



# 嘉宏教育

JH educational technology inc

## 2020 INTERIM 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





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# 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

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

### Audit committee

Mr. Fung Nam Shan (*Chairman*)  
Ms. Bi Hui  
Mr. Wang Yuqing

### Remuneration committee

Mr. Wang Yuqing (*Chairman*)  
Ms. Bi Hui  
Mr. Fung Nam Shan

### Nomination committee

Ms. Bi Hui (*Chairman*)  
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



## Corporate Information (Continued)

### 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

### 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](http://www.jheduchina.com)

### Stock code

1935

### Listing date

18 June 2019

# FINANCIAL INFORMATION HIGHLIGHT

## Selected Consolidated Statements of Profit or Loss Data

	Six Months ended 30 June		Percentage Change
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	
Revenue	<b>274,733</b>	254,829	+8%
Cost of sales	<b>(109,630)</b>	(107,353)	+2%
Gross profit	<b>165,103</b>	147,476	+12%
Other income and gains	<b>18,601</b>	18,179	+2%
Selling and distribution expenses	<b>(674)</b>	(2,857)	-76%
Administrative expenses	<b>(12,768)</b>	(27,738)	-54%
Other expenses	<b>(6,527)</b>	(952)	+586%
Finance costs	<b>(31)</b>	(2,615)	-99%
Profit before tax	<b>163,704</b>	131,493	+24%
Income tax expense	<b>(1,810)</b>	(2,769)	-35%
Profit for the period	<b>161,894</b>	128,724	+26%

## Selected Consolidated Statements of Financial Position Data

	30 June	31 December	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)	
Current assets	<b>756,538</b>	971,190	-22%
Current liabilities	<b>116,643</b>	398,545	-71%
Net current assets	<b>639,895</b>	572,645	+12%
Total non-current assets	<b>1,416,921</b>	1,426,940	-1%
Total equity	<b>2,042,416</b>	1,982,171	+3%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### Overview

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

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

### Changzheng College

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

The school has teaching buildings, experimental training buildings, a library, a gymnasium and student dormitories, among other school facilities. Changzheng College has 10 on-campus training bases, including training base for financial and accounting of small and micro enterprises, e-commerce training base, cross-border e-commerce training base, open training base for robot applications of small and medium enterprises, network information training base, comprehensive training base for service and management of medium, small and micro enterprises, applied linguistics training base, engineering management training base, public computer centers and multi-media technology centers and has approximately 120 on-campus practical training rooms. The school’s e-commerce vocational education training base has been supported financially by the PRC central government, whereas the financial accounting training base has been identified by the provincial government of Zhejiang as a model training base. Changzheng College currently has nine departments, including humanities, basic course teaching, construction engineering, ideological and political theory teaching, adult education, management, economics, computer and information technology and finance and accounting.

## Management Discussion and Analysis (Continued)

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

### *Zhengzhou College of Economics and Business*

Zhengzhou College of Economics and Business is a wholly-privately owned undergraduate college located in Zhengzhou, Henan province, China, which provides formal undergraduate education and junior college education. Its predecessor was Zhongyuan University of Technology College of Information and Business (“College of Information and Business”), which was recognized by the Ministry of Education of the PRC (中華人民共和國教育部) as an independent college in December 2003. It has been transformed, as approved by the relevant government authorities in June 2020, from an independent college to a wholly-privately owned undergraduate college and was renamed as Zhengzhou College of Economics and Business. It has been our joint venture school since November 2007 and our wholly-owned subsidiary since July 2018.

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

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



### *Jingyi Secondary School*

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

### *Our Teaching Staff*

We believe the quality of our teachers is one of the most vital factors affecting our educational quality and future growth and success. Before hiring each teacher, we usually consider his or her education background and/or performance in the interview. We prefer to recruit teachers who have the following characteristics: (i) have sufficient prior teaching experience or teaching track record; (ii) are dedicated to teaching and improving students' academic performance and practical skills; (iii) demonstrate strong command of their subject areas; (iv) can effectively implement tailored teaching methods; and (v) possess strong communication, language and interpersonal skills. We also prefer to recruit teachers who have master's degree or above, and for certain practical/vocational subjects, those that hold relevant professional and/or technical qualifications. As of 30 June 2020, approximately 99.3% of our teachers had a bachelor's degree or above, and approximately 67.7% had a master's degree or above.

