China Kepei Education Group Limited
中 國 科 培 教 育 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1890)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS HIGHLIGHTS

The Board has resolved to recommend the payment of a final dividend of HK$0.10 per share for the year ended 31 December 2018.

	Year ended 31 December			
	2018	2017	**Change**	**Percentage Change**
	RMB'000	*RMB'000*	*RMB'000*	**(%)**
Revenue	**575,451**	455,382	120,069	+26.4
Gross profit	**389,515**	306,229	83,286	+27.2
Profit for the year	**341,956**	230,876	111,080	+48.1
Core net profit*	**345,412**	240,434	104,978	+43.7
Basic earnings per share (RMB per share)	**0.23**	0.76	-0.53	-69.7
Diluted earnings per share (RMB per share)	**0.22**	0.76	-0.54	-71.1

* Core net profit was derived from the profit for the year after adjusting for the item which is not indicative of the Group's operating performance. Please refer to the section of "Financial Review" in this announcement for details of the reconciliation of the profit for the year to the core net profit of the Group.

	2018/2019 School Year**	2017/2018 School Year**	**Change**	**Percentage Change (%)**
Number of students enrolled	**45,118**	35,927	9,191	+25.6

** A school year generally starts from September 1 of each calendar year to August 31 of the following calendar year.

	As at 31 December			
	2018	2017	**Change**	**Percentage Change**
	RMB'000	*RMB'000*	*RMB'000*	**(%)**
Contract Liabilities	**334,564**	258,395	76,169	+29.5

The board of directors (the "**Board**") of China Kepei Education Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	3	**575,451**	455,382
Cost of sales		**(185,936)**	(149,153)
Gross profit		**389,515**	306,229
Other income and gains	3	**57,988**	8,682
Selling and distribution expenses		**(14,540)**	(8,524)
Administrative expenses		**(77,462)**	(45,999)
Non-monetary employee benefits provided by the controlling shareholder		**—**	(12,129)
Other expenses		**(4,603)**	(988)
Finance costs	4	**(8,975)**	(9,604)
Share of profits and losses of joint ventures		**33**	(6,791)
PROFIT BEFORE TAX	8	**341,956**	230,876
Income tax expense	5	**—**	—
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**341,956**	230,876
Attributable to:			
Owners of the parent		**341,956**	230,876
Earnings per share attributable to ordinary equity holders of the parent			
Basic	7		
— For profit for the year		**RMB0.23**	RMB0.76
Diluted			
— For profit for the year		**RMB0.22**	RMB0.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,274,380**	1,001,518
Prepaid land lease payments		**198,104**	154,922
Investment in a joint venture		**1,948**	1,915
Prepayments for non-current assets		**128,996**	5,056
Total non-current assets		**1,603,428**	1,163,411
CURRENT ASSETS			
Trade receivables	9	**22,650**	18,128
Prepayments, deposits and other receivables		**25,144**	56,375
Amount due from a director		**—**	178,110
Amounts due from related parties		**—**	144,566
Short-term investments measured at fair value through profit or loss		**246,106**	500
Cash and cash equivalents		**432,921**	369,058
Non-current assets classified as held for distribution on demerger		**—**	78,000
Total current assets		**726,821**	844,737
CURRENT LIABILITIES			
Contract liabilities	3	**334,564**	258,395
Other payables and accruals	10	**115,643**	220,159
Interest-bearing bank loans	11	**10,000**	30,000
Convertible redeemable bond		**332,700**	—
Amount due to a related party		**—**	400
Deferred income		**808**	808
Total current liabilities		**793,715**	509,762
NET CURRENT (LIABILITIES)/ASSETS		**(66,894)**	334,975
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,536,534**	1,498,386

	Note	2018	2017
		RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,536,534**	1,498,386
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	11	**100,000**	325,000
Deferred income		**3,969**	4,777
Total non-current liabilities		**103,969**	329,777
Net assets		**1,432,565**	1,168,609
EQUITY			
Equity attributable to owners of the parent			
Share capital		**—**	—
Reserves		**1,432,565**	1,168,609
Total equity		**1,432,565**	1,168,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION AND BASIS OF PREPARATION

China Kepei Education Group Limited (the "**Company**") was incorporated in the Cayman Islands on 24 August 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 January 2019.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in providing private education services in the People's Republic of China (the "**PRC**").

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain short-term investments and convertible redeemable bond 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

None of the above new and revised HKFRSs has had a significant financial effect on these financial statements.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered, after deducting scholarships and refunds during the year.

