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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

	Year ended		Change	Percentage
	2021	2020		
	RMB'000	RMB'000	RMB'000	Change
Revenue	684,596	561,314	+123,282	+22%
Gross profit	420,677	334,334	+86,343	+26%
Profit for the year	408,970	325,598	+83,372	+26%
Profit attributable to owners of the Company	326,036	265,932	+60,104	+23%
Core net profit^(Note)	415,016	331,760	+83,256	+25%

Note: Core net profit is defined as the profit for the year of the Group after adjusting for those items which are not indicative of the Group's operating performance. This is not an International Financial Reporting Standards measure. For details of the reconciliation of the profit for the year to the core net profit of the Group, please refer to the section headed "Financial Review" in this announcement.

The board of directors (the "**Board**") of JH Educational Technology INC. (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Year**"), together with the comparative figures for the year ended 31 December 2020. The annual consolidated financial results for the Year has been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	4	684,596	561,314
Cost of sales		<u>(263,919)</u>	<u>(226,980)</u>
Gross profit		<u>420,677</u>	<u>334,334</u>
Other income and gains	4	47,357	40,433
Selling and distribution expenses		(7,906)	(5,934)
Administrative expenses		(41,010)	(33,790)
Other expenses		(9,366)	(7,657)
Finance costs	6	<u>(18)</u>	<u>(49)</u>
PROFIT BEFORE TAX	5	409,734	327,337
Income tax expense	7	<u>(764)</u>	<u>(1,739)</u>
PROFIT FOR THE YEAR		<u>408,970</u>	<u>325,598</u>

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

Year ended 31 December 2021

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>(8)</u>	<u>(23)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u>(8)</u>	<u>(23)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>(5,477)</u>	<u>(15,396)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u>(5,477)</u>	<u>(15,396)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR		<u>(5,485)</u>	<u>(15,419)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>403,485</u></u>	<u><u>310,179</u></u>
Profit attributable to:			
Owners of the parent		326,036	265,932
Non-controlling interests		<u>82,934</u>	<u>59,666</u>
		<u>408,970</u>	<u>325,598</u>
Total comprehensive income attributable to:			
Owners of the parent		320,551	250,513
Non-controlling interests		<u>82,934</u>	<u>59,666</u>
		<u>403,485</u>	<u>310,179</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9		
Basic and diluted			
— For profit for the year		<u>RMB20.37 cents</u>	<u>RMB16.61 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,301,091	1,049,928
Right-of-use assets		283,858	291,734
Goodwill		110,995	110,995
Other intangible assets		10,892	9,230
Prepayments for purchase of property, plant and equipment		22,748	23,256
		<hr/>	<hr/>
Total non-current assets		1,729,584	1,485,143
		<hr/> <hr/>	<hr/> <hr/>
CURRENT ASSETS			
Trade receivables	<i>10</i>	606	1,190
Prepayments, deposits and other receivables		6,089	9,456
Other current assets		980	654
Financial asset at fair value through profit or loss		50,189	—
Cash and cash equivalents		1,227,318	1,149,627
		<hr/>	<hr/>
Total current assets		1,285,182	1,160,927
		<hr/> <hr/>	<hr/> <hr/>
CURRENT LIABILITIES			
Other payables and accruals	<i>11</i>	166,832	113,524
Lease liabilities		373	451
Contract liabilities	<i>4</i>	380,290	323,998
Deferred income		3,925	2,761
Tax payable		2,697	2,591
		<hr/>	<hr/>
Total current liabilities		554,117	443,325
		<hr/> <hr/>	<hr/> <hr/>
NET CURRENT ASSETS		731,065	717,602
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,460,649	2,202,745
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	195	—
Deferred income	23,327	19,729
Other liabilities	729	499
	<hr/>	<hr/>
Total non-current liabilities	24,251	20,228
	<hr/>	<hr/>
Net assets	2,436,398	2,182,517
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	110,362	110,362
Reserves	1,844,306	1,673,359
	<hr/>	<hr/>
	1,954,668	1,783,721
	<hr/>	<hr/>
Non-controlling interests	481,730	398,796
	<hr/>	<hr/>
Total equity	2,436,398	2,182,517
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

1. Corporate and Group Information

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

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and interpretations) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS4 and IFRS16

Interest Rate Benchmark Reform — Phase 2

Amendment to IFRS 16

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

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3. Operating Segment Information

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

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

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted to 10% or more of total revenue of the Group during the Year (2020: Nil).

