

The background features a stylized illustration of a university campus. In the center is a large, classical-style building with a triangular pediment and columns. To the left, a city skyline is visible. The foreground shows a green lawn with several students in various poses: some are sitting on the grass, some are standing and talking, and some are wearing graduation gowns. Various educational icons are scattered throughout, including a globe, a document with a graduation cap, a laptop, a microscope, a graduation cap, a beaker, a chemical structure, and a graduation cap. A large, curved blue shape on the right side of the image frames the text.

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

## Acquisition of Maanshan College - Presentation

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## Maanshan College

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### History

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- ✓ an independent college approved by the Ministry of Education in 2003
- ✓ formerly known as the Business School of Anhui University of Technology
- ✓ converted to Maanshan College upon approval by the Ministry of Education of the PRC in June 2019

3

### Campus

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- ✓ 880 acres of land and another 150 acres reserved by the government for further construction
- ✓ a total floor area of 300,000 m<sup>2</sup> of buildings
- ✓ Current 13,000 student capacity, maximum capacity can reach 22,000

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### Students and teachers

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- ✓ 9,088 undergraduate students for 20/21 school year
- ✓ 432 full-time teachers, Student V.S. teacher as 19:1, including 60 teachers with senior titles, 105 teachers with vice-senior titles and 44 teachers with the PhD degree
- ✓ 31 majors in total

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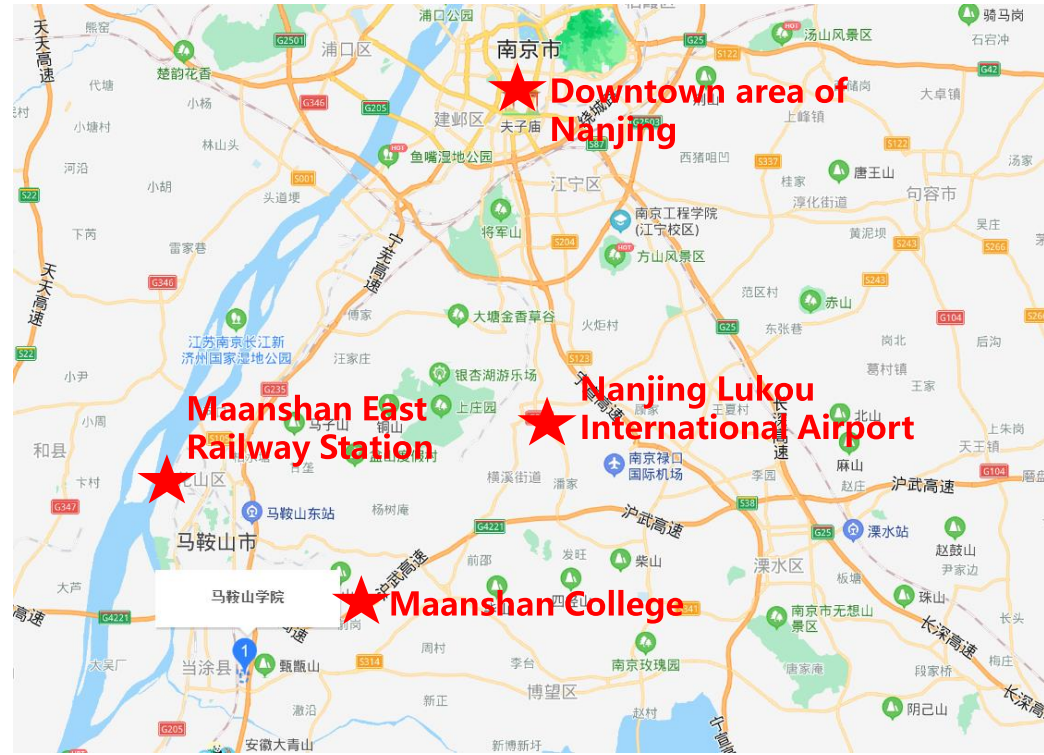
### Academics