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

	Note	**Year ended 31 December** **2018** ***RMB'000***	2017 *RMB'000*
Revenue			
Revenue from contracts with customers			
Tuition fees		**521,114**	413,423
Boarding fees		**44,191**	36,479
Other education service fees*		**10,146**	5,480
		575,451	455,382
Other income and gains			
Interest income on loans to a related party**		**—**	7,855
Interest expense on bank loans**		**—**	(7,855)
Bank interest income		**4,565**	1,020
Rental income		**16,830**	4,584
Government grants			
Related to assets		**808**	731
Related to income		**7,949**	2,347
Exchange gain, net	8	**26,447**	—
Fair value adjustment of short-term investments measured at fair value through profit or loss		**1,389**	—
		57,988	8,682

* During the year, other education service fees mainly represented income received from the provision of other education services including training service to the students, which was amortised over the training periods of the services rendered.

** During the year 2017, pursuant to an agreement entered into between the Group and Jiangxi Kepei Investment Company Limited ("**Jiangxi Kepei**"), Jiangxi Kepei would reimburse all the interest expenses incurred by the Group in respect of certain bank loans. The transaction has been terminated since 1 January 2018 and no relevant interest income or interest expense was recorded during the year.

Contract liabilities

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contract liabilities related to tuition fees	**306,795**	236,985
Contract liabilities related to boarding fees	**27,769**	21,410
	334,564	258,395

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. The performance obligation is satisfied proportionately over the relevant period of the applicable program. The students are entitled to refund of the payment in relation to the proportionate service not yet provided.

4. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**17,115**	9,604
Interest on the convertible redeemable bond	**3,300**	—
	20,415	9,604
Less: Interest capitalised	**(11,440)**	—
	8,975	9,604

5. INCOME TAX

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax charge for the year	**—**	—

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 was 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.

Huanan Education Group Limited, the Company's directly held subsidiary, was incorporated in the British Virgin Islands as an exempted company with limited liability under the British Virgin Islands Companies Act and accordingly is not subject to income tax.

China Kepei Education (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

Guangdong Polytechnic College and Zhaoqing Science and Technology Secondary Vocational School (the "**PRC Schools**") are private schools located in Mainland China and controlled by the Company through a series of contractual arrangements.

According to the Implementation Rules on the Law for Promoting Private Education of the People's Republic of China (the "**Implementation Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Private schools of which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy the income tax exemption treatment if the sponsors of such schools do not require reasonable returns.

The sponsor of Guangdong Polytechnic College does not require reasonable returns and therefore Guangdong Polytechnic College has enjoyed the corporate income tax exemption treatment since its establishment and the local tax authorities have agreed to allow Guangdong Polytechnic College to apply the corporate income tax exemption treatment since its establishment based on a confirmation obtained from the local tax authorities.

The sponsor of Zhaoqing Science and Technology Secondary Vocational School ("**Zhaoqing School**") requires reasonable returns. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed with the relevant tax authorities and the confirmation obtained therefrom, Zhaoqing School has enjoyed the preferential tax treatments since its establishment.

As a result, no income tax expense was recognised for the PRC Schools during the year.

6. DIVIDENDS

A final dividend of HK$0.10 per share in respect of the year ended 31 December 2018 has been proposed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company (2017: nil).

7. 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 RMB341,956,000 (2017: RMB230,876,000), and the weighted average number of ordinary shares of 1,500,000,000 (2017: 304,931,507) in issue during the year, as adjusted to reflect the rights issue during the year.

As of 31 December 2018, the Company had 1,000 ordinary shares (2017: 1,000 ordinary shares) in issue. On 10 January 2019, the authorised share capital of the Company was subdivided from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$50,000 divided into 5,000,000,000 shares of US$0.00001 each. Therefore, the number of ordinary shares in issue became 1,000,000 (the "**Share Split**"). On 25 January 2019, the Company was listed on the Main Board of the Stock Exchange (the "**Listing**") by way of issuing 353,334,000 new ordinary shares and capitalisation issue of 1,499,000,000 ordinary shares (the "**Capitalisation Issue**").

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2018 and 2017 was based on 1 ordinary share of the Company issued upon incorporation on 24 August 2017, 999 ordinary shares of the Company issued in the year ended 31 December 2017 (2018: nil), 999,000 ordinary shares of the Company issued under the Share Split and 1,499,000,000 ordinary shares of the Company issued under the Capitalisation Issue occurred after the reporting period, as if these additional shares issued under the Share Split and Capitalisation Issue had been completed throughout the years ended 31 December 2018 and 2017.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the fair value change and interest on the convertible redeemable bond, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**341,956**	230,876
Interest on the convertible redeemable bond	**3,300**	—
Add: Fair value loss of the convertible redeemable bond	**2,700**	—
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**347,956**	230,876

