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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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF PROPERTIES

Reference is made to the announcements of the Company dated 12 January 2022 and 19 January 2022 (the “**Announcements**”). As disclosed in the Announcements, the College of Economics and Business and Binzhou Properties entered into the January Purchase Agreements on 12 January 2022 (after trading hours), pursuant to which, Binzhou Properties agreed to dispose of, and the College of Economics and Business agreed to acquire the January Properties at a total consideration of RMB118.8 million.

THE PURCHASE AGREEMENT

The Board is pleased to announce that the College of Economics and Business and Binzhou Properties entered into a Purchase Agreement on 27 May 2022 (after trading hours), pursuant to which, Binzhou Properties conditionally agreed to dispose of, and the College of Economics and Business conditionally agreed to acquire the Target Properties at a total consideration of RMB75,145,671.

IMPLICATIONS OF THE LISTING RULES

Discloseable transactions

As the January Purchase Agreements and the Purchase Agreement were entered into between the College of Economics and Business and Binzhou Properties within a 12 month period, pursuant to Rules 14.22 and 14.23 of the Listing Rules, the transactions contemplated under the January Purchase Agreements and the Purchase Agreement shall be aggregated. As the highest applicable percentage ratio in respect of the transactions contemplated under the January Purchase Agreements and the Purchase Agreement calculated under the Listing Rules exceeds 5% but is less than 25%, on an aggregated basis, the transactions contemplated under the January Purchase Agreements and the Purchase Agreement constitute discloseable transactions.

Connected transactions

Binzhou Properties is a majority-controlled company of Mr. Zhao Zhangxing (趙章興), who is (i) a cousin of each Mr. Chen Yuguo and Mr. Chen Yuchun; (ii) an uncle of each of Mr. Chen Shu, Mr. Chen Lingfeng and Mr. Chen Nansun; and (iii) a cousin-in-law of Ms. Zhang Xuli. Each of Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun and Ms. Zhang Xuli is a Director. Therefore, Binzhou Properties constitutes a deemed connected person of the Company according to Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Purchase Agreement entered into between the College of Economics and Business and Binzhou Properties constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the January Purchase Agreements and the Purchase Agreement were entered into between the College of Economics and Business and Binzhou Properties within a 12 month period, pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions contemplated under the January Purchase Agreements and the Purchase Agreement shall be aggregated. As the highest applicable percentage ratio in respect of the transactions contemplated under the January Purchase Agreements and the Purchase Agreement, on an aggregated basis, is more than 5%, the Purchase Agreement and the transactions contemplated thereunder shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Purchase Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Purchase Agreement. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Purchase Agreement and the transactions contemplated thereunder and as to voting.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Acquisitions; (ii) the valuation report issued by the Independent Valuer on the Target Properties; (iii) a letter of recommendation of the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser; (v) other information as required to be disclosed under the Listing Rules; and (vi) a notice of the EGM and a form of proxy is expected to be despatched by the Company to the Shareholders on or before 20 June 2022.

As the completion of the Acquisitions is subject to the satisfaction of the conditions precedent set out in the Purchase Agreement and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

Reference is made to the Announcements. As disclosed in the Announcements, the College of Economics and Business and Binzhou Properties entered into the January Purchase Agreements on 12 January 2022 (after trading hours), pursuant to which, Binzhou Properties agreed to dispose of, and the College of Economics and Business agreed to acquire the January Properties at a total consideration of RMB118.8 million.

The Board is pleased to announce that the College of Economics and Business and Binzhou Properties entered into a Purchase Agreement on 27 May 2022 (after trading hours), pursuant to which, Binzhou Properties conditionally agreed to dispose of, and the College of Economics and Business conditionally agreed to acquire the Target Properties at a total consideration of RMB75,145,671.

THE PURCHASE AGREEMENT

The major terms of the Purchase Agreement are as follows:

- Date: 27 May 2022 (after trading hours)
- Parties: (i) The College of Economics and Business (as the buyer); and
(ii) Binzhou Properties (as the seller)
- Target properties: Certain property units of Shangrila — Shuian Greentown* (香格里拉 — 水岸綠城) located at west of Bohai Road No. 1 and South of Huanghe Road No. 15 in Binzhou City, Shandong Province, the PRC, with a total gross floor area of approximately 8,932.04 square meters, further details of which are set out in the paragraph headed “Details of the Target Properties” below. The usages of the properties are residential and commercial.

Consideration and payment: The total consideration for the acquisition of the Target Properties is RMB75,145,671. Subject to completion, the College of Economics and Business shall pay the consideration in one lump sum by wire transfer to Binzhou Properties within 90 days after the execution of the Purchase Agreement, which will be funded by internal resources of the Group. The Company does not intend to use any of the proceeds from the initial public offering of its shares on the Stock Exchange to fund the Acquisitions.

