



China Kepei Education Group Limited
中国科培教育集团有限公司

2020 Interim Results Presentation



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PART 01

Business Overview

1H2020
Results Highlights



01

Revenue increased by **16.6%** to RMB**418.9** million
(1H2019: RMB359.3 million)

02

Gross profit increased by **22.6%** to RMB**309.5** million
(1H2019: RMB252.4 million)

03

Net profit increased by **31.1%** to RMB**320.6** million
(1H2019: RMB244.6 million)

04

Core net profit increased by **27.0%** to RMB**311.3** million
(1H2019: RMB245.2 million)

05

Number of students enrolled increased by **53.3%** to **81,291**
(As of 30 June 2019: 52,960)

Completed the first M&A after the Group's listing: Harbin College

Announced the M&A of a high-quality private undergraduate college, Harbin College in January 2020, which was the first M&A completed by the Group after its listing. In the future, the Group will continue to develop new high-quality M&A projects.



The scale of multiple education programs ranked 1st in Guangdong province

Guangdong Polytechnic College ranked 1st among the private higher education institutions in South China in terms of the number of newly admitted students and student enrollment

The enrollment quota of undergraduate program ranked 1st in Guangdong province

The enrollment of secondary vocational program ranked 1st in Guangdong province

The enrollment of adult college program ranked 1st in Guangdong province



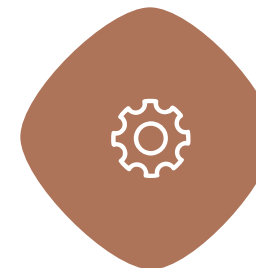
Granted restricted shares to core management

The Group granted a total of approximately 14 million shares to 6 directors and 15 senior management of the company and schools, accounting for approximately 0.7% of the issued share capital, to incentivize the Company's core management to create greater value and returns for the Company and shareholders.



Included as a constituent stock of MSCI and FTSE Russell Index

The Company was newly included as a constituent stock of the MSCI China All Share Small Cap Indexes on 29 May 2020 and will be newly included as a constituent stock of the FTSE Russell (FTSE) China Small Cap Indexes on 18 September 2020. Being included in the above indexes will increase the Company's visibility and liquidity.



The undergraduate enrollment quota significantly increased by 38%

- The enrollment quota of top-up degree programs surged by 11 times to 3,600; the number of student enrollment surged by 45 times to 3,792
- The undergraduate enrollment quota (including top-up degree program) increased by 38% to 11,213
- The number of newly admitted undergraduate students in 2020/2021 school year is expected to exceed 10,000, ranking 1st in Guangdong Province

Steady growth in on-campus and off-campus adult college program enrollment

- the total student number of on-campus adult college program is expected to increase 30% YoY
- The number of new student enrollment for off-campus adult college program increased 83% YoY to 15,212
- The total number of student for adult college program was 33,660 in 2020, increased by 97% YoY

The increase of Tuition Fees

- The undergraduate tuition fees of Guangdong Polytechnic College increased by 12%, the undergraduate tuition fees of Harbin college increased by 10%.
- The tuition fees of junior college program increased by 5%; the tuition fees of on-campus adult college program increased by more than 10%.
- The tuition fees of secondary vocational school increased by 10%.

The junior college enrollment quota significantly increased by 143% YoY

- The junior college enrollment quota was 6,572, significantly increased by 143% YoY.
- The student enrollment quota of the national college entrance exam is 3,912, increased by 30% YoY.

Enrollment of secondary vocational school exceeded expectations

- At present, more than 3,700 people have been admitted for secondary vocational program, and the admission progress has not yet completed
- The total number of students is expected to increase by 10% YoY

Obtained the qualifications of self-taught for undergraduate institutions

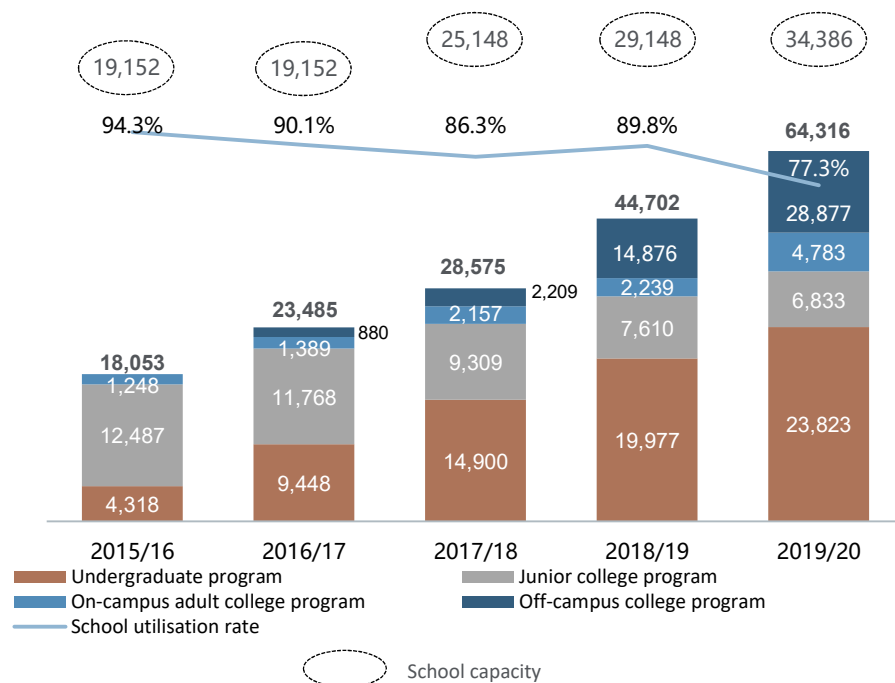
- Guangdong Polytechnic College is the first batch of private schools in Guangdong Province that have obtained the self-taught qualifications of undergraduate institutions
- Added new educational courses and broadened the channels of enrollment
- Cooperate with junior colleges and enroll students nationwide

Strong Organic Growth

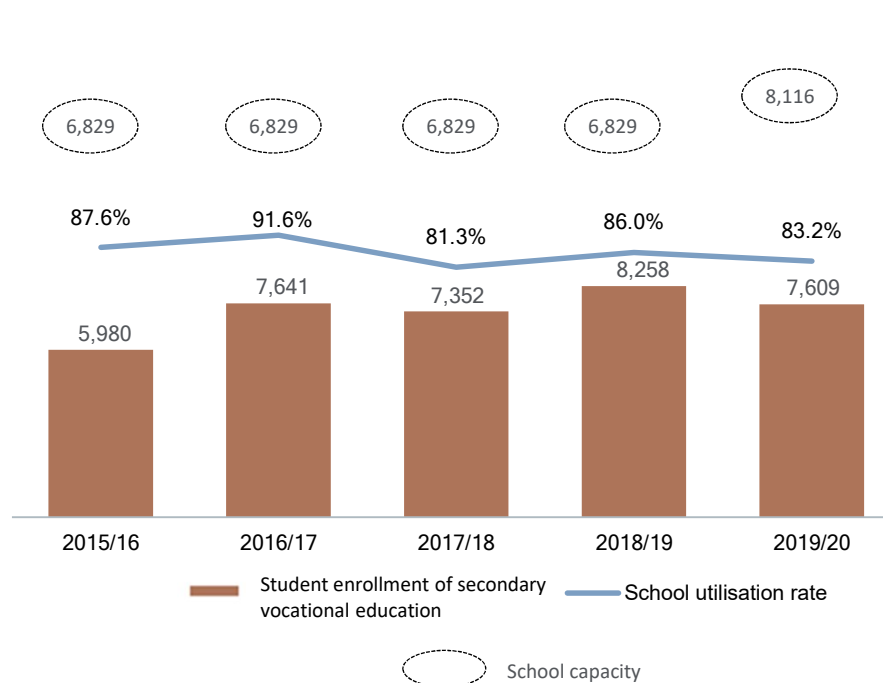
01 PART

Enrollment Information

Guangdong Polytechnic College⁽¹⁾⁽²⁾



Zhaoqing School⁽¹⁾⁽²⁾



Note:

