China Xinhua Education Group Limited
中國新華教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2779)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of China Xinhua Education Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company, its subsidiaries and consolidated affiliated entities (collectively, the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

In this announcement, "**we**", "**us**", "**our**" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		**Percentage**
	2018	2017	**Change**
	RMB'000	*RMB'000*	
Total income (1)	**477,885**	391,754	22.0%
Revenue	**386,127**	337,958	14.3%
Profit for the year	**256,010**	171,958	48.9%
Earnings per share (RMB cents)	**16.92**	14.33	18.1%

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB1.9 billion.

Note:

(1) Total income of the Group consists of revenue and other income.

Revenue consists of the tuition fees and boarding fees the Group received from its students.

Other income primarily consists of rental and property management income, service income, net realised and unrealised gains on financial assets measured at fair value through profit or loss ("**FVPL**") and interest income.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**386,127**	337,958
Cost of sales		**(155,725)**	(145,481)
Gross profit		**230,402**	192,477
Other income	*4*	**91,758**	53,796
Selling and distribution costs		**(6,196)**	(5,375)
Administrative expenses		**(57,887)**	(66,857)
Profit from operations		**258,077**	174,041
Finance costs	*5(a)*	**(85)**	–
Profit before taxation	*5*	**257,992**	174,041
Income tax	*6*	**(1,982)**	(2,083)
Profit for the year		**256,010**	171,958
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Changes in fair value recognised during the year		**–**	9,715
Reclassification to profit or loss on disposal		**–**	(9,262)
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company		**90,626**	–
Other comprehensive income for the year		**90,626**	453
Total comprehensive income for the year		**346,636**	172,411
Earnings per share	*7*		
Basic and diluted (RMB cents)		**16.92**	14.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**475,994**	491,883
Lease prepayments		**87,880**	90,437
Intangible assets	8	**204,211**	5,301
Other non-current assets		**–**	197,939
		768,085	785,560
Current assets			
Trade receivables	9	**261**	201
Prepayments, deposits and other receivables		**13,042**	12,293
Available-for-sale financial assets		**–**	235,521
Financial assets measured at fair value through profit or loss		**60,242**	–
Cash and cash equivalents		**1,861,671**	293,023
		1,935,216	541,038
Current liabilities			
Deferred revenue		**–**	191,773
Contract liabilities	10	**212,810**	–
Other payables	11	**101,018**	130,932
Amounts due to related parties		**–**	511
Deferred income		**1,510**	881
Current taxation		**3,429**	2,073
		318,767	326,170
Net current assets		**1,616,449**	214,868
Total assets less current liabilities		**2,384,534**	1,000,428
Non-current liabilities			
Deferred income		**–**	503
NET ASSETS		**2,384,534**	999,925
CAPITAL AND RESERVES			
Share capital		**12,952**	–
Reserves		**2,371,582**	999,925
TOTAL EQUITY		**2,384,534**	999,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

China Xinhua Education Group Limited (the "**Company**") was incorporated in the Cayman Islands on 30 August 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the formal higher and secondary vocational education business in the People's Republic of China (the "**PRC**").

Pursuant to a group reorganisation completed on 31 October 2017 (the "**Reorganisation**") to rationalise the Group's structure in preparation for the public offering (the "**Offering**") of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the Group. The Company's shares were listed on the Stock Exchange on 26 March 2018 (the "**Listing Date**").

Prior to 31 October 2017, the Group's higher and secondary vocational education business was conducted through Anhui Xinhua University ("**Xinhua University**"), Anhui Xinhua School ("**Xinhua School**") and Anhui Xinhua Group Investment Co., Ltd ("**Xinhua Group**") (collectively, the "**PRC Operating Entities**"), which were ultimately owned and controlled by the same equity holder (hereinafter referred to as the "**Controlling Shareholder**") through direct or indirect equity holdings in the PRC Operating Entities. As part of the Reorganisation, the Group obtained control of the PRC Operating Entities and continued to obtain the economic benefits from the education business by executing certain structured contracts. On 31 October 2017, Anhui Ronghua Education Technology Co., Ltd ("**Xinhua Anhui**"), an indirect wholly-owned subsidiary of the Company, entered into certain contracts (the "**Structured Contracts I**") with the PRC Operating Entities and their respective equity holders. On 6 February 2018, Xinjiang Ronghua Education Technology Co., Ltd. ("**Xinhua Xinjiang**"), an indirect wholly-owned subsidiary of the Company, entered into another series of certain contracts (the "**Structured Contracts II**") with the PRC Operating Entities and their respective equity holders. The terms and conditions of Structured Contracts II are the same as those contained in the Structured Contracts I in all material aspects, pursuant to which the Structured Contracts I were automatically terminated and all economic benefits arising from the business of the PRC Operating Entities are transferred to Xinhua Xinjiang. The Structured Contracts, taken as a whole, enable Xinhua Anhui and Xinhua Xinjiang to have effective control over the operating and financial policies of the PRC Operating Entities. The directors of the Group are of the view that, notwithstanding the lack of equity ownership, the Structured Contracts effectively provide Xinhua Anhui and Xinhua Xinjiang the power to govern and control the PRC Operating entities so as to obtain benefits from their business activities. Accordingly, the PRC Operating Entities are included in the Group's consolidated financial statements as controlled subsidiaries.