4. Revenue, Other Income and Gains

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

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Revenue			
Tuition fees		611,000	520,204
Boarding fees		53,877	28,824
Other education service fees	(i)	19,719	12,286
		<hr/>	<hr/>
Total revenue from contracts with customers		684,596	561,314
		<hr/> <hr/>	<hr/> <hr/>
Other income and gains			
Bank interest income		26,050	17,629
Other interest income		915	—
Rental income		8,028	4,649
Government grants	(ii)		
— related to expenses		6,769	15,074
— related to assets		3,337	2,253
Gains on foreign exchange differences		786	—
Donation income		215	—
Fair value gain on financial asset at fair value through profit or loss		189	—
Others		1,068	828
		<hr/>	<hr/>
		47,357	40,433
		<hr/> <hr/>	<hr/> <hr/>

Notes:

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

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 December 2021 and 2020 and are expected to be recognised as revenue within one year:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Tuition fees	343,527	290,412
Boarding fees	36,763	32,449
Other education service fees	—	1,137
	<hr/>	<hr/>
Total contract liabilities	<u>380,290</u>	<u>323,998</u>

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

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

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	323,998	290,419
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(323,998)	(290,419)
Increases due to cash received, excluding amounts recognised as revenue during the year	380,290	323,998
	<hr/>	<hr/>
At the end of the year	<u>380,290</u>	<u>323,998</u>

5. Profit Before Tax

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

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		139,756	116,286
Pension scheme contributions (defined contribution scheme)		25,335	7,280
Other welfare expenses		3,115	3,537
		168,206	127,103
Cost of services provided*		263,919	226,980
Depreciation of property, plant and equipment		47,687	43,257
Depreciation of right-of-use assets		8,542	8,855
Amortisation of other intangible assets		2,709	4,508
Impairment of trade receivables**		134	194
Impairment of prepayments for purchase of property, plant and equipment**		6,009	—
Bank interest income	4	(26,050)	(17,629)
Other interest income	4	(915)	—
Fair value gain on financial asset at fair value through profit or loss	4	(189)	—
Government grants			
— related to expenses	4	(6,769)	(15,074)
— related to assets	4	(3,337)	(2,253)
Loss on disposal of items of property, plant and equipment**		2,308	157
Auditor's remuneration		2,080	2,000
Foreign exchange differences, net		(786)	1,168

* The staff costs of RMB148,217,000 (2020: RMB112,768,000 and the depreciation and amortisation of RMB52,804,000 (2020: RMB51,196,000) were included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. Finance Costs

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on lease liabilities	<u>18</u>	<u>49</u>

7. Income Tax

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current — Mainland China		
Charge for the year	764	1,306
Under-provision in prior years	<u>—</u>	<u>433</u>
Total tax charge for the year	<u>764</u>	<u>1,739</u>

8. Dividends

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend declared and paid	66,490	30,753
Special dividend declared and paid	<u>83,114</u>	<u>79,080</u>
	<u>149,604</u>	<u>109,833</u>

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

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

No final dividend or special dividend was proposed for the year ended 31 December 2021.

No interim dividend was proposed for the years ended 31 December 2021 and 2020.

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB326,036,000 (2020: RMB265,932,000), and the weighted average number of 1,600,830,000 ordinary shares in issue during the years ended 31 December 2021 and 2020.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic earnings per share is based on:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>326,036</u>	<u>265,932</u>
	Number of shares	
	2021	2020
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,600,830,000</u>	<u>1,600,830,000</u>
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted	<u>RMB20.37 cents</u>	<u>RMB16.61 cents</u>

10. Trade Receivables

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Tuition and boarding fees receivables	2,853	3,303
Impairment	<u>(2,247)</u>	<u>(2,113)</u>
	<u>606</u>	<u>1,190</u>

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. Trade receivables represent amounts due from students whose families were in financial difficulties. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables are related to a number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and repayable on demand.