### *Tuition Fees and Boarding Fees*

We typically charge our students fees comprising tuition fees and boarding fees. The school year for Changzheng College and Zhengzhou College of Economics and Business is generally from September of the current year to August of the following year, whereas the school year for Jingyi Secondary School is usually from August of the current year to July of the following year. In general, tuition fees and boarding fees for each school year are paid in advance prior to the start of each school year and we recognize revenue proportionately over the relevant period of the school program. A portion of the boarding fees of approximately RMB17.3 million were refunded to the students due to the postponement of school resumption as a result of the outbreak of the COVID-19 pandemic during the Period.

## Management Discussion and Analysis (Continued)

### Student Capacity and Utilization

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

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

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

### Average Tuition Fees and Average Boarding Fees

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

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

### Corona Virus Disease (COVID-19)

There was an outbreak of the Corona Virus Disease (COVID-19) across China in early 2020. Due to the COVID-19 outbreak, the Group has provided and completed its education services for the 2019/2020 fall semester by early January 2020. After the outbreak of COVID-19, the Group strictly accorded top priority to the personal safety and health of its teachers and students and comprehensively implemented the requirements under "level 1 response" to effectively prevent the spread of the pandemic into the campus. Closed-end management has been adopted for the campus and the time for students to return to school for the spring semester has been postponed. During the outbreak of the pandemic, the Group strengthened the tutoring for students and implemented the policy of suspension of classes but no suspension of learning. Teaching plans and management plans during this special period have been formulated scientifically by actively utilizing the "Internet+" model to launch remote educational and teaching activities or online learning programs. Innovative teaching methods have been used based on different grades and majors with systematically arranged daily online classes to guide learning activities of students at home. All of our teachers stepped up their efforts in launching and preparing online classes to facilitate teaching and remote academic

tutoring in an orderly manner. Quality of online teaching was ensured through monitoring. Upon evaluation, the Group considered that the outbreak of COVID-19 has had no material impact on the financial condition of the Group. All teaching goals have been completed on schedule. Tuition fees collected at the beginning of the academic year have been recognized as revenue through educational services during the Period; and boarding fees have been recognized as revenue based on the time during which the students stayed at school, with the portion of boarding fees in relation to the period that student have not yet returned to school being refunded to the students by our schools.

### Future Prospects

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

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

- We have constructed new buildings in the main campus of Zhengzhou College of Economics and Business by constructing three additional student dormitories and two new teaching buildings with an aggregate gross floor area of 27,000 sq. m. We expect that the student capacity of Zhengzhou College of Economics and Business will increase in 2020/2021 school year, and our revenues will increase accordingly.
- We have expanded the existing campus of Changzheng College in Hangzhou, Zhejiang province, by constructing new student dormitories, a student knowledge exchange center and canteens. The student capacity of Changzheng College will increase in 2020/2021 school year, and our revenues will increase accordingly.
- We plan to establish a new campus of Zhengzhou College of Economics and Business in Kaifeng, Henan province, that will primarily offer undergraduate courses. The estimated student capacity is approximately 15,000 students.
- We also plan to establish a new campus of Changzheng College. On 11 October 2016, we entered into a framework agreement with Hangzhou East River Industrial Cluster Management Committee (杭州大江東產業集聚區管委會), an independent third party, pursuant to which the parties agreed to establish a new campus of Changzheng College with an aggregate expected enrollment of not less than 5,000 students.