(1) enrollment data as of 30 June

(2) The off-campus adult college program is non-boarding. Starting from the 2016/2017 school year, all graduating class students have not been boarding at school as they were on internships at enterprises where accommodation was provided

Tuition Fees Information

Tuition Fees	2018 / 2019 school year	2019/ 2020 school year	2020/ 2021 new school year
Guangdong Polytechnic College	(RMB)	(RMB)	(RMB)
- Undergraduate program	21,800—22,800	23,800	26,800
- Junior college program	15,800—18,800	17,800	18,800
- On-campus adult college program	5,900—10,700	5,900—13,300	7,400—16,800
- Off-campus adult college program	680—980	680—980	680—980
Zhaoqing School			
- Secondary vocational education	6,100—9,300	7,200—11,100	8,000—12,400
Harbin College			
- Undergraduate program	16,500—18,000	18,000—19,800	19,800—21,800
Boarding fees	2018 / 2019 school year	2019/ 2020 school year	2020/ 2021 new school year
Guangdong Polytechnic College	1,600	1,800-2,000	1,800—6,000
Zhaoqing School	1,170—1,570	1,170—1,570	1,380
Harbin College	1,500	1,500	1,500

Note 1: Tuition fee rates only apply to newly enrolled students in the relevant school years. Tuition fee range for each school represents the tuition fees of the majors it offers. The tuition fees range excluded the “2+2” undergraduate and junior college program offered by Guangdong Polytechnic College

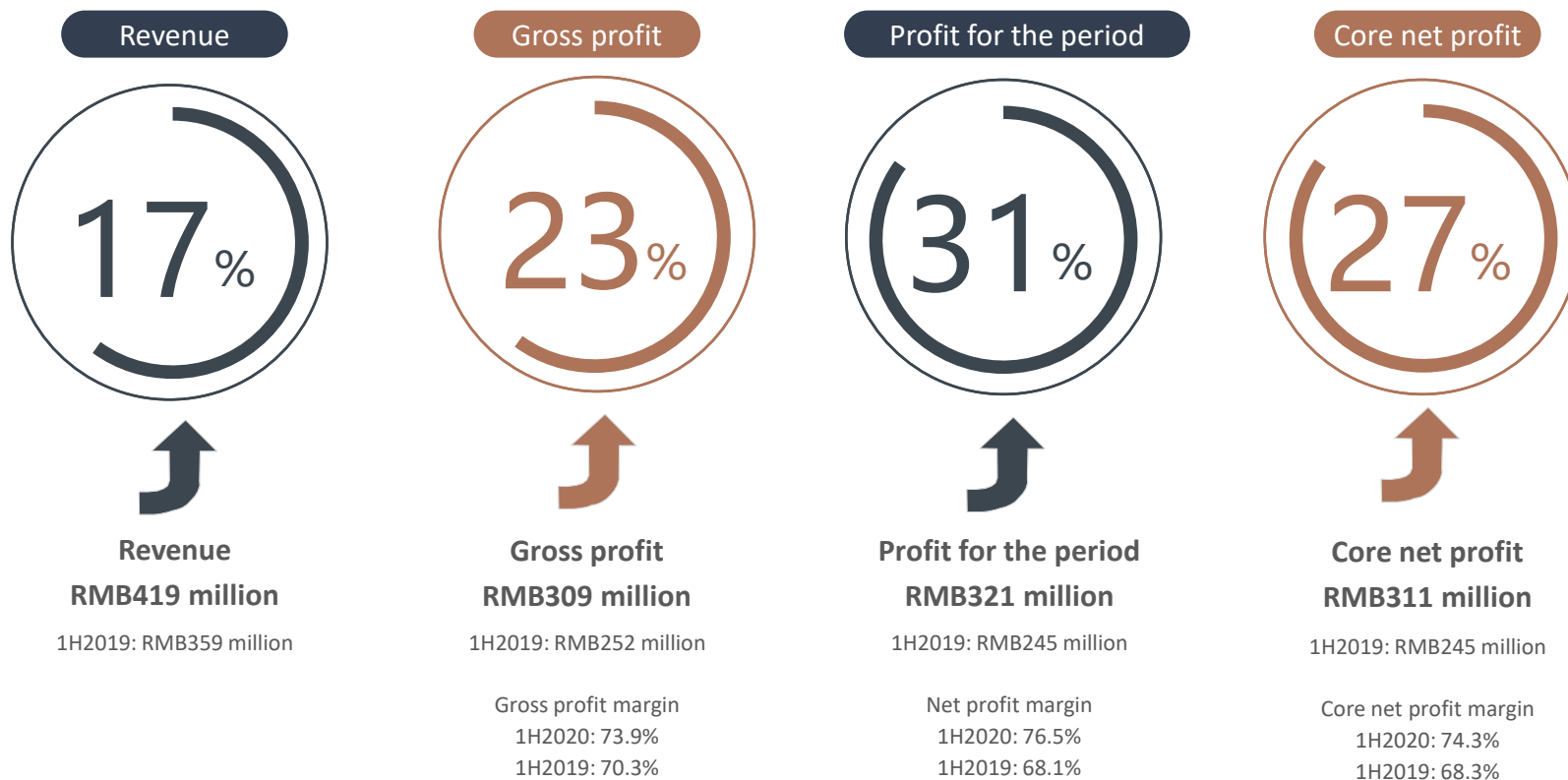
Note 2: The tuition and boarding fees of private colleges and universities in Guangdong and Heilongjiang provinces are self-priced and do not need to be filed or approved by the government.



PART 02

Financial Highlights

Financial Highlights



Financial Highlights

	The impact of boarding fees refund		Adding back the boarding fees refund	
	1H2020 (RMB'000)	Change (%)	1H2020 (RMB'000)	Change (%)
Boarding Fees⁽¹⁾	5,162	-81.6%	31,262	+11.7%
Tuition Fees	413,697	+25.7%	413,697	+25.7%
Revenue⁽¹⁾	418,920	+16.6%	445,020	+23.8%
Other income and gains - Management service income ⁽²⁾	31,962	N/A	38,062	N/A

Due to the impact of COVID-19, Guangdong Polytechnic College and Zhaoqing School refunded the boarding fees to students of total RMB RMB26 million in 1H2020. Harbin College refunded the boarding fees to students of RMB6 million. The impact of refund of boarding fees to the Group's 1H2020 financial result: 1) Revenue from boarding fees decreased by RMB26 million; 2) Revenue from other income and gains decreased by RMB6 million.