	Number of shares	
	2018	2017
Shares		
Number of issued shares on 1 January	**1,000**	—
Effect of shares issued upon incorporation	**—**	1
Effect of share split on 24 October 2017	**—**	35
Effect of shares issued on 25 October 2017	**—**	168
Effect of share split on 10 January 2019	**999,000**	203,084
Effect of Capitalisation Issue on 10 January 2019	**1,499,000,000**	304,728,219
Weighted average number of ordinary shares in issue during the year for the purpose of the basic earnings per share calculation	**1,500,000,000**	304,931,507
Effect of dilution — weighted average number of ordinary shares		
The convertible redeemable bond	**80,003,942**	—
	1,580,003,942	304,931,507
Earnings per share attributable to ordinary equity holders of the parent		
Basic	**RMB0.23**	RMB0.76
Diluted	**RMB0.22**	RMB0.76

8. PROFIT BEFORE TAX

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

	Notes	**Year ended 31 December** **2018** ***RMB'000***	2017 *RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**84,902**	64,582
Pension scheme contributions (defined contribution scheme)		**10,912**	9,337
Non-monetary employee benefits provided by the controlling shareholder		**—**	12,129
Depreciation		**57,316**	38,753
Recognition of prepaid land lease payments		**4,257**	3,582
Provision for expected credit losses of trade receivables*	9	**1,287**	1,253
Loss on disposal of items of property, plant and equipment		**5**	934
Donation expenses		**1,585**	54
Auditor's remuneration		**1,200**	107
Listing expenses*		**27,203**	9,558
Exchange gain, net	3	**(26,447)**	—
Fair value adjustment of convertible redeemable bond**		**2,700**	—

* The provision for expected credit losses of trade receivables and listing expenses are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

** Fair value adjustment of convertible redeemable bond is included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

9. TRADE RECEIVABLES

	As at 31 December **2018** ***RMB'000***	2017 *RMB'000*
Tuition fees and boarding fees receivables	**23,957**	18,749
Provision for expected credit losses	**(1,307)**	(621)
	22,650	18,128

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. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the senior management. In view of the aforementioned and the fact that the Group's trade receivables relate 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.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the transaction date and net of loss allowance, is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**19,030**	16,095
1 to 2 years	**2,572**	1,726
2 to 3 years	**883**	193
Over 3 years	**165**	114
	22,650	18,128

The movements in the allowance for expected credit losses of trade receivables are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**621**	840
Provision for expected credit losses (note 8)	**1,287**	1,253
Amount written off as uncollectible	**(601)**	(1,472)
At end of year	**1,307**	621

10. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Payables for salaries	**18,552**	7,437
Payables for social insurance and housing fund	**22,050**	18,473
Payables for scholarships	**6,534**	12,128
Payables for cooperative education fees	**1,650**	5,521
Payables for purchase of property, plant and equipment	**5,957**	107,375
Miscellaneous expenses received from students*	**27,027**	26,607
Taxes recorded from disposal of properties**	**—**	31,066
Other tax payable	**2,867**	3,913
Accrued listing expense	**16,774**	4,585
Accrued interest	**3,300**	—
Others	**10,932**	3,054
	115,643	220,159

* The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

** Certain properties were disposed of by the Group to a third party at a consideration of RMB69,930,000 in 2012. The Group had obligation to settle related taxes amounting to RMB31,066,000, which would be borne by the buyer. On 28 April 2018, the transfer of ownership has been completed and the related taxes were set off against the taxes payable on the same date.

Other payables and accruals are non-interest-bearing and expected to be settled within one year.

11. INTEREST-BEARING BANK LOANS

	As at 31 December 2018			As at 31 December 2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	**4.75**	**2019**	**10,000**	4.75~5.23	2018	30,000
Non-current						
Bank loans — secured	**5.39**	**2024~2028**	**100,000**	4.75~5.76	2019~2022	325,000
			110,000			355,000

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**10,000**	30,000
In the second year	**—**	61,000
In the third to fifth years, inclusive	**—**	264,000
Beyond five years	**100,000**	—
	110,000	355,000

Notes:

(a) None of the Group's bank loans were secured by mortgages over certain of the Group's leasehold lands situated in Mainland China as at 31 December 2018 (2017: RMB78,690,000).

(b) The bank loans are also guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties as at 31 December 2018 and 2017 are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Mr. Ye Nianqiao, Ms. Shu Liping and Mr. Ye Nianjiu	**—**	185,000
Mr. Ye Nianqiao, Ms. Shu Liping, Mr. Ye Nianjiu, Ms. Chen Xinni, Jiangxi Hong Zhou Vocational College and Jiangxi Kepei Investment Company Limited	**10,000**	170,000
Mr. Ye Nianqiao, Ms. Shu Liping and Zhaoqing Qiaoli Investment Company Limited	**100,000**	—
	110,000	355,000

12. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 January 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 5,000,000 shares of US$0.01 each to US$50,000 divided into 5,000,000,000 shares of US$0.00001 each. The directors of the Company (the "**Directors**") were authorised to capitalise the amount of USD14,990 of the Company to pay up in full at par 1,499,000,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company of the date of the written resolution (or as they may direct) on a pro rata basis.

