owned by Zhenjiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee.

Long positions in College of Information and Business

Name	Capacity/ Nature of interest	Approximate percentage of shareholding of College of Information and Business (%)	Long position/ Short position
Zhongyuan University of Technology (中原工學院)	Beneficial owner	35.00	Long position

Save as disclosed above, as of 31 December 2019, to the knowledge of the Directors, no other persons (not being Directors or chief executives of the Company) had shares or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Directors' Right to Acquire Shares or Debentures

Save as disclosed in this annual report, at no time during the reporting period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

Share Option Scheme

A Share Option Scheme was conditionally approved by a resolution of the shareholders of our Company passed on 30 May 2019 and adopted by a resolution of the board of Directors on 30 May 2019 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 160,000,000 Shares, which represented approximately 10% of the Shares in issue.

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme:

   The Share Option Scheme aims to give the Eligible Persons an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Participants of the Share Option Scheme:

   Our Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

   (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a position for the time being seconded to work full-time or part-time for any member of our Group;

   (b) a director or proposed director (including an independent non-executive director) of any member of our Group;

   (c) a direct or indirect shareholder of any member of our Group;

   (d) a supplier of goods or services to any member of our Group;

   (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(h) any person involved in the business affairs of our Group whom our Board determines to be appropriate to participate in the Share Option Scheme (the person referred above are the "Eligible Persons")

3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued shares as at the date of this annual report:

As at the date of this annual report, no share option has been granted under the Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 160,000,000 Shares, representing approximately 10% of the issued share capital of the Company at the date of this annual report.

4. Maximum entitlement of each participant under the Share Option Scheme:

Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted to such Eligible Person, and containing the details and information required under the Listing Rules.

5. The period within which the Shares must be exercised under the Share Option Scheme:

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other aspects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised:

There is no minimum period for which an Option must be held before it can be exercised.

7. Amount payable for Options

The consideration payable on acceptance of the option granted to an grantee under the Share Option Scheme is HK$1.00.

8. **The basis of determining the subscription price:**
   Our Board shall determine the price, in its absolute discretion, at the time of grant of the relevant Option but the price shall not be less than whichever is the highest of:

   (a) The nominal value of a Share;

   (b) The closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

   (c) The average closing price of a Share as stated in the Stock Exchange's daily quotations sheet for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

9. **The remaining life of the Share Option Scheme:**
   It will remain in force for a period of 10 years. Since the adoption of the Share Option Scheme, no options had been granted under the Share Option Scheme.

During the year ended 31 December 2019, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme. Details of the Share Option Scheme are set out in "Appendix V — Statutory and General Information" of the Prospectus. As of 31 December 2019, the Company did not grant any options to subscribe for new Shares.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules from the Listing Date and up to the date of this annual report.

Bonds Issued

The Company did not have any bonds in issue or existence for the year ended 31 December 2019.

Share-Linked Agreement

For the year ended 31 December 2019, save for the Share Option Scheme as set out above, the Company did not enter into or have any share-linked agreement, and was not obligated to enter into any agreement which will or may cause the Company to issue shares.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from the Listing Date of the Company to 31 December 2019.

Pre-Emptive Right

There is no provision of pre-emptive right in the Articles of Association and the laws of Cayman Islands that requires the Company to offer new shares to the existing Shareholders on a pro rata basis.

Permitted Indemnities

For the year ended 31 December 2019, the Company did not have any permitted indemnities that used to take effect or was effective in favour of any Director (whether entered into by the Company or not) or any director of any company associated with the Company (if entered into by the Company). The Company has purchased liability insurance for the relevant legal proceedings in which the Directors may be involved.

Pension and Employee Benefit Schemes

Details of the Group's pension and employee benefit schemes are set out in note 2.4 to the consolidated financial statements on pages 134 of this annual report.

Auditor

Ernst & Young, the auditors of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 22 May 2020 to seek Shareholders' approval on the appointment of Ernst & Young as the Company's auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

On behalf of the Board

Chen Yuguo
Chairman

Hong Kong, the PRC
26 March 2020

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2019.

Compliance with the Code on 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 system. The Company has adopted Appendix 14 Corporate Governance Code (the "CG Code") and Corporate Governance Report of Listing Rules.

The Company devotes to the best practices on corporate governance, and has complied with the code provisions of the Corporate Governance Code since the Listing Date to 31 December 2019, except for the following deviation.

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

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

Model Code for Securities Transactions

The Company has adopted Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules as a code of conduct regarding securities transactions by Directors. After making specific enquiries with all Directors, all Directors confirmed that they complied with the standards set out in the Model Code since the Listing Date to 31 December 2019.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Board of Directors

The Board currently comprises nine members, consisting of five executive Directors, one non-executive Director and three independent non-executive Directors.

For the year ended 31 December 2019 and up to the date of this annual report the composition of the Board is as follows:

Executive Directors
Mr. Chen Yuguo, *Chairman and Chief Executive Officer*
Mr. Chen Yuchun
Mr. Chen Shu
Mr. Chen Nansun
Mr. Chen Lingfeng

Non-executive Director
Ms. Zhang Xuli

Independent non-executive Directors
Mr. Fung Nam Shan
Mr. Wang Yuqing
Ms. Bi Hui (appointed on 18 November 2019)
Mr. Chen Danhua (resigned on 18 November 2019)

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" in this annual report. Mr. Chen Yuguo is the younger brother of Mr. Chen Yuchun, father of Mr. Chen Shu and Mr. Chen Lingfeng, uncle of Mr. Chen Nansun and brother-in-law of Ms. Zhang Xuli. Mr. Chen Yuchun is the elder brother of Mr. Chen Yuguo, uncle of Mr. Chen Nansun, Mr. Chen Shu and Mr. Chen Lingfeng, and brother-in-law of Ms. Zhang Xuli. Mr. Chen Shu is the son of Mr. Chen Yuguo, elder brother of Mr. Chen Lingfeng, nephew of Mr. Chen Yuchun and Ms. Zhang Xuli, and cousin of Mr. Chen Nansun. Mr. Chen Nansun is the nephew of Mr. Chen Yuchun, Mr. Chen Yuguo and Ms. Zhang Xuli, and cousin of Mr. Chen Shu and Mr. Chen Lingfeng. Mr. Chen Lingfeng is the son of Mr. Chen Yuguo, younger brother of Mr. Chen Shu, nephew of Mr. Chen Yuchun and Ms. Zhang Xuli, and cousin of Mr. Chen Nansun. Ms. Zhang Xuli is the sister-in-law of Mr. Chen Yuchun and Mr. Chen Yuguo, and aunt of Mr. Chen Shu, Mr. Chen Nansun and Mr. Chen Lingfeng. Save as disclosed, no Director is related to one another.

The relationship between board members is set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Save as disclosed in the above-mentioned section, none of the board members have any relationship (including financial business, family or other material/relevant relationships).

Board Meetings

The Board shall convene at least 4 Board meetings each year in compliance with code provision A.1.1 of the CG Code. For the year ended 31 December 2019, the Board convened 6 Board meetings. A summary of the attendance record of the Directors is set out in the following table:

Name of Director	Attendance/Number of Board meetings
Executive Directors	
Mr. Chen Yuguo, *Chairman and Chief Executive Officer*	6/6
Mr. Chen Yuchun	3/6
Mr. Chen Shu	4/6
Mr. Chen Nansun	4/6
Mr. Chen Lingfeng	5/6
Non-executive Director	
Ms. Zhang Xuli	4/6
Independent non-executive Directors	
Mr. Fung Nam Shan	3/6
Mr. Wang Yuqing	3/6
Ms. Bi Hui (appointed on 18 November 2019)	—
Mr. Chen Danhua (resigned on 18 November 2019)	2/6

Apart from regular Board meetings, the Chairman also held a meeting with independent non-executive Directors without the presence of other Directors for the year ended 31 December 2019.

Independent Non-executive Directors

The Board at all times met the requirements set out in Rule 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the Board) with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director a written annual confirmation in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all independent non-executive Directors are independent.

Re-election of Non-executive Directors and Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill casual vacancies shall be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

All Directors have been appointed for a term of three years. Each of the Directors is subject to retirement by rotation once every three years in accordance with the Company's articles of association (the "Articles of Association"). The Articles of Association requires that at every annual general meeting of the Company, one third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation whereas every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

In accordance with Article 84 of the Articles of Association, all directors shall retire and being eligible, shall offer themselves for re-election at the AGM. At the AGM, ordinary resolutions will be proposed to re-elect all Directors. The Board and Nomination Committee recommend their re-appointment. A circular which contains detailed information of all retiring Directors will be sent to the Company's Shareholders in due course.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Members of the Board shall make decisions objectively in the interests of the Company.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board is responsible for making decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of their responsibilities as directors of the Company, and the code of conduct, business activities and development of the Group.

In accordance with provision A.6.5 of the CG Code with regards to continuous professional development, Directors shall participate in appropriate continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. All Directors have provided their training records to the Company.

During the year ended 31 December 2019, all directors participated in continuous professional development by means of attending seminars and/or reading materials in the topics of CG Code, the Listing Rules and regulations and financial management to develop and refresh their knowledge and skills:

Name of Director	Attending seminars	reading materials
Executive Directors		
Mr. Chen Yuguo, *Chairman and Chief Executive Officer*	✓	✓
Mr. Chen Yuchun	✓	✓
Mr. Chen Shu	✓	✓
Mr. Chen Nansun	✓	✓
Mr. Chen Lingfeng	✓	✓
Non-executive Director		
Ms. Zhang Xuli	✓	✓
Independent non-executive Directors		
Mr. Fung Nam Shan	✓	✓
Mr. Wang Yuqing	✓	✓
Ms. Bi Hui (appointed on 18 November 2019)	✓	✓
Mr. Chen Danhua (resigned on 18 November 2019)	✓	✓

Corporate Governance

The Board adopted the corporate governance policy on 18 November 2019 that reflects the Company's commitment to high standards of corporate governance and to assist the Board in supervising the management of the business and affairs of the Group. The Board is responsible for performing the corporate governance functions and continual enhancement of corporate governance practices.

The Company adopted code provision D.3.1 of the CG Code in performing its corporate governance functions. During the reporting period, the Company has performed the following duties in respect of its corporate governance functions:

a) Approving and reviewing the policies and practices of the Group regarding the principles of corporate governance including the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

b) Reviewing the Group's overall corporate governance arrangements.

c) Reviewing and monitoring the training and continuous professional development of directors and senior management.

d) Reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements.

e) Reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors.

f) Reviewing the Group's compliance with the code and disclosure in the Corporate Governance Report and approving the Corporate Governance Report to be included in the annual report.

The Board shall review this policy on a regular basis and recommends such changes as it determines necessary and appropriate in light of the needs of the Company and legal, regulatory and other developments.

Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees was established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available for Shareholders' review upon request.

The majority of the members of each Board committee are independent non-executive Directors.

Board Committees

Audit Committee

We have established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, and oversee the audit process, risk management process and external audit functions. The Audit Committee consists of three members, all being independent non-executive directors, namely, Mr. Fung Nam Shan, Mr. Wang Yuqing and Mr. Chen Danhua (resigned on 18 November 2019 and took over by Mr.Bi Hui on the same date). The chairman of the Audit Committee is Mr. Fung Nam Shan.

For the year ended 31 December 2019, the Audit Committee held one meeting. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Fung Nam Shan	1/1
Mr. Wang Yuqing	1/1
Ms. Bi Hui (appointed on 18 November 2019)	—
Mr. Chen Danhua (resigned on 18 November 2019)	1/1

According to the terms of reference of audit committee, the committee should meet at least two times each financial year. As the Company's listing date was 18 June 2019, the Company held only one meeting to review the interim results for the six months ended 30 June 2019, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and scope of work and appointment of external auditors.

For the year ended 31 December 2019, the Audit Committee also met once with the external auditors without the presence of the executive Directors to discuss the Group's interim financial results and annual audit plan.

An explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the "Chairman's Statement" and the "Management Discussion and Analysis" sections in this annual report.

Remuneration Committee

We have established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the CG Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance-based remuneration by reference to corporate goals and objectives, approve the terms of executive directors' service contracts, determine the terms of the specific remuneration package for each executive Director and senior management and ensure none of our Directors will determine their own remuneration. The Remuneration Committee consists of three members, all being independent non-executive directors, namely Mr. Wang Yuqing, Mr. Fung Nam Shan and Mr. Chen Danhua (resigned on 18 November 2019 and took over by Ms. Bi Hui on the same date). The chairman of the Remuneration Committee is Mr. Wang Yuqing.