All the companies now comprising the Group (including the PRC Operating Entities) that took part in the Reorganisation were ultimately controlled by the Controlling Shareholder both before and after the Reorganisation. Since there was a continuation of the risks and benefits of the Controlling Shareholder, the Reorganisation is considered to be a combination of entities under common control. These financial statements have been prepared using the merger basis of accounting as if the current group structure had always been in existence at the beginning of the earliest year presented.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets measured at fair value through profit or loss are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(i) ***IFRS 9, Financial instruments***

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact, net of tax, of transition to IFRS 9 on retained earnings and reserves at 1 January 2018.

	RMB'000
Retained earnings	
Transferred from fair value reserves relating to financial assets now measured at FVPL	521
Net increase in retained earnings at 1 January 2018	521
Fair value reserves	
Transferred to retained earnings relating to financial assets now measured at FVPL	521
Net decrease in fair value reserves at 1 January 2018	521

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	**IFRS 9 carrying amount at 1 January 2018** ***RMB'000***
Financial assets classified as available-for-sale under IAS 39				
Bank's wealth management products	235,521	(235,521)	–	**–**

	IAS 39 carrying amount at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	**IFRS 9 carrying amount at 1 January 2018** ***RMB'000***
Financial assets measured at FVPL				
Bank's wealth management products	–	235,521	–	**235,521**

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

b. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group): the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) ***IFRS 15, Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and recognised the cumulative effect of initial application if any as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IASs 11 and 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that no adjustment to the opening balance of equity at 1 January 2018 was recognised. Further details of the nature and effect of the changes on previous accounting policies are set out below:

Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, tuition and boarding fee prepayment received by the Group were presented in the consolidated statement of financial position under "deferred revenue" until the services were delivered to the customers and the revenue was recognised.

To reflect the changes in presentation, the Group has made the following adjustment at 1 January 2018, as a result of the adoption of IFRS 15:

– Deferred revenue amounting to RMB191,773,000 as at 1 January 2018, which represents the tuition and boarding fee prepayments received from students but not earned is now measured under contract liabilities.

(iii) ***IFRIC 22, Foreign currency transactions and advance consideration***

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Tuition fees	**341,535**	300,883
Boarding fees	**44,592**	37,075
Total	**386,127**	337,958

Revenue represents the value of service rendered during the year. No service provided to a single customer exceeds 10% or more of the total revenue of the Group during the year.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its tuition and boarding fees received by university and school such that the Group does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations for tuition and boarding fees received by university and school that had an original expected duration of one year or less.

(b) Segment Reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of education services.

4 OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Rental and property management income	**25,436**	21,311
Service income	**25,957**	14,931
Government grants *(i)*	**7,262**	6,193
Available-for-sale financial assets: reclassification from equity on disposal	**–**	9,262
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	**16,470**	–
Interest income on financial assets measured at amortised cost	**17,300**	756
Loss on operation of the School of Clinical Medicine *(ii)*	**(2,695)**	–
Others	**2,028**	1,343
	91,758	53,796

(i) Government grants mainly represent the grants from the local government for the purpose of compensating the operating expenses arising from the schools' teaching activities, scientific researches and expenditures on facilities.