#### 2. *Acquisitions*

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

## Management Discussion and Analysis (Continued)

### 3. *Establish a new school overseas*

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

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

- The tuition fees and boarding fees we charge are significant factors affecting our profitability. The tuition fee rates for our schools are generally subject to the approval of the relevant government pricing authorities in the areas where we operate. Our Changzheng College has the discretion to set the tuition fee rates for students based on its operating costs. Changzheng College shall make appropriate filings with the Pricing Bureau of Zhejiang and the Zhejiang Department of Education for each tuition fee rate adjustment. Zhengzhou College of Economics and Business has the discretion to set the tuition fee rates within the statutory upper limits for new students, subject to the filings to be made with the pricing and educational authorities of Henan province. Due to the increase of our brand awareness and market recognition, we believe we are in a good position to further optimize our pricing without compromising our reputation and our ability to attract and retain students.

### Teacher-to-student Ratios

The teacher-to-student ratios of our 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 Zhengzhou College of Economics and Business did not fully meet the regulatory requirements of the teacher-to-student ratio during the Period. The teacher-to-student ratios of Changzheng College and Zhengzhou College of Economics and Business were 1:28.4 and 1:27.0 respectively. 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, we 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

Our Changzheng College and Zhengzhou College of Economics 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. 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. 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 six months ended 30 June 2020 (the "Reporting Period"), our 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. The teaching and administrative building area per student of Changzheng College and Zhengzhou College of Economics and Business were 8.6 square meter and 7.2 square meter respectively; and the site area per student of Changzheng College and Zhengzhou College of Economics and Business were 29.7 square meter and 28.2 square meter respectively.

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. However, the relevant legislations do not state any legal consequences for a breach of the monitoring index.

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

## Management Discussion and Analysis (Continued)

### Financial Review

#### Overview

##### *Revenue*

Our revenue increased by 8% from RMB254.8 million for the six months ended 30 June 2019 to RMB274.7 million for the six months ended 30 June 2020. This increase was primarily due to the increases of student enrollments and tuition fees regardless the refund of a portion of boarding fee to students for school postponement due to the outbreak of COVID-19 pandemic during the Period.

##### *Cost of Sales*

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

##### *Gross Profit*

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

##### *Other Income and Gains*

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

##### *Selling Expenses*

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

##### *Administrative Expenses*

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

##### *Other Expenses*

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

##### *Financing Costs*

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

## Management Discussion and Analysis (Continued)

### Profit before Tax

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

### Income Tax Expenses

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

### Profit for the Period

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

### Core Net Profit

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

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

## Management Discussion and Analysis (Continued)

### Finance and Liquidity Position

#### Net Current Assets

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

#### Indebtedness

The Group borrows loans from banks to supplement the working capital from time to time. The Group had no bank borrowings as at 30 June 2020. The Board confirmed that the Group did not experience any difficulties in obtaining bank loans, default on outstanding bank loan repayments or breach of covenants for the Period.

#### Contingent Liabilities and Guarantees

Save as disclosed above, as at 30 June 2020, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against the Group.

#### Foreign Exchange Exposure

Most of the Group's gains and losses are denominated in RMB. As at 30 June 2020, several bank balances were denominated in US Dollars or Hong Kong Dollars ("HK\$"). The Group currently does not have any foreign exchange hedging policy. The management will continue to monitor the Group's foreign exchange risk and consider adopting discreet measures as and when appropriate.

#### Charge on Group Assets

As at 30 June 2020, the Group did not have any charges on its assets.

#### Gearing Ratio

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

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

### Employee and Remuneration Policy

As at 30 June 2020, the Group had 1,629 employees. The total employee benefit expense (excluding directors' remuneration) for the six months ended 30 June 2020 amounted to approximately RMB55.5 million. Remuneration of the Group's employees is determined based on their performance and experience as well as prevailing industry practices, and all remuneration policies and packages are regularly reviewed. As required by PRC laws and regulations, the Group participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. We believe we maintained a good working relationship with our employees and did not experience any material labor disputes. Directors and the senior management can also buy options pursuant to the share option scheme adopted by the Company on 30 May 2019. The purpose of the scheme is to give the eligible persons an opportunity to have a personal stake in our Company and help motivate them to optimize their



future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. In addition, our Group offers comprehensive training to existing and new employees and/or funds employees to participate in various occupational training courses.