(b) On 25 January 2019, the Company was listed on the Main Board of the Stock Exchange with the stock code 1890 and made an offering of 353,334,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the over-allotment option) at a price at HK$2.48 per share.

Upon completion of the initial public offering, the whole principal amount under the convertible redeemable bond was mandatorily and automatically converted into 146,666,667 ordinary shares of the Company.

(c) On 15 February 2019, the over-allotment option was partially exercised and the Company allotted and issued 798,000 additional shares, representing approximately 0.23% of the total number of the offer shares initially available under the global offering, at HK$2.48 per share on 22 February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The private higher education market experienced rapid growth, and entered the phase of regulated development when relevant authorities made great efforts in completing the regulatory framework for private higher education. Private higher education institutions in China can be divided into three categories: (i) private regular undergraduate institutions (民辦普通本科院校); (ii) independent colleges (獨立學院); and (iii) private junior colleges (民辦普通專科院校). Private higher education institutions are distinct from public institutions of higher education mainly in that public institutions of higher education are generally operated by the PRC national or local governments and their major source of funding is PRC public expenditure on education.

According to the market research report on the China's private higher education market prepared by Frost & Sullivan (Beijing) (the "**Frost & Sullivan Report**"), China's private high education industry has been developing rapidly due to increasing market demand and government support. The total revenue of private higher education industry in China increased from RMB77.9 billion to RMB103.7 billion from 2013 to 2017, representing a compound annual growth rate ("**CAGR**") of 7.4%. It is expected that it will further increase to RMB149.6 billion in 2022, representing a CAGR of 7.6% from 2017 to 2022. Besides, the number of students enrolled in China's private higher education market increased from 5.6 million to 6.8 million from 2013 to 2017, representing a CAGR of 4.7%. It is expected that it will further increase to 8.3 million in 2022, representing a CAGR of 4.3% from 2017 to 2022. The penetration rate of private higher education in China has increased from 21.1% in 2013 to 22.8% in 2017, which has indicated that more students have chosen to go to private higher education institutions instead of public ones, and this trend is likely to continue as the penetration rate is expected to reach 24.6% in 2022.

Business Overview

The Group is a leading provider of private higher education in South China focusing on profession-oriented education. As of the 2018/2019 school year, the Group had an aggregate of 45,118 students enrolled at the schools we operated, namely, Guangdong Polytechnic College and Zhaoqing School.

Market Position

With over 18 years' experience in operating higher education institutions in China, the Group is a leading provider of private higher education services in South China in terms of student enrollment. As of 30 September 2017, according to the Frost & Sullivan Report, Guangdong Polytechnic College ranked first among a total of 61 private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment, with a market share of 2.6% in South China. As of 30 September 2017, according to the Frost & Sullivan Report, Zhaoqing School ranked first in terms of student enrollment among a total of approximately 70 private specialized secondary schools in Guangdong Province, with a market share of 8.5%.

The Group is committed to providing students with high-quality profession-oriented education and helping them meet the growing and changing market demand. It focuses on engineering majors in order to better capture local employment demands, balanced with economics, management, education and art majors to offer well-rounded education services. It endeavors to provide students with various profession-oriented training and internship opportunities in collaboration with research institutions and enterprises, through which it fosters practical skills and market competitiveness of its students.

The PRC Schools

Guangdong Polytechnic College: A degree-granting undergraduate-level education institution established in 2005 which offers undergraduate, junior college and adult education programs. For the 2018/2019 school year, it has a total of 36,860 students enrolled, consisting of 19,977 undergraduate students, 7,610 junior college students and 9,273 adult college students. It offers 41 majors, consisting of 22 undergraduate majors and 19 junior college majors, in a wide range of subject areas. Its core majors include standardisation management, electrical engineering and automation, electronic information engineering and mechanical design; and

Zhaoqing School: A secondary vocational school established in 2000 which provides secondary vocational education in 11 majors, including automobile servicing, electronic commerce, and electromechanical technology application. For the 2018/2019 school year, it has a total of 8,258 students enrolled.

Revenue

For the year ended 31 December 2018, the Group experienced revenue growth at its schools, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB455.4 million for the year ended 31 December 2017 to RMB575.5 million for the year ended 31 December 2018. The Group typically charges students fees comprising tuition fees, boarding fees and other education service fees and tuition fees remained the major revenue, accounted for approximately 90.6% of the total revenue of the Group for the year ended 31 December 2018.