For the year ended 31 December 2019, the Remuneration Committee held one meeting. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Wang Yuqing	1/1
Mr. Fung Nam Shan	1/1
Ms. Bi Hui (appointed on 18 November 2019)	—
Mr. Chen Danhua (resigned on 18 November 2019)	0/1

During the meeting, the Remuneration Committee reviewed the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management and other related matters of the Company, and made recommendations to the Board in respect of these issues.

The total remuneration paid/payable to the senior management (including all executive Directors) by band expressed in Hong Kong Dollars (HK$) is set out below:

	Number of senior management	
Band	**For the year ended 31 December 2019**	For the year ended 31 December 2018
Nil to HK$1,000,000	**12**	13
HK$1,000,001 to HK$2,000,000	**2**	1

Nomination Committee

We have established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with the CG Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duty of the Nomination Committee is to make recommendations to our Board on the appointment of members of our Board. The Nomination Committee consists of three members, all being independent non-executive directors, namely, Mr. Chen Danhua (resigned on 18 November 2019 and took over by Ms. Bi Hui on the same date), Mr. Fung Nam Shan and Mr. Wang Yuqing. The chairwoman of the Nomination Committee is Ms. Bi Hui.

For the year ended 31 December 2019, the Nomination Committee held one meeting. The attendance record of the meetings is set out in the table below:

Name of Committee Member	**Attendance/ Number of meetings**
Ms. Bi Hui (appointed on 18 November 2019)	—
Mr. Chen Danhua (resigned on 18 November 2019)	0/1
Mr. Fung Nam Shan	1/1
Mr. Wang Yuqing	1/1

During the meeting, the Nomination Committee reviewed the structure, size, composition and diversity of the Board.

Director Nomination Policy

The Company adopted a nomination policy on 18 November 2019. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to (a) skills, experience and professional expertise, (b) diversity, (c) commitment, (d) standing and (e) independence.

The nomination procedures are set out below:

— If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.

— The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

— On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. In order to be a valid Proposal, The Proposal must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must incorporate and/or accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an independent non-executive director, his or her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

— The Board shall observe the Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity.

— Each proposed new appointment, election or re-election of a Director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

The procedures for shareholders to propose a person for election as a director are set out below:

— A Shareholder (other than the Proposed Person as defined below) who is duly qualified to attend and vote at any general meeting of the Company may lodge a notice in writing (the "Notice") to nominate a person for election as a director of the Company (the "Proposed Person") at the Company's head office or the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

— The Notice must include (i) the Shareholder's notice of intention to propose the Proposed Person for election; (ii) a notice signed by the Proposed Person of his/her willingness to be elected as a director of the Company and written consent to the publication of his/her personal data; and (iii) the Proposed Person's information as required to be disclosed under Rule 13.51(2) of the Listing Rules.

— The minimum length of the period during which such Notice may be given is at least seven days and that, if the Notices are submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgment of such Notice shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

— Upon receipt of the Notice after the publication of the notice of general meeting, the Company will, prior to the general meeting, publish an announcement or issue a supplementary circular to the Shareholders containing information of the Proposed Person(s) pursuant to the Listing Rules, as applicable.

Board Diversity Policy

The Company has adopted a board diversity policy (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy provides that the Company should endeavor to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of the Group's business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The board comprises nine members, including five executive directors, one non-executive director and three independent non-executive directors. Our directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to education business. Our board has a good mix of new and experienced directors that four of our executive directors have joined our Group for more than 10 years, while other directors are expected to bring in fresh ideas and new perspectives to our Group.

Dividend Policy

Subject to the Companies Law, the Company may from time to time declare dividends in any currency to be paid to the Shareholders in the general meeting but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the approval of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of the Articles of Association as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Insurance on Directors' and Officer's Liabilities

The Company has arranged for liability insurance cover to indemnity the Directors and the senior management of the Company. The insurance coverage is reviewed by the Board on an annual basis.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 97 to 102 in this annual report.

Auditors' Remuneration

The Company appointed Ernst & Young as the independent auditor for the year ended 31 December 2019. For the year ended 31 December 2019, the total fees paid/payable, excluding disbursements, in respect of the audit and non-audit services provided by the Group's independent auditor are set out below:

Item of auditors' service	**Amount** RMB'000
Audit service:	
Annual audit service	2,000
Total	2,000

Internal Control and Risk Management

The Board acknowledges that it has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. It should be noted that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has an internal audit and control department, with the assistance of an external consultant, which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board.

During the financial year ended 31 December 2019, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management, the adequacy of resources, staff qualifications and experience and training programs received by the staff. The Audit Committee also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review during the financial year ended 31 December 2019 did not reveal any major issues and the Board considers the risk management and internal control systems effective and adequate. The Group's review procedures involved in the risk management and internal control mainly included:

(1) A list of risks was created after the scope of risks was determined and risks were identified.

(2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.

(3) Risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.

(4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.

(5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.

(6) The management submitted reports to the Audit Committee for regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has established internal policy and procedures which strictly prohibit unauthorised use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

Company Secretary

Ms. Mak Po Man Cherie ("Ms. Mak") of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, has been engaged by the Company as its company secretary since 4 November 2018. Mr. Chen Lingfeng, an executive Director, was the primary contact person between the Company and Ms. Mak during her tenure.

Ms. Mak undertook no less than 15 hours of relevant professional training during the year ended 31 December 2019.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals at EGM

Pursuant to article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than 50% of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 2106, 21/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong (For the attention of Chief Investor Relations Officer)
Fax:	(852) 2328 3096
Email:	jhedu@jheduchina.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business, performance and strategies. The Company endeavors to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, the chairpersons of the Audit Committee, Remuneration Committee, Nomination Committee or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

Significant Changes in Constitutional Documents

During the Year, the Company amended and restated the constitutional documents on 30 May 2019, which can be referred to the announcement at the websites of the Stock Exchange and the Company.

1. About This Report

1.1 Basis of Preparation

The Group is the largest private provider of formal higher education in Zhejiang province in China. We uphold the educational philosophy of "people-oriented education, moral cultivation, society service and pursuit of excellence". We are committed to implement environmental protection, bear the social responsibility and maintain a rigorous standard of corporate governance in our daily operation with an aim to make contributions to the society.

This report is the first environmental, social and governance ("ESG") report, prepared by the Company in accordance with the "Environmental, Social and Governance Reporting Guide" (the "Guide") under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Main Board Listing Rules"). It summarizes the environmental and social performance of JH Educational Technology INC. for the year ended 31 December 2019.

1.2 Reporting Scope & Reporting Period

Unless otherwise stated, the reporting scope of this report covers two major colleges of the Group, namely Zhongyuan University of Technology College of Information and Business ("College of Information and Business") and Zhejiang Changzheng Vocational & Technical College ("Changzheng College") (collectively "Our Schools").

The reporting period of this report is from 1 January 2019 to 31 December 2019, which is the same as the reporting period covered in the 2019 Annual Report of the Company.

1.3 Stakeholder Engagement

The Guide of the Stock Exchange proposed four reporting principles as the basis for the preparation of the Environmental, Social and Governance Report, including Materiality, Quantitative, Balance and Consistency. As stated by the Stock Exchange, stakeholder engagement serves as a method to assess materiality. By engagement with the stakeholders, the Company is able to understand their opinion and identify significant environmental and social matters.

In order to make sure this report is comprehensive and to cover the significant aspects for the Group in this report, we have engaged the key stakeholders, including but not limited to government authorities, non-governmental institutions and organizations, shareholders, students, employees and suppliers, to discuss and to review areas of attention which will assist the Company to meet its potential growth and get prepared for future challenges.

1.4 Feedback

Our continuous improvement relies on your valuable opinions on the contents and presentation of this report. If you have any queries or suggestions, you are welcome to email us at jhedu@jheduchina.com, which will assist us in improving our performance in ESG work continuously.

2. Environmental

Since the Group is principally engaged in education services, only a limited type and amount of emissions are generated in our daily operations. Our major sources of emission are from our vehicles, and domestic sewage and domestic waste from Our Schools. Our Schools are in strict compliance with the "Notice on Further Promoting the Energy Conservation of Public Buildings of the Ministry of Finance and the Ministry of Housing & Urban-Rural Department", the "PRC Energy Conservation Law", and all other relevant laws and regulations on exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. In addition, Our Schools preserve the natural environment by focusing on the management of the sources of pollution of Our Schools pursuant to the "PRC Environment Protection Law" and other relevant laws and regulations.

2.1 Emissions

Our sources of exhaust gases and greenhouse gases are mainly emitted from our school canteen and vehicles. Exhaust gases from motor vehicles include nitrogen oxides (NOx), sulphur oxides (SO_2) and respiratory particulate matters (PM), while the greenhouse gas emissions include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Carbon dioxide is also produced indirectly through electricity consumption.

Gas Emissions (excluding greenhouse gas emissions)	**Unit**	**Total**
Nitrogen oxides (NOx)	kg	119
SO_2	kg	0.2
Particulate matter (PM)	kg	11

Our liquid emissions are mainly domestic sewage generated in schools, all liquid emissions have been discharged into the municipal sewage pipelines. There was no direct discharge to soil and natural water bodies.

For solid emissions, our major sources of non-hazardous wastes comes from various recyclable and non-recyclable domestic wastes produced from Our Schools. Our domestic wastes are collected and categorised by qualified professional property companies on a centralized basis and are transferred by municipal disposal companies to the garbage transfer station designated by government health authorities. Daily garbage generated by Our Schools is removed, disinfected and cleaned by property management companies, and is transferred to the garbage transfer station for disposal.

Description of greenhouse gas emissions	**Unit**	**Total**
Scope 1 — Direct emission	tonne	156
Scope 2 — Indirect emission (electricity)	tonne	18,159
Scope 3 — Other indirect emission	tonne	61
Total emissions	tonne	18,376

To reduce exhaust gas and greenhouse gas emissions, Our Schools have taken the following initiatives:

- Respond in a proactive manner to national policies on energy-saving and emission-reduction as well as green travel; by installing charging piles in Our Schools; replacing fuel-powered vehicles with new energy vehicles; and encouraging teachers to use new energy vehicles;
- Maintain vehicles in good condition, and use vehicles, in a reasonable way to and avoid unnecessary travel;
- Bathing and water boiling equipment at Our Schools are all electrically heated; and clean energy is used at canteens to effectively reduce emissions;
- Carry out extensive publicity work, education and advocacy of garbage classification at Our Schools, to raise the environmental awareness among students through garbage classification, explain the serious damage of garbage to campus life, educate on the importance of garbage classification, and encourage students to participate more in garbage classification. Promote garbage classification, gradually increase the facilities for garbage classification and recycling, and teach students how to classify garbage to make garbage classification a conscious and habitual behavior for students;
- The schools implement a paperless office where all documents are edited and processed on computers and finished documents are printed out once on both sides of the paper;
- Strictly manage office supplies to improve reuse rates;
- Regularly maintain appliances to extend their lives and reduce the disposal of appliances;
- Strengthen campus greening management. by planting various kinds of trees not only to protect and improve the ecological environment, but also make the campus a beautiful place and create an elegant and comfortable learning environment.

During the reporting period, the Group did not have any violations related to environmental protection.

2.2 Use of resources

Description of energy/resource consumption	Unit	Total
Electricity	kWh	20,931,640
Water	m^3	548,134
Gasoline	liter	42,915
Diesel	liter	15,161
Paper	kg	12,607

To effectively use energy and resources, Our Schools monitor the resource usage indicators and adopt the following measures to ensure that current year's usage is lower than last year:

- Make full use of natural light in the administrative and teaching offices, classrooms, dormitories, canteens, washrooms, corridors and other places to minimize electricity use in lighting;
- Use sound and light control switches in hallways and corridors to prevent "daytime lights" and "eternal lights";
- street lights and lighting equipment in public places are switched on and off according to sunshine duration;
- Minimize standby consumption when using computers, televisions, printers, water dispensers, air conditioners, electric fans and other electrical appliances, and promptly turn off the power when being away for a long time or after office or school;
- Set the air conditioner temperature to not lower than 26°C in summer and not higher than 20°C in winter;
- Use LED tubes on lighting equipment;
- Develop a good habit of turning off the light, water taps, and computers readily after office or school and turning off the power supplies of unused electrical appliances, and promote the energy saving principle of using electricity as needed;
- Use low-energy-consumption air-energy water heater systems to supply hot water to student dormitories;
- In addition to sourcing underground water, Our Schools also access water resources from other sources as needed, to make sure the schools do not have any issue arising from sourcing water;
- Our Schools promote water conservation among teachers and students across the colleges through various water-saving publicity activities such as "China Water Week" and "World Water Day";
- Minimize water flow when using water, advocate water recycling and reuse, and develop a good habit of saving water;
- Plan the frequency of watering plants to minimize the amount of water used for watering trees and flowers.