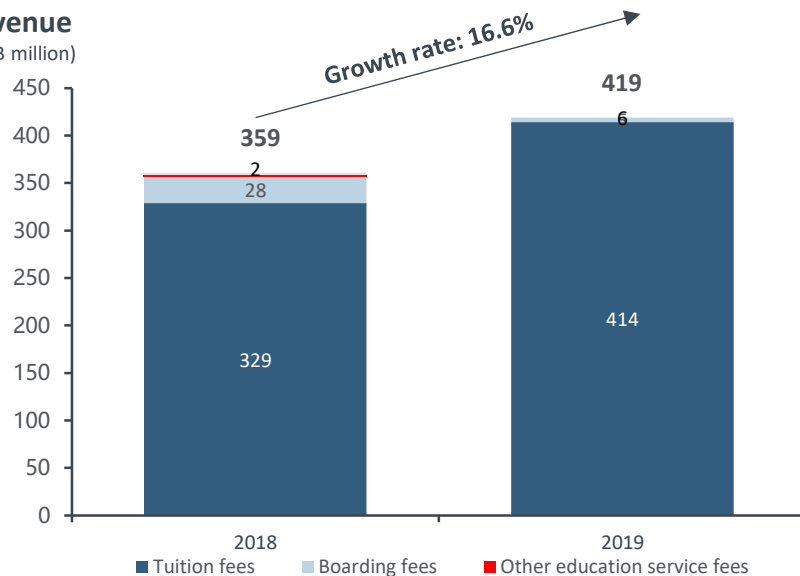
Remarks:

- (1) : Considering the impact of boarding fees refund of RMB26 million from Guangdong Polytechnic College & Zhaoqing School only;
 (2) : Considering the impact of boarding fees refund of RMB6 million from Harbin College (management service entrustment) only.

02 PART

Financial Highlights

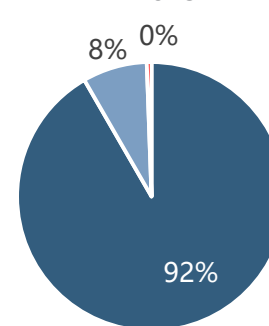
Revenue
(RMB million)



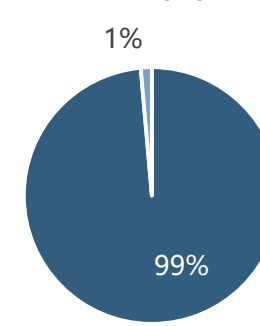
- As of 1H2020, 99% of the Group's revenue generated from tuition fees, 1% from boarding fees and 0% from other education service fees (qualification examination fees). The boarding fees and qualification examination fees decreased because the students did not return to the campus during 1H2020 due to the outbreak of COVID-19
- 68% of the Group's tuition income generated from undergraduate program, 15% from junior college program, 8% from secondary vocational education, 8% from adult college program and 1% from upgrade of junior college students to undergraduate student service
- During the reporting period, the growth of revenue mainly due to the rapid growth of number of undergraduate students in Guangdong Polytechnic College and adult college, as well as the increase of average tuition fee of certain majors in Guangdong Polytechnic College and Zhaoqing School

Revenue by category

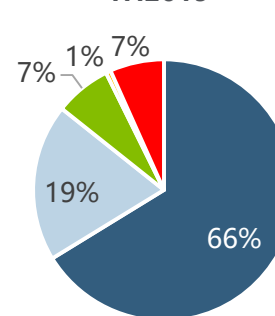
1H2019



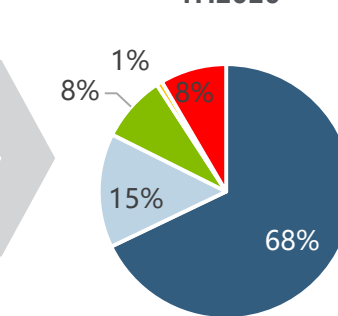
1H2020



1H2019

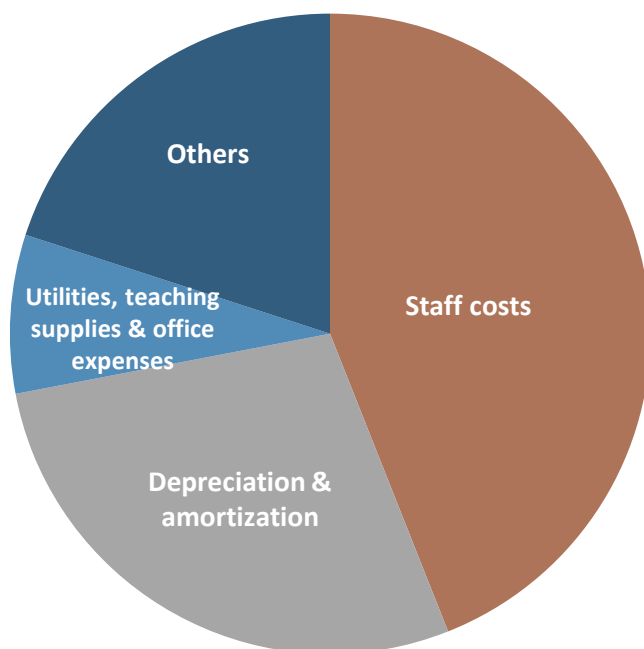


1H2020



- Undergraduate program
- Adult college program
- Secondary vocational education

- Junior college program
- Upgrade of junior college students to undergraduate students



Cost structure

45%

Staff costs

Increase of staff costs mainly due to the increase in the number of teachers and average salaries

1H2020: RMB50 million (1H2019: RMB46 million)

30%

Depreciation & amortization

Increase of depreciation & amortization as a result of the opening of the new campus and the increase in teaching equipment

1H2020: RMB33 million (1H2019: RMB30 million)