### Regulatory Update on 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.

### Structured Contracts

We currently conduct our private higher education and high school education businesses through our PRC operating schools in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions and high school education institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC operating schools. The structured contracts, through which we obtain control over and derive the economic benefits from our PRC operating schools, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We entered into the structured contracts for the existing PRC operating schools and expect to enter into structured contracts for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing structured contracts in all material aspects. On 28 August 2020, we terminated the existing structured contracts and entered into new structured contracts as (i) we have newly established Wenzhou Jia Xin Hao Educational Technology Co., Ltd. (溫州嘉信好教育科技有限公司) to replace Ningbo JX Educational

## Management Discussion and Analysis (Continued)

Technology INC (寧波嘉信教育科技有限責任公司) as WFOE 1 and Wenzhou Jia Yao Educational Technology Co., Ltd. (溫州嘉耀教育科技有限責任公司) to replace Ningbo XY Educational Technology INC (寧波新耀教育科技有限責任公司) as WFOE 2 for administrative reasons and (ii) the change of name of College of Information and Business to Zhengzhou College of Economics and Business due to the completion of transformation in June 2020. Except for the aforementioned replacement of WFOEs and change of name, all the terms and conditions between the existing structured contracts and entered into new structured contracts are identical. We did not encounter any interference or encumbrance from any governing bodies in our plan to adopt the structured contracts so that the financial results of the operation of JH Holdings Group and its subsidiaries, Changzheng College, Zhengzhou College of Economics and Business and Jingyi Secondary School can be consolidated into those of our Group, details of which are described in the section headed “Structured Contracts” in the Prospectus.

### *Plan to Comply with the Qualification Requirements*

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 advisers, 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 to be 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 advisers 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.

### **Significant Investments, Material Acquisition and Disposal**

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

### **Events After the Reporting Period**

There is no material events subsequent to 30 June 2020 which would materially affect the Group’s operating and financial performance as of the date of this interim report.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Compliance with the Code or Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and strengthen corporate value and accountability. The Company has adopted Appendix 14 Corporate Governance Code and Corporate Governance Report (the “Corporate Governance Code”) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The Company devotes to the best practices on corporate governance, and has complied with the code provisions of the Corporate Governance Code during the Reporting Period, except for the following deviation.

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

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

## Model Code for Securities Transactions

The Company has adopted Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules as a code of conduct regarding securities transactions by directors of the Company (the “Directors”). After making specific enquiries with all Directors, all Directors confirmed that they complied with the standards set out in the Model Code during the Reporting Period.

## Interim Dividend

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

## Audit Committee

The Board has established the Audit Committee, which consists of three independent non-executive Directors, namely Mr. Fung Nam Shan (Chairman), Ms. Bi Hui and Mr. Wang Yuqing. The primary responsibility of the Audit Committee is to review and supervise the financial reporting process and internal control of the Company.

The Audit Committee, together with the management, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020 and this interim report.

## Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

## Corporate Governance and Other Information (Continued)

### Use of Proceeds from the Initial Public Offering of the Company

The net proceeds from the Listing (net of underwriting fees and relevant expenses) amounted to approximately HK\$524 million (equivalent to RMB461 million). The Group is still in the process of identifying acquisition targets and in the process of planning to establish new campuses. The Group will make appropriate disclosures when there is any material progress. As at 30 June 2020, none of the net proceeds from the initial public offering have been utilised. The net proceeds will be applied in the following manners:

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

### Changes in Directors' or Chief Executives' Information

The Directors and the CEO confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As of 30 June 2020, 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 Part XV 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	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding (%)	Long position/ Short position
Mr. Chen Yuguo <sup>1</sup>	Interest in a controlled corporation	378,000,000	23.625	Long position
Mr. Chen Shu <sup>2</sup>	Interest in a controlled corporation	216,000,000	13.50	Long position
Mr. Chen Lingfeng <sup>3</sup>	Interest in a controlled corporation	216,000,000	13.50	Long position
Mr. Chen Yuchun <sup>4</sup>	Interest in a controlled corporation	120,000,000	7.50	Long position
Ms. Zhang Xuli <sup>5</sup>	Interest in a controlled corporation	120,000,000	7.50	Long position
Mr. Chen Nansun <sup>6</sup>	Interest in a controlled corporation	60,000,000	3.75	Long position

## Corporate Governance and Other Information (Continued)

### 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	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

Name	Name of associated corporation	Capacity/ Nature of interest	Registered capital (RMB)	Approximate percentage of shareholding (%)
Mr. Chen Yuguo	Jingyi Secondary School	Beneficial owner	450,000	45.00
Mr. Chen Yuchun	Jingyi Secondary School	Beneficial owner	150,000	15.00

## Corporate Governance and Other Information (Continued)

Save as disclosed above, as of 30 June 2020, 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 30 June 2020, 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 shareholding (%)	Long position/ Short position
Guo's Investment Holdings Limited <sup>1</sup>	Beneficial owner	378,000,000	23.625	Long position
Ms. Zhao Xiaoyan <sup>2</sup>	Spouse interest	378,000,000	23.625	Long position
Shu's Investment Holdings Limited <sup>3</sup>	Beneficial owner	216,000,000	13.50	Long position
Ms. Lin Yunru <sup>4</sup>	Spouse interest	216,000,000	13.50	Long position
Feng's Investment Holdings Limited <sup>5</sup>	Beneficial owner	216,000,000	13.50	Long position
Chun's Investment Holdings Limited <sup>6</sup>	Beneficial owner	120,000,000	7.50	Long position
Ms. Zheng Suilan <sup>7</sup>	Spouse interest	120,000,000	7.50	Long position
ZXL Investment Holdings Limited <sup>8</sup>	Beneficial owner	120,000,000	7.50	Long position
Mr. Chen Yutian <sup>9</sup>	Spouse interest	120,000,000	7.50	Long position
Cao's Investment Holdings Limited <sup>10</sup>	Beneficial owner	90,000,000	5.625	Long position
Mr. Chen Yucao <sup>10</sup>	Interest in a controlled corporation	90,000,000	5.625	Long position
Ms. Nan Luoqiu <sup>11</sup>	Spouse interest	90,000,000	5.625	Long position

## Corporate Governance and Other Information (Continued)

### 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

## Corporate Governance and Other Information (Continued)

### Long positions in Changzheng College

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Approximate percentage of shareholding of Changzheng College (%)</b>	<b>Long position/ Short position</b>
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) <sup>1</sup>	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 Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee.

Save as disclosed above, as of 30 June 2020, 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 interim 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. Details of the Share Option Scheme are set out in "Appendix V — Statutory and General Information" of the Prospectus. As of 30 June 2020, 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 during the Reporting Period.

By order of the Board

**Chen Yuguo**

*Chairman, Chief Executive Officer and Executive Director*

Zhejiang, the PRC, 28 August 2020



# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

## Unaudited Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2020

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

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	982,473	977,294
Right-of-use assets		296,183	300,589
Goodwill		110,995	110,995
Other intangible assets		8,332	10,556
Prepayments for purchases of property, plant and equipment		18,938	27,506
Total non-current assets		1,416,921	1,426,940
<b>CURRENT ASSETS</b>			
Trade receivables	10	332	890
Prepayments, deposits and other receivables		10,467	18,699
Other current assets		682	615
Time deposits		390,000	426,484
Cash and cash equivalents		355,057	524,502
Total current assets		756,538	971,190
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	11	103,186	103,945
Lease liabilities		957	1,040
Contract liabilities	4	6,821	290,419
Deferred income		3,017	1,846
Tax payable		2,662	1,295
Total current liabilities		116,643	398,545
<b>NET CURRENT ASSETS</b>		<b>639,895</b>	572,645
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,056,816</b>	1,999,585