The table below summarises the amount of revenue generated from tuition fees, boarding fees and other education service fees charged by the PRC Schools for the periods indicated:

	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*	**Change** *RMB'000*	**Percentage Change** (%)
Tuition fees				
Undergraduate program	**330,520**	215,060	115,460	53.7
Junior college program	**116,299**	132,461	(16,162)	(12.2)
Adult college program	**27,480**	21,830	5,650	25.9
Upgrade of junior college students to undergraduate students	**5,283**	5,075	208	4.1
Secondary vocational education	**41,532**	38,997	2,535	6.5
Total tuition fees	**521,114**	413,423	107,691	26.0
Boarding fees	**44,191**	36,479	7,712	21.1
Other education service fees	**10,146**	5,480	4,666	85.1
Total	**575,451**	455,382	120,069	26.4

The increase of the total revenue of the Group for the year ended 31 December 2018 was mainly due to the increase of the Group's student enrollment and average tuition fee.

The following table sets out the tuition fee information for the PRC Schools for the school years indicated:

	Tuition Fees/ School Year		**Boarding Fees/ School Year**	
School	**2018/2019** *RMB*	2017/2018 *RMB*	**2018/2019** *RMB*	2017/2018 *RMB*
Guangdong Polytechnic College				
— Undergraduate program	**21,800–22,800**	18,800–19,800	**1,600**	1,500
— Junior college program	**15,800–18,800**	14,100–18,800	**1,600**	1,500
— On-campus adult college program	**5,900–10,700**	5,900–10,700	**1,600**	1,500
— Off-campus adult college program	**2,400**	2,400	**N/A**	N/A
Zhaoqing School				
— Secondary vocational education	**6,100–9,300**	6,100–9,300	**1,600**	1,170–1,570

Notes:

(1) Tuition fees and boarding fees shown above for both of the PRC Schools only apply to newly enrolled students in the relevant school years.

(2) The tuition fees range excluded the "2+2" undergraduate and junior college program offered by Guangdong Polytechnic College, which was generally charged higher than the ordinary program.

Student enrollment

The following table sets out information relating to the student enrollment for the PRC Schools for the school years indicated:

	Numbers of Students Enrolled/ School Year		**Change**	**Percentage Change**
	2018/2019	2017/2018		**(%)**
School				
Guangdong Polytechnic College				
Undergraduate program	**19,977**	14,900	5,077	34.1
Junior college program	**7,610**	9,309	(1,699)	(18.3)
On-campus adult college program	**1,951**	2,157	(206)	(9.6)
Off-campus adult college program	**7,322**	2,209	5,113	231.5
Subtotal	**36,860**	28,575	8,285	29.0
Zhaoqing School				
Secondary vocational program	**8,258**	7,352	906	12.3
Total	**45,118**	35,927	9,191	25.6

The student enrollment information was based on the records of the relevant school year starting in September. For the school year of 2018/2019, the total number of enrolled students of the Group was 45,118, up 25.6% from the school year of 2017/2018.

School Utilisation

School utilisation rate is calculated by boarding student enrollment for a particular school year divided by school capacity for such school year. The capacity for student enrollment at the PRC Schools is calculated by the number of beds available in student dormitories.

	School Capacity/ School Year		**School Utilisation Rate/ School Year**	
	2018/2019	2017/2018	**2018/2019**	2017/2018
Guangdong Polytechnic College	**29,148**	25,148	**90.8%**	86.3%
Zhaoqing School	**6,829**	6,829	**86.0%**	81.3%
Total	**35,977**	31,977	**89.9%**	85.2%

Risk Management

The Group is exposed to various risks in the operations of its business and the Group believes that risk management is important to its success. Key operational risks faced by the Group include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, the ability of the Group to offer quality education to students, the ability of the Group to increase student enrollment and/or raise tuition rates, the potential expansion of the Group into other regions in South China, availability of financing to fund the Group's expansion and business operations and competition from other school operators that offer similar quality of education and have similar scale.

In addition, the Group also faces numerous market risks, such as interest rate and liquidity risks that arise in the normal course of the Group's business.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its bank loans with floating interest rates.

It is the Group's policy to keep certain borrowings at fixed rates of interest so as to minimise the interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Board will consider hedging significant interest rate risk should the need arise.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flow from operation, bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

To properly manage these risks, the Group has established the following risk management structures and measures:

- The Board is responsible and has the general power to manage the Group's operations of the schools, and is in charge of managing the overall risks of the Group. It is responsible for considering, reviewing and approving any significant business decisions involving material risk exposures, such as the Group's decisions to expand its school network into new geographic areas, to raise the tuition fees of the PRC Schools, and to enter into cooperative business relationships with independent third parties to establish new schools;

- The Group maintains insurance coverage, which it believes is in line with customary practice in the PRC education industry, including school liability insurance; and

- The Group has made arrangements with its lenders to ensure that it will be able to obtain credit to support for its business operation and expansion.