5%

Utilities, teaching supplies & office expenses

Including utilities, teaching supplies and office expenses

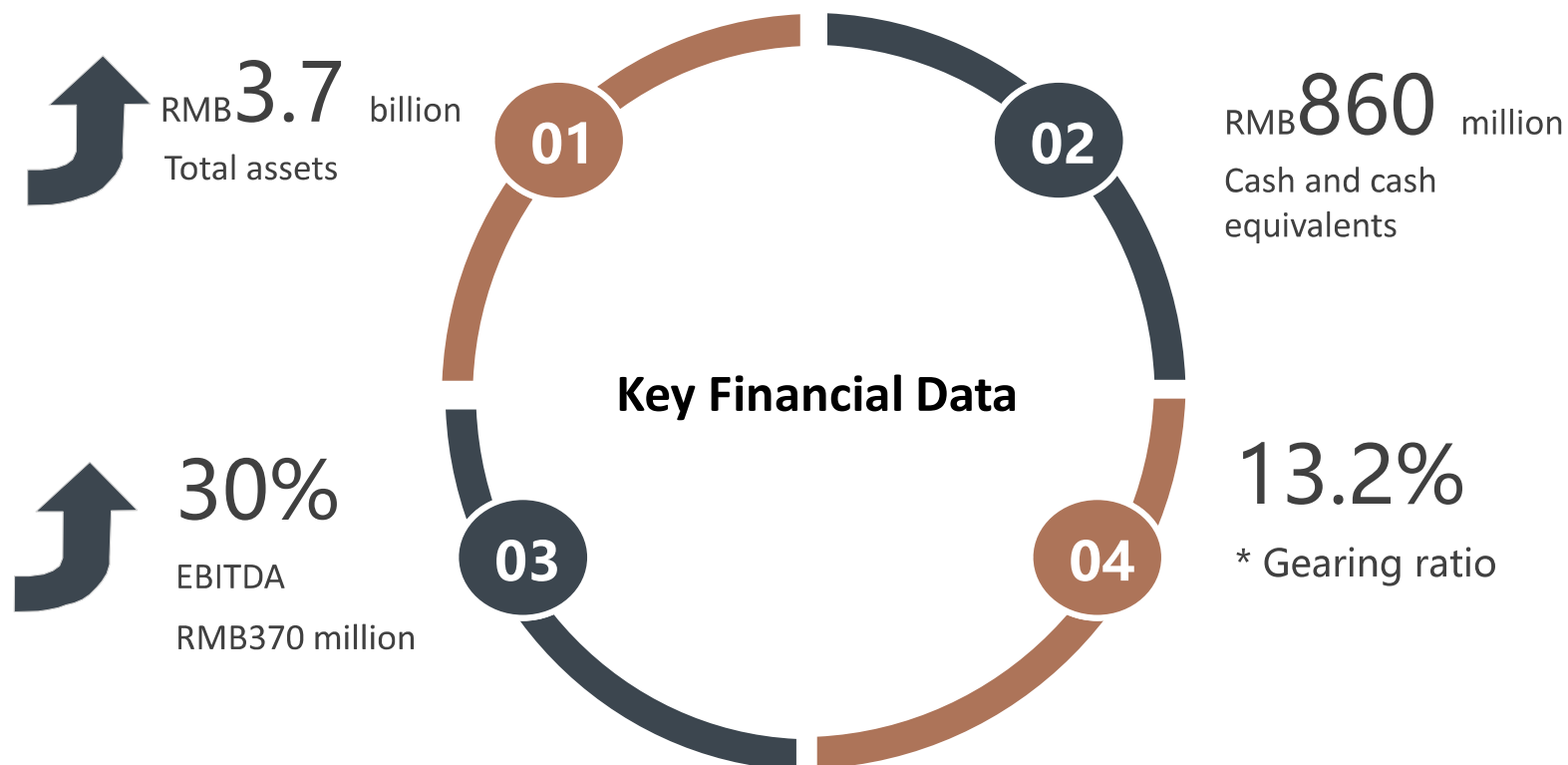
1H2020: RMB5 million (1H2019: RMB11 million)

20%

Other

Including training expenses, maintenance expenses, property management fees and student subsidies, etc.

1H2020: RMB22 million (1H2019: RMB19 million)



Financial Highlights

Proforma consolidated financial statements – Harbin College consolidated

	the Group	Harbin College	Proforma financial results	Change
	1H2020 (RMB'000)	Mar – Jun 2020 (RMB'000)	1H2020 (RMB'000)	(%)
Revenue	418,920	59,093	478,013	+33.0%
Gross profit	309,459	43,339	352,798	+39.8%
Core net profit	311,335	33,879	311,335	+27.0%
Gross profit margin	73.9%	73.3%	73.8%	+350 basis point
Net profit margin	74.3%	57.3%	65.1%	-300 basis point

(1) Proforma financial results 1H2020, the contribution of revenue from Harbin College is approximately 16%, the contribution of gross revenue is 17%, the contribution of profit for the period is 14%;

(2) If adding back the refund of boarding fees, the revenue of 1H2020 totalled RMB510.2 million, increased 42% YoY. Organic growth contributed to 24% of the revenue increase and M&A contributed to 18% of the revenue increase;

(3) The refund of boarding fees for Harbin college is RMB6.1 million. Tuition income to be recognized in July is RMB8.5 million. If adding back these two items, the overall income from Harbin college from March to June 2020 should be RMB73.7 million



PART 03

Development Strategies

Expansion and M&A

M&A Targets

Private regular undergraduate institutions
Independent colleges
Professional junior colleges

Selective Standard-Business

Enrollment growth capacity, tuition fee increase potential, registration rate, school utilization, land properties, liabilities, location, population, financial performance

Business Synergy

Centralized management (teachers, finance, procurement)
Integration of production & education
Extensive school-enterprise relations, sharing career information & resources



Region

Provinces with scarce resources in higher education in South and Southwest China
Provinces with low gross enrollment rates
Provinces with more candidates taking college entrance exam

Selective Standard-Finance

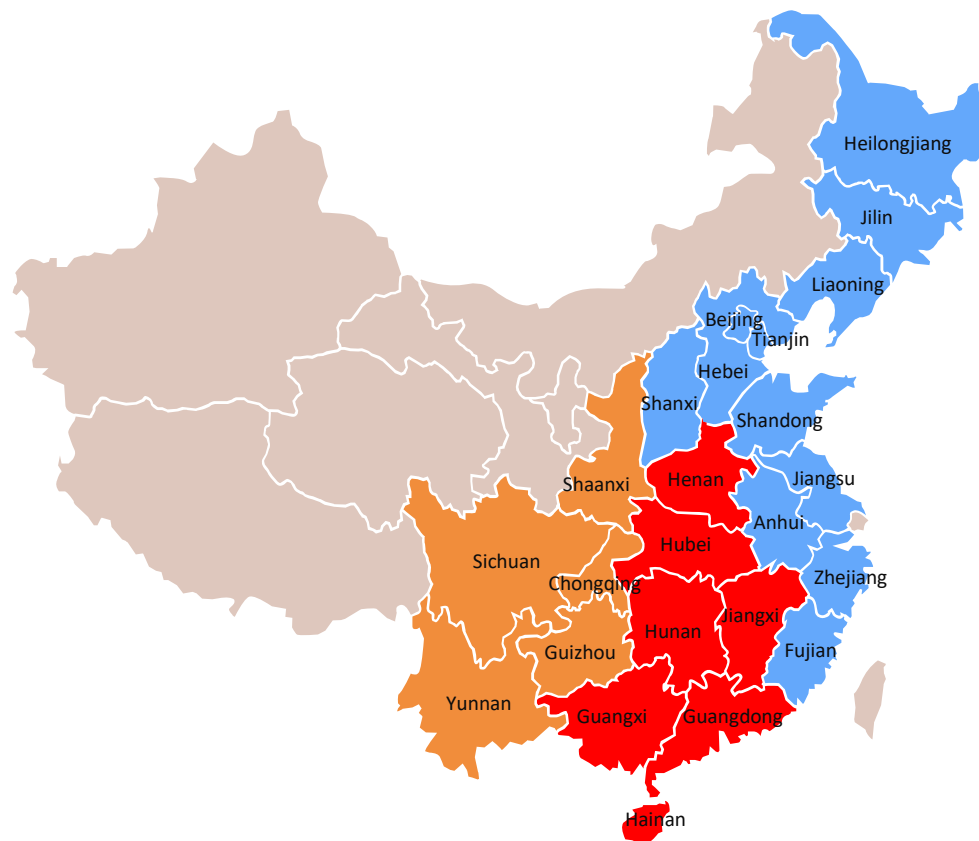
PE ratio
EV/EBITDA
Investment payback period