2.3 Environmental and natural resources

Since the founding of Our Schools, other than the necessary energy consumption and emissions, Our Schools have not had any significant impact on the environment and natural resources in the course of operations.. However, Our Schools insist to take all possible measures to save energy and reduce emissions. In addition to the above measures, Our Schools have planted a large number of landscaping trees on campus. It decorates the campus, and expands the ecological functions of trees to improve the environment and regulate the climate.

In the daily management, Our Schools pay great attention to the protection of the environment as a way to move towards sustainable development. In order to reduce environmental pollution, the Group has integrated energy conservation and emission reduction into the entire teaching and service processes, to facilitate the creation of conservation-oriented campuses so as to produce an effect that everyone has the responsibility for energy conservation at Our Schools.

During the reporting period, we have taken relevant management actions include:

- Strengthening water saving measures by strictly regulating water consumption, promoting water conservation, rejecting the waste of water resources, and encouraging water recycling.

- Strengthening energy-saving measures for office equipment. We are further raising employees' awareness of energy saving about power consumption in standby mode. Reducing the standby time of office equipment to reduce power consumption and extend equipment service life. We also phased out old equipment with high power consumption and are gradually replacing them with green products and equipment. We give priority to energy efficiency in the purchasing of electrical appliances and equipment.

- Encouraging a paperless office environment. Canteens are gradually not allowed to provide students with plastic bags and recycles all recyclable garbage as much as possible to protect the environment.

3. Society

3.1 Standards for Employment and Labor

3.1.1 Employment

We believe the quality of teachers is one of the most vital factors affecting our teaching quality and future growth and success. Before hiring a teacher, we usually consider his or her education background and/or performance in the interview. We prefer to recruit teachers who have the following qualities:

- have sufficient teaching experience or teaching track record;
- are dedicated to teaching and improving students' academic performance and practical skills;
- demonstrate strong command of their subject areas;
- can effectively implement tailored teaching methods; and
- possess strong communication, language and interpersonal skills.

We also prefer to recruit teachers who have a master's degree or above, and for certain practical/vocational subjects, those who hold relevant professional and/or technical qualifications.

The Group employs faculty members in accordance with the Labor Law, the Labor Contract Law, the Employment Promotion Law, the Labor Dispute Mediation and Arbitration Law and the labor laws and regulations of the provinces and places where Our Schools are located. We do not discriminate employees regardless of their age, gender, race, ethnicity, religion or physical disabilities. We protect the job opportunities for all kinds of people to make sure that all employees are respected.

Teacher Recruitment

College of Information and Business and Changzheng College generally advertise vacant teacher positions through online where applicants can submit their resumes. Before hiring a teacher, we consider his or her education background, expertise in the subject areas and relevant work experience. From a pool of applicants, we generally select those whom we believe possess exceptional qualities we are looking for. Those applicants are invited to attend in-person face-to face interviews by the officials from the human resources department of each of Our Schools. Interviews are generally conducted by the relevant department that is looking to hire teachers. In addition to in-person interviews, the evaluation includes a comprehensive teaching quality assessment. Only those applicants who perform up to our standards are invited to be further evaluated by the relevant human resources department of Our Schools. In addition, we consider other criteria, such as the applicant's previous teaching experience, awards and commendation. Job offers are usually made to applicants who successfully pass our comprehensive quality assessment.

Teacher Performance Evaluations

To ensure that we continuously provide high quality education to our students, we conduct teacher performance reviews and evaluations periodically. Our teacher evaluations and assessments include probationary period assessment (generally within the first two to six months of the teachers' employment with us), daily assessment and annual assessment. Probationary period assessment primarily focuses on teachers' overall ability to teach, conduct research and manage classes. Depending on the specific roles of our teachers, evaluations also cover their ability to learn and prepare for classes, their work ethic and the results of their teaching efforts, among other criteria. With respect to employment period assessment, we generally evaluate our teachers according to the following criteria:

- their ability to discharge their respective responsibilities and duties;
- whether they comply with the applicable rules and regulations promulgated by the schools;
- whether they successfully complete the required tasks; and
- the results of their performance.

Employment period assessments are crucial for us to determine whether to continue to employ the teachers, change their roles and responsibilities or dismiss their employment altogether. Teachers who fail for the first time will be asked to change their roles and responsibilities during an observation period, and if any of them continue to underperform, we will terminate their employment. We also evaluate our teachers' daily performance in their teaching methods, moral aptitude and compliance with applicable rules and regulations. In addition, we conduct annual assessment to evaluate our teachers' professionalism, ability to carry out their assigned duties, performance of their responsibilities and their integrity and self-discipline. We rely on our annual assessment to determine whether to continue to engage our teachers, their promotion and their salaries and benefits.

Remuneration

As a private higher education service provider, we believe that offering relatively competitive compensation to teachers can enable us to retain and attract talented teaching staff. Our teachers' compensation package typically includes a base salary, compensation based on teaching performance, a subsidy and/or a performance bonus.

Overview of employment performance indicators

Leadership team	Middle management	Non-management	Total number of staff
17	95	1,399	1,511

Gender of employees	Below 30	30–50	Above 50	Total number of staff	Ratio of male to female staff
Male	54	283	186	523	0.53:1
Female	180	661	147	988	

Employees who left the Group	Below 30	30–50	Above 50	Total number of employees who left the Group	Employee turnover rate
Male	3	8	0	11	3.4%
Female	8	32	1	41	

3.1.2 Health and Safety

All of Our Schools adopt and implement health and safety measures and procedures for our faculty staff, and commit to providing a safe and healthy working environment for employees. In terms of school safety, we provide regular security services to strengthen the safety of Our Schools through engaging security personnel or third-party companies. Our Schools strengthen faculty's awareness and skills of fire safety through evacuation drills. Our Schools arrange physical examinations for faculty members annually.

During the Reporting Period, the Group did not have any serious accident, medical or safety issues related to our faculty members.

3.1.3 Development and Training

We have comprehensive training programs in place for our newly hired and existing teachers at Changzheng College and College of Information and Business. The training programs at two colleges for newly hired teachers focus on teaching skills and techniques. We also provide continuing training, including online training, for our existing teachers so that they can stay abreast of changes in their relevant industry, new teaching theories and/or methodologies, and changing teaching and testing standards. Our training programs generally include:

- subject matter training;
- teaching theories and methodologies training, such as training on managing student behavior in the classroom;
- teaching skills and techniques training, such as training on how to use various hardware and software to prepare teaching materials and conduct in-class teaching;
- cultural training, such as training on academic and professional improvements and team building; and
- other professional training, such as professional ethnics and counseling.

In addition to the training we provide in-house, we also encourage our teaching staff to attend external training courses and programs organized by third parties, such as local education authorities.

The average training hours per person by gender are as follows:

Male	**Female**
21 hours/person	26 hours/person

3.1.4 Labor Standards

Our Schools do not recruit child laborers who are under the local legal age limit, and therefore would check applicants' age verification documents during recruitment.

Our Schools prohibit the use of any form of forced labor. In daily management, Our Schools would not force faculty members to work overtime. For overtime work, employees shall apply voluntarily and their daily overtime shall not exceed the requirements of local regulations.

During the Reporting Period, the Group did not receive any cases involving violations of relevant labor laws of the People's Republic of China.

3.2 Operating Practices

3.2.1 Supply chain management

Our suppliers are primarily construction companies as well as information technology equipment and service providers, all of which are independent third parties. To regulate the procurement and supply procedures, enhance work efficiency and high-quality procurement, we have drawn up a series of rules, regulations and processes to step up the monitoring and management of cooperative suppliers, reduce the risks associated with procurement and evaluate suppliers for including them into the List of Qualified Suppliers.

Other than small-amount procurement or unique procurement, we follow the principle of conducting shopping research, trying to strike a balance between quality and price for the best benefit of Our Schools in procurement. For large-amount procurement, we will carry out procedures for inviting tenders or open tenders or conducting competitive negotiations for a fair selection.

During the reporting period, two of Our Schools carried out relevant procurement with 44 suppliers.

3.2.2 Service responsibility

Selection and design of teaching materials and textbooks

We follow stringent procedures when selecting teaching materials and textbooks so as to maintain teaching quality. At all of Our Schools, a set of policies for the management of teaching materials has been implemented, which basically covers the selection, procurement, distribution and management of teaching materials to be used by each of Our Schools. Our Schools are generally required to adopt and use teaching materials published in the past three years. These teaching materials must meet the basic course requirements and syllabuses offered by these schools. Moreover, teachers are generally required to use a set of teaching materials for teaching for a long period of time to ensure consistency and stability in teaching until those teaching materials no longer meet our teaching requirements and are replaced later. If several teachers are teaching the same course, they are also required to use the same teaching materials so as to maintain consistency and quality of teaching. In terms of the selection of course materials, they must be approved by the specialized department of teaching and research that provides the course as well as by the office of academic affairs before such course materials are purchased and distributed.

School-enterprise cooperation programme

We place emphasis on school-enterprise cooperation to enable our students to learn from industry experts while receiving valuable practical training. We believe such cooperation will enable our students to be fully geared up for coping with employment requirements after graduation.

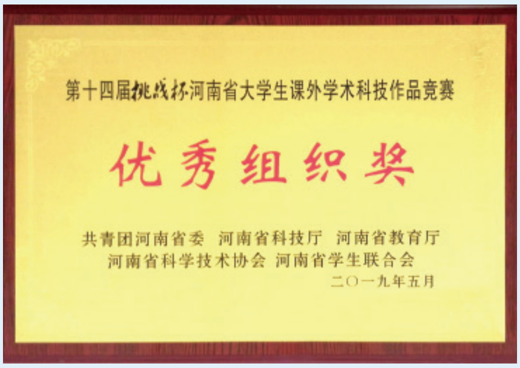
The College of Information and Business has carried out in-depth cooperation with various Chinese enterprises and institutions to facilitate close collaboration between Our Schools and enterprises, with an aim to training and cultivating application-based technical professionals by actively participating in the collaboration with these enterprises as a platform. The College of Information and Business has set up eight majors in the discipline of applied technology, including but not limited to majors in flight services, investment, e-commerce, international economics and trade, accounting and English Language. The College effectively utilizes the practical industry experience of the enterprises to strengthen the training practical concept, so as to enable students to learn efficiently through a task-based training model in a real corporate environment. Through this kind of close school-enterprise cooperation, 20 applied technology courses have been introduced to Our Schools, such as comprehensive financial training for VBSE, comprehensive financial training for ERP, simulation exercise for securities trading, service skills practice, simulation training in logistics resources planning, simulation of operating an ERP sandbox business, analogy of marketing ERP sandbox, training in social network services, technical analysis of securities and basic professional quality.

Changzheng College works closely with a number of well-known companies and institutions in various fields, ranging from the development of courses and syllabuses to the joint construction and operation of training bases. With respect to the development of courses and syllabuses, companies generally refer us to a number of industry experts who will work for the Changzheng College in various areas, including but not limited to joining professional development steering committees, providing course work and professional development guidance, participating in the development of qualified personnel training plans, and determining the initial key course system. In terms of the construction and operation of off-campus training bases, the College's school-enterprise cooperation programme primarily focuses on improving hands-on training for students to make these students, after graduation, a stable source of practical qualified personnel for the work teams of our partner enterprises.

During the reporting period, we did not receive any complaints about service responsibilities.

The following are the awards received by the teachers and students of the College of Information and Business and the Changzheng College respectively during the year:

College of Information and Business



Changzheng College

3.2.3 Anti-corruption

We have applied a set of in-house rules and policies to govern the acts of our teachers and employees, and have established a monitoring system for implementing anti-bribery and anti-corruption initiatives to make sure our employees comply with the in-house rules and policies as well as applicable laws and regulations. For example, our management conducts a fraud and bribery risk assessment each year. In our in-house anti-bribery and anti-corruption policies, we have also identified certain acts which are prohibited, including among others:

- acceptance or payment of bribes or rebates;
- use, embezzlement or misappropriation of our assets illegally;
- falsification or alteration of our accounting records.