(ii) On 20 November 2017, the Group entered into a formal agreement with Anhui Medical University for a term of three years to jointly operate the School of Clinical Medicine with the eventual goal of converting the School of Clinical Medicine into a school owned and operated solely by the Group (the "Conversion"). According to the agreement, the Group is entitled to the tuition fees relating to those students admitted in the 2018-2019 school year and thereafter and is responsible for the operation costs of the campus before the Conversion. The amount represents the recognized revenue less the operation costs of the School of Clinical Medicine during the year. After the Conversion, the operation results of the School of Clinical Medicine will be consolidated into the Group.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expense on bank loans	**85**	–
(b) Staff costs		
Salaries, wages and other benefits	**102,061**	91,650
Contributions to defined contribution retirement plan *(i)*	**8,622**	6,520
	110,683	98,170

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	2018	2017
	RMB'000	*RMB'000*
(c) Other items		
Depreciation	**51,386**	48,027
Amortisation of intangible assets	**1,760**	1,216
Amortisation of lease prepayments	**2,557**	2,557
Auditors' remuneration	**2,505**	2,171
	58,208	53,971

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**1,982**	2,083

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island and accordingly is not subject to income tax.

(ii) 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.

(iii) Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at a rate of 25% on its taxable income.

(iv) According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The 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 and up to the date of this report, no separate policies, regulations or rules have been introduced by the tax authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the Group's schools which do not require reasonable returns did not pay corporate income tax for the income from provision of formal educational services and had enjoyed the preferential corporate income tax exemption treatment since their establishment. As a result, no income tax expense for the income from provision of formal educational services was recognised for the Group's schools for the year ended 31 December 2018.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**257,992**	174,041
Tax at the statutory rate	**64,498**	43,510
Tax effect of non-taxable income	**(61,016)**	(45,941)
Utilization of temporary difference and tax losses not recognized	**(1,524)**	–
Tax effect of temporary difference and tax losses not recognized	**–**	4,441
Tax effect of non-deductible expenses	**24**	73
Actual income tax expense	**1,982**	2,083

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2018 is based on the profit attributable to equity holder of the Company for the year ended 31 December 2018 of RMB256,010,000 (2017: RMB171,958,000) and the weighted average number of ordinary shares of 1,512,893,000 in issue during the year (2017: 1,200,000,000 shares after taking into account the capitalization issue), calculated as follows:

	2018	2017
	(thousand)	*(thousand)*
Issued ordinary shares at 1 January 2018/30 August 2017 (date of incorporation)	**5**	5
Effect of capitalization issue	**1,199,995**	1,199,995
Effect of issues of ordinary shares by initial public offering	**312,893**	–
Weighted average number of ordinary shares at 31 December	**1,512,893**	1,200,000

There were no dilutive potential ordinary shares for the year ended 31 December 2018 and, therefore, diluted earnings per share are equivalent to basic earnings per share.

8 INTANGIBLE ASSETS

As at 31 December 2018, intangible assets mainly represent a school operation right for the School of Clinical Medicine acquired from Anhui Medical University in the amount of RMB195,961,300. Such amount was recorded as prepayment in other non-current assets at 31 December 2017.

9 TRADE RECEIVABLES

As of the end of the year, an ageing analysis of the Group's trade receivables, based on the transaction date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**261**	201

The balances represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year or semester, which normally commences in September or February. 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 relate to a large number of diversified 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. No allowance for doubtful debts was made as of the end of the year.

10 CONTRACT LIABILITIES

	Notes	**31 December 2018** ***RMB'000***	1 January 2018 (i) *RMB'000*	31 December 2017 *(i)* *RMB'000*
Tuition fees	*(ii)*	**183,839**	165,174	–
Boarding fees	*(ii)*	**28,971**	26,599	–
		212,810	191,773	–

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of IFRS 15, these amounts were reclassified from deferred revenue to contract liabilities.

11 OTHER PAYABLES

	2018 ***RMB'000***	2017 *RMB'000*
Miscellaneous expenses received from students *(Note (i))*	**27,467**	31,300
Accrued expenses	**7,203**	5,943
Payables to suppliers	**28,599**	29,173
Accrued staff costs	**16,542**	13,032
Accrued listing expenses	**–**	25,802
Others	**21,207**	25,682
	101,018	130,932

Note (i): the amount represent miscellaneous expenses received from students which will be paid out on behalf of students.

All other payables are expected to be settled within one year.

12 Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB4.77 cents per ordinary share (2017: nil)	**76,729**	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

13 Non-adjusting events after the reporting period

On 28 January 2019, the Group submitted a tender application in response to a tender published by Nanjing University of Finance & Economics ("NUFE"), which is aimed to select a candidate to become the new school sponsor of the Hongshan College of NUFE ("Hongshan College"), with an eventual goal of converting Hongshan College into a standalone school owned and operated solely by the new school sponsor.