An ageing analysis of the trade receivables as at the end of the year, based on the transaction date and net of provisions, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	537	1,037
1 to 2 years	49	86
2 to 3 years	15	67
More than 3 years	5	—
	606	1,190

11. Other Payables and Accruals

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Payables for salaries and welfares	33,861	33,124
Miscellaneous advances received from students	32,628	19,551
Other tax payables	10,194	9,324
Receipt on behalf of ancillary service providers	13,894	8,987
Payables for purchase of property, plant and equipment	26,163	5,274
Payables for textbooks	4,433	2,506
Payables for accommodation service	3,511	3,681
Payables for north campus co-operation costs to Zhongyuan University of Technology	13,241	3,007
Other payables	28,907	28,070
	166,832	113,524

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

We are the largest private provider of formal higher education in Zhejiang province and we are also one of the leading private higher education institutions in Henan province. In addition to offering higher education services, we provide secondary education services for high school students in Zhejiang province.

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

Our major business operations are located in Zhejiang province and Henan province. Our two higher education institutions are located in Hangzhou and Zhengzhou, which are the provincial capital cities of Zhejiang province and Henan province, respectively. Zhejiang province is one of the most economically active provinces in China. It attaches great importance to education and its thriving economy is the main driving force for the private higher education market. The economy in Henan province is developing rapidly at a higher growth rate than the average in China and Henan province’s total revenue of private higher education is continuously growing noticeably. However, Henan province’s higher education enrollment rate significantly lags behind the country’s average level and demand for higher education is expected to continue to increase. The employment rates for graduates from our two higher education institutions have been consistently higher than those of similar colleges in their respective provinces.

Changzheng College

Changzheng College is a junior college located in Hangzhou, Zhejiang province, the PRC, which provides formal junior college education. Changzheng College’s educational philosophy is “to maintain teaching quality, to improve management system, to distinguish with unique characteristics, and to empower by talent” (品質立校、制度治校、特色興校、人才強校). Its educational goal is to build a high level private higher education institution. The school has teaching buildings, experimental training buildings, a library, a gymnasium and student dormitories, among other school facilities. The 2021 admission program of Changzheng College ranked No. 1 among student enrollment programs of private junior colleges in Zhejiang province.

Distinctive majors

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

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

Training bases

Changzheng College has seven on-campus training bases, including training base for financial and accounting of small and micro enterprises, e-commerce training base, cross-border e-commerce training base, open training base for robot applications of small and medium enterprises, network information training base, comprehensive training base for service and management of medium, small and micro enterprises, applied linguistics training base, engineering management training base, public computer centers and multi-media technology centers and has approximately 133 on-campus practical training rooms.

College-enterprise co-operation

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

- established off-campus practice and training bases with 328 enterprises, public institutions and associations including Alibaba, Zhejiang Geely Holding Group Co., Ltd., Zhejiang Sanjian Construction Group Co., Ltd., Guosen Securities Co., Ltd., Hangzhou Hanggang Metro Co., Ltd., Zhejiang SF Express Co., Ltd. and Zhejiang Merchants Museum, etc;

- cooperated with 14 enterprises including Hangzhou Cross-border E-commerce Industrial Park and Alibaba Haibo, etc in training modern talents with apprenticeship;
- worked with Dajiangdong Industrial Cluster in training skilled talents in industrial robot technology and automotive electronics application technology; and
- cooperated with Dream Town affiliated enterprises in training innovative and entrepreneurial talents.

The school is among the second batch of modern apprenticeship pilot units in Zhejiang province and a vice chairman unit of the Geely Automobile Smart Manufacturing Industry-Education Integration Alliance. In addition, Hangzhou Jiande (West Zhejiang) Cross-border E-commerce Industrial Park has become a “cross-border e-commerce talent training model park of Zhejiang Changzheng Vocational & Technical College”. For the 2020/2021 school year, the initial employment rate of the graduating students of Changzheng College was approximately 98.68%.