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- ✓ 96.1% registration rate in 2020, leading among the private universities in Anhui Province
- ✓ employment rate of 91% in 2020, leading in province
- ✓ 15% students go for a master degree, leading in province

## Maanshan College Located In Yangtze River Delta

- ◆ Around 10km to the center of Ma'Anshan City
- ◆ Just 1km or about 10-mins-walk to the public transit station
- ◆ 50km to the Nanjing Lukou International Airport
- ◆ 16 mins for commuting between the Nanjing South railway station to Ma'anshan East Station
- ◆ 70km to Nanjing, within an hour' s drive
- ◆ Travels to Shanghai in 2h through High-speed Railway
- ◆ 2 hours High-speed Railway to Suzhou, Wuxi, Hangzhou



# Major terms of transaction

## Purchased 100% sponsorship interest in the Maanshan College with RMB550 Million

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- ✓ Acquired 100% equity of Maanshan College from Saiwei Intelligent (A-share listed company)
- ✓ Need to Change the sponsor of the Maanshan College (Change of sponsorship for both Harbin College and Huaibei college have been completed)
- ✓ Before the completion of sponsor change, the net profit can be consolidated according to the share management agreement
- ✓ Consideration financed by acquisition loan and internal funds (low financing cost, 7 years long term loans, interest rate 4.75%)

### First payment — 250 million

Sign share purchase agreement and share management agreement, appoint the board members  
(will use acquisition loan to pay the first payment)

### Second payment — 120 million

Application of changing sponsor accepted by the Ministry of Education of the PRC  
(Expected to use operating cash flow in the new academic year to make the payment in Sept 2021)

### Third payment — 180 million

Completion of the change of sponsorship  
(Expected to use acquisition loans to make the third payment in the first quarter of 2022)

## Strategic M&A entering into the Yangtze River Delta Region

- ✓ The population in the Yangtze River Delta accounts for 1/6 of the country, with about 230 million population
- ✓ The GDP of the Yangtze River Delta accounts for a quarter of the country, about 25 trillion RMB
- ✓ The economy development of the Yangtze River Delta is a national strategy, which demands large amount talents

1

## Scarce private higher education resource in Anhui Province

- ✓ In 2021, 540K college entrance exam candidates in Anhui Province (790K in Guangdong Province), ranked 7th in China
- ✓ Only 15 private undergraduate institutions in Anhui Province (27 in Guangdong Province),
- ✓ The market share of private higher education in Anhui Province was 17.3%, much lower than the national average 23.4%

2

## M&A Highlights

## Huge room for student enrollment growth

- ✓ In 2021 school year, 1,320 enrolment quota for top-up degree program, 50% increase YOY
- ✓ The market share of private colleges in top-up degree enrolment quota increased from 30% in 2020 to 40% in 2021
- ✓ Enrollment quota of college entrance exam will increase after lowering the debt ratio of the school

3

## Flexible pricing strategy leading to strong profitability

- ✓ Starting from 2021, private college can determine its own tuition fee and boarding fee standard
- ✓ Residents in the Yangtze River Delta region have high disposable incomes, strong ability to continuously increase tuition fees
- ✓ The tuition standard of Maanshan College is 25% lower than the highest school in the same province, much room to increase in the future

4

# Key operating indicators

Operating indicators	2017 / 2018 (school year)	2018 / 2019 (school year)	2019 / 2020 (school year)	2020 / 2021 (school year)	2021 / 2022 (school year)
Tuition fee (RMB)	11,000	12,100-13,200	14,800—16,800	14,800—16,800	<b>18,800</b>
Student Enrollment Quota (college entrance exam)	1,900	2,200	2,400	2,040	<b>1,840</b>
Student Enrollment Quota (top-up degree program)	-	-	200	880	<b>1,320</b>
Total Enrollment Quota	1,900	2,200	2,600	2,920	<b>3,160</b>
YOY Growth	N/A	16%	18%	12%	<b>8%</b>
New Students Enrolment	1,805	2,099	2,444	2,806	<b>N/A</b>
Registration Rate	95.0%	95.4%	94.0%	96.1%	<b>N/A</b>
Employment Rate	94.0%	93.9%	93.7%	91.2%	<b>N/A</b>
Postgraduate Entrance Rate	10.6%	12.6%	15.7%	15.7%	<b>N/A</b>