Environment, Health and Safety

The Group is dedicated to protecting the health and safety of the students. The Group has on-site medical staff or healthcare personnel at each of the PRC Schools to handle routine medical situations involving students. In certain serious and emergency medical situations, the Group promptly sends the students to local hospitals for treatment. With respect to school safety, the Group engaged a qualified property management company to provide property security services at the Group's school premises.

As far as the Board and the management of the Company are aware, the Group has complied in all material respects with the relevant environmental, health and safety laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Future Plans

In strengthening the Group's position as a leading provider of private higher education in South China focusing on profession-oriented education, it plans to pursue the following business strategies:

(i) Expand the Group's school network through strategic mergers and acquisitions

The Group will target at the mergers and acquisitions of: (1) private regular undergraduate institutions; (2) independent colleges; and (3) high-quality private junior colleges which focus on applied science and target to cultivate applied talents. As at the date of this announcement, no target has been identified yet, the Group will continue to look for potential target for mergers and acquisitions.

In terms of geographical coverage, the Group will continue to focus on expanding its school network within Guangdong Province and strengthen its leading position in the Pearl River Delta. It is expected that the development plan for Guangdong- Hong Kong- Macau Greater Bay Area announced on 18 February 2019 will boost the economy and produce increasing demand for professional talents from high-end manufacturing sector and supporting social services. The Group will seize the significant geographical advantage of China's manufacturing center and meet strong local demands for professional talents. Meanwhile, the Group will also explore expansion opportunities in South China and Southwest China, where there is also a relative scarcity of higher education resources, as well as other areas in China with market potential.

The management team of the Group will leverage its extensive experience to further increase competitiveness in student admission and graduate employment, and thus receive higher fees and achieve growth. The Group aims to enhance education quality by transplanting its profession-oriented instruction method and market-oriented major and curriculum offering to the acquired schools. With respect to graduate employment, the Group plans to share its employment information and resources as well as extensive school-enterprise relationships with newly acquired schools. The Group will also implement centralised management over its entire school network, optimise pricing strategy and lower the operating costs of newly acquired schools.

(ii) Increase the capacity of the PRC Schools

The third phase of the construction of the new Dinghu campus of Guangdong Polytechnic College is expected to be completed by the second half of 2019, and will further expand the capacity of Guangdong Polytechnic College by over 3,000 students. Besides the new Dinghu campus, the Group plans to further upgrade the Gaoyao campus of Guangdong Polytechnic College, with focus on the expansion and upgrade of the dormitories and supporting facilities. The construction of the dormitories with a capacity of approximately 7,000 students is expected to be completed in the second quarter of 2020.

(iii) Strengthening school-enterprise collaboration

The Group plans to further advance its profession-oriented education by strengthening school-enterprise collaboration and improving practical training building and facilities. The Group aims to establish collaboration programs with more industry-leading enterprises and strengthen its relationships with existing cooperation partners, focusing on collaborative formulation of class plan and course content, customised training majors and courses at its schools and the provision of internship opportunities to its students. The construction of the practical training building of the Guangdong Polytechnic College Gaoyao campus is expected to be completed in mid-2019 and will provide sufficient space for the operations of practical training programs.

(iv) Further expand service offering and diversify revenue sources

a. Optimise tuition fees and boarding fees

The Group plans to raise tuition fees and boarding fees for the 2019/2020 school year as necessary and appropriate to reflect its increased operating costs and the adjustment of its major and curriculum offering. The Group believes its leading position and established reputation enable it to further increase its tuition fees while maintaining competitiveness in student admission.

b. Increase in examination training fees

The Group plans to further expand the offering of qualification examination center to improve students' market competitiveness as well as diversify the revenue sources. It encourages all of its students to obtain at least one occupational qualification upon graduation.

Use of Proceeds from the Listing

The shares of the Company were listed on the Main Board of the Stock Exchange on 25 January 2019 (the "**Listing Date**"). Net proceeds from the Listing were approximately HK$771.2 million, which, as disclosed in the prospectus of the Company dated 15 January 2019, will be used for (i) acquiring additional schools; (ii) expanding the existing schools the Group owns or operates; and (iii) repaying loans from third-party financial institutions.

From the Listing Date to the date of this announcement, the Group has not utilized any of the net proceeds from the Listing.

Financial Review

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group derives revenue from tuition fees and boarding fees its schools collect from students.