College of Economics and Business

College of Economics and Business is a wholly-privately owned undergraduate college located in Zhengzhou, Henan province, the PRC, which provides formal undergraduate education and junior college education. Its predecessor was Zhongyuan University of Technology College of Information and Business (中原工學院信息商務學院), which was recognized by the Ministry of Education of the PRC (中華人民共和國教育部) as an independent college in December 2003. It has been transformed, as approved by the Ministry of Education of the PRC in June 2020, from an independent college to a wholly-privately owned undergraduate college and was renamed as Zhengzhou College of Economics and Business (鄭州經貿學院). It has been our joint venture school since November 2007 and our wholly-owned subsidiary since July 2018. The educational philosophy of College of Economics and Business is “to focus on service as the principle and employment as the guidance, use special characteristics to create brand and quality to seek development” (以服務為宗旨，以就業為導向，以特色創品牌，以品質謀發展). College of Economics and Business has teaching buildings, administrative buildings, experimental training buildings, a library, gymnasiums, indoor and outdoor sports facilities and student dormitories, among other school facilities. The 2021 undergraduate admission program (excluding undergraduate-oriented junior college program) of College of Economics and Business ranked No. 7 among the undergraduate enrollment programs of private undergraduate colleges in Henan province.

Distinctive disciplines and majors

The disciplines of College of Economics and Business cover six key subject areas, comprising management, economics, engineering, arts, literature and law. It has 12 faculties and one department, covering 46 majors in the undergraduate program (including accounting, mechanical design, manufacturing and automation, architecture and computer and technology) and 25 majors in the junior college program (including big data and accounting, project costing, computer application technology, and fashion and apparel design). Among the disciplines and majors offered by College of Economics and Business, there are:

- three provincial level key development disciplines (mechanical design, manufacturing and automation, control theory and control engineering, and business management);

- five provincial first-class majors (financial management, fashion and apparel design, computer science and technology, accounting and marketing);
- two provincial level experiential education and demonstration centers (integrated experiential education center for fashion and textile design, and experiential education center for economic management);
- two modelling established majors of virtual simulation experiential education in Henan province (virtual simulation experiment of fashion and textile design, and virtual simulation experiment of enterprise investment and financing decision-making);
- nine provincial private higher education branded majors (building environment and energy application engineering, fashion and apparel design, marketing, electrical engineering and automation, accounting, financial management, international economics and trade, e-commerce, and broadcasting and television); and
- four pilot majors under the provincial comprehensive major reform (accounting, information management and information system, fashion and apparel design and English).

College-enterprise co-operation

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

- established college-government-enterprise cooperation with Shanghai Minhang District Investment Promotion Service Center, Hangzhou Lin'an District Bureau of Commerce and the Human Resources and Social Security Bureau of Kunshan Economic and Technological Development Zone;
- set up high-quality off-campus practice bases with over 200 enterprises including Xinzheng International Airport, Henan Xiangrong Media Group Co., Ltd., YTO Group Corporation, China (Hangzhou) Cross-border E-commerce Comprehensive Pilot Zone (Lin'an Park), ABDAS Space Information Technology Co., Ltd., Beijing Ocean Airlines Service Co., Ltd., Dongguan Yishion Group Co., Ltd. and Sichuan Yixin Industrial Co., Ltd., etc; and
- co-operated with enterprises to offer more than 20 experimental classes with integration of industry and education and collaborative education by college and enterprises including "Cross-border E-commerce", "Fund Manager", "Muyuan Group", "Fengrun Group" and "Handian Group".

College of Economics and Business also introduced a number of enterprises to carry out practical training in the campus. It continued to explore the construction of industrial schools and comprehensively promoted college-enterprise cooperation in order to improve the development level of application-based majors and strengthen its application-based talent training quality and the competitiveness of its students in employment. For the 2020/2021 school year, the initial employment rate of the graduating students of College of Economics and Business was approximately 93.80%.