We will provide compulsory training courses for our existing and new employees to enhance their knowledge and understanding of relevant rules and regulations, and regulate their own personal and professional conduct. Moreover, we will work out remedial measures and impose relevant financial and administrative penalties for employees involved in bribery activities.

During the reporting period, we did not receive any cases of corruption involving our employees, or of any other material misconduct by our employees.

3.2.4 Community investment

Our education philosophy emphasizes on "people-oriented education, moral cultivation, society service and pursuit for excellence". We place emphasis on offering high-quality private higher education to enable our students to acquire know-how and practical skills, build a well-known private education brand in China and establish a reputable undergraduate and junior college with a school mission of serving the society and boosting the all-round development of our students.

As a private school, we see social responsibility not only as a top priority, but also as a key part of our business strategy by internalizing the concept into the value culture of the company; playing an active role as a corporate citizen; stringently enforcing corporate governance; showing care to our employees; implementing environmental protection and social welfare; maintaining a sound corporate constitution; raising brand value; and sustaining corporate development.

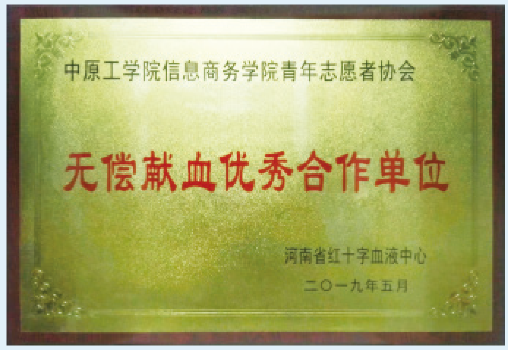
The Group's values are to establish a harmonious and inclusive relationship with the communities in which it operates, and supports various plans for the communities in which it operates, including academic and education, community environmental protection and build-up, cultural exchanges, etc. The Group also encourages and supports its students as well as its teaching and administrative staff to set as a role model in volunteer services to show care to the society.

As a responsible company, the Group does realize that it is important to meet the expectations of different stakeholders and the communities in which the Group operates. Therefore, in terms of the long-term development, the Group emphasizes striking a balance between the interests of shareholders and the interests of all other stakeholders. It will endeavor to get informed of the needs of the community in which it operates so as to contribute to the sustainable development of the community.

During the reporting period, the College of Information and Business and the Changzheng College participated in a number of community charity activities respectively. The major community charity activities are described as follows:

College of Information and Business

"Voluntary Blood Donation" — on 9 May 2019, the China Young Volunteers' Association organized the blood donation activity together with the division of volunteer services of our nine faculties to promote the noble nature of contemporary college students who are willing to donate and care for others, and to promote the development of the voluntary blood donation project.



"Care for Children with Severe Illnesses" — on 25 May 2019, at the invitation of the Department of Oncology (Pediatrics) of the First Affiliated Hospital of Zhengzhou University, the China Young Volunteers' Association visited the children with leukemia at the First Affiliated Hospital, where they did the handiwork, painting, singing, game playing, etc., together with these children. They pay regular visits every Saturday.

"Care for Patients with Cerebral Palsy"— on 5 December 2019, we visited the home of Chen Zhijia, a patient with cerebral palsy, where we explained to her how to type and record.

"Accounting Department's 'Warm Winter' Voluntary Walk" — on 20 December 2019, the annual "Warm Winter Voluntary Walk", organized by the Youth League's General Branch of the Accounting Department, was launched with Siyuan Community as the co-organizer. During the event, Youth League's members participated in weaving gloves and making cards and dumplings. They also acted as coordinators, shoveled snow and showed care to traffic police officers and sanitation workers.

Changzheng College

"Stage 5 of the Rams Club 99 Image Museum" — volunteer services of the Changzheng Rams Club in the move. — 19 May 2019,

"Waste Classification, Environmental Protection Ahead" — summer social practice team (environmental publicity) — 1 July 2019

Green Field & Wandering Fish — volunteer activities at the market for sharing old things — 3 November 2019

"Easy Pick Up Happiness, Are You There", a waste sorting outreach — 4 December 2019

To the shareholders of JH Educational Technology INC.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of JH Educational Technology INC. (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 175, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Income tax As set out in note 10 to the financial statements, according to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. Up to 31 December 2019, no separate policies, regulations or rules have been introduced by the authorities in this regard. No corporate income tax was provided on the income from the provision of formal educational services by the Group's schools registered in the People's Republic of China (the "PRC Schools"). Significant judgement is required in determining the provision for income taxes as there are uncertainties in interpreting the relevant tax laws and regulations in respect of the preferential tax treatment enjoyed by the PRC Schools. The Group engaged an external legal advisor to analyse changes in relevant tax laws and regulations in the current year and income tax obligation, and there were significant judgements involved in the management's analysis and assessment, such as an assessment on possible outcome of the tax provision based on historical experiences, and estimations about future events after 31 December 2019 that may cause the Group to change its judgements regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such determination is made. Relevant disclosures are included in notes 3 and 10 to the financial statements.	We have performed the following procedures: • discussed with management of the Group to evaluate their interpretation of the tax laws and their assessment of the tax obligations of the schools operated by the Group for the current year; • evaluated management's assessment on the application of preferential tax treatments or applicable tax rate to the respective schools; • discussed with the Group's PRC legal advisors to understand their view with respect to the interpretation of the existing applicable laws which would have impact on the income tax of the respective schools; • obtained the Group's PRC legal advisor's comments on analysis of changes in relevant tax laws and regulations in the current year and income tax obligation; • assessed any new policies, regulations or rules that have been introduced by the authorities up to the date of this report, which might have impact on the tax position of the PRC Schools; • checked historical tax returns; and • involved our internal tax experts to assist us in analysing the preferential tax treatments enjoyed by the PRC Schools and assessing the adequacy of tax provisions.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment As at 31 December 2019, the Group had goodwill of RMB110,995,000 arising from acquisitions of Zhongyuan University of Technology College of Information and Business ("College of Information and Business"). Annual impairment test is required for the goodwill. This area is identified as a key audit matter because certain assumptions used in the impairment review were subjective and the test involved significant judgements and estimates which included: • the future cash flow growth assumptions used in the Group's most recent budgets for the next five years approved by management, including future industry development, pricing strategies, market supply and demand, and gross margins; • the growth rate used beyond the period covered by the budgets; and • the discount rate applied to future cash flows. The accounting judgements and estimates and disclosure related to the impairment assessment are included in notes 3 and 15 to the financial statements.	In order to evaluate the impairment test carried out by management and assess the value-in-use of the cash-generating units, we have performed the following procedures: • understood and evaluated the Group's management's future cash flow forecasts, the process and relevant key controls over the goodwill impairment assessment; • assessed the actual performance in the year against the prior year budgets to evaluate historical forecasting accuracy; • assessed the key assumptions by comparing against the historical trend and industry index; • performed sensitivity analyses on the forecasts; • involved our internal valuation specialists to assist us in evaluating the methodologies, key valuation parameters and the discount rate used by the Group; and • evaluated the adequacy of the Group's disclosures regarding the goodwill impairment testing.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**485,117**	301,818
Cost of sales		**(227,015)**	(140,069)
Gross profit		**258,102**	161,749
Other income and gains	5	**35,811**	15,437
Selling and distribution expenses		**(7,021)**	(3,883)
Administrative expenses		**(50,286)**	(41,608)
Other expenses		**(2,185)**	(5,970)
Finance costs	7	**(4,086)**	(2,140)
Remeasurement gain of previously held equity interests in an acquiree	17	**–**	90,295
Share of profits of:			
Joint ventures	17	**–**	74,284
Associate		**–**	2
PROFIT BEFORE TAX	6	**230,335**	288,166
Income tax expense	10	**(3,108)**	(1,310)
PROFIT FOR THE YEAR		**227,227**	286,856
Attributable to:			
Owners of the parent		**175,774**	156,046
Non-controlling interests		**51,453**	130,810
		227,227	286,856
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
— For profit for the year		**RMB0.1241**	RMB0.1300

	Note	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR		**227,227**	286,856
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**29**	3
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**29**	3
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements	35	**10,251**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**10,251**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**10,280**	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**237,507**	286,859
Attributable to:			
Owners of the parent		**186,054**	156,049
Non-controlling interests		**51,453**	130,810
		237,507	286,859

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**977,294**	936,818
Right-of-use assets	14(b)	**300,589**	—
Prepaid land lease payments	14(a)	**—**	299,130
Goodwill	15	**110,995**	110,995
Other intangible assets	16	**10,556**	16,871
Prepayments for purchase of property, plant and equipment		**27,506**	8,553
Total non-current assets		**1,426,940**	1,372,367
CURRENT ASSETS			
Trade receivables	18	**890**	1,624
Tax recoverable		**—**	4,279
Prepayments, deposits and other receivables	19	**18,699**	30,402
Amounts due from shareholders	30(b)	**—**	3,884
Other current assets		**615**	574
Time deposits	20	**426,484**	284,336
Cash and cash equivalents	20	**524,502**	172,872
Total current assets		**971,190**	497,971
CURRENT LIABILITIES			
Other payables and accruals	21	**103,945**	109,333
Interest-bearing bank loans	23	**—**	89,000
Lease liabilities	14(c)	**1,040**	—
Contract liabilities	5	**290,419**	259,203
Deferred income	22	**1,846**	1,653
Amount due to a shareholder	30(b)	**—**	516
Dividends payable		**—**	42,732
Tax payable		**1,295**	391
Total current liabilities		**398,545**	502,828
NET CURRENT ASSETS/(LIABILITIES)		**572,645**	(4,857)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,999,585**	1,367,510

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(c)	467	—
Deferred income	22	16,555	14,336
Other liabilities		392	31
Total non-current liabilities		17,414	14,367
Net assets		1,982,171	1,353,143
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	110,362	68
Reserves	25	1,532,679	1,065,398
		1,643,041	1,065,466
Non-controlling interests	26	339,130	287,677
Total equity		1,982,171	1,353,143

CHEN YUGUO
Director

CHEN LINGFENG
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 24)	(note 25)	(note 25)	(note 25)					
At 1 January 2018	68	51,000	125,570	(305,903)	(3)	715,346	586,078	601,388	1,187,466
Profit for the year	—	—	—	—	—	156,046	156,046	130,810	286,856
Other comprehensive income for the year:									
Exchange differences on translation of financial statements	—	—	—	—	3	—	3	—	3
Total comprehensive income for the year	—	—	—	—	3	156,046	156,049	130,810	286,859
Deemed acquisition of non-controlling interests	—	—	—	376,485	—	—	376,485	(376,485)	—
Dividend paid to shareholders	—	—	—	—	—	(53,100)	(53,100)	—	(53,100)
Dividend paid to the non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	(60,082)	(60,082)
Transfer from retained profits	—	—	45,715	—	—	(45,715)	—	—	—
Acquisition of non-controlling interests	—	—	—	(46)	—	—	(46)	(7,954)	(8,000)
At 31 December 2018	68	51,000	171,285	70,536	—	772,577	1,065,466	287,677	1,353,143

		Attributable to owners of the parent									
	Notes	Share capital RMB'000 (note 24)	Share premium* RMB'000 (note 25)	Capital reserve* RMB'000 (note 25)	Statutory surplus reserve* RMB'000 (note 25)	Other reserve* RMB'000 (note 25)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		68	–	51,000	171,285	70,536	–	772,577	1,065,466	287,677	1,353,143
Profit for the year		–	–	–	–	–	–	175,774	175,774	51,453	227,227
Other comprehensive income for the year:											
Exchange differences on translation of financial statements		–	–	–	–	–	10,280	–	10,280	–	10,280
Total comprehensive income for the year		–	–	–	–	–	10,280	175,774	186,054	51,453	237,507
Capitalisation issue of shares	24	82,662	(82,662)	–	–	–	–	–	–	–	–
Issue of shares for the Initial Public Offering ("**IPO**")	24	27,632	501,421	–	–	–	–	–	529,053	–	529,053
Share issue expenses		–	(29,179)	–	–	–	–	–	(29,179)	–	(29,179)
Interim 2019 dividend	11	–	(108,353)	–	–	–	–	–	(108,353)	–	(108,353)
Transfer from retained profits	25	–	–	–	50,744	–	–	(50,744)	–	–	–
At 31 December 2019		110,362	281,227	51,000	222,029	70,536	10,280	897,607	1,643,041	339,130	1,982,171

