

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. In the foreground, several students are depicted in various states of activity: some are sitting on the grass, some are standing and talking, and some are using laptops. There are also several circular icons floating around the students, representing different fields of study: a molecular structure, a globe, a document with a graduation cap, a laptop, a graduation cap, a beaker, a DNA helix, and a microscope. The overall color palette is light blue and green, with a large blue curved shape on the right side of the image.

China Kepei Education Group Limited
中国科培教育集团有限公司
2021 Interim Results Presentation

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PART 01

Business Overview



Overview of Kepei Education

Higher Education Group Focused on Undergraduate

Owned 5 schools, 4 undergraduates and 1 secondary vocational school, 80% undergraduate schools

105K Students Enrolled

86% undergraduates for National Gaokao admission, 1st in industry;

51,000 adult college students, 1st in industry

High-quality Undergraduate College

Leading in province in registration and employment rate

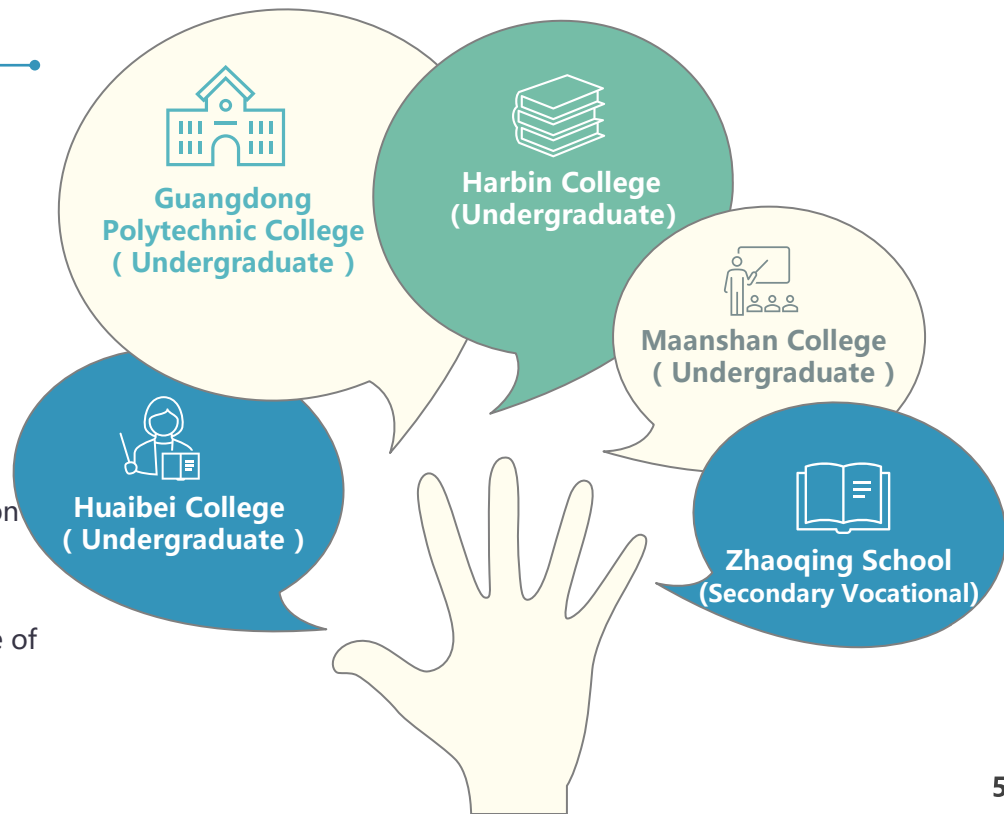
Average admission score is 15-20 points higher than provincial undergraduate baseline;

All four undergraduate schools have completed conversion

Create Value for Shareholders

FY15-FY20 and 1H 2021 achieved a 5-year CARG increase of 30% in revenue and 35% in core net profit ;

FY15-FY20 and 1H 2021 ROE exceeding 20% for five consecutive years.