## Unaudited Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2020

	Note	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		52	467
Deferred income		13,955	16,555
Other liabilities		393	392
Total non-current liabilities		14,400	17,414
Net assets		2,042,416	1,982,171
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	12	110,362	110,362
Reserves		1,559,315	1,532,679
		1,669,677	1,643,041
Non-controlling interests		372,739	339,130
Total equity		2,042,416	1,982,171

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent									Total equity RMB'000
	Share capital RMB'000 (note 12)	Share premium* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	
<b>At 1 January 2020 (audited)</b>	110,362	281,227	51,000	222,029	70,536	10,280	897,607	1,643,041	339,130	1,982,171
Profit for the period	—	—	—	—	—	—	128,285	128,285	33,609	161,894
Other comprehensive income for the period:										
Exchange differences on translation of financial statements	—	—	—	—	—	8,184	—	8,184	—	8,184
Total comprehensive income for the period	—	—	—	—	—	8,184	128,285	136,469	33,609	170,078
Final 2019 dividend declared	—	(109,833)	—	—	—	—	—	(109,833)	—	(109,833)
<b>At 30 June 2020 (unaudited)</b>	110,362	171,394	51,000	222,029	70,536	18,464	1,025,892	1,669,677	372,739	2,042,416

## Unaudited Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

	Attributable to owners of the parent									
	Share capital	Share premium*	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	RMB'000
	(note 12)									
<b>At 1 January 2019</b>										
<b>(audited)</b>	68	—	51,000	171,285	70,536	—	772,577	1,065,466	287,677	1,353,143
Profit for the period	—	—	—	—	—	—	98,570	98,570	30,154	128,724
Other comprehensive income for the period:										
Exchange differences on translation of financial statements	—	—	—	—	—	(258)	—	(258)	—	(258)
Total comprehensive income for the period	—	—	—	—	—	(258)	98,570	98,312	30,154	128,466
Capitalisation issue of shares	82,662	(82,662)	—	—	—	—	—	—	—	—
Issue of shares for the Initial Public Offering ("IPO")	27,577	500,411	—	—	—	—	—	527,988	—	527,988
Share issue expenses	—	(29,145)	—	—	—	—	—	(29,145)	—	(29,145)
<b>At 30 June 2019</b>										
<b>(unaudited)</b>	110,307	388,604	51,000	171,285	70,536	(258)	871,147	1,662,621	317,831	1,980,452

\* These reserve accounts comprise the consolidated reserves of RMB1,559,315,000 in the unaudited interim condensed consolidated statements of financial position as at 30 June 2020.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>163,704</b>	131,493
Adjustments for:			
Finance costs		<b>31</b>	2,615
Bank interest income	4	<b>(9,173)</b>	(3,266)
Loss on disposal of items of property, plant and equipment, net		<b>1</b>	—
Government grants released	5	<b>(8,025)</b>	(12,097)
Depreciation of property, plant and equipment	5	<b>21,205</b>	21,263
Depreciation of right-of-use assets	5	<b>4,419</b>	4,232
Amortisation of other intangible assets	5	<b>2,239</b>	3,560
Impairment of trade receivables	5	<b>219</b>	688
		<b>174,620</b>	148,488
(Increase)/decrease in other current assets		<b>(67)</b>	32
Decrease in trade receivables		<b>339</b>	513
Decrease in prepayments, deposits and other receivables		<b>7,464</b>	18,580
Decrease in other payables and accruals		<b>(3,992)</b>	(5,790)
Decrease in contract liabilities		<b>(283,598)</b>	(241,794)
Increase in government grants		<b>6,799</b>	10,740
Cash used in operations		<b>(98,435)</b>	(69,231)
Interest received		<b>9,065</b>	3,266
Income tax paid		<b>(443)</b>	(308)
<b>Net cash flows used in operating activities</b>		<b>(89,813)</b>	(66,273)