Number of M&As and funding for M&A

To deliver 1-2 M&A projects each year
RMB2.3 billion credit facility granted by SHPD Bank for M&A

03
PART

Expansion and M&A



M&A

Divided domestic M&As into
three major regions

Achieved full coverage
in key provinces

Has contacted and tracked over
200 M&A projects so far

- East and North China Project Team
- South and Central China Project Team
- Southwest China Project Team

Acquired 100% equity in Harbin College



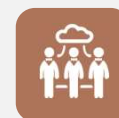
School History

Founded in 2003, formerly known as Huarui Institute of Northeast Petroleum University;
Approved by the Ministry of Education to be converted into undergraduate college in 2012



Courses

With 31 undergraduate majors and 11 secondary colleges;
Science and engineering as core majors with a proportion of 68%;
The mechanical and electrical engineering course was rated as the key construction discipline of Heilongjiang Province



Number of Students

9,366 students enrolled in the 2019/2020 (8,924 enrolled in the 2018/2019 school year);
100% of undergraduate enrollment



Number of Teachers

477 full-time teachers and 132 external teachers;
Student-teacher ratio around 18:1;
6 professors (T2);
81.5% of postgraduate and doctoral degrees



Land of School Premises

1,000 acres land with sufficient land reserves
250,000 sq. m. of construction area;
Located in the core area of Harbin, with convenient transportation



Qualification

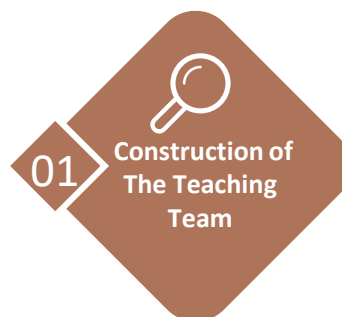
Registration rate reached 97.1%, ranked 1st among private schools in province;
Post-graduate entrance rate ranked 2nd among private colleges in province;
Employment rate ranked 2nd among private colleges in province;
More than 700 graduates have been admitted to Postgraduates from universities of Project 985 and Project 211, such as Tsinghua University and China University of Petroleum

Post - investment management of Harbin College

Increase teacher positions and reduce other faculty positions

Carry out the professional technical service qualification review on campus

Enhance teaching research and online teaching quality evaluation



Accredit experienced principals and financial officers to Harbin College

Finance, procurement, infrastructure, and human resources are integrated into the Group's centralized management

The Group cooperates with Tencent Micro School, Kingdee, and Pudong Development Bank to launch a new digital campus APP, "Hayou E Home", which realizes functions such as online payment for students, online dormitory selection for freshmen, and mobile phone consumption on campus

Post - investment management

Implemented the expansion plan of new dormitory for 3000 people

Bring shops and canteens into the centralized management of the Group

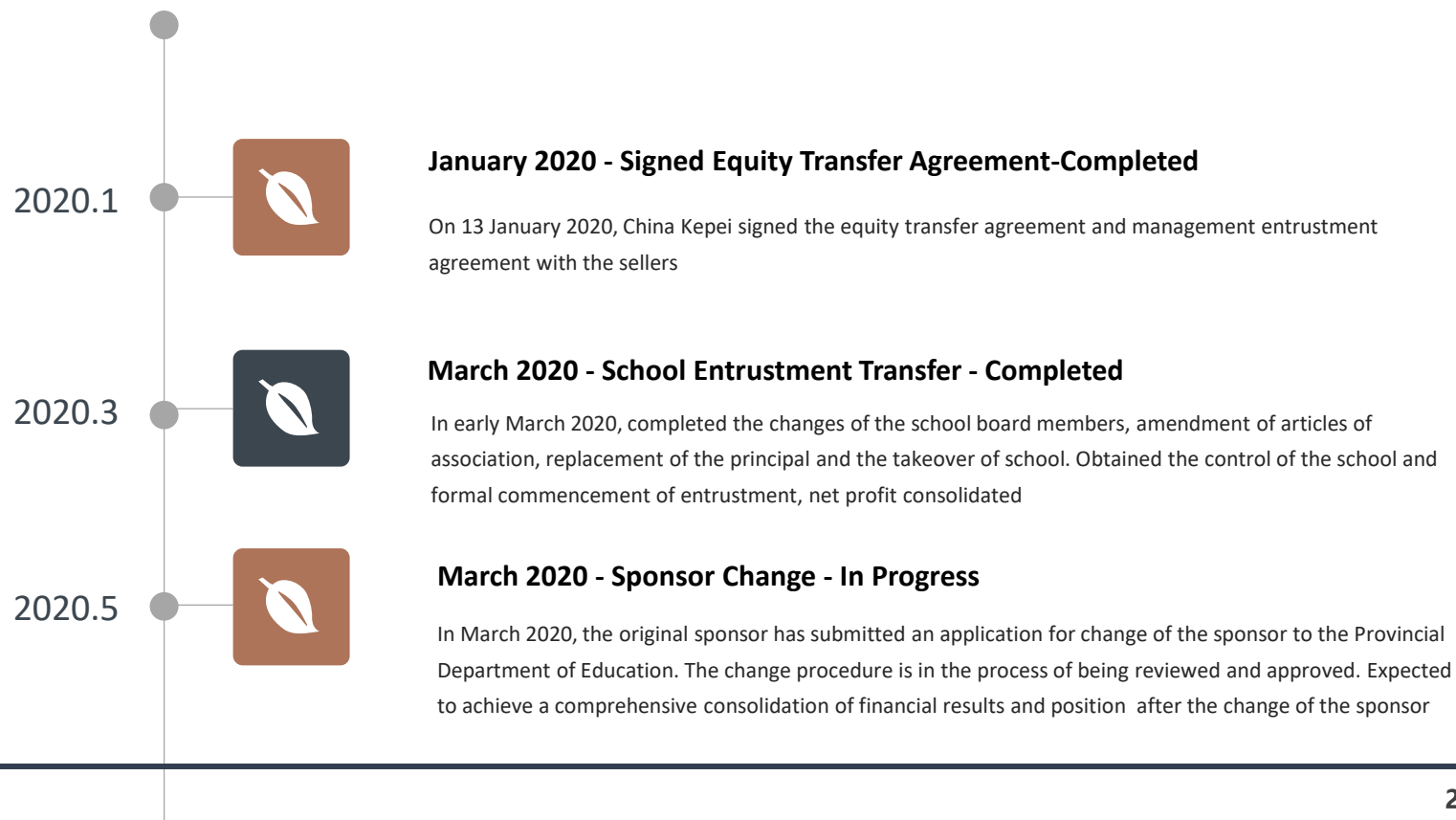
Increase rental revenue



Since the entrustment was introduced in March, the net profit margin for the school has risen to 57% from 53% in the same period last year