Delivery: Subject to completion, Binzhou Properties shall deliver the Target Properties to the College of Economics and Business by 1 October 2022. Binzhou Properties should deliver the properties that are consistent with the specifications under the Purchase Agreement and obtain the approval documents for the delivery and use with respect to such properties pursuant to applicable laws and regulations.

Condition precedent: Completion of the Acquisitions is subject to the Company's compliance with all the relevant requirements applicable to the Company under the Listing Rules, including but not limited to the passing of resolution(s) by the Independent Shareholders at the EGM to be convened and held to approve the Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

If the above condition precedent has not been fulfilled within 90 days from the date of the Purchase Agreement, subject to any extension as may be agreed by the College of Economics and Business and Binzhou Properties, the College of Economics and Business will be entitled to terminate the Purchase Agreement by a written notice to Binzhou Properties.

DETAILS OF THE TARGET PROPERTIES

The Target Properties consisted of (i) Units No. 201 to 218 and Units 301 to 312 of Building 29 (the “**Building 29 Properties**”); (ii) Units No. 1-201, 1-301, 1-401, 1-501, 1-601, 1-202, 1-302, 1-402, 1-502, 1-602, 2-201, 2-301, 2-401, 2-501, 2-601, 2-202, 2-302, 2-402, 2-502 and 2-602 of Building 35 (the “**Building 35 Properties**”); and (iii) Units No. 1-101, 1-201, 1-301, 1-401, 1-501, 1-601, 1-202, 1-302, 1-402, 1-502, 1-602, 2-201, 2-301, 2-401, 2-501, 2-601, 2-102, 2-202, 2-302, 2-402, 2-502, 2-602 of Building 37 (the “**Building 37 Properties**”) of Shangrila — Shuian Greentown* (香格里拉 — 水岸綠城). The Target Properties are currently vacant. The following table sets forth detailed information of the Target Properties:

	Appraised market value (RMB thousand)	Original construction costs (RMB thousand)	Book value as at 31 December	
			2020 (RMB thousand)	2021 (RMB thousand)
Building 29 Properties	15,288 ⁽¹⁾	14,316	14,316	14,316
Building 35 Properties	30,336	21,252	21,252	21,252
Building 37 Properties	29,877	20,064	20,064	20,064
Total	75,501	55,633	55,633	55,633

Note:

- (1) As at the date of this announcement, Building 29 Properties were not held under an immovable property title certificate (不動產權證) and thus could not be freely transferable. The market value of Building 29 Properties has been valued on the assumption that the said certificate was obtained and they could be freely transferable in the open market as at 30 April 2022 (the valuation benchmark date). According to the Purchase Agreement, Binzhou Properties should obtain the approval documents for the delivery and use with respect to such properties pursuant to applicable laws and regulations by 1 October 2022. According to Binzhou Properties, as at the date of this announcement, it was in progress of obtaining the immovable property title certificate (不動產權證) for Building 29 Properties.

The Target Properties did not generate any income or incur any expenses for the two financial years ended 31 December 2021.

BASIS OF DETERMINATION OF CONSIDERATION

The consideration of the Acquisitions was determined after arm’s length negotiation between the College of Economics and Business and Binzhou Properties with reference to the independent valuation of the Target Properties, the fair market value of comparable properties located around the Target Properties and the prospect and potential of the Target Properties. According to the preliminary valuation prepared by the Independent Valuer, as at 30 April 2022 (the valuation benchmark date), the total appraised market value of the Target Properties was approximately RMB75,501,000.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group reviews its asset portfolio from time to time with a view to maximize the returns to its Shareholders in the long run. According to the management accounts of the Group as at 30 April 2022, the cash and bank balances of the Group amounted to approximately RMB1.03 billion. Taking into account the current financial position and business operation of the Group as well as the prospect and appreciation potential of the Target Properties, the Group believes that the Acquisitions would enrich the existing asset portfolio of the Group and potentially enhance the returns to its Shareholders. The Group intends to hold the Target Properties for long-term investment purpose.

The Directors (excluding the independent non-executive Directors whose view will be given upon receiving the advice from the Independent Financial Adviser) are of the view that the terms of the Acquisitions are on normal commercial terms, fair and reasonable, and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

None of the Directors has material interest in the Purchase Agreement and the Acquisitions and hence no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

INFORMATION ABOUT THE PARTIES AND OUR GROUP

The College of Economics and Business

The College of Economics and Business, formerly known as Zhongyuan University of Technology College of Information and Business* (中原工學院信息商務學院), is a wholly privately-owned undergraduate college located in Zhengzhou, Henan Province, the PRC. The College of Economics and Business is a PRC consolidated affiliated entity of the Company and a subsidiary of JH Holdings Group. JH Holdings Group is controlled by the Company through a series of contractual arrangements entered into between Wen Zhou Jia Xin Hao Educational Technology Co., Ltd.* (溫州嘉信好教育科技有限公司), an indirect wholly-owned subsidiary of the Company and JH Holdings Group.