- ✓ The total enrollment quota increased by 13% CARG from 2018 to 2021;
- ✓ The tuition fee standard for new students in 2021 school year is 71% higher than the tuition fee standard in 2017 school year, and the average tuition is expected to increase by 10% CARG from 2020-2023;
- ✓ The enrollment quota of college entrance exam decreased in 2020 and 2021, mainly due to the high debt ratio of school. We plan to pay off short-term loans and refinance the long-term loans at a lower interest rate.
- ✓ From 2018 to 2020, the admission scores of all majors of Maanshan College are 15-20 points higher than undergraduate acceptance scores, demonstrating that the school has high reputation and recognition;

# Overview of private undergraduate colleges in Anhui Province

Private undergraduate colleges in Anhui Province	Land (acres)	Floor area (thousand m <sup>2</sup> )	Student enrollment (people)	2021 enrollment quota		2020 enrollment quota		2021 Tuition fee standard (RMB)	2020 Tuition fee standard (RMB)
				College Entrance Exam	Top-up Degree Program	College Entrance Exam	Top-up Degree Program		
College A	1,500	500	23,000	5,420	1,500	5,300	1,100	23,800	19,800
College B	780	310	17,400	3,960	1,500	3,960	1,000	19,800	16,000
College C	1,353	430	14,000	3,800	1,200	3,700	800	19,200	19,200
College D	750	260	12,200	2,650	1,500	2,450	1,000	21,500	19,800
College E	703	270	12,000	2,300	1,500	2,200	600	19,800	15,000
College F	1,400	330	12,000	3,200	300	3,200	660	19,800	16,800
College F	1,000	230	6,600	1,800	1,200	1,700	800	15,000	15,000
Maanshan College	881	300	9,100	1,840	1,320	2,040	880	18,800	15,800
Huaibei Polytechnic College	1,000	220	-	1,100	1,500	1,000	300	19,800	11,000
<b>Average among peers</b>	<b>1,041</b>	<b>320</b>	<b>11,800</b>	<b>2,897</b>	<b>1,280</b>	<b>2,839</b>	<b>793</b>	<b>19,700</b>	<b>16,500</b>

- ✓ The average total enrollment per private undergraduate colleges in Anhui Province is around 12,000, while there is only 9,000 students in Maanshan College. With sufficient land, buildings and capacity, high visibility to increase the student enrollment in the future;
- ✓ The enrollment quota of the undergraduate students in Maanshan College is about 1,000 lower than the provincial average. Enrollment quota will increase after we lower the debt ratio of the school



# Key Financial Indicators

RMB' 000	FY2020	FY2019	Change (%)
	(unaudited)	(unaudited)	
New Admissions	2,806	2,444	15%
Total Enrollment	9,088	7,871	15%
Revenue	126,007	108,146	17%
Net profit	34,223	21,764	57%
Net profit margin	27%	20%	+700 BPS
EBITDA	88,692	74,484	19%
EBITDA margin	60%	59%	+100 BPS

- ✓ The consideration of Maanshan College is RMB550 million, with RMB500 million bank loan as of 30 June 2021, EV=RMB1,050 million; Total separation fee payable of RMB190 million to be paid in the next four year.
- ✓ Forecast EBITDA of RMB110 million and net profit of RMB45 million for FY21. Current year valuation= 9.5X EBITDA, or 12.2X PE, low valuation among peers' acquisitions; Forecast EBITDA of RMB140 million and net profit of RMB70 million for FY22
- ✓ Over 20% CAGR of revenue an 40% CARG of net profit from FY20 to FY25;