Revenue increased by RMB120.1 million, or 26.4%, from RMB455.4 million for the year ended 31 December 2017 to RMB575.5 million for the year ended 31 December 2018. This increase was primarily the result of: (i) revenue from tuition fees increasing by RMB107.7 million, or 26.0%, from RMB413.4 million for the year ended 31 December 2017 to RMB521.1 million for the year ended 31 December 2018; and (ii) revenue from boarding fees increasing by RMB7.7 million, or 21.1%, from RMB36.5 million for the year ended 31 December 2017 to RMB44.2 million for the year ended 31 December 2018. The tuition fees increased mainly because: (i) the Group further optimised the program mix and size, while enrollment at other programs remained stable, the number of undergraduate students of Guangdong Polytechnic College increased from 14,900 in the 2017/2018 school year to 19,977 in the 2018/2019 school year, and (ii) the Group raised tuition fees for programs of both its schools for the 2018/2019 school year. The boarding fees increased as a result of the expansion of the student enrollment.

Cost of Sales

Cost of sales consists primarily of staff costs, depreciation and amortisation, utilities, teaching supplies, cost of cooperative education, student study and practice fees, office expenses, training expenses, student subsidies, travel and transportation expenses, cost of repairs, property management fees and others.

Cost of sales increased by RMB36.8 million, or 24.7%, from RMB149.2 million for the year ended 31 December 2017 to RMB185.9 million for the year ended 31 December 2018. This increase was primarily the result of an increase in staff costs, depreciation and amortisation. Staff costs increased by RMB16.1 million, or 25.7%, from RMB62.9 million for the year ended 31 December 2017 to RMB79.0 million for the year ended 31 December 2018, primarily as a result of increased salaries and benefits payable to the Group's teachers. Depreciation and amortisation increased by RMB16.8 million, or 53.4%, from RMB31.3 million for the year ended 31 December 2017 to RMB48.1 million for the year ended 31 December 2018, mainly as a result of the increase in school buildings and equipment after the first and second phases of the construction of Guangdong Polytechnic College Dinghu campus in 2017 and 2018, respectively.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB83.3 million, or 27.2% from RMB306.2 million for the year ended 31 December 2017 to RMB389.5 million for the year ended 31 December 2018, which was in line with the growth of the Group's business. Gross profit margin remained relatively stable for the year ended 31 December 2018 compared to the year ended 31 December 2017.

Other Income and Gains

Other income and gains primarily consist of interest income from bank deposits, foreign exchange gain, and rental income from lease of campus properties and venues to independent third parties. Other income and gains increased significantly from RMB8.7 million for the year ended 31 December 2017 to RMB58.0 million for the year ended 31 December 2018. This increase was primarily due to: (i) an exchange gain of RMB26.4 million resulting from the depreciation of Renminbi against U.S. dollar in relation to the Group's deposits denominated in U.S. dollars; (ii) an increase in rental income from RMB4.6 million for the year ended 31 December 2017 to RMB16.8 million for the year ended 31 December 2018 as a result of lease income from new campus properties available for rental to campus service providers; and (iii) an increase in governmental subsidy from RMB3.1 million for the year ended 31 December 2017 to RMB8.8 million for the year ended 31 December 2018 due to new subsidies from local governments to incentivise local enterprises and education sector.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, student admission expenses and business entertainment expenses. Selling and distribution expenses increased by RMB6.0 million, or 70.6%, from RMB8.5 million for the year ended 31 December 2017 to RMB14.5 million for the year ended 31 December 2018, due to the increase in advertising and student recruitment expenses after the establishment of Guangdong Polytechnic College Dinghu campus as well as for the increase in student enrollment of Zhaoqing School in the 2018/2019 school year.

Administrative Expenses

Administrative expenses primarily consist of the administrative staff salaries, office-related expenses, depreciation of office buildings and equipment, travel expenses and other expenses. Administrative expenses increased by RMB31.5 million, or 68.4%, from RMB46.0 million for the year ended 31 December 2017 to RMB77.5 million for the year ended 31 December 2018, which was primarily due to: (i) staff costs increased by RMB7.8 million, or 52.6%, from RMB14.8 million for the year ended 31 December 2017 to RMB22.6 million for the year ended 31 December 2018, primarily as a result of increased salaries and benefits payable to the administrative staff; (ii) an increase in depreciation and amortisation of office building and equipment by 22.8% from RMB11.0 million for the year ended 31 December 2017 to RMB13.5 million for the year ended 31 December 2018 resulting from the increase in office buildings and equipment after the first and second phase of the construction of Guangdong Polytechnic College Dinghu campus in 2017 and 2018, respectively; (iii) the listing expenses of RMB27.2 million recognised for the year ended 31 December 2018; and (iv) other expenses of RMB3.8 million which primarily consisted of legal and consulting fees incurred in connection with the issuance of convertible bond in April 2018 (the "**Convertible Bond**") and professional expenses.