* These reserve accounts comprise the consolidated reserves of RMB1,532,679,000 (2018: RMB1,065,398,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		230,335	288,166
Adjustments for:			
Finance costs	7	4,086	2,140
Share of profits of joint ventures	17	—	(74,284)
Share of profits of an associate		—	(2)
Remeasurement gain of previously held equity interests in an acquiree	17	—	(90,295)
Bank interest income	5	(13,717)	(4,840)
Loss on disposal of items of property, plant and equipment, net	6	41	14
Loss on disposal of a joint venture	6	—	389
Loss on disposal of an associate	6	—	1
Government grants released	6	(15,785)	(5,855)
Depreciation	6	42,736	27,246
Depreciation of right-of-use assets/recognition of prepaid land lease payments	6	8,654	5,611
Amortisation of other intangible assets	6	7,149	3,878
Impairment of trade receivables	6	698	839
		264,197	153,008
(Increase)/decrease in other current assets		(41)	43
Decrease/(increase) in trade receivables		36	(598)
Increase in prepayments, deposits and other receivables		817	(20,499)
Decrease in other payables and accruals		(9,628)	(11,274)
Increase in contract liabilities		31,216	159,295
Increase in government grants		15,541	4,504
Cash generated from operations		302,138	284,479
Interest received		13,297	4,840
Income tax refunded		2,453	—
Income tax paid		(378)	(38,820)
Net cash flows from operating activities		317,510	250,499

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows from operating activities		**317,510**	250,499
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(96,418)**	(27,602)
Proceeds from disposal of items of property, plant and equipment		**75**	17
Additions to other intangible assets	16	**(834)**	(672)
Increase in time deposits with original maturity of three months or more when acquired		**(142,148)**	(162,238)
Acquisition of a subsidiary	27	**—**	(48,289)
Advances to a related party		**—**	(1,500)
Repayment of amounts due from a related party		**—**	21,503
Advances to shareholders		**—**	(24,323)
Repayment of amounts due from shareholders		**3,884**	34,061
Proceeds from disposal of a joint venture and an associate		**—**	1,620
Net cash flows used in investing activities		**(235,441)**	(207,423)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares on IPO		**529,053**	—
Share issue expenses		**(24,164)**	—
Acquisition of non-controlling interests		**—**	(8,000)
Advances from related parties		**—**	12,629
Advances from a shareholder		**—**	516
Repayment of amounts due to related parties		**—**	(20,000)
Repayment of amounts due to a shareholders	28(b)	**(516)**	—
New bank loans		**60,000**	89,000
Repayment of bank loans		**(149,000)**	(105,000)
Principal portion of lease payments	28(b)	**(688)**	—
Dividend paid	28(b)	**(108,353)**	(10,620)
Dividends paid to the non-controlling shareholder of a subsidiary	28(b)	**(42,732)**	(7,708)
Interest paid		**(4,319)**	(2,140)
Net cash flows from/(used in) financing activities		**259,281**	(51,323)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**341,350**	(8,247)
Cash and cash equivalents at beginning of year		**172,872**	181,116
Effect of foreign exchange rate changes, net		**10,280**	3
CASH AND CASH EQUIVALENTS AT END OF YEAR		**524,502**	172,872

	Note	2019 RMB'000	2018 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**127,841**	90,703
Time deposits	20	**823,145**	366,505
Less:			
Time deposits with licenced banks with original maturity of more than three months when acquired	20	**(426,484)**	(284,336)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**524,502**	172,872

1. Corporate and Group Information

JH Educational Technology INC. (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").

The ultimate controlling shareholders of the Group are Mr. Chen Yuguo, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Yuchun, Ms. Zhang Xuli, Mr. Chen Yucao, Mr. Chen Nansun who have entered into the acting in concert agreement.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Entity name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
JH Educational Technology Holdings Limited ("JH BVI")	British Virgin Islands 8 June 2018	US$50,000	100	—	Investment holding
JH Educational Technology HK Limited ("JH HK")	Hong Kong 19 July 2017	HK$10,000	—	100	Investment holding
JH Investment (Hong Kong) Limited ("JH Investment")	Hong Kong 15 November 2019	HK$10,000	—	100	Investment holding
Jiaren Technologies, Inc., ("Jiaren US")	United States 27 August 2018	US$49,700	—	100	Investment holding
JX Educational Technology INC* 寧波嘉信教育科技有限責任公司 ("Ningbo Jiaxin")^#	PRC/Mainland China 10 January 2018	US$2,000,000	—	100	Provision of technical and management consultancy services
XY Educational Technology INC* 寧波新耀教育科技有限公司 ("Ningbo Xinyao")^#	PRC/Mainland China 14 September 2018	US$2,000,000	—	100	Provision of technical and management consultancy services
JH Holdings Group Company Limited* 嘉宏控股集團有限公司 ("JH Holdings Group")#	PRC/Mainland China 17 June 2003	RMB50,000,000	—	100	Investment holding

1. Corporate and Group Information (Continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Entity name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhejiang Changzheng Vocational & Technical College* 浙江長征職業技術學院 ("Changzheng College")	PRC/Mainland China 18 November 2005	RMB21,930,000	—	53.62	Provision of higher education services
Jingyi Secondary School* 樂清市精益中學#	PRC/Mainland China 25 September 1997	RMB1,000,000	—	100	Provision of secondary education services
Zhongyuan University of Technology College of Information and Business* 中原工學院信息商務學院 ("College of Information and Business")	PRC/Mainland China December 2003	RMB10,000,000	—	100 (note 17)	Provision of higher education services
Wenzhou Jiaren Investment Company Limited* 溫州嘉仁投資有限公司 ("Wenzhou Jiaren")	PRC/Mainland China 5 December 2007	RMB20,000,000	—	100 (note 25)	Investment holding
Yueqing Jiahong Investment Company Limited* 樂清嘉宏投資有限公司 ("Yueqing JH Investment")	PRC/Mainland China 26 May 2017	RMB9,000,000	—	100	Investment holding
Yueqing Jialuo Investment Company Limited* 樂清嘉洛投資有限公司 ("Yueqing Jialuo")	PRC/Mainland China 26 May 2017	RMB5,000,000	—	100	Investment holding
Yueqing Jiazheng Investment Company Limited* 樂清嘉正投資有限公司 ("Yueqing Jiazheng")	PRC/Mainland China 2 July 2018	RMB12,000,000	—	100	Investment holding
Yueqing Jiaxin Education and Training Center Company Limited* 樂清嘉信教育培訓中心有限公司 ("Yueqing Jiaxin")	PRC/Mainland China 7 November 2018	RMB50,000	—	100	Provision of training services
Yueqing Jiasheng Investment Company Limited* 樂清嘉勝投資有限公司 ("Yueqing Jiasheng")	PRC/Mainland China 26 May 2017	RMB5,000,000	—	100	Investment holding

* The English names of these companies or schools established in the PRC represent the best effort made by management of the Company to directly translate the Chinese names as they do not register any official English names.

^ Ningbo Jiaxin and Ningbo Xinyao are registered as wholly-foreign-owned enterprise under PRC law.

These entities are owned through contractual arrangements.

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of Preparation (Continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's consolidated financial statements.

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

(a) (continued)

New definition of a lease

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

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

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

(a) (continued)

As a lessee — Leases previously classified as operating lease (continued)

Impact on transition (continued)

Financial impact at 1 January 2019

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

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

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

	RMB'000
Operating lease commitments as at 31 December 2018 (note 29(b))	1,445
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Lease liabilities as at 1 January 2019	**1,301**

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

2.3 Issued but not yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[4]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

4 Effective for annual periods beginning on or after 1 January 2022

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

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 expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet Effective IFRSs (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Investments in an associate and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of the associate and joint ventures is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's investments in the associate or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate or joint ventures is included as part of the Group's investments in an associate or joint ventures.

2.4 Summary of Significant Accounting Policies (Continued)

Investments in an associate and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint ventures, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint ventures upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Business combinations other than those under common control and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations other than those under common control and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies (Continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 Summary of Significant Accounting Policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	1.90%
Leasehold improvements	4.75%
Electronic equipment	11.88%
Motor vehicles	19.00%
Furniture, fixtures and others	9.50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least as at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least as at each financial year end.

Software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life. Useful lives of the computer software were assessed by the Group considering the purposes and usage of the software. The software for the basement IT system or teaching platform system is amortised over a period of 10 years.

Student base

The student base refers to College of Information and Business's registered and existing students, who will pay tuition fees and boarding fees until their education period is over. Consequently, the student base through the acquisition of College of Information and Business is identified as an intangible asset and was initially measured at valuation. The student base is subsequently amortised over their education period of 3 to 4 years and deducted by any impairment losses.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component, the Group adopts the practical expedient not to separate non-lease component and to account for the lease component and the associated non-lease component (e.g., property management services for leases of properties) as a single lease component.

2.4 Summary of Significant Accounting Policies (Continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Property and buildings	2 to 3 years

(b) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 Summary of Significant Accounting Policies (Continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- *Financial assets at amortised cost (debt instruments)*
- *Financial assets at fair value through OCI (debt instruments)*
- *Financial assets designated at fair value through OCI (equity instruments)*
- *Financial assets at fair value through profit or loss*

The Group's financial assets comprise financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, interest-bearing bank loans, dividends payable, an amount due to a shareholder and an amount due to a related party.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate ("EIR") method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 Summary of Significant Accounting Policies (Continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed as at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed as at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 Summary of Significant Accounting Policies (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. The Group recognises revenue when the specific criteria have been met for the following activities:

Tuition and boarding fees received from students are generally paid in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the periods of the relevant programme. The portion of tuition and boarding payments received from students but not earned is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's schools is generally from September to August of the following year.

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (continued)

Tuition fees from the provision of other education services to students are collected in advance on a lump sum basis. Revenue is recognised proportionately over the periods of the relevant programme.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liability

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 Summary of Significant Accounting Policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Contractual arrangements

The Group exercises control over JH Holdings Group, College of Information and Business, Changzheng College, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jialuo, Yueqing Jiazheng Yueqing Jiasheng and Jingyi Secondary School (the "Structured Entities") and enjoys economic benefits of the Structured Entities through a series of contractual arrangements.

The Group considers that it controls the Structured Entities notwithstanding the fact that it does not hold direct equity interest in the Structured Entities, as it has power over the financial and operating policies of the Structured Entities and receives substantially all of the economic benefits from the business activities of the Structured Entities through the contractual arrangements. Accordingly, the Structured Entities have been accounted for as subsidiaries during the year.

Current and deferred tax

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. Up to 31 December 2019, no separate policies, regulations or rules have been introduced by the authorities in this regard. No corporate income tax was provided on the income from the provision of formal educational services by the Group's schools registered in the People's Republic of China (the "PRC Schools"). There is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatments, or the local tax bureaus may change their policy, in each such cases, the PRC Schools will be subjected to PRC income tax going forward.

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details of the current and deferred tax are set out in note 10 to the financial statements.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) as at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each reporting period. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis as at the end of each financial year. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units based on key assumptions including revenue growth, gross margins and long term growth rate, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB110,995,000 (2018: RMB110,995,000). Further details are given in note 15.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. Operating Segment Information

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

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

Geographical information

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

Information about major customers

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

5. Revenue, Other Income and Gains

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

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

Notes:

(i) During the year, revenue from other education services mainly represents fees received for the provision of adult education services and training services to the students, which was amortised over the training periods of the services rendered.

(ii) Government grants are related to government industry grants and subsidies received from local government for the purpose of compensating the operating expenses arising from the Group's teaching activities and expenditures on teaching facilities. There were no unfulfilled conditions or contingencies relating to these grants.