## Unaudited Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Net cash flows used in operating activities</b>	<b>(89,813)</b>	(66,273)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	<b>(13,910)</b>	(27,960)
Additions to other intangible assets	<b>(15)</b>	(82)
Decrease/(Increase) in time deposits with original maturity of three months or more when acquired	<b>36,484</b>	(213,535)
Repayment of amounts due from shareholders	—	3,884
<b>Net cash flows from/(used in) investing activities</b>	<b>22,559</b>	(237,693)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares on IPO	—	527,988
Share issue expenses	—	(25,631)
Repayment of amounts due to a shareholder	—	(516)
New bank loans	—	20,000
Principal portion of lease payments	<b>(498)</b>	(265)
Dividends paid	<b>(109,833)</b>	—
Dividends paid to the non-controlling shareholder of a subsidiary	—	(42,732)
Interest paid	<b>(31)</b>	(2,615)
<b>Net cash flows (used in)/from financing activities</b>	<b>(110,362)</b>	476,229
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(177,616)</b>	172,263
Cash and cash equivalents at beginning of period	<b>524,502</b>	172,872
Effect of foreign exchange rate changes, net	<b>8,171</b>	(258)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>355,057</b>	344,877
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>59,556</b>	49,103
Time deposits	<b>685,501</b>	793,645
Less:		
Time deposits with licenced banks with original maturity of more than three months when acquired	<b>390,000</b>	497,871
<b>Cash and cash equivalents as stated in the consolidated statements of cash flows</b>	<b>355,057</b>	344,877



# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 June 2017. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 June 2019.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of higher and secondary education services and the related management services in the People's Republic of China (the "PRC").

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

## 2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

### 2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the period ended 30 June 2020, no monthly lease payments for the leases of the Group's office have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The amendments did not have any impact on the financial position and performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

## 3. OPERATING SEGMENT INFORMATION

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

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

### Geographical information

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

### Information about major customers

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

## Notes to Unaudited Interim Condensed Consolidated Financial Statements (Continued)

### 4. REVENUE, OTHER INCOME AND GAINS

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

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

Notes:

- (i) During the periods, revenue from other education service mainly represents fees received for the provision of adult education services and training services to the students, which was amortised over the training periods of the services rendered.
- (ii) Government grants are related to government industry grants and subsidies received from local government for the purpose of compensating the operating expenses arising from the Group's teaching activities and expenditures on teaching facilities. There were no unfulfilled conditions or contingencies relating to these grants.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements (Continued)

### 4. REVENUE, OTHER INCOME AND GAINS (Continued)

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 30 June 2020 and 31 December 2019 and will be expected to be recognised within one year:

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

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

### 5. PROFIT BEFORE TAX

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

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

## 6. INCOME TAX

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

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

JH Education Technology HK Limited and JH Investment (Hong Kong) Limited, the subsidiaries incorporated in Hong Kong, are subject to income tax at the rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the period and up to the date of this report, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, Zhengzhou College of Economics and Business, Changzheng College and Jingyi Secondary School did not pay corporate income tax for the income from the provision of formal educational services and had enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised by Zhengzhou College of Economics and Business, Changzheng College and Jingyi Secondary School for the income from the provision of formal educational services during the period.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements (Continued)

### 6. 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 Zhengzhou College of Economics and Business, Changzheng College and Jingyi Secondary School, all of the Group's subsidiaries established in the PRC were subject to corporate income tax at a rate of 25% during the period.

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current — Mainland China Charge for the period	1,810	2,769

### 7. DIVIDENDS

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

Note:

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

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

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of RMB128,285,000 (six months ended 30 June 2019: RMB98,570,000), and the weighted average number of ordinary shares of 1,600,830,000 in issue during the period (six months ended 30 June 2019: 1,228,729,282 ordinary shares, as adjusted to reflect the Share Split and Capitalisation Issue as set out below).