On 2 February 2019, the Group received the tender confirmation from NUFE, confirming that it was the successful tenderer in respect of the acquisition of Hongshan College. An initial payment of RMB305 million, which should be applied towards the final consideration to be agreed upon, had been paid to NUFE. The total consideration payable, the payment terms and other terms and conditions in respect of the acquisition of Hongshan College would be further agreed upon in a formal agreement between NUFE and the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group was listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 26 March 2018 and became the first higher education group in the Yangtze River Delta since then. We are the largest private higher education provider in the Yangtze River Delta, as measured by the full time student enrollment of our higher education programs. As at 31 December 2018, the Group invested in and operated three educational institutions, namely, (i) Anhui Xinhua University ("**Xinhua University**"), a private formal university; (ii) Anhui Xinhua School ("**Xinhua School**"), a private secondary vocational school; and (iii) School of Clinical Medicine of Anhui Medical University ("**School of Clinical Medicine**"), a university jointly operated by the Group and Anhui Medical University.

We are committed to providing high-quality education to our students, including both formal university education and vocational education in a wide selection of fields in applied sciences. We have designed comprehensive and diversified curriculums. We adjust our major offerings from time to time based on our extensive and ongoing market research and with reference to employers' preferences and labor market demands. In 2018, we started to offer 15 new majors that meet the needs of the industry, including, among others, emerging undergraduate majors such as urban rail transit operation and management, logistics service and management, data science and big data technology, and health service and management. We continue to optimizing our educational environment by improving our tangible and intangible infrastructure, and working closely with our enterprise partners, in order to help our students acquire useful skills and seek suitable employment opportunities. Our graduate employment rate is relatively higher than the average graduate employment rate in Anhui province, which, in turn, will help us further enhance our reputation, raise our profile in the industry and attract more talented students.

BUSINESS REVIEW

Our Schools

Xinhua University

Founded in 2000, Xinhua University is a formal university-level higher education institution, which provides undergraduate program education, junior college program education and continuing education focusing on applied sciences. As at 31 December 2018, Xinhua University provided 82 majors to its full-time students through 11 schools, including 60 undergraduate majors and 22 junior college majors. In addition, Xinhua University also provides the continuing education program to its students. As at 31 December 2018, 22,881 full-time students enrolled in our undergraduate programs and junior college programs, and 6,030 students enrolled in our continuing education programs. Xinhua University ranks the first among the private formal higher education institutions in the Yangtze River Delta, as measured by the student enrollment. Xinhua University strives to enhance its education quality and continuously increase input in intangible infrastructure in order to bring Xinhua University to a new level.

Xinhua School

As a secondary vocational school, Xinhua School provides general secondary vocational program, undergraduate oriented secondary vocational education program, and five-year junior college oriented secondary vocational education program. All students of Xinhua School are enrolled as full-time students. As at 31 December 2018, Xinhua School offered 16 majors to 5,270 full-time students, and won 560 national, provincial and municipal awards, becoming one of the first batch of colleges who were conferred with the "model school of school-enterprise cooperation" by the Education Department of Anhui Province.

School of Clinical Medicine

Pursuant to the agreement with Anhui Medical University, we are entitled to the tuition fees relating to those students admitted in School of Clinical Medicine in 2018-2019 school year and thereafter, and are responsible for the operations of the new campus. The threshold score of the science programs in the School of Clinical Medicine ranked first among similar colleges in Anhui Province. The student enrollment rate of the School of Clinical Medicine hit a record high of 96% for the 2018-2019 school year, ranking first among similar colleges in Anhui Province. We are currently negotiating with the relevant authorities on the land arrangement for the new campus of the School of Clinical Medicine. We plan to build the new campus in phases. It is expected that the first phase of the campus will be completed and put into use in 2020, which will be able to accommodate 5,000 students. We are actively formulating a development plan for the School of Clinical Medicine and are using our best efforts to complete the transfer of the school sponsor's interest in the School of Clinical Medicine with the support of Anhui Medical University and the relevant government authorities.