5. Revenue, Other Income and Gains (Continued)

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

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

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

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

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

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

6. Profit Before Tax

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

	Notes	2019 RMB'000	2018 RMB'000
Employee benefit expense (excluding directors' remuneration) (note 8):			
Wages and salaries		**104,334**	67,692
Pension scheme contributions		**12,382**	9,748
Other welfare expenses		**2,626**	2,140
		119,342	79,580
Depreciation of property, plant and equipment	13	**42,736**	27,246
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	14	**8,654**	5,611
Amortisation of other intangible assets (i)	16	**7,149**	3,878
Impairment of trade receivables (iii)	18	**698**	839
Bank interest income (ii)	5	**(13,717)**	(4,840)
Government grants			
— related to expenses (ii)	5	**(14,421)**	(4,516)
— related to assets (ii)	5	**(1,364)**	(1,339)
Loss on disposal of items of property, plant and equipment (iii)		**41**	14
Loss on disposal of a joint venture (iii)		**—**	389
Loss on disposal of an associate (iii)		**—**	1
Auditor's remuneration		**2,000**	—
Share issue expenses		**17,760**	21,133
Foreign exchange differences, net		**915**	—

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

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

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

7. Finance Costs

An analysis of finance costs is as follows:

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

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

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 RMB'000	2018 RMB'000
Fees	242	—
Other emoluments:		
Salaries, allowances and benefits in kind	1,777	1,870
Pension scheme contributions	138	127
	1,915	1,997
	2,157	1,997

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Chen Danhua	66	—
Feng Nanshan	57	—
Wang Yuqing	106	—
Bi Hui	13	—
	242	—

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8. Directors' Remuneration (Continued)

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019				
Executive directors:				
Chen Yuguo (the chief executive)	—	900	56	956
Chen Yuchun	—	490	—	490
Chen Shu	—	250	56	306
Chen Nansun	—	—	15	15
Chen Lingfeng	—	137	11	148
	—	1,777	138	1,915
Non-executive director:				
Zhang Xuli	—	—	—	—
	—	1,777	138	1,915

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018				
Executive directors:				
Chen Yuguo (the chief executive)	—	1,015	56	1,071
Chen Yuchun	—	460	—	460
Chen Shu	—	223	56	279
Chen Nansun	—	67	15	82
Chen Lingfeng	—	105	—	105
	—	1,870	127	1,997
Non-executive director:				
Zhang Xuli	—	—	—	—
	—	1,870	127	1,997

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the year included two directors (2018: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2018: three) highest paid employees who are not directors of the Group are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	2,221	1,250
Pension scheme contributions	111	76
	2,332	1,326

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	2	3
HK$1,000,000 to HK$1,500,000	1	—
	3	3

During the year, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. 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 year.

As set out in note 3 to the financial statements, 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 report, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, College of Information and Business, Changzheng College and Jingyi Secondary School did not pay corporate income tax for the income from the provision of formal educational services and have enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised by College of Information and Business, Changzheng College and Jingyi Secondary School for the income from the provision of formal educational services during the year.

10. Income Tax (Continued)

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

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

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

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

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rate, are as follows:

	2019 **RMB'000**	2018 RMB'000
Profit before tax	**230,335**	288,166
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**57,264**	72,042
— Others, at 16.5%	**211**	—
Lower tax rate for specific province or enacted by local authority	**(215)**	—
Adjustments in respect of current tax of the previous year	**1,813**	—
Profits attributable to joint ventures and an associate	**—**	(18,572)
Income not subject to tax	**(60,458)**	(59,370)
Expenses not deductible for tax	**492**	1,155
Income tax of JH Holdings Group for profit distribution from Changzheng College	**—**	6,025
Tax losses and temporary differences not recognised	**4,001**	30
Tax charge at the Group's effective rate	**3,108**	1,310

The share of tax attributable to joint ventures and an associate is nil (2018: RMB183), and is included in "Share of profits and losses of joint ventures and an associate" in the consolidated statement of profit or loss and other comprehensive income.

10. Income Tax (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2019 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2019 and 2018, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB896,796,000 and RMB768,830,000, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

As at 31 December 2019, the Group had tax losses arising in Hong Kong of RMB2,650,000 (2018: Nil), which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Mainland China of RMB14,909,000 (2018: RMB654,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. Dividends

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

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

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

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

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

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (Continued)

On 30 May 2019, the authorised share capital of the Company was subdivided from US$50,000 divided into 50,000 shares of US$1.00 each to US$50,000 divided into 5,000,000 shares of US$0.01 each and the authorised share capital of the Company was increased from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$300,000,000 divided into 30,000,000,000 shares of US$0.01 each. Therefore, the number of ordinary shares in issue became 1,000,000 (the "Share Split") (note 24).

On 18 June 2019, the Company was listed on the Main Board of the Stock Exchange (the "Listing") by way of issuing 400,000,000 new ordinary shares and capitalisation issue of 1,199,000,000 ordinary shares (the "Capitalisation Issue") (note 24).

On 11 July 2019, the over-allotment option was partially exercised and the Company allotted and issued 830,000 additional shares, which were initially available on 16 July 2019 (the "Over-allotment") (note 24).

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2019 and 2018 was based on 10,000 ordinary shares of the Company issued as of 1 January 2018, 990,000 ordinary shares of the Company issued under the Share Split and 1,199,000,000 ordinary shares of the Company issued under the Capitalisation Issue, as if these additional shares issued under the Share Split and Capitalisation Issue had been completed throughout the years ended 31 December 2019 and 2018.

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

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

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

	Number of shares	
	2019	2018
Shares		
Number of issued shares on 1 January	**10,000**	10,000
Effect of Share Split on 30 May 2019	**990,000**	990,000
Effect of Capitalisation Issue on 18 June 2019	**1,199,000,000**	1,199,000,000
Effect of the IPO (excluding shares issued under the Over-allotment option) on 18 June 2019	**215,890,411**	—
Effect of the Over-allotment on 16 July 2019	**384,301**	—
Weighted average number of ordinary shares in issue during the year for the purpose of the basic earnings per share calculation	**1,416,274,712**	1,200,000,000
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted	**RMB0.1241**	RMB0.1300

13. Property, Plant and Equipment

31 December 2019

	Property and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019:							
Cost	814,147	70,219	96,218	28,461	58,719	24,443	1,092,207
Accumulated depreciation	(81,229)	(2,430)	(26,885)	(21,929)	(22,916)	–	(155,389)
Net carrying amount	732,918	67,789	69,333	6,532	35,803	24,443	936,818
At 1 January 2019, net of accumulated depreciation	732,918	67,789	69,333	6,532	35,803	24,443	936,818
Additions	–	88	11,696	1,402	1,630	68,469	83,285
Disposals	–	–	(1)	(62)	(10)	–	(73)
Depreciation provided during the year (note 6)	(17,218)	(4,855)	(12,164)	(1,700)	(6,799)	–	(42,736)
At 31 December 2019, net of accumulated depreciation	715,700	63,022	68,864	6,172	30,624	92,912	977,294
At 31 December 2019							
Cost	814,147	70,307	107,902	29,576	60,145	92,912	1,174,989
Accumulated depreciation	(98,447)	(7,285)	(39,038)	(23,404)	(29,521)	–	(197,695)
Net carrying amount	715,700	63,022	68,864	6,172	30,624	92,912	977,294

13. Property, Plant and Equipment (Continued)

31 December 2018

	Property and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018:							
Cost	354,007	255	27,606	24,349	27,530	14,152	447,899
Accumulated depreciation	(69,332)	(122)	(20,388)	(20,228)	(18,662)	—	(128,732)
Net carrying amount	284,675	133	7,218	4,121	8,868	14,152	319,167
At 1 January 2018, net of accumulated depreciation	284,675	133	7,218	4,121	8,868	14,152	319,167
Additions	—	2,970	1,055	3,991	1,007	10,291	19,314
Acquisition of a subsidiary (note 27)	460,140	66,994	67,557	741	30,182	—	625,614
Disposals	—	—	—	(31)	—	—	(31)
Depreciation provided during the year (note 6)	(11,897)	(2,308)	(6,497)	(2,290)	(4,254)	—	(27,246)
At 31 December 2018, net of accumulated depreciation	732,918	67,789	69,333	6,532	35,803	24,443	936,818
At 31 December 2018							
Cost	814,147	70,219	96,218	28,461	58,719	24,443	1,092,207
Accumulated depreciation	(81,229)	(2,430)	(26,885)	(21,929)	(22,916)	—	(155,389)
Net carrying amount	732,918	67,789	69,333	6,532	35,803	24,443	936,818

(a) At 31 December 2019, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB147,739,000 (2018: RMB151,440,000).

(b) Additions to construction in progress during the year included interest capitalised in respect of certain bank loans borrowed generally amounting to RMB233,000 (2018: Nil) (note 7).

14. Leases

The Group as a lessee

The Group has lease contracts for property and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of property and buildings generally have lease terms between two and three years.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	134,629
Additions as a result of acquisition of a subsidiary (note 27)	178,030
Recognised in profit or loss during the year	(5,611)
Carrying amount at 31 December 2018	307,048
Current portion included in prepayments, deposits and other receivables (note 19)	(7,918)
Non-current portion	299,130

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Property and buildings RMB'000	Prepaid land lease payments RMB'000	Total RMB'000
As at 1 January 2019	**1,301**	**307,048**	**308,349**
Additions	**894**	**—**	**894**
Depreciation charge	**(736)**	**(7,918)**	**(8,654)**
As at 31 December 2019	**1,459**	**299,130**	**300,589**

14. Leases (Continued)

The Group as a lessee (continued)

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	1,301
New leases	894
Accretion of interest recognised during the year	66
Payments	(754)
Carrying amount at 31 December	1,507
Analysed into:	
Current portion	1,040
Non-current portion	467

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	66
Depreciation charge of right-of-use assets	8,654
Total amount recognised in profit or loss	8,720

14. Leases (Continued)

The Group as a lessor

The Group leases certain of its properties and buildings under operating lease arrangements. Leases for properties are negotiated for terms of three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB5,858,000 (2018: RMB4,159,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**1,775**	2,216
After one year but within two years	**304**	855
After two years but within three years	**75**	139
	2,154	3,210

15. Goodwill

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**110,995**	—
Acquisition of subsidiaries (note 27)	**—**	110,995
At 31 December	**110,995**	110,995
Accumulated impairment:		
At beginning and end of year	**—**	—
Net carrying amount:		
At 1 January	**110,995**	110,995
At 31 December	**110,995**	110,995

15. Goodwill (Continued)

Impairment testing of goodwill

The recoverable amount of College of Information and Business as a cash-generating unit ("CGU") has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2019	2018
Revenue growth (% annual growth rate)	**3%–8%**	3%–6.9%
Gross margins (% of revenue)	**50%**	50%
Long term growth rate	**3%**	3%
Pre-tax discount rate	**20%**	20%

Budgeted sales amounts — The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate — The long term growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rates — The pre-tax discount rates used are before tax and reflect specific risks relating to College of Information and Business.

The values assigned to the key assumptions on market development of College of Information and Business and discount rates are consistent with external information sources.

The most key assumption on which management has based its determination of goodwill's recoverable amount is budgeted sales amounts, which are dependent on the number of students and unit tuition and boarding fees.

Management has estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavourable possible values were assigned to those factors, the recoverable amount of the CGU then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure the recoverable amount of the CGU, would still exceed its carrying amount.

Management did not identify any significant adverse changes in the operating results and macro environment as at 31 December 2019. No impairment loss was noted as at 31 December 2019.

16. Other Intangible Assets

	2019 RMB'000	2018 RMB'000
Software		
Carrying amount at beginning of year	5,357	582
Addition	834	672
Acquisition of a subsidiary (note 27)	—	4,495
Amortisation provided during the year	(730)	(392)
Carrying amount at end of year, net of accumulated amortisation	5,461	5,357
At end of year		
Cost	7,516	6,682
Accumulated amortisation	(2,055)	(1,325)
Net carrying amount	5,461	5,357

	2019 RMB'000	2018 RMB'000
Student base		
Carrying amount at beginning of year	11,514	—
Acquisition of a subsidiary (note 27)	—	15,000
Amortisation provided during the year	(6,419)	(3,486)
Carrying amount at end of year, net of accumulated amortisation	5,095	11,514
At end of year		
Cost	15,000	15,000
Accumulated amortisation	(9,905)	(3,486)
Net carrying amount	5,095	11,514

17. Investments in Joint Ventures

Particulars of the Group's material joint venture are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
College of Information and Business	RMB10,000,000	PRC/ Mainland China	65%	56%	65%*	Provision of higher education services

College of Information and Business was established in December 2003 in Henan Province, the PRC and was a joint venture of the Group accounted for using equity method.

* In 2006, the Group entered into a co-operation arrangement with Zhongyuan University of Technology ("Zhongyuan University") (the "Co-operation Arrangement"). Pursuant to the Co-operation Arrangement, College of Information and Business had two campuses, namely, the main campus and the north campus. Zhongyuan University owned all the fixed assets of the north campus and received the entirety of its school income (school revenue of the north campus less its operating costs), which constitutes the co-operation cost of College of Information and Business. With respect to the main campus, the Group and Zhongyuan University held 65% and 35% school capital contributor's interests respectively. Pursuant to the Co-operation Arrangement, Zhongyuan University is entitled to share 35% of the main campus school income (being school revenue of the main campus less its operating costs) which has been distributed to Zhongyuan University and the remaining school income is shared by the Group and was still retained in College of Information and Business. Pursuant to the Co-operation Arrangement, once the related 35% of the main campus school income is distributed to Zhongyuan University, Zhongyuan University is no longer eligible to share the net assets of College of Information and Business.