Other Expenses

Other expenses primarily consist of expenses relating to change in fair value of the Convertible Bond, one-off donations to independent third parties, disposal of fixed assets and other costs. Other expense increased significantly from RMB1.0 million for the year ended 31 December 2017 to RMB4.6 million for the year ended 31 December 2018. This increase was primarily due to a change in fair value of the Convertible Bond.

Finance Costs

Finance costs primarily consist of the interest expenses for the bank loans and the Convertible Bond. Due to the increased average bank loans and issuance of the Convertible Bond during the year ended 31 December 2018, the total interest of the Group increased by RMB10.8 million compared to that of the year ended 31 December 2017. While certain bank loan was borrowed for the development of school premises, the corresponding interest was capitalised and resulted in the decrease of finance costs by 6.5% from RMB9.6 million for the year ended 31 December 2017 to RMB9.0 million for the year ended 31 December 2018.

Core Net Profit

Core net profit was derived from the profit for the year after adjusting the listing expenses, change in fair value of the Convertible Bond and the foreign exchange gain, which are not indicatives of the Group's operating performance. This is not an HKFRSs measure. The Group presents this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table reconciles from profit for the year to core net profit for both financial years:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**341,956**	230,876
Add:		
Listing expenses	**27,203**	9,558
Change in fair value of the Convertible Bond	**2,700**	—
Less:		
Foreign exchange gain	**26,447**	—
Core net profit	**345,412**	240,434

Core net profit increased by RMB105.0 million, or 43.7%, from RMB240.4 million for the year ended 31 December 2017 to RMB345.4 million for the year ended 31 December 2018.

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the establishment of new school premises, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for the PRC Schools and prepaid land lease payments. For the year ended 31 December 2018, the Group's capital expenditures were RMB378.7 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity as at the end of the relevant financial year, decreased from approximately 30.4% as at 31 December 2017 to 7.7% as at 31 December 2018, primarily due to the decrease in the Group's total interest-bearing bank loans.

Foreign Exchange Risk Management

The functional currency of the Company is Renminbi (RMB). The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2018, certain bank balances were denominated in HKD and USD. During the year ended 31 December 2018, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2017: nil).

Pledge of Assets

As at 31 December 2018, the Group did not pledge any of its assets to secure general banking facilities or other source of funding.

Human Resources

As at 31 December 2018, the Group had 2,089 employees (as at 31 December 2017: 1,775 employees).

The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance.

The total remuneration cost incurred by the Group for the year ended 31 December 2018 was RMB101.6 million (as at 31 December 2017: RMB89.8 million).

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.10 per share for the year ended 31 December 2018. The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held on 3 June 2019 (the "**AGM**") and the final dividend will be payable on or around 2 July 2019 to the Shareholders whose names appear on the register of members of the Company on 13 June 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 May 2019 to 3 June 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, 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 28 May 2019.

The register of members of the Company will also be closed from 10 June 2019 to 13 June 2019, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend, during which period no share transfers will be registered. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, 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 6 June 2019.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code since the Listing Date, except for code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ye Nianqiao ("**Mr. Ye**") currently serves as the chairman of the Board, executive Director, chief executive officer and general manager of the Company. Throughout the Group's business history, Mr. Ye has been the key leadership figure of the Group who has been primarily involved in the strategic development, overall operational management and major decision-making of the Group. Taking into account the continuation of the implementation of the Group's business plans, the Directors consider Mr. Ye is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the Shareholders as a whole.

As the Company is listed on the Main Board of the Stock Exchange on 25 January 2019, the CG Code does not apply to the Company for the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own Code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to the date of this announcement.

At the same time, since the Listing Date, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to auditing, internal control and financial reporting. The audit committee of the Company, together with the Board has reviewed the Group's consolidated financial statements for the year ended 31 December 2018.

The financial information of the Group disclosed in this announcement is based on the Group's consolidated financial statements for the year ended 31 December 2018, which has been agreed with the auditor of the Company.

PUBLICATION OF THE ANNUAL RESULTS AND 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinakepeiedu.com), and the 2018 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Kepei Education Group Limited
Ye Niaoqiao
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises Mr. YE Nianqiao, Dr. ZHANG Xiangwei, Mr. ZHA Donghui, Ms. LI Yan and Mr. YE Xun as executive directors, Mr. WANG Chuanwu as non-executive director, and Dr. XU Ming, Dr. DENG Feiqi and Dr. LI Xiaolu as independent non-executive directors.