Student enrollment	**As at 31 December 2018**	As at 31 December 2017
Xinhua University		
Full time students	**22,881**	22,664
Continuing education program (part time)	**6,030**	5,663
Subtotal	**28,911**	28,327
Xinhua School		
Full time students	**5,270**[(1)]	5,358
School of Clinical Medicine		
Full time students	**575**	–
Total:	**34,756**	33,685

Note:

(1) The decrease in the number of students enrolled as at 31 December 2018 was because the number of the graduating students of Xinhua School in 2018 were more than the number of the students enrolled in the 2018-2019 school year.

Tuition fees and boarding fees

	Tuition fees		Boarding fees	
	2018-2019 school year	2017-2018 school year	**2018-2019 school year**	2017-2018 school year
Xinhua University				
Four-year undergraduate program	**16,500–25,000**	15,100–25,000	**1,500–2,000**	1,300–1,500
Three-year junior college program	**10,700–21,000**	10,700–21,000	**1,500–2,000**	1,300–1,500
Continuing education program	**2,400–9,900**	1,200–8,900	**1,500–2,000**	1,300–1,500
Xinhua School				
General secondary vocational program	**5,200–10,400**	5,200–7,600	**1,500**	1,200
Undergraduate oriented secondary vocational program	**10,400**	8,000	**1,500**	1,200
Five-year junior college oriented secondary vocational program	**10,400**	8,000	**1,500**	1,200
School of Clinical Medicine				
Four-year undergraduate program	**13,200-15,900**	–	**1,000**	–
Five-year undergraduate program	**15,900**	–	**1,000**	–

BUSINESS AND OPERATION UPDATES

1. **Significant improvement in the performance of Xinhua University.** (1) In terms of student enrollment for the 2018-2019 school year, the new student enrollment rate of undergraduates presented a year-on-year increase of 1.32%, ranking top among the private higher education institutions in Anhui province; (2) in terms of school-enterprise cooperation, for the first time, Xinhua University established collaborative innovation center and school-enterprise cooperation office with military academies. As at 31 December 2018, nine industry-academy-research collaborative innovation projects* (產學研協同創新項目) and industry-academy-research collaborative education projects* (產學研協同育人項目) of Xinhua University were approved by the Ministry of Education of the PRC. As at 31 December 2018, Xinhua University has jointly built 29 school-enterprise cooperation bases, carried out 28 horizontal research projects, and developed 36 relevant curriculums; (3) in terms of teacher development, Xinhua University continued to hire highly-educated talents. As at 31 December 2018, 72.76% of our teachers have master's degree or above, and 18.37% of our teachers have obtained professional titles of deputy senior level or above; (4) in terms of teachers' academic research, 114 provincial level teaching and research projects have been approved, 102 of our teachers have won awards in various competitions, and 197 patents have been obtained by Xinhua University as at 31 December 2018; (5) in terms of development of our major offerings, two majors of Xinhua University were rated as excellent in the provincial evaluation, ranking first among all the non-medical colleges in Anhui province. Two new majors, namely, data science and big data technology, and health service and management, were introduced by Xinhua University to its students during the year ended 31 December 2018; (6) in terms of talent training, the students of Xinhua University have won 386 awards in national and provincial competitions, as at 31 December 2018; (7) in terms of graduate employment, the initial graduate employment rate of Xinhua University has reached 93.48%, increasing by 2.65% from last year. The number of students admitted to graduate schools

increased by 20.3% comparing to last year; (8) in terms of internationalization, 38 foreign students from seven countries and regions were admitted into Xinhua University, which is a significant breakthrough as there were no foreign students studying in the Xinhua University for the year ended 31 December 2017; and (9) in terms of the honor received by our school, Xinhua University was awarded as the "popular private universities among students" in the seventh annual meeting of Chinese educators, and ranked 11th in the ranking of academic research competitiveness of private universities in China in 2018. Xinhua University's student-related services have been commended for 14 times at national and provincial levels, the brand image of Xinhua University was thereby highlighted.

2. **Solid progress in the operation of School of Clinical Medicine.** The Group has started operating the School of Clinical Medicine since 2018. The first batch of students was enrolled in the School of Clinical Medicine in September 2018. In line with the Group's strategy of operating the School of Clinical Medicine, the Group has diversified the major offerings of the School of Clinical Medicine by adjusting the curriculums and obtaining approvals from authorities for the new majors.