On 28 March 2017, the Group entered into an agreement with Zhongyuan University to terminate the Co-operation Arrangement and transform College of Information and Business from an independent college to a private higher education institution, subject to the final approval of the Ministry of Education of the PRC (supplemented on 12 June 2018). Pursuant to such agreement, the Group agreed to purchase the 35% school capital contributor's interest in College of Information and Business held by Zhongyuan University at a consideration of RMB240,000,000, of which RMB120,000,000 has been prepaid by College of Information and Business on behalf of the Group in 2017 and the remaining RMB120,000,000 was settled in October 2018.

On 5 July 2018, an amendment of College of Information and Business 's articles of association came into effect officially. JH Holdings Group can solely control the daily operations of College of Information and Business, so management believes that JH Holdings Group has obtained control over College of Information and Business since 5 July 2018. Accordingly, the previously held equity interests in College of Information and Business were remeasured at fair value on that day at RMB824,000,000, which resulting a remeasurement gain of RMB90,295,000 recognised in profit or loss for the year ended 31 December 2018.

The profit of College of Information and Business for the period from 1 January 2018 to 5 July 2018 (immediately before the Group obtaining control over this investee) was RMB74,310,000 and the loss of the Group's insignificant joint venture during the year ended 31 December 2018 was RMB26,000.

18. Trade Receivables

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

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

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

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

18. Trade Receivables (Continued)

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk and days past due of the trade receivables in measuring the expected credit losses. During the year, the expected credit losses rate are determined as follows:

Days past due	**Expected credit loss rate %**	**2019 Estimated total gross carrying amount at default RMB'000**	**2019 Expected credit losses RMB'000**	2018 Estimated total gross carrying amount at default RMB'000	2018 Expected credit losses RMB'000
Not past due	**0**	**816**	**—**	1,593	—
<1 year	**90**	**741**	**667**	313	282
≥1 year	**100**	**1,252**	**1,252**	939	939
		2,809	**1,919**	2,845	1,221

There was no change in the ECL rates during the year, as no significant changes in the historical default rates of trade receivables, economic conditions and performance, and behaviour of the students were noted, based on which the ECL rates are determined.

The movements in the allowance for expected credit losses of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**1,221**	382
Provision for expected credit losses	**698**	839
At end of year	**1,919**	1,221

The individually impaired trade receivables relate to students that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

19. Prepayments, Deposits and Other Receivables

	2019 RMB'000	2018 RMB'000
Prepaid north campus co-operation costs to Zhongyuan University	**11,039**	11,644
Prepaid land lease payments to be amortised within one year	**—**	7,918
Prepaid share issue expenses	**—**	6,044
Other tax receivables	**—**	680
Prepaid expenses	**712**	926
Rental receivables	**660**	704
Interest receivables	**1,476**	1,056
Staff advances	**598**	328
Other receivables	**4,214**	1,102
	18,699	30,402

As at 31 December 2019, the provisions for impairment of financial assets included in prepayments, deposits and other receivables above were assessed to be immaterial based on 12-month ECLs. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

The financial assets included in prepayments, deposits and other receivables above are interest-free and are not secured with collateral.

20. Cash and Cash Equivalents and Time Deposits

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**127,841**	90,703
Time deposits	**823,145**	366,505
	950,986	457,208
Less:		
Time deposits with original maturity of more than three months when acquired	**(426,484)**	(284,336)
Cash and cash equivalents	**524,502**	172,872

20. Cash and Cash Equivalents and Time Deposits (Continued)

The cash and cash equivalents were denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**121,940**	172,872
HK$	**167,086**	—
US$	**235,476**	—
Cash and cash equivalents	**524,502**	172,872

As at 31 December 2019, the provisions for impairment of cash and cash equivalents and time deposits were assessed to be immaterial based on 12-month ECLs.

At the end of the year, the cash and bank balances of the Group were denominated in RMB amounted to RMB121,940,000 (2018: RMB90,703,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between two months and two years depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. Other Payables and Accruals

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

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

22. Deferred Income

	2019 RMB'000	2018 RMB'000
Government grants		
At beginning of year	15,989	12,054
Additions during the year	18,197	4,504
Acquisition of a subsidiary (note 27)	—	5,286
Released to profit or loss (note 5)	(15,785)	(5,855)
At the end of year	18,401	15,989
Current	1,846	1,653
Non-current	16,555	14,336
	18,401	15,989

Deferred income represents the government grants received for subsidies in connection with the construction of certain fixed assets and compensation for future cost or expense. The grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

23. Interest-Bearing Bank Loans

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan — unsecured	—	—	—	4.6	2019	50,000
Bank loan — unsecured	—	—	—	7.2	2019	39,000
			—			89,000

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	—	89,000

24. Share Capital

Shares

	2019 RMB'000	2018 RMB'000
Authorised:		
30,000,000,000 ordinary shares of US$0.01 each as at 31 December 2019 (2018: 50,000 ordinary shares of US$1.00 each)	2,069,700	341
Issued and fully paid:		
1,600,830,000 ordinary shares as at 31 December 2019 (2018: 10,000 ordinary shares)	110,362	68

On 30 May 2019, pursuant to the written resolution of the shareholders of the Company, the authorised share capital of the Company was subdivided from US$50,000 divided into 50,000 shares of US$1.00 each to US$50,000 divided into 5,000,000 shares of US$0.01 each and the authorised share capital of the Company was increased from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$300,000,000 divided into 30,000,000,000 shares of US$0.01 each. Therefore, the number of ordinary shares in issue became 1,000,000 before the Capitalisation Issue.

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Issued capital RMB'000
Before the Capitalisation Issue		1,000,000	68
Capitalisation issue	(a)	1,199,000,000	82,662
Global offering (excluding shares issued under the Over-allotment option)	(b)	400,000,000	27,577
Over-allotment	(c)	830,000	55
At 31 December 2019		1,600,830,000	110,362

Notes:

(a) On 18 June 2019, 1,199,000,000 shares were allotted and issued to the shareholders of the Company, credited as fully paid at par value, by way of capitalisation of the sum of US$11,990,000 (approximately RMB82,662,000) standing to the credit of the share premium account of the Company.

(b) On 18 June 2019, the Company was listed on the Main Board of Stock Exchange with the stock code 1935 and made an offering of 400,000,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the Over-allotment option) at a price at HK$1.50 per share.

(c) On 16 July 2019, the Over-allotment option was partially exercised and the Company allotted and issued 830,000 additional shares, representing approximately 0.05% of the total number of the offer shares initially available under the global offering, at HK$1.50 per share.

25. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Capital reserve

The capital reserve of the Group represents the capital contribution from then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries.

Other reserve

The equity interests in the Company held by persons other than Mr. Chen Yuguo, Mr. Chen Yucao, Mr. Chen Yuchun and Mr. Chen Yutian (collectively, the "Controlling Parties") were deemed to be recognised as non-controlling interests until completion of the Reorganisation when the equity interests held by persons other than the Controlling Parties were deemed to be acquired by the Company with the corresponding amount transferred to nil consideration and the entire balance of non-controlling interests have been transferred to the other reserve by applying the principles of merger accounting.

On 12 April 2018, the Group acquired 40% equity interests in Wenzhou Jiaren Investment Company Limited ("Wenzhou Jiaren") from the non-controlling shareholders at a consideration of RMB8,000,000. Upon completion of the acquisition, Wenzhou Jiaren became a wholly-owned subsidiary of the Group.

Statutory surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) statutory surplus reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, for private schools that require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net income of the relevant schools, and for private schools that do not require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net increase of net assets of the relevant schools, as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

26. Partly-Owned Subsidiaries with Material Non-Controlling Interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Changzheng College	**46.38%**	46.38%

	2019 **RMB'000**	2018 RMB'000
Profit for the year allocated to non-controlling interests:		
Changzheng College	**51,453**	48,433
Dividends paid to non-controlling interests of Changzheng College	**–**	23,182
Accumulated balances of non-controlling interests at the reporting date:		
Changzheng College	**339,130**	287,677

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2019 **RMB'000**	2018 RMB'000
Revenue	**174,029**	164,491
Other income and gains	**15,401**	12,073
Total expenses	**(78,492)**	(74,841)
Profit for the year	**110,938**	101,723
Total comprehensive income for the year	**110,938**	101,723
Current assets	**435,735**	383,798
Non-current assets	**463,008**	432,566
Current liabilities	**(159,408)**	(188,197)
Non-current liabilities	**(8,136)**	(7,906)
Net cash flows from operating activities	**131,452**	121,840
Net cash flows used in investing activities	**(177,260)**	(184,071)
Net cash flows used in financing activities	**(42,732)**	(24,135)
Net decrease in cash and cash equivalents	**(88,540)**	(86,366)

27. Business Combination

Year ended 31 December 2018

The Group has obtained control over College of Information and Business since 5 July 2018. Further details are included in note 17.

The fair values of the identifiable assets and liabilities of College of Information and Business as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	625,614
Prepaid land lease payments	14(a)	178,030
Other intangible assets	16	19,495
Prepayments for purchase of property, plant and equipment		155
Trade receivables		1,737
Prepayments, deposits and other receivables		1,160
Amounts due from related parties		254,740
Cash and cash equivalents		71,711
Contract liabilities		(2,428)
Other payables and accruals		(47,804)
Interest-bearing bank loans		(105,000)
Dividends payable		(293)
Amount due to Zhongyuan University		(11,877)
Amounts due to related parties		(26,946)
Deferred income		(5,286)
Other liabilities		(3)
Total identifiable net assets at fair value		953,005
Goodwill on acquisition	15	110,995
Total		1,064,000
Satisfied by		
Cash		240,000
Investment in a joint venture		824,000
		1,064,000

The fair values of the trade receivables as at the date of acquisition amounted to RMB1,737,000. The gross contractual amount of trade receivables was RMB2,845,000, of which RMB1,221,000 was expected to be uncollectible.

No transaction costs were incurred for this acquisition.

27. Business Combination (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid in 2018	(120,000)
Cash and bank balances acquired	71,711
Net outflow of cash and cash equivalents included in cash flows from investing activities	(48,289)

The Group purchased the 35% school capital contributor's interest in College of Information and Business held by Zhongyuan University at a consideration of RMB240,000,000, of which RMB120,000,000 has been prepaid by College of Information and Business on behalf of the Group in 2017 and the remaining RMB120,000,000 was settled in October 2018.

Since the acquisition, College of Information and Business contributed RMB125,305,000 to the Group's revenue and RMB48,976,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of 2018, the revenue of the Group and the profit of the Group for the year ended 31 December 2018 would have been RMB450,328,000 and RMB286,856,000, respectively.

28. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

2019

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB894,000 and RMB894,000, respectively, in respect of lease arrangements for property and buildings.

2018

On 5 July 2018, upon the acquisition of College of Information and Business, JH Holdings Group obtained an amount due to a related party of RMB19,946,000, which was offset with an amount due from a shareholder of the Group.

On 23 August 2018, JH Holdings Group declared dividends of RMB90,000,000 to its shareholders, of which RMB72,000,000 was settled by offsetting amounts due from the shareholders.

28. Note to the Consolidated Statement of Cash Flows (Continued)

(b) Changes in liabilities arising from financing activities

2019

	Interest-bearing bank loans RMB'000	Lease liabilities RMB'000	Amount due to a shareholder RMB'000	Dividends payable RMB'000	Total RMB'000
At 31 December 2018	89,000	—	516	42,732	132,248
Effect of adoption of IFRS 16	—	1,301	—	—	1,301
As at 1 January 2019 (restated)	89,000	1,301	516	42,732	133,549
Dividends declared	—	—	—	108,353	108,353
Changes from financing cash flows	(89,000)	(688)	(516)	(151,085)	(241,289)
New leases	—	894	—	—	894
Interest expense	—	66	—	—	66
Interest paid	—	(66)	—	—	(66)
As at 31 December 2019	**—**	**1,507**	**—**	**—**	**1,507**

2018

	Interest-bearing bank loans RMB'000	Amount due to a shareholder RMB'000	Amounts due to a related party RMB'000	Dividends payable RMB'000	Total RMB'000
As at 1 January 2018	—	—	255,111	19,585	274,696
Dividends declared	—	—	—	113,182	113,182
Changes from financing cash flows	(16,000)	516	(7,371)	(18,328)	(41,183)
Net settlement (note 28(a))	—	—	(19,946)	(72,000)	(91,946)
Increase arising from acquisition of a subsidiary	105,000	—	26,946	293	132,239
Decrease arising from acquisition of a subsidiary	—	—	(254,740)	—	(254,740)
As at 31 December 2018	89,000	516	—	42,732	132,248

28. Note to the Consolidated Statement of Cash Flows (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	RMB'000
Within financing activities	754

29. Commitments

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
Buildings	**10,000**	—
Donation*	**6,000**	6,000
	16,000	6,000

* On 9 April 2018, the board of Changzheng College made a resolution to donate RMB6,000,000 to Zhejiang Committee of the Revolutionary Committee of the Chinese Kuomintang for its newly founded public foundation.