The number of student enrollment of newly added adult educational program is expected to be more than 800 students

M&A progress of Harbin College



Expansion and M&A

Holding 45% equity of Huaibei Polytechnic College through associate company - not consolidated

School History



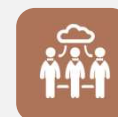
Located in Huaibei City, Anhui Province, formerly known as Huaibei Normal University School of Information. It was approved by the Ministry of Education in 2004 as a full-time undergraduate college hosted by Huaibei Normal University

Courses



A total of 28 undergraduate majors
12 departments;

Number of Students



Number of students enrolled was nearly 6,000 in the 2019/2020 school year
100% of undergraduate enrollment

Number of Teachers



372 Faculties, of which, 38 professors and 99 associate professors

Land of School Premises



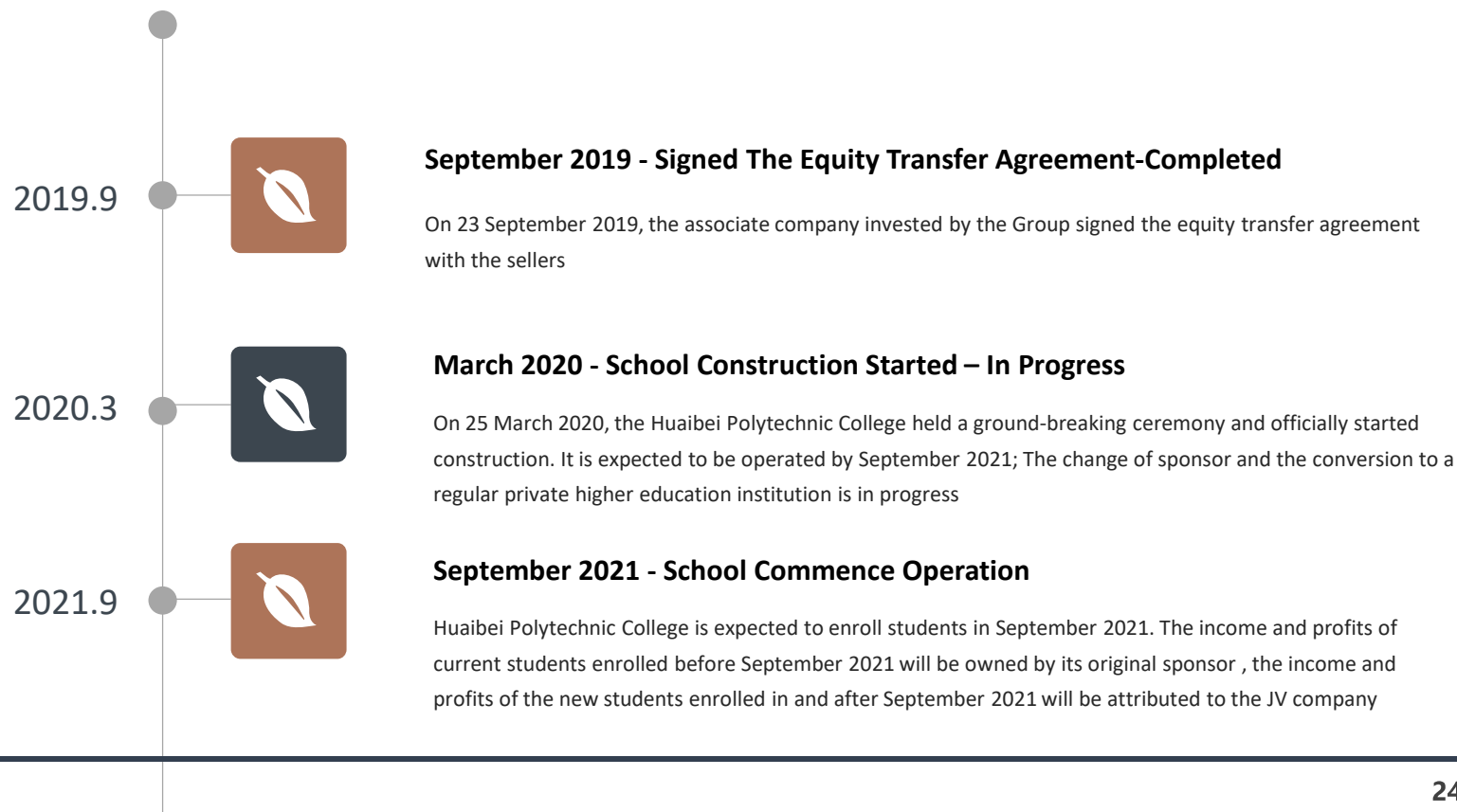
The original school is a typical schools to share the school premises with parent school and without independent land and school premises;
Need to purchase around 1,000 acres of new land for educational purpose and to accommodate up to 20,000 students. The first phase of 500 acres of land and 200,000 sq. m. of construction area is expected to accommodate up to 10,000 students