Jingyi Secondary School

Yueqing Jingyi Secondary School (“**Jingyi Secondary School**”) is located in Wenzhou, Zhejiang province, the PRC, and mainly focuses on providing non-compulsory private education for high school students. The school’s educational goals are to “teach students to learn, to be human, to be happy, and to help them get into the ideal college” (教會學生學習，教會學生做人，教會學生快樂，讓學生考上自己理想的大學). Jingyi Secondary School has teaching buildings, a science and technology building, an administrative building, canteens and student dormitories. It also has numerous sporting facilities, such as outdoor track and field, to encourage students to participate in physical activities in order to improve their health. To further stimulate students’ interest in learning and to create a conducive educational environment, Jingyi Secondary School has numerous multimedia rooms, laboratories and computer rooms, to provide students with visual, audio and hands-on practical training. The core curriculum is generally designed with reference to the ordinary high school curricular standards formulated by the Zhejiang education authorities. In accordance with the curriculum requirements of the Zhejiang Department of Education, Jingyi Secondary School currently offers 13 main courses in Chinese, mathematics, English (while a small number of students study 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 courses that are part of Zhejiang academic proficiency examinations. Chinese, mathematics and English are required subjects in Gaokao while 3 of the 7 courses in technology, politics, history, geography, physics, chemistry and biology are elective courses in Gaokao.

Our Teaching Staff

We believe the quality of our teachers is one of the most vital factors affecting our educational quality and future growth and success. Before hiring each teacher, we usually consider his or her education background and/or performance in the interview. We prefer to recruit teachers who have the following characteristics: (i) have sufficient prior teaching experience or teaching track record; (ii) are dedicated to teaching and improving students’ academic performance and practical skills; (iii) demonstrate strong command of their subject areas; (iv) can effectively implement tailored teaching methods; and (v) possess strong communication, language and interpersonal skills. We also prefer to recruit teachers who have master’s degree or above, and for certain practical/vocational subjects, those that hold relevant professional and/or technical qualifications. As of 31 December 2021, approximately 98.5% of our teachers had a bachelor’s degree or above, and approximately 70.4% had a master’s degree or above.

Tuition Fees and Boarding Fees

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

Number of Students

School name	As at 31 December	
	2021	2020
College of Economics and Business	27,881	24,147
Changzheng College	16,428	13,542
Jingyi Secondary School ^(Note)	1,197	1,107
Total	45,506	38,796

Average Tuition Fees and Average Boarding Fees

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

School name	For the year ended 31 December			
	Average tuition fees		Average boarding fees	
	2021	2020	2021	2020
	(RMB)	(RMB)	(RMB)	(RMB)
College of Economics and Business	14,492	13,982	1,148	549
Changzheng College	14,880	14,633	1,699	1,273
Jingyi Secondary School ^(Note)	18,649	15,955	740	479

Note: Jingyi Secondary School included training programs for students whose student status were not registered with school. The programs have been provided by Yueqing Jiayan Educational Technology Co., Ltd. (formerly known as Yueqing Jiaxin Education and Training Center Company Limited) since 2019/2020 school year.

Future Prospects

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

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

- We completed the expansion of the campus of College of Economics and Business in 2021 by constructing new buildings in the main campus including seven additional student dormitories and one canteen building with an aggregate gross floor area of approximately 65,685 sq.m.. Following the beginning of the school year in September 2021, the total student capacity of College of Economics and Business has increased to 29,688 students.
- We plan to expand the campus of Changzheng College by constructing new training buildings, dormitory buildings and administrative office space with an aggregate gross floor area of approximately 57,102 sq.m., which will increase the student capacity by approximately 5,000 students.
- We plan to establish a new campus of College of Economics and Business in Kaifeng, Henan province, that will primarily offer undergraduate courses. The estimated student capacity is approximately 15,000 students.
- We also plan to establish a new campus of 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 have relatively low utilization rates and/or have substantial growth potential in the PRC. We prefer to acquire the schools including but not limited to for-profit private schools in central China, eastern China and southern China.

3. *Establish a new school overseas*

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

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

- The tuition fees and boarding fees we charge are main factors affecting our profitability. We believe we are in a good position to further optimize our pricing without compromising our reputation and our ability to attract and retain students.

Financial Review

Overview

Revenue

Our revenue increased by 22% from RMB561.3 million for the year ended 31 December 2020 to RMB684.6 million for the Year. This increase was primarily due to (i) the increase in tuition fee income of RMB90.8 million as a result of the increase in enrollment quota as the Group expanded its existing school campuses of College of Economics and Business and Changzheng College in 2020 and 2021; and (ii) the increase in boarding fee income of RMB25.1 million which was mainly due to the increase in enrollment quota for the Year. Besides, the Group recorded a lower boarding income during the year ended 31 December 2020 since a portion of boarding fees was refunded to the students in 2020 due to the outbreak of the COVID-19 pandemic.