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for properties were negotiated for terms ranging from two to three years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	579
After one year but within five years	866
	1,445

30. Related Party Transactions and Balances

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the year.

(a) Names and relationships of related parties

Name	Relationship
Chen Yuguo 陳餘國	One of the Controlling Shareholders
Chen Yuchun 陳餘春	One of the Controlling Shareholders
Chen Yucao 陳餘曹	One of the Controlling Shareholders
Chen Lingfeng 陳淩峰	One of the Controlling Shareholders
Chen Shu 陳澍	One of the Controlling Shareholders
Zhang Xuli 張旭麗	One of the Controlling Shareholders
Chen Nansun 陳楠蓀	One of the Controlling Shareholders
Zhao Xiaojun 趙曉俊	Close family member of one of the Controlling Shareholders
Wenzhou Jia Jia Network Technology Co., Ltd. 溫州嘉嘉網路科技有限公司 ("Wenzhou Jiajia")	Company controlled by Zhao Xiaojun
Guo's Investment Holdings Limited	Company controlled by Chen Yuguo
Shu's Investment Holdings Limited	Company controlled by Chen Shu
Feng's Investment Holdings Limited	Company controlled by Chen Lingfeng
Cao's Investment Holdings Limited	Company controlled by Chen Yucao
Chun's Investment Holdings Limited	Company controlled by Chen Yuchun
CNS Investment Holdings Limited	Company controlled by Chen Nansun
ZXL Investment Holdings Limited	Company controlled by Zhang Xuli
College of Information and Business	Joint venture (before 5 July 2018)

30. Related Party Transactions and Balances (Continued)

(b) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had outstanding balances with its related parties as at 31 December 2019 and 2018 as follows:

Amounts due from shareholders

	2019 RMB'000	2018 RMB'000
Chen Yuguo	**–**	3,816
Guo's Investment Holdings Limited	**–**	22
Shu's Investment Holdings Limited	**–**	12
Feng's Investment Holdings Limited	**–**	12
Cao's Investment Holdings Limited	**–**	5
Chun's Investment Holdings Limited	**–**	7
CNS Investment Holdings Limited	**–**	3
ZXL Investment Holdings Limited	**–**	7
	–	3,884

The Group had the maximum amount outstanding during the year as follows:

	2019 RMB'000	2018 RMB'000
Chen Yuguo	**3,816**	94,493
Chen Yuchun	**–**	13,500
Chen Nansun	**–**	2,800
Guo's Investment Holdings Limited	**22**	22
Shu's Investment Holdings Limited	**12**	12
Feng's Investment Holdings Limited	**12**	12
Cao's Investment Holdings Limited	**5**	5
Chun's Investment Holdings Limited	**7**	7
CNS Investment Holdings Limited	**3**	3
ZXL Investment Holdings Limited	**7**	7
Wenzhou Jiajia	**–**	20,003

Amount due to a shareholder

	2019 RMB'000	2018 RMB'000
Chen Shu	**–**	516

The outstanding balances with shareholders and related parties above are unsecured, interest-free, repayable on demand and non-trade in nature.

30. Related Party Transactions and Balances (Continued)

(c) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**4,737**	3,516
Pension contributions	**368**	318
	5,105	3,834

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

31. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the year are as follows:

	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost		
Trade receivables	**890**	1,624
Financial assets included in prepayments, deposits and other receivables	**6,350**	3,542
Amounts due from shareholders	**—**	3,884
Time deposits	**426,484**	284,336
Cash and cash equivalents	**524,502**	172,872
	958,226	466,258

	2019 RMB'000	2018 RMB'000
Financial liabilities at amortised cost		
Financial liabilities included in other payables and accruals	**61,869**	60,937
Interest-bearing bank loans	**—**	89,000
Amount due to a shareholder	**—**	516
Dividend payables	**—**	42,732
Other liabilities	**392**	31
	62,261	193,216

32. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank loans, cash and cash equivalents and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, amounts due from shareholders, other payables and accruals, amount due to a shareholder and dividends payable, which arise directly from its operations and fund transfer.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with a floating interest rate. The interest rate and terms of repayments of the loan are disclosed in note 23. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable rate bank loans and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2019 and 2018 would decrease/increase by nil and RMB87,356 respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and borrowing with variable rates.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. The Group has no concentration of credit risk from third party debtors. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from shareholders.

As of 31 December 2019 and 2018, most all of the bank deposits were deposited with creditworthy banks with no recent history of default. The expected credit loss is approximately zero.

All of the trade and other receivables, amounts due from shareholders and amount due from a related party have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial positions, credit history of failure to make payments on their contractually due dates, the existence of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by counterparties is low.

32. Financial Risk Management Objectives and Policies (Continued)

Credit risk (continued)

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable.

As at 31 December 2019 and 2018, credit rating of other receivables and amounts due from shareholders had been performed by the Group. The Group assessed that the expected credit losses for these receivables, amounts due from shareholders and an amount due from related party are not material under the 12 months' expected loss method. Thus, no loss allowance provision was recognised during the reporting period.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds from related parties.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on contractual undiscounted payments, was as follows:

	As at 31 December 2019			
	On demand	**Within 1 year**	**Total**	**Carrying amount**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities included in other payables and accruals	**61,869**	**—**	**61,869**	**61,869**
Other liabilities	**392**	**—**	**392**	**392**
	62,261	**—**	**62,261**	**62,261**

	As at 31 December 2018			
	On demand	Within 1 year	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	60,937	—	60,937	60,937
Interest-bearing bank loans	—	93,243	93,243	93,243
Amount due to a shareholder	516	—	516	516
Dividends payable	42,732	—	42,732	42,732
Other liabilities	31	—	31	31
	104,216	93,243	197,459	197,459

32. Financial Risk Management Objectives and Policies (Continued)

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

	2019	2018
	RMB'000	RMB'000
Total liabilities	**415,959**	517,195
Total assets	**2,398,130**	1,870,338
Debt-to-asset ratios	**17%**	28%

33. Events Subsequent to the End of the Year

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

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

34. Comparative Amounts

As further explained in note 2.2 to the financial statements, the Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

35. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	38	—
Right-of-use assets	715	—
Investment in a subsidiary	320	320
Total non-current assets	1,073	320
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,231	—
Amounts due from shareholders	—	68
Cash and cash equivalents	402,562	—
Total current assets	403,793	68
CURRENT LIABILITIES		
Other payables and accruals	634	—
Amounts due to subsidiaries	377	343
Lease liabilities	452	—
Total current liabilities	1,463	343
NET CURRENT ASSETS/(LIABILITIES)	402,330	(275)
TOTAL ASSETS LESS CURRENT LIABILITIES	403,403	45
NON-CURRENT LIABILITIES		
Lease liabilities	285	—
Total non-current liabilities	285	—
Net assets	403,118	45
EQUITY		
Share capital	110,362	68
Reserves (note)	292,756	(23)
Total equity	403,118	45

CHEN YUGUO	*CHEN LINGFENG*
Director	**Director**

35. Statement of Financial Position of the Company (Continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Exchange fluctuation RMB'000	Total reserves RMB'000
Balance at 1 January 2018	—	(2)	—	(2)
Loss for the year	—	(21)	—	(21)
At 31 December 2018 and 1 January 2019	–	(23)	–	(23)
Profit for the year	–	1,301	–	1,301
Other comprehensive income for the year:				
Exchange differences on translation of financial statements	–	–	10,251	10,251
Total comprehensive income for the year	–	1,301	10,251	11,552
Capitalisation issue of shares	(82,662)	–	–	(82,662)
Issue of shares for IPO	501,421	–	–	501,421
Share issue expenses	(29,179)	–	–	(29,179)
Interim 2019 dividend	(108,353)	–	–	(108,353)
At 31 December 2019	281,227	1,278	10,251	292,756

36. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 26 March 2020.

DEFINITIONS

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"California School"	California Business School, a school to be established in the State of California, the United States
"Changzheng College"	Zhejiang Changzheng Vocational & Technical College* (浙江長征職業技術學院), a private higher education institution established under the laws of the PRC on 18 November 2005, of which the school capital contributor's interest is owned as to 53.62% by JH Holdings Group and 46.38% by Hangzhou Changzheng Vocational School* (杭州長征業餘學校), and a consolidated affiliated entity of our Company
"China" or "the PRC"	the People's Republic of China excluding, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"College of Information and Business"	Zhongyuan University of Technology College of Information and Business* (中原工學院信息商務學院), an independent college established under the laws of the PRC in December 2003, of which the school capital contributor's interest is owned as to 65% by JH Holdings Group and 35% by Zhongyuan University of Technology* (中原工學院), and a consolidated affiliated entity of our Company
"Company" or "our Company"	JH Educational Technology INC. 嘉宏教育科技有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 23 June 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context otherwise requires, refers to the controlling shareholders of our Company, namely Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao, Mr. Chen Yutian, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun, Ms. Zhang Xuli, Guo's Investment Holdings Limited, Chun's Investment Holdings Limited, Cao's Investment Holdings Limited, Shu's Investment Holdings Limited, Feng's Investment Holdings Limited, CNS Investment Holdings Limited and ZXL Investment Holdings Limited

"Director(s)"	the directors of our Company
"Group", "our Group", "we" or "us"	our Company, its subsidiaries and the consolidated affiliated entities from time to time
"HK$", "Hong Kong dollar(s)"	Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"IFRS"	the International Financial Reporting Standard(s)
"JH Holdings Group"	JH Holdings Group Company Limited* (嘉宏控股集團有限公司), a limited liability company established under the laws of the PRC on 17 June 2003, which is owned as to 31.5% by Mr. Chen Yuguo (陳餘國), as to 18% by Mr. Chen Shu (陳澍), as to 18% by Mr. Chen Lingfeng (陳淩峰), as to 10% by Mr. Chen Yuchun (陳餘春), as to 10% by Ms. Zhang Xuli (張旭麗), as to 7.5% by Mr. Chen Yucao (陳餘曹) and as to 5% by Mr. Chen Nansun (陳南蓀)
"Jingyi Secondary School"	Yueqing Jingyi Secondary School* (樂清市精益中學), a private formal high school education institution established under the laws of the PRC on 25 September 1997, of which the school sponsor's interest is owned as to 45% by Mr. Chen Yuguo (陳餘國), as to 25% by Mr. Chen Yucao (陳餘曹), as to 15% by Mr. Chen Yuchun (陳餘春) and as to 15% by Mr. Chen Yutian (陳餘鈿) as of the Latest Practicable Date, and a consolidated affiliated entity of our Company
"Listing"	listing of the Shares on the Main Board of the Stock Exchange on 18 June 2019
"Listing Date"	being 18 June 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"PRC Consolidated Affiliated Entities"	entities consolidated into our Group from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)

"PRC Operating Schools"	namely, Changzheng College, College of Information and Business and Jingyi Secondary School
"Prospectus"	the prospectus of the Company dated 4 June 2019
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 30 May 2019
"Shareholder(s)"	holder(s) of the Share(s)
"sq. m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Structured Contracts I and the Structured Contracts II
"US$", "U.S. dollar(s)"	United States dollars and cents, respectively, the lawful currency for the time being of the United States
"WFOE 1"	JX Educational Technology INC* (寧波嘉信教育科技有限責任公司), a limited liability company established under the laws of the PRC on 10 January 2018, which is a wholly-owned subsidiary of our Company
"WFOE 2"	XY Educational Technology INC* (寧波新耀教育科技有限責任公司), a limited liability company established under the laws of the PRC on 14 September 2018, which is a wholly-owned subsidiary of our Company
"WFOEs"	WFOE 1 and WFOE 2 collectively
"Year"	year ended 31 December 2019
"%"	per cent