3. **Improvements in the comprehensive strength of Xinhua School.** (1) Since March 2018, Xinhua School has been authorized by the authorities to increase its tuition fees without obtaining prior approval from Hefei Price Bureau, the PRC; (2) Xinhua School has invested more resources in student recruitment, and the number of students enrolled in the 2018-2019 school year presents a year-on-year increase of 38.9%; (3) a total of 560 national, provincial and municipal awards were won by Xinhua School in the year ended 31 December 2018. The total number of awards won ranked the first among secondary vocational schools in Anhui province; and (4) ten new and old majors were approved or restored in Xinhua School, and three featured majors were jointly built by Xinhua School and cooperative enterprises under the school-enterprise cooperation programs. Two new majors, namely, the three-year urban rail transit operation and management program, and the five-year logistics service and management program, has been recently offered to our students since 2018. Xinhua School has also cooperated with several enterprises to carry out a new cooperation model for three of our majors, including, among others, mechanical and electrical technology application for unmanned aerial vehicle, in which the cooperative enterprises and our school agreed to jointly build work stimulation workshop, share training staff and jointly manage the students. Xinhua School is one of the first batch of colleges which was conferred with the "model school of school-enterprise cooperation" in Anhui province in 2018, thereby highlighting our brand image.

FUTURE PROSPECTS

The Group has always been aiming to cultivate high-quality application-oriented talents with solid academic ability, innovative spirit, international vision and development potential. In 2015, three ministerial departments of the PRC government, namely the Ministry of Education, the National Development and Reform Commission and the Ministry of Finance, jointly issued the Guidance on Transforming Certain Local Ordinary Undergraduate Colleges and Universities into Application-Oriented Colleges and Universities *(《關於引導部分地方普通本科高校向應用型轉變的指導意見》), as a result of which, the training mode of industry-education integration and school-enterprise cooperation with an aim to foster application-oriented talents has been widely recognized and has become a social consensus. In September 2018, Chairman Xi stressed at the national education conference that the education to serve economic and social development should be further enhanced, with emphasis on cultivating innovative, inter-disciplinary and application-oriented talents. Recently, the PRC government has promulgated a series of policies and documents, including the national plan for the reform and implementation of vocational education, China's education modernization in 2035, and the plan for accelerating the implementation of education modernization (2018-2022), with an aim to promote the integration of industry and education, encourage the cultivation of application-oriented talents, and build a diversified pattern of education.

The Group will, based on its rich experience in the education industry and its position to cultivate high-end application-oriented talents, seize the policy opportunities, strengthen the integration of industry and education and school-enterprise cooperation, and further expand the Group's school network and student enrollment by acquiring high-quality undergraduate colleges and vocational (junior college) schools.

1. External growth: actively seek appropriate acquisition and investment opportunities

- Acquisition or investment targets:

  Going forward, we will primarily focus on acquiring or investing in the undergraduate colleges and universities (including private universities and independent college in various provinces) capable of awarding bachelor's degree and having tremendous development potential, as well as excellent private junior colleges and higher vocational schools.

- Upon completion of acquisition or investment, the Group will optimize the operations of the school acquired/invested by virtue of its successful school running experience and education expertise.

2. Endogenous growth: optimize tuition fee pricing, increase revenue, and expand sources of income

- The Group has established a good reputation of being able to provide high-quality education. As such, the Group's optimizing of tuition fee pricing will not affect the school's capability of maintaining and expanding student enrolment.

- Both Xinhua University and Xinhua School are no longer required to apply for approval from the relevant government authorities any increase of its tuition fee, as long as such increase is filed with the relevant government authorities. As such, we have more flexibility in adjusting our tuition fee, which may lead to an increase in our revenue in the future.

- We will continue providing our students with quality logistics service, and further develop our student training courses to enhance our students' competitiveness in the labour market.

FINANCIAL REVIEW

Total Income

Total income of the Group consists of revenue and other income.

Revenue

Revenue consists of the tuition fees and boarding fees the Group received from its students.

The Group's revenue increased by 14.2% from RMB338.0 million for the year ended 31 December 2017 to RMB386.1 million for the year ended 31 December 2018. This increase was primarily due to an increase in tuition fees from RMB300.9 million for the year ended 31 December 2017 to RMB341.5 million for the year ended 31 December 2018, representing a year-on-year increase of 13.5%. This is primarily attributed to the increase in the Group's student enrollment and average tuition fees.

Other Income

Other income primarily consists of rental and property management income, service income, net realised and unrealised gains on financial assets measured at FVPL and interest income.