Transaction structure

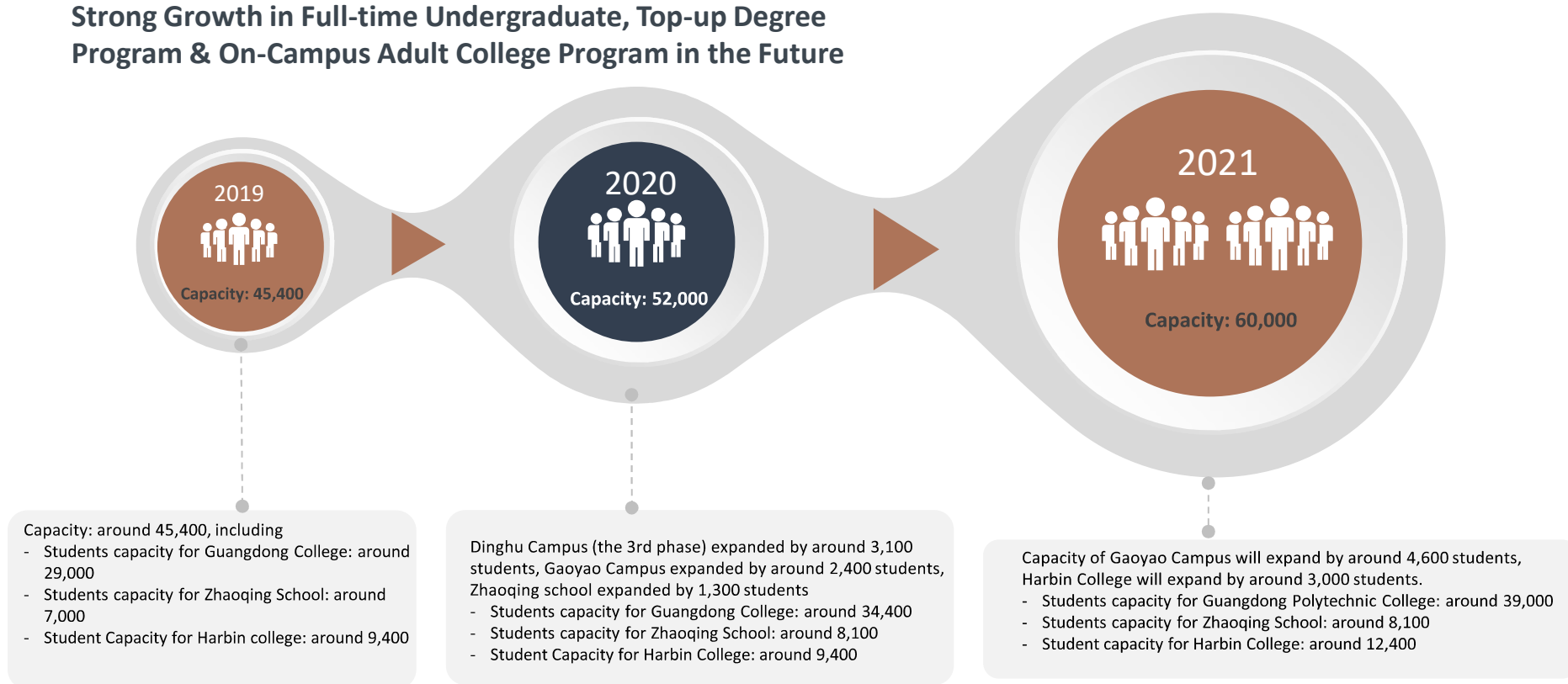


The Group jointly set up an associate company with a third-party company and held 45% of equity shares;
The joint company paid RMB250 million to acquire 100% equity of Huaibei Normal University Information College and renamed it to be Huaibei Polytechnic College. There is no need to pay management fee to the parent school in the future

M&A Progress of Huaibei Polytechnic College



Strong Growth in Full-time Undergraduate, Top-up Degree Program & On-Campus Adult College Program in the Future



Tuition Fees & Boarding Fees

- Leading Position and Established Reputation Enable the Group to further increase its tuition fees
- Improvement of learning and living conditions enable the Group to further increase its boarding fees
- Higher tuition fees standard for the program of integration of production and education. Deepened degree upgrade to enhance student competitiveness

Variety of Educational Programs

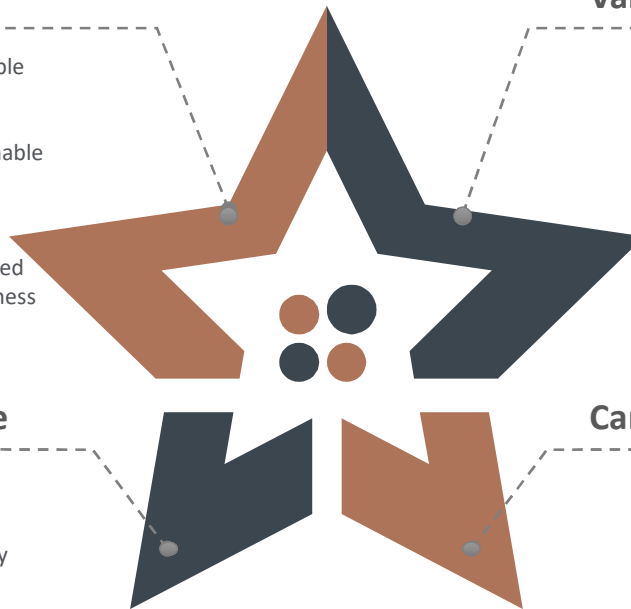
- Newly added top-up degree programme and self-taught undergraduate degree programme
- Expanding on-campus undergraduate and junior college education programs
- Expanding off-campus adult college programs

Qualification Examination Income

- Further expanding the course offering of the Qualification Examination Center to improve students' market competitiveness and to diversify the income sources
- The qualification examination income will further increase with the increasing number of on-campus students

Campus Rental Income

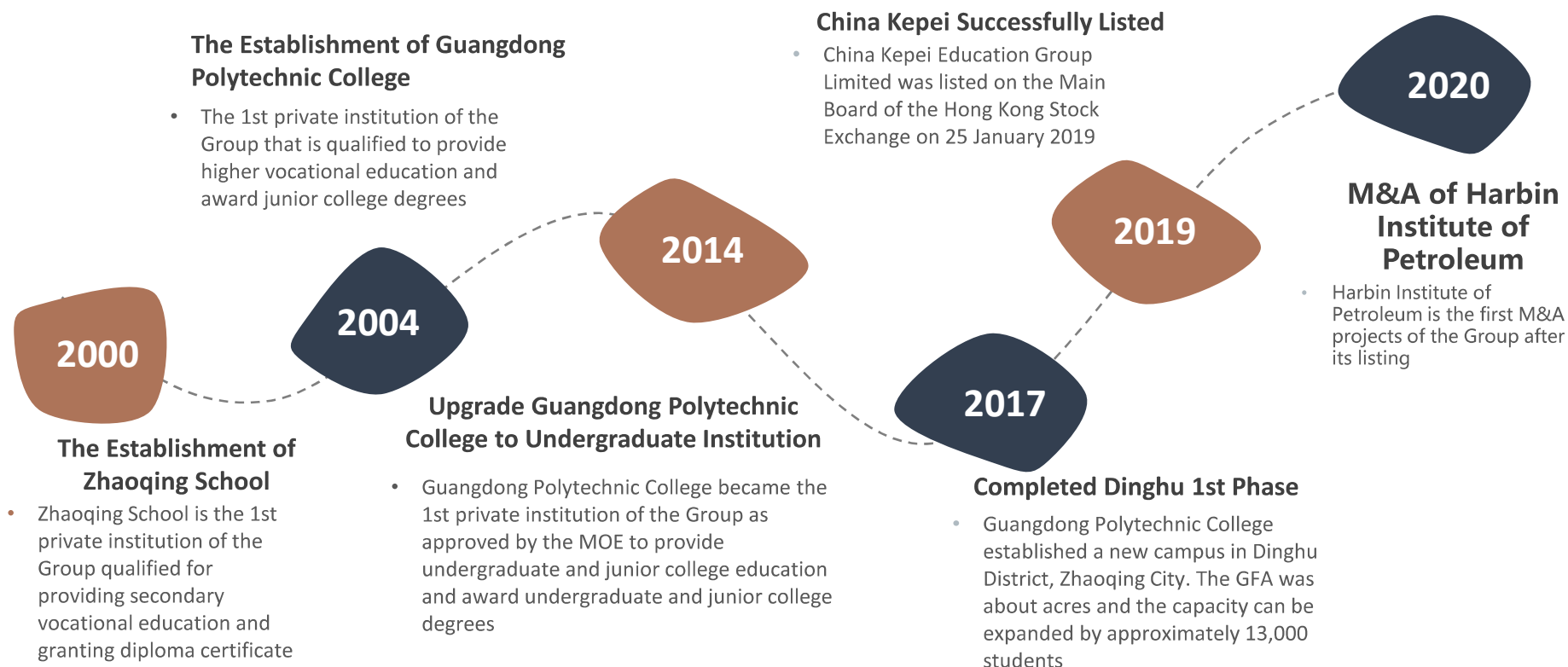
- Provide comprehensive services such as catering, entertainment, fitness and leisure through the upgrading of on-campus properties and introduction of high-quality tenants
- Further increase property rental income after the completion of the 3rd phase of Dinghu campus and renovation of existing campus