# Guidance on organic growth of Maanshan College

10%

## Undergraduate Enrollment

- ✓ Enrollment quota of college entrance exam will increase due to improvement in debt ratio
- ✓ Increase in top-up degree program enrollment quota due to increasing junior college graduates

25%

## Revenue

- ✓ Average tuition fees increase by 10% annually
- ✓ Increase in qualification examination fees and training income
- ✓ Increase in rental income

40%

## Net profit

- ✓ Centralized management, reducing cost
- ✓ Decrease in finance cost
- ✓ Increase in school utilization rate
- ✓ Decrease in unit cost under the scale effect

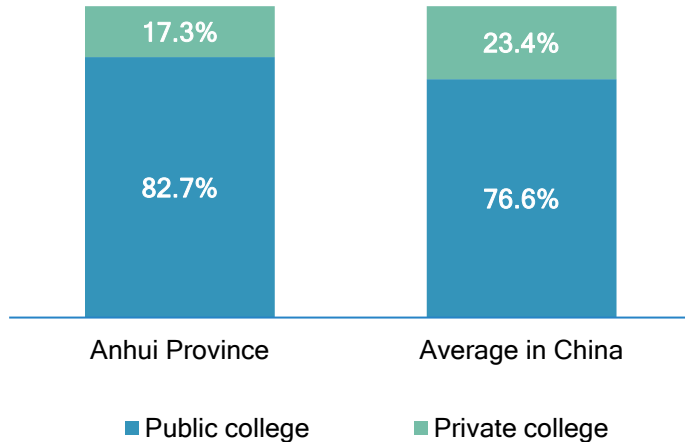
Organic Growth

FY2020-FY2023

Three years  
Organic CAGR

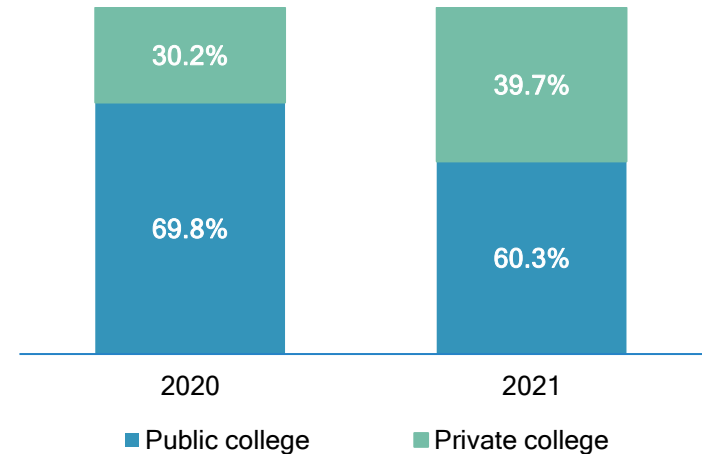
# Huge room for penetration rate of private college in Anhui Province

## Huge room for increasing penetration rate of private higher education in Anhui



- ✓ Penetration rate of private higher education in Anhui Province is only 17.3%, much lower than the national average 23.4%
- ✓ Huge room for increasing market share of private college in Anhui Province
- ✓ Only 15 private undergraduate schools in Anhui Province, the existing private undergraduate schools will benefit from the increase in market share