Other income increased by 70.6% from RMB53.8 million for the year ended 31 December 2017 to RMB91.8 million for the year ended 31 December 2018, primarily due to an increase in service income obtained from the increased service facilities and types provided to the students and other independent third parties, as a result of the improvement of our school management, and an increase in interest income and net realised and unrealised gains on financial assets measured at FVPL.

Cost of Sales

Cost of sales primarily consists of salaries and benefits paid to our teaching staff, depreciation and amortization, cost of education-related activities, cost of repairs and student-related costs.

Our cost of sales increased by 7.0% from RMB145.5 million for the year ended 31 December 2017 to RMB155.7 million for the year ended 31 December 2018, primarily due to an increase in the salary and benefits paid to our teaching staff and the increase in costs of education-related activities.

Gross Profit

Our gross profit increased by 19.7% from RMB192.5 million for the year ended 31 December 2017 to RMB230.4 million for the year ended 31 December 2018, which was in line with the growth of our business.

Selling and Distribution Costs

Selling and distribution costs primarily consist of student admission expenses, salaries and benefits paid to our sales staff, depreciation and amortization, and advertising expenses.

Selling and distribution costs increased by 14.8% from RMB5.4 million for the year ended 31 December 2017 to RMB6.2 million for the year ended 31 December 2018, primarily due to an increase in student admission expenses.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits paid to administrative staff, depreciation and amortization, and travel expenses.

Administrative expenses decreased by 13.5% from RMB66.9 million for the year ended 31 December 2017 to RMB57.9 million for the year ended 31 December 2018, primarily due to a decrease in listing expenses.

Finance Cost

Finance costs primarily consist of interest expense on bank loans.

The finance costs incurred for the year ended 31 December 2018 amounted to approximately RMB0.09 million (31 December 2017: nil).

Profit before Taxation

The Group recognized a profit of RMB258.0 million before income tax for the year ended 31 December 2018, compared to a profit of RMB174.0 million before income tax for the year ended 31 December 2017, representing a year-on-year increase of 48.3%, which is generally in line with the increase in gross profit.

Income Tax

The Group's income tax decreased by 4.8% from RMB2.1 million for the year ended 31 December 2017 to RMB2.0 million for the year ended 31 December 2018, which is in line with the taxable income of the Group.

Profit for the Year

As a result of the combined effects of the above income, costs and expenses, the Group recorded a profit for the period of RMB256.0 million for the year ended 31 December 2018, representing an increase of 48.8% as compared with RMB172.0 million for the year ended 31 December 2017.

Working Capital and Source of Capital

The Group's cash is mainly used to satisfy the needs of working capital and purchase of property. During the year ended 31 December 2018, the Group has funded for operations primarily with cash generated from operations. The Board believes that the need for working capital can be met by the cash flow generated from operating activities, bank loans and other borrowings, and other funds raised at the capital market from time to time. As at 31 December 2018, the Group had cash and cash equivalents of RMB1,861.7 million (31 December 2017: RMB293.0 million).

Net Current Assets

As at 31 December 2018, the Group's net current assets recorded RMB1,616.4 million (31 December 2017: RMB214.9 million), which was primarily attributable to the net proceeds the Group received from the listing on the Stock Exchange and the increase in cash as a result of the growth of the Group's business.

Capital Expenditures

Capital expenditures primarily consist of the expenditures in the construction of teaching and office buildings and major repair and renovation of the buildings of the Group.

During the year ended 31 December 2018, the Group's capital expenditures were RMB44.5 million (year ended 31 December 2017: RMB258.3 million). The Group's capital expenditures for the year ended 31 December 2018 were primarily related to the construction of buildings and school facilities and the purchase of equipment and software. The Group has funded these capital expenditures primarily with cash generated from operations.

Capital Commitments

The Group's capital commitments primarily relate to the acquisition of property, plant and equipment and lease prepayments. The following table sets forth a summary of our capital commitments as at the dates indicated:

	As at 31 December 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Contracted for	**–**	15,261
Authorized but not contracted for	**615,212**	107,500
	615,212	122,761

Bank Loans and Other Borrowings

The Group did not have any unpaid bank loans as at 31 December 2018.

Contingent Liabilities and Guarantees

As at 31 December 2018, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against it.

Gearing Ratio

Our gearing ratio decreased from 25% as at 31 December 2017 to 12% as at 31 December 2018, primarily because the Company's share capital was increased due to its listing.