As of 1 January 2018, the Company had 10,000 ordinary shares in issue.

On 30 May 2019, the authorised share capital of the Company was subdivided from US\$50,000 divided into 50,000 shares of US\$1.00 each to US\$50,000 divided into 5,000,000 shares of US\$0.01 each and the authorized share capital of the Company was increased from US\$50,000 divided into 5,000,000 shares of US\$0.01 each to US\$300,000,000 divided into 30,000,000,000 shares of US\$0.01 each. Therefore, the number of ordinary shares in issue became 1,000,000 (the "Share Split") (note 12).

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 12).

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 12).

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the six months ended 30 June 2019 was based on 10,000 ordinary share of the Company issued as of 1 January 2018, 990,000 ordinary shares of the Company issued under the Share Split and 1,199,000,000 ordinary shares of the Company issued under the Capitalisation Issue, as if these additional shares issued under the Share Split and Capitalisation Issue had been completed throughout the six months ended 30 June 2019.

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



## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

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

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

	Number of shares Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Shares		
Number of issued shares on 1 January	1,600,830,000	10,000
Effect of Share Split on 30 May 2019	—	990,000
Effect of Capitalisation Issue on 18 June 2019	—	1,199,000,000
Effect of the IPO (excluding shares issued under the over-allotment option) on 18 June 2019	—	28,729,282
Weighted average number of ordinary shares in issue during the period for the purpose of the basic earnings per share calculation	1,600,830,000	1,228,729,282
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted	RMB0.0801	RMB0.0802

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB26,383,000 (six months ended 30 June 2019: RMB18,780,000) as additions to property, plant and equipment, including construction in progress of RMB22,652,000 (six months ended 30 June 2019: RMB13,295,000).

Assets with a net book value of RMB1,000 were disposed of by the Group during the six months ended 30 June 2020 (30 June 2019: nil), resulting in a net loss on disposal of RMB1,000 (30 June 2019: nil).

**10. TRADE RECEIVABLES**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Tuition and boarding fees receivables	<b>2,470</b>	2,809
Impairment	<b>(2,138)</b>	(1,919)
	<b>332</b>	890

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 period, based on the transaction date and net of provisions, is as follows:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Within 1 year	<b>237</b>	481
1 to 2 years	<b>27</b>	336
2 to 3 years	<b>68</b>	53
More than 3 years	<b>—</b>	20
	<b>332</b>	890

## 11. OTHER PAYABLES AND ACCRUALS

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

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

## 12. SHARE CAPITAL

Shares

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Authorised:		
30,000,000,000 ordinary shares of US\$0.01 each as at 30 June 2020 and 31 December 2019	2,069,700	2,069,700
Issued and fully paid:		
1,600,830,000 ordinary shares as at 30 June 2020 and 31 December 2019	110,362	110,362

## 12. SHARE CAPITAL (Continued)

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 30 June 2020 and 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.

### 13. OPERATING LEASE ARRANGEMENTS

#### As lessor

The Group leases certain of its buildings units under operating lease arrangements. Leases for buildings were negotiated for terms of one to ten years. As at the end of the year/period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Within one year	<b>384</b>	1,775
After one year but within five years	<b>100</b>	379
	<b>484</b>	2,154

### 14. COMMITMENTS

The Group had the following capital commitments at the end of the year/period:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
<b>Contracted, but not provided for:</b>		
Buildings	<b>2,254</b>	10,000
Furniture, fixtures and others	<b>5,623</b>	—
Donation	<b>1,000</b>	6,000
	Note	
Total	<b>8,877</b>	16,000

Note:

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. Donation of RMB5,000,000 was recognised during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

## Notes to Unaudited Interim Condensed Consolidated Financial Statements (Continued)

### 15. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	2,151	1,752
Pension contributions	178	168
Total compensation paid to key management personnel	2,329	1,920

### 16. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, there was no other significant events took place subsequent to 30 June 2020 and up to the date of approval of these financial statements.

### 17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2020.