Cost of Sales

Cost of sales increased by approximately RMB36.9 million from RMB227.0 million for the year ended 31 December 2020 to RMB263.9 million for the Year, mainly due to the increase in staff costs of RMB35.4 million included in cost of sales and the increase in other expenses, including utilities, maintenance costs, student activities costs, student grant and depreciation and amortisation, of approximately RMB12.7 million. However, such increase was partially offset by the decrease in school co-operating cost of approximately RMB12.2 million.

Gross Profit

Gross profit increased by 26% from RMB334.3 million for the year ended 31 December 2020 to RMB420.7 million for the Year, mainly due to the increase in revenue.

Other Income and Gains

Other income and gains increased by approximately RMB7.0 million from RMB40.4 million for the year ended 31 December 2020 to RMB47.4 million for the Year, mainly due to the increase in interest income, rental and other income amounting to RMB14.1 million, which was partially offset by the decrease in government grant of RMB7.2 million.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB2.0 million from RMB5.9 million for the year ended 31 December 2020 to RMB7.9 million for the Year, mainly due to lower promotion and student enrollment expenses for the year ended 31 December 2020 because of the outbreak of COVID-19 pandemic in 2020.

Administrative Expenses

Administrative expenses increased by RMB7.2 million from RMB33.8 million for the year ended 31 December 2020 to RMB41.0 million for the Year. The increase was mainly due to the increase in staff costs of approximately RMB6.3 million included in administrative expenses for the Year.

Finance Costs

Finance costs decreased from RMB49,000 for the year ended 31 December 2020 to RMB18,000 for the Year. The decrease in finance costs for the Year was mainly due to the decrease in the interest on lease liabilities.

Profit before Tax

As a result of the foregoing, profit before tax for the Year was approximately RMB409.7 million, representing an increase of 25% compared to that for the year ended 31 December 2020.

Income Tax Expense

Income tax expense decreased from RMB1.7 million for the year ended 31 December 2020 to RMB0.8 million for the Year, primarily due to tax adjustment made for the year ended 31 December 2020, while no similar adjustment was made during the Year.

Profit for the Year

As a result of the foregoing, the Group recorded a profit of approximately RMB409.0 million for the Year, representing an increase of approximately 26% from the profit for the year ended 31 December 2020 of approximately RMB325.6 million.

Profit Attributable to Owners of the Company

For the Year, profit attributable to owners of the Company amounted to approximately RMB326.0 million, representing an increase of approximately 23% compared to that of the year ended 31 December 2020.

Core Net Profit

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

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the year	408,970	325,598
Less:		
Exchange gain	786	—
Government industry grants	—	10,184
Add:		
Amortisation of fixed assets and intangible assets arising from the acquisition of College of Economics and Business	6,832	9,178
Donations	—	6,000
Exchange loss	—	1,168
Core net profit	<u>415,016</u>	<u>331,760</u>

Finance and Liquidity Position

Net Current Assets

As at 31 December 2021, net current assets amounted to approximately RMB731.1 million (31 December 2020: RMB717.6 million). The increase in net current assets was mainly due to an increase in bank balances of approximately RMB77.7 million and the increase in financial asset at fair value through profit or loss of approximately RMB50.2 million, which is partially offset by the increase in contract liabilities of approximately RMB56.3 million as a result of the increase in prepaid tuition fees and boarding fees due to the increase in the number of student enrollments, as well as the increase in other payables of approximately RMB53.3 million.

Liquidity and Capital Resources

The Group had cash and cash equivalents of RMB1,227.3 million as at 31 December 2021 (31 December 2020: RMB1,149.6 million). Cash and cash equivalents increased by RMB77.7 million during the Year mainly caused by the (i) cash inflows from operating activities amounting to approximately RMB522.3 million; (ii) expenditures in fixed asset additions in respect of campus expansion amounting to approximately RMB285.7 million; and (iii) the payment of dividends of RMB149.6 million. The Group's use of cash is primarily related to operating activities and capital expenditure. The Group finances its operations mainly through cash flows generated from operations.

The Group had no bank borrowings during the years ended 31 December 2021 and 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 during the Year.