Appendix

Corporate Information



Team Profile



YE Nianqiao

Chairman, CEO

Founder of the Group
Chairman, CEO
More than 37 years of
experience in
education industry



ZHANG Xiangwei

COO

Dean of Guangdong
Polytechnic College
More than 34 years of
experience in education
industry



ZHA Donghui

Executive Director

Deputy General Manager
More than 24 years of
experience in education
industry



LI Yan

CFO

Executive Director
Deputy General Manager
More than 16 years of
experience in education
industry



YE Xun

Executive Director

Deputy General Manager
Day-to-day procurement,
logistics services and
operations of the Group

Majors Establishment

Guangdong Polytechnic College



31 Undergraduate



20 Junior College

Emphasis on the Quality of Education and Focused on Offering Engineering Majors



Mechanical Design Manufacturing & Automation	Electrical Engineering & Automation
Computer Science & Technology	Electronic Information Engineering
Communication Engineering	Network Engineering

Majors
Establishment

Harbin College



31 Majors

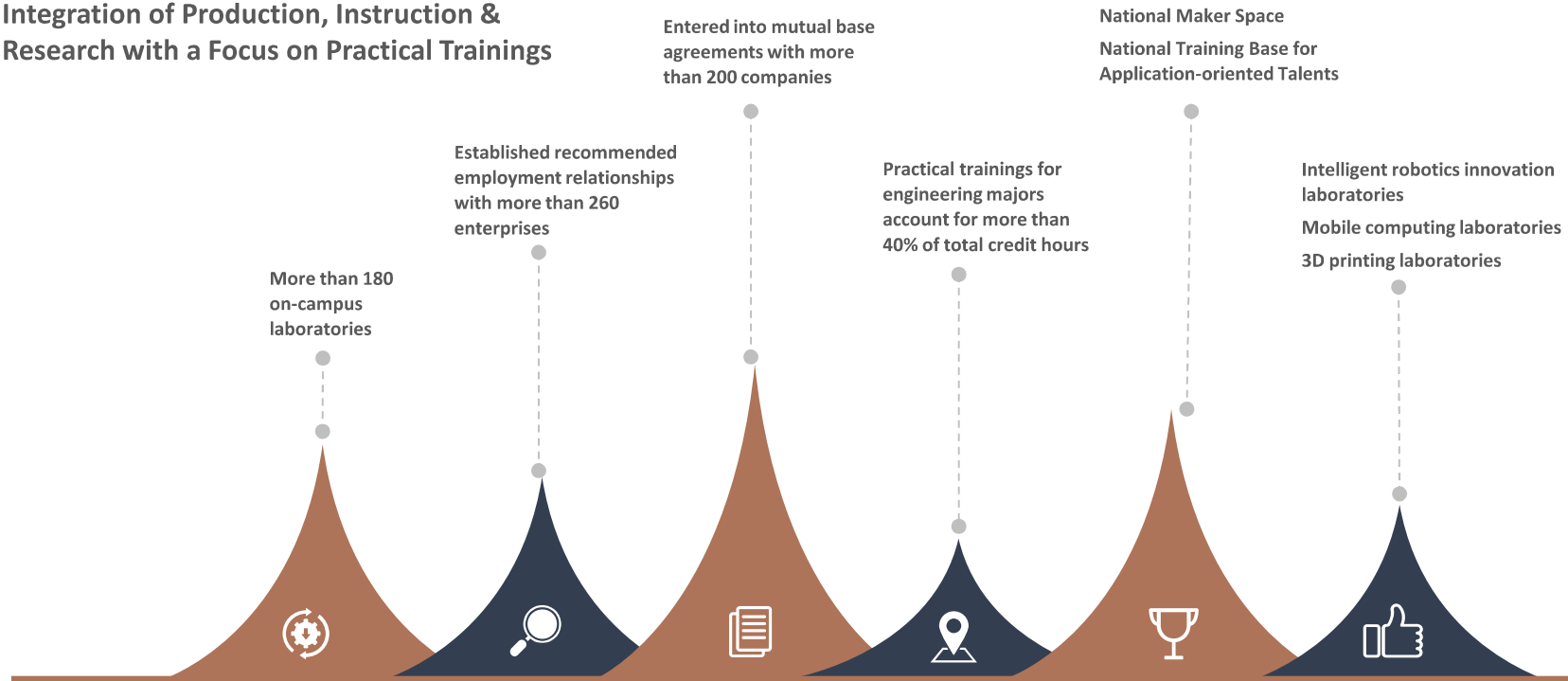
Focus on Application-oriented Majors Engage in Professional and Technical Work



Mechatronic engineering	Electrical engineering and automation
Computer science and technology	Internet of Things Engineering

Integration of Production & Education

Integration of Production, Instruction & Research with a Focus on Practical Trainings



A
PART

Long-term Cooperative Enterprise



FINANCIAL INFORMATION

(RMB'000)	1H2020	1H2019
Revenue	418,920	359,284
Cost of sales	(109,461)	(106,863)
Gross profit	309,459	252,421
Other income and gains	62,561	45,998
Selling and distribution expenses	(2,176)	(4,094)
Administrative expenses	(42,539)	(46,429)
Finance costs	(1,849)	(1,582)
Other expenses	—	(26)
Share of profit /(losses) of joint venture and associate	(968)	(649)
Profit before tax	324,488	245,639
Income tax expense	(3,920)	(1,058)
Profit for the year	320,568	244,581

A PART

FINANCIAL INFORMATION

(RMB'000)	As at 30 June 2020	As at 31 December 2019
<u>Non-current assets</u>		
Property, plant and equipment	1,518,509	1,422,592
Right-of-use assets	204,728	207,973
Prepaid land lease payments	1,866	2,170
Investment in a joint venture and an associate	141,031	141,695
Investment at fair value through profit or loss	—	50,136
Equity investments designated at fair value through other comprehensive income	60,071	62,653
Prepayments for non-current assets	518,494	93,045
Total non-current assets	2,444,699	1,980,264
<u>Current assets</u>		
Prepayments, deposits and other receivables	152,851	29,481
Trade receivables	33,693	29,658
Financial assets at fair value through profit or loss	56,269	271,966
Amounts due from a related party	863,159	1,111,749
Cash and cash equivalents	151,563	—
Total current assets	1,257,535	1,442,854

A PART

FINANCIAL INFORMATION

<i>(RMB'000)</i>	As at 30 June 2020	As at 31 December 2019
<u>Current liabilities</u>		
Contract liabilities	36,349	411,870
Other payables and accruals	144,115	105,931
Interest-bearing bank loans	151,301	—
Dividend payable	183,205	—
Lease liabilities	1,567	1,526
Tax payable	4,790	870
Deferred income	808	808
Total current liabilities	522,135	521,005
<u>Non-current liabilities</u>		
Interest-bearing bank and other borrowings	234,626	109,039
Deferred income	12,532	3,161
Lease liabilities	8,247	9,039
Total non-current liabilities	255,405	112,200
Total equity	2,924,694	2,789,913



**Q&A
Session**



Thank you