Future Plan for Material Investments and Capital Assets

Save as disclosed in the prospectus date 14 March 2018, the announcement published on 3 February 2019 and this announcement, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed herein, there was no material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2018.

Significant Investments Held by the Group

During the year ended 31 December 2018, there was no significant investment held by the Group.

Foreign Exchange Risk Management

The Group's functional currency is RMB, as most revenues and expenditures are denominated in RMB. As at 31 December 2018, balances of several banks were denominated in USD or HKD. So far, the Group has not yet entered into any financial instruments used for hedging purpose, and the management will continue paying attention to foreign exchange risk, and will consider hedging against significant foreign currency risks by using financial instruments when necessary.

Pledge of Assets

As at 31 December 2018, the Group did not pledge any assets.

Human Resources

As at 31 December 2018, the Group had approximately 1,429 employees (31 December 2017: 1,281). In accordance with the applicable laws and regulations, the Group has attended the employee social security programs managed by local governments, including housing, retirement pension, medical insurance, maternity insurance and unemployment insurance. The Board believes that the Group is maintaining a favorable working relationship with our employees, and we have experienced no major labor disputes during the year ended 31 December 2018.

Off-Balance Sheet Commitments and Arrangements

During the year ended 31 December 2018, the Group has not conducted any off-balance sheet transaction.

EVENTS AFTER THE REPORTING PERIOD

In order to further expand its school network, the Group submitted a tender application on 28 January 2019 in response to a tender published by Nanjing University of Finance & Economics ("**NUFE**"), which aimed to select a candidate to become the new school sponsor of the Hongshan College of NUFE ("**Hongshan College**"), with an eventual goal of converting Honshan College into a standalone school owned and operated solely by the new school sponsor.

Subsequently on 2 February 2019, Xinhua Group received the tender confirmation from NUFE, confirming that it is the successful tenderer in respect of the acquisition of Hongshan College. An initial payment of RMB305,000,000 (equivalent to approximately HK$356,675,087), which shall be applied towards the final consideration to be agreed upon, has been paid to NUFE in February 2019. The total consideration payable, the payment terms and other terms and conditions in respect of the acquisition of Hongshan College will be further agreed upon in a formal agreement between NUFE and the Group.

The Directors consider that this opportunity is in line with the Group's business strategy of acquiring or investing in undergraduate colleges to expand its school network to capture market opportunities and further strengthen its market position in the Yangtze River Delta.

Saved as disclosed above, there is no major event subsequent to 31 December 2018 which would materially affect the Group's operating and financial performance as at the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB4.77 cents per share for the year ended 31 December 2018. The final dividend is declared in Renminbi and will be paid in Hong Kong dollars. The exchange rate adopted for conversion shall be the average of the central parity rate published by the People's Bank of China of the five business days prior to the declaration of the final dividend (HK$1.0 to RMB0.8538). Accordingly, the amount of the final dividend payable in Hong Kong dollars will be HK$5.59 cents per share. 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 Wednesday, 26 June 2019 (the "**AGM**") and the final dividend will be payable on or around Friday, 19 July 2019 to the Shareholders whose names appear on the register of members of the Company on Friday, 5 July 2019.

CLOSURE OF THE REGISTER OF MEMBERS

For Determining the Entitlement to Attend and Vote at the AGM

The register of members of the Company will be closed from Friday, 21 June 2019 to Wednesday, 26 June 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM to be held on Wednesday, 26 June 2019, 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 Thursday, 20 June 2019.

For Determining the Entitlement to the Proposed Final Dividend

The register of members of the Company will also be closed from Wednesday, 3 July 2019 to Friday, 5 July 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 Tuesday, 2 July 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2018.

SCOPE OF WORK OF KPMG

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Group's auditor in this respect did not constitute an assurance engagement performed 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 the Group's auditor on the preliminary announcement.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2018 have been reviewed by the audit committee of the Company (the "Audit Committee"). The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance since to the date of this announcement. The Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2018. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Board of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions since its listing on 26 March 2018. Having made specific enquiries to all the Directors, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaxhedu.com). The annual report of the Company for the year ended 31 December 2018 will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
China Xinhua Education Group Limited
Wu Junbao
Chairman

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises one non-executive director, namely Mr. Wu Junbao; three executive directors, namely Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai; and three independent non-executive directors, namely Ms. Zhang Kejun, Mr. Yang Zhanjun and Mr. Chau Kwok Keung.