Contingent Liabilities and Guarantees

As at 31 December 2021 and 2020, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against the Group.

Foreign Exchange Exposure

Most of the Group's gains and losses are denominated in RMB. As at 31 December 2021, certain bank balances were denominated in US Dollars or Hong Kong Dollars ("HK\$"). The Group currently does not have any foreign exchange hedging policy. The management will continue to monitor the Group's foreign exchange risk and consider adopting discreet measures as and when appropriate.

Charge on Group Assets

As at 31 December 2021 and 2020, the Group did not have any charges on its assets.

Gearing Ratio

There was no gearing ratio as at 31 December 2021 and 2020 as the Group had no bank loan and other borrowings.

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

Employee and Remuneration Policy

As at 31 December 2021, the Group had 1,970 employees. The total employee benefit expense (excluding directors' remuneration) for the Year amounted to approximately RMB168.2 million. Remuneration of the Group's employees is determined based on their performance and experience as well as prevailing industry practices, and all remuneration policies and packages are regularly reviewed. As required by PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. We believe we maintained a good working relationship with our employees and did not experience any material labor disputes. Directors and the senior management can also receive options pursuant to the share option scheme adopted by the Company on 30 May 2019. The purpose of the scheme is to give the eligible persons an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going cooperative relationship with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. In addition, our Group offers comprehensive training to existing and new employees and/or funds employees to participate in various occupational training courses.

Significant Investments, Material Acquisition and Disposal

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

Event after the Reporting Period

On 12 January 2022, College of Economics and Business entered into agreements with Binzhou Yilingyi Properties Co., Ltd., a deemed connected person of the Company, to acquire its properties with an aggregate cash consideration of RMB118.8 million. Further details of such acquisition are disclosed in the Company's announcements dated 12 January 2022 and 19 January 2022.

OTHER INFORMATION

Compliance with the Code of Corporate Governance

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

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

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, the roles of chairman of the Board (the “**Chairman**”) and chief executive officer (the “**CEO**”) should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing.

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

Model Code for Securities Transactions

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

Final Dividend and Special Final Dividend

The Board did not recommend the payment of any final or special final dividend for the Year.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (both days inclusive), for the purpose of determining the entitlement to attend and vote at the AGM scheduled to be held on Friday, 27 May 2022. The record date will be Friday, 27 May 2022. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 23 May 2022.

Audit Committee

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

The Audit Committee, together with the management, has reviewed the annual consolidated financial results of the Group for the Year and this annual results announcement.

Scope of Work of Ernst & Young

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

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

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

Use of Proceeds from the Listing

The shares of the Company were listed on the Stock Exchange on 18 June 2019, and the over-allotment option was partially exercised on 11 July 2019. The net proceeds from the initial public offering were approximately HK\$524 million (equivalent to approximately RMB461 million) after deducting the underwriting commission and other offering expenses from the Listing.

For the Year, the Company has applied the net proceeds from the Global Offering as follows:

Use of Proceeds	% of the Net Proceeds	Proceeds Allocated <i>(RMB million)</i>	Amount Utilized <i>(RMB million)</i>	Unutilized Balance <i>(RMB million)</i>	Expected Time of Full Utilization of Unutilized Balance
— Expansion of our school network, through the acquisition of other schools	50%	231	—	231	31 December 2024
— Expansion of our business, including establishing new campuses of College of Economics and Business and Changzheng College	40%	184	—	184	31 December 2024
— Working capital and general corporate purposes	10%	46	46	—	—
Total	<u>100%</u>	<u>461</u>	<u>46</u>	<u>415</u>	

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

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we have deposited the proceeds into interest-bearing bank accounts with licensed commercial banks and/or authorized financial institutions in Hong Kong.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.jheduchina.com, respectively. The annual report of the Company for the Year containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
JH Educational Technology INC.
Chen Yuguo

Chairman, Chief Executive Officer and Executive Director

Zhejiang, the PRC

31 March 2022

As at the date of this announcement, the executive Directors are Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Shu, Mr. Chen Nansun and Mr. Chen Lingfeng; the non-executive Director is Ms. Zhang Xuli; and the independent non-executive Directors are Ms. Bi Hui, Mr. Fung Nam Shan and Mr. Wang Yuqing.