## Increase in market share of private college top-up degree program enrollment quota in Anhui

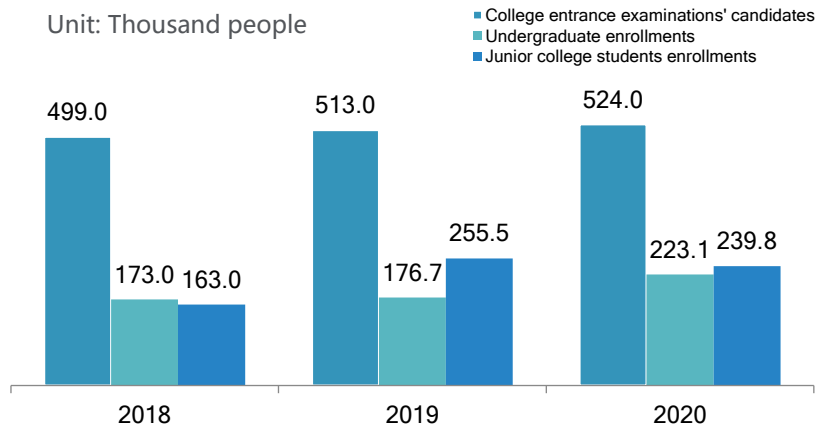


- ✓ In 2021, the enrollment quota of top-up degree program in Anhui Province increased 10% to 33,000
- ✓ The proportion of private college top-up degree program in Anhui Province increased to 40%, which will continue to increase in the future
- ✓ From 2019 to 2021, the enrollment of junior college expanded, leading to huge demand for top-up degree program in the future

# Continuous growth in the number of students at all stages in Anhui Province

## Number of college entrance exam candidates, junior and undergraduate enrollments in Anhui in the past three years

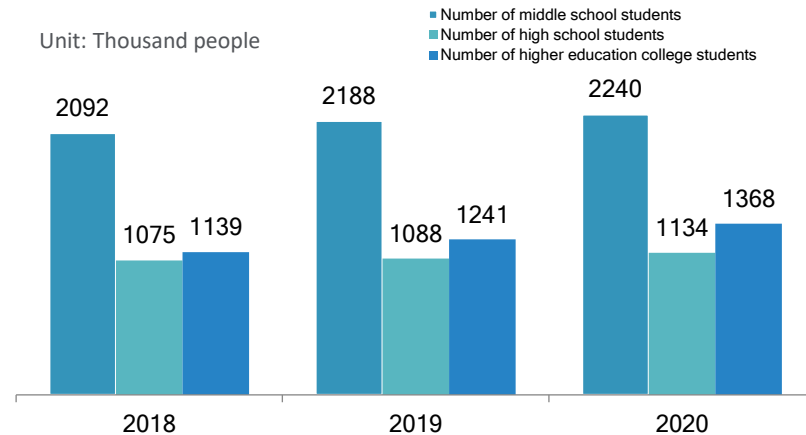
Unit: Thousand people



- ✓ The number of college entrance exam candidates in Anhui Province ranks seventh in China, and expected to continue to increase in the future
- ✓ In 2020, benefiting from the expansion of student enrollment of junior college to undergraduate program, undergraduate admissions YoY increased by 26%.
- ✓ The enrollment quota for upgrading from junior college to undergraduate program is expected to increase continuously in the future, private colleges benefit significantly.

## Number of students in middle schools, high schools, and higher education college in Anhui

Unit: Thousand people



- ✓ Benefiting from the expansion of junior colleges and upgrade from junior college to undergraduate program, the number of higher education college students continues to grow
- ✓ Benefiting from the increase of high school students and gross enrollment rate for higher education, enrollment quota for higher education will increase in the future
- ✓ The number of middle school students continues to grow, and the number of college entrance examinations' candidates is expected to grow continuously in the coming 5 years.



学校南门  
South Gate of the College



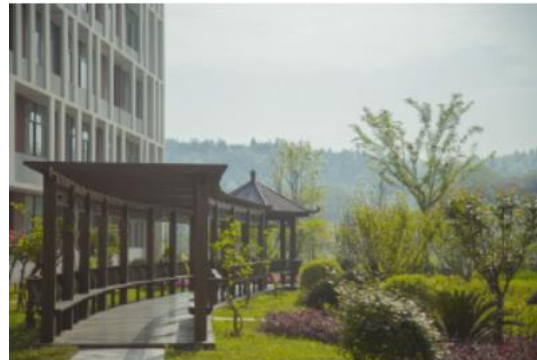
教学楼  
Academic Building



图书馆  
Library



宿舍区域俯拍  
Dormitories



校园长廊  
Pathway



机器人实验室  
Labs

# Q & A



**Thank you!**