Binzhou Properties

Binzhou Properties is a limited liability company incorporated in the PRC on 6 November 2007, and its principal businesses include real estate development and properties management. As of the date of this announcement, Binzhou Properties is held as to (i) 50% by Yueqing City Zhangguang Properties Development Co., Ltd* (樂清市章光房地產開發有限公司), which is held as to 50% by Mr. Zhao Zhangxing (趙章興); and (ii) 50% by Wenzhou Dexin Electrical Appliances Co., Ltd.* (溫州德信電器有限公司), which is held as to 80% by Mr. Zhao Zhangxing (趙章興). As of the date of this announcement, other than Mr. Zhao Zhangxing (趙章興), there is no shareholder who holds more than 30% of the equity interests in Yueqing City Zhangguang Properties Development Co., Ltd* (樂清市章光房地產開發有限公司).

The Group

The Group is mainly engaged in offering formal undergraduate education, junior college education and high school education in the PRC.

IMPLICATIONS OF THE LISTING RULES

Discloseable Transactions

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Connected Transactions

Binzhou Properties is a majority-controlled company of Mr. Zhao Zhangxing (趙章興), who is (i) a cousin of each Mr. Chen Yuguo and Mr. Chen Yuchun; (ii) an uncle of each of Mr. Chen Shu, Mr. Chen Lingfeng and Mr. Chen Nansun; and (iii) a cousin-in-law of Ms. Zhang Xuli. Each of Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun and Ms. Zhang Xuli is a Director. Therefore, Binzhou Properties constitutes a deemed connected person of the Company according to Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Purchase Agreement entered into between the College of Economics and Business and Binzhou Properties constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the January Purchase Agreements and the Purchase Agreement were entered into between the College of Economics and Business and Binzhou Properties within a 12 month period, pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions contemplated under the January Purchase Agreements and the Purchase Agreement shall be aggregated. As the highest applicable percentage ratio in respect of the transactions contemplated under the January Purchase Agreements and the Purchase Agreement, on an aggregated basis, is more than 5%, the Purchase Agreement and the transactions contemplated thereunder shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Purchase Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Purchase Agreement. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Purchase Agreement and the transactions contemplated thereunder and as to voting.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Acquisitions; (ii) the valuation report issued by the Independent Valuer on the Target Properties; (iii) a letter of recommendation of the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser; (v) other information as required to be disclosed under the Listing Rules; and (vi) a notice of the EGM and a form of proxy is expected to be despatched by the Company to the Shareholders on or before 20 June 2022.

As the completion of the Acquisitions is subject to the satisfaction of the conditions precedent set out in the Purchase Agreement and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisitions”	the acquisitions of the Target Properties contemplated under the Purchase Agreement
“Binzhou Properties”	Binzhou Yilingyi Properties Co., Ltd.* (濱州市一零一置業有限公司), a limited liability company established under the laws of the PRC on 6 November 2007
“Board”	the board of directors of the Company

“College of Economics and Business”	Zhengzhou College of Economics and Business* (鄭州經貿學院), formerly known as Zhongyuan University of Technology College of Information and Business* (中原工學院信息商務學院), a wholly privately-owned undergraduate college located in Zhengzhou, Henan Province, the PRC, which is a PRC consolidated affiliated entity of the Company and a subsidiary of JH Holdings Group
“Company”	JH Educational Technology INC. (嘉宏教育科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 23 June 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“deemed connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company, its subsidiaries and the consolidated affiliated entities
“Independent Board Committee”	an independent committee of the Board established which comprises all the independent non-executive Directors to advise the Independent Shareholders on the fairness and reasonableness of terms of the Purchase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote at the EGM
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Purchase Agreement and the transactions contemplated thereunder

“Independent Shareholders”	shareholder(s) of the Company who are entitled to vote and not required to abstain from voting on the resolutions at the EGM for approving the Purchase Agreement and the transactions contemplated thereunder
“Independent Valuer”	Castores Magi (Hong Kong) Limited, an independent professional valuer appointed by the Company for the valuation of the Target Properties
“January Purchase Agreements”	the three purchase agreements dated 12 January 2022 entered into between the College of Economics and Business and Binzhou Properties in respect of the acquisition of the January Properties with a total consideration of RMB118.8 million
“January Properties”	the properties acquired by the College of Economics and Business under the January Purchase Agreements
“JH Holdings Group”	JH Holdings Group Company Limited* (嘉宏控股集團有限公司), formerly known as Zhejiang JH Education Group Company Limited* (浙江嘉宏教育集團有限公司), a limited liability company established under the laws of the PRC on 17 June 2003
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“majority-controlled company”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Purchase Agreement”	the purchase agreement dated 27 May 2022 entered into between the College of Economics and Business and Binzhou Properties in respect of the Acquisitions
“RMB”	Renminbi, the lawful currency of the PRC

“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Properties”	the properties to be disposed of by Binzhou Properties and acquired by the College of Economics and Business under the Purchase Agreement
“%”	percent

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

Wenzhou, Zhejiang Province, the PRC
27 May 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.

* *For identification purposes only*