Revenue

RMB634 million

up by 51.4%



Gross Profit

RMB452 million

up by 46.0%



Adjusted EBITDA

RMB499 million

up by 41.6%



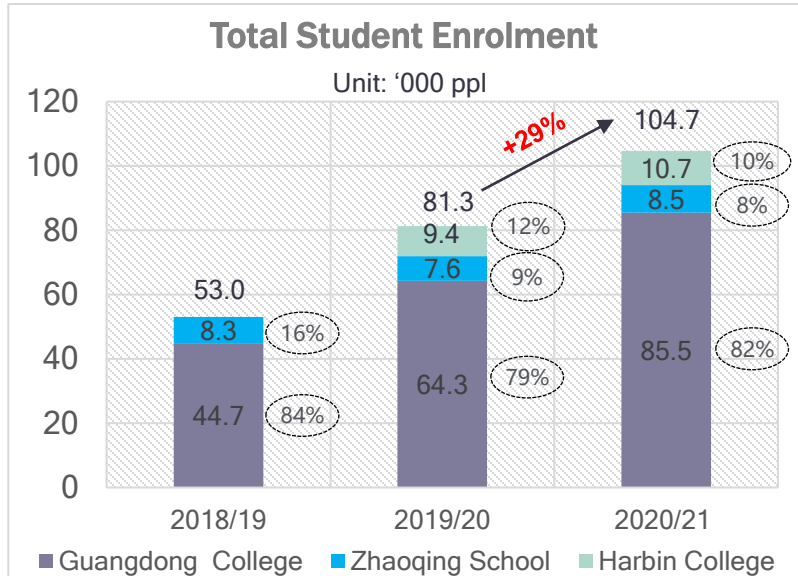
Adjusted Net Profit

RMB420 million

up by 35.0%



Total Enrolment Increased Significantly



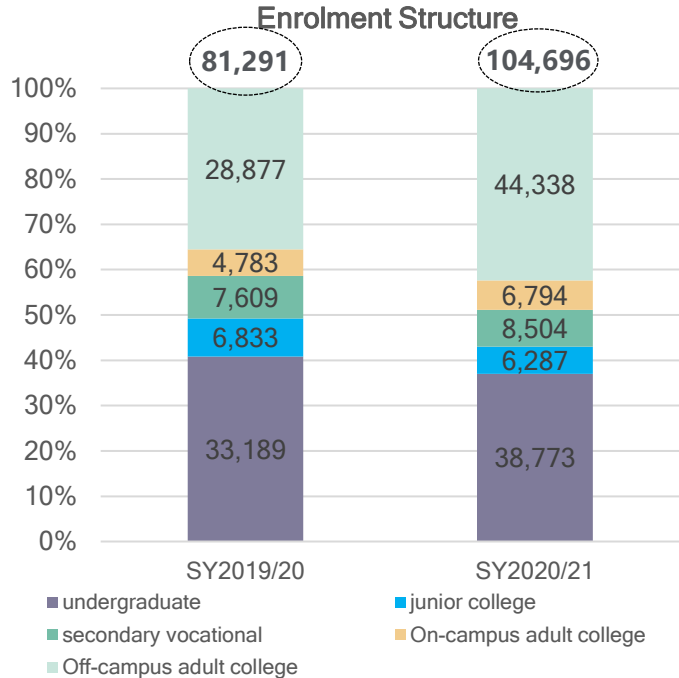
For SY2020/21, student enrolment up by 29% , with Harbin College up by 14%, Guangdong College and Zhaoqing School up by 31%;

For SY2020/21, student enrolment doubled the number in IPO date (Jan 2019)

Enrollment progress for SY2021/22

- ✓ Maashan College and Huaibei College will be consolidated into the group in SY 2021/22. Enrollment in new SY expected to increase by 20%, and the enrollment will exceed 120K in SY 2021/22;
- ✓ Total enrollment for Maanshan College and Huaibei College are expected to reach 12K and 2K in SY 2021/22 respectively. Total enrollment for the two schools will reach over 30K by SY 2025/26;
- ✓ Average admission score is 15-20 points higher than the undergraduate baseline; Guangdong College and Maanshan College will offer an additional 210 and 120 enrollment quota due to the high number of applicants;
- ✓ Over 17K new students enrolled in off-campus adult college program, with an increase of 37% YOY;
- ✓ Zhaoqing School new student enrollment exceeds 4K, record highest in history.

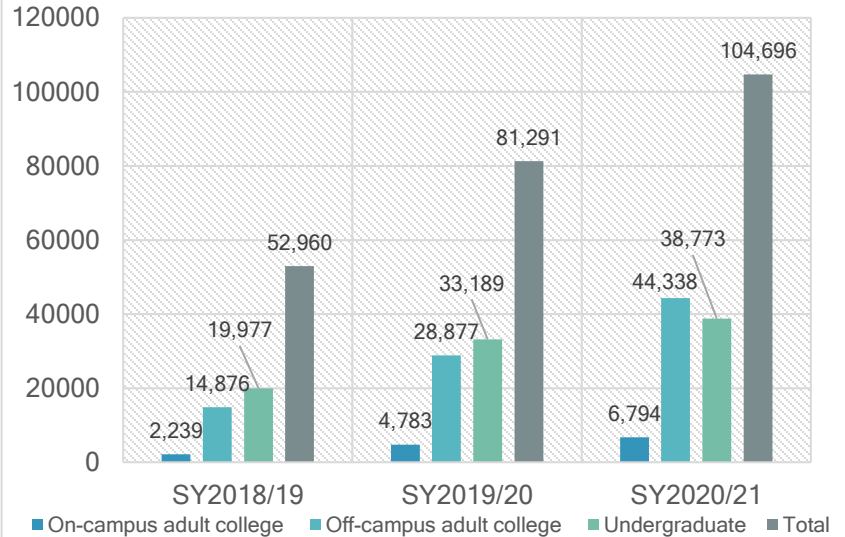
Robust Growth of Student Enrolment



Student enrolment of undergraduate and junior college reached 45K, of which 86% is undergraduate student, ranked 1st in industry;

Adult education programs enrolment reached 51K, 49% of total student enrolment, ranked 1st in industry

Undergraduate and Adult Education Student Enrolment Increased Rapidly



Undergraduate enrolment up by 17%, 2018/19-2020/21 CAGR 40%

On-campus adult college up by 42%, 2018/19-2020/21 CAGR 74%

Off-campus adult college up by 54% 2018/19-2020/21 CAGR 73%

Total student enrolment up by 29% , 2018/19-2020/21 CAGR 41%

Completed the Acquisition of Harbin College

- ✓ The acquisition of a high-quality private undergraduate college, Harbin College was announced in Jan 2020
- ✓ Completed the sponsor change and the VIE in Mar 2021, comprehensive consolidation starting from April 2021
- ✓ Excellent post-investment operations and financial performance, revenue increased by 37% YOY and net profit increased by 97% YOY

Completed 100% Acquisition of Huaibei College

- ✓ Acquired 45% equity of Huaibei College in Sept 2019, and further acquired 55% equity in Mar 2021, achieving 100% holding
- ✓ Completed the construction of a brand-new campus with a capacity of 10K and completed the sponsor change in Mar 2021
- ✓ Successfully completed the conversion from independent college to regular undergraduate college in Jun 2021, and will commence operation and enroll the first year students in Sept 2021

Acquisition of 100% equity in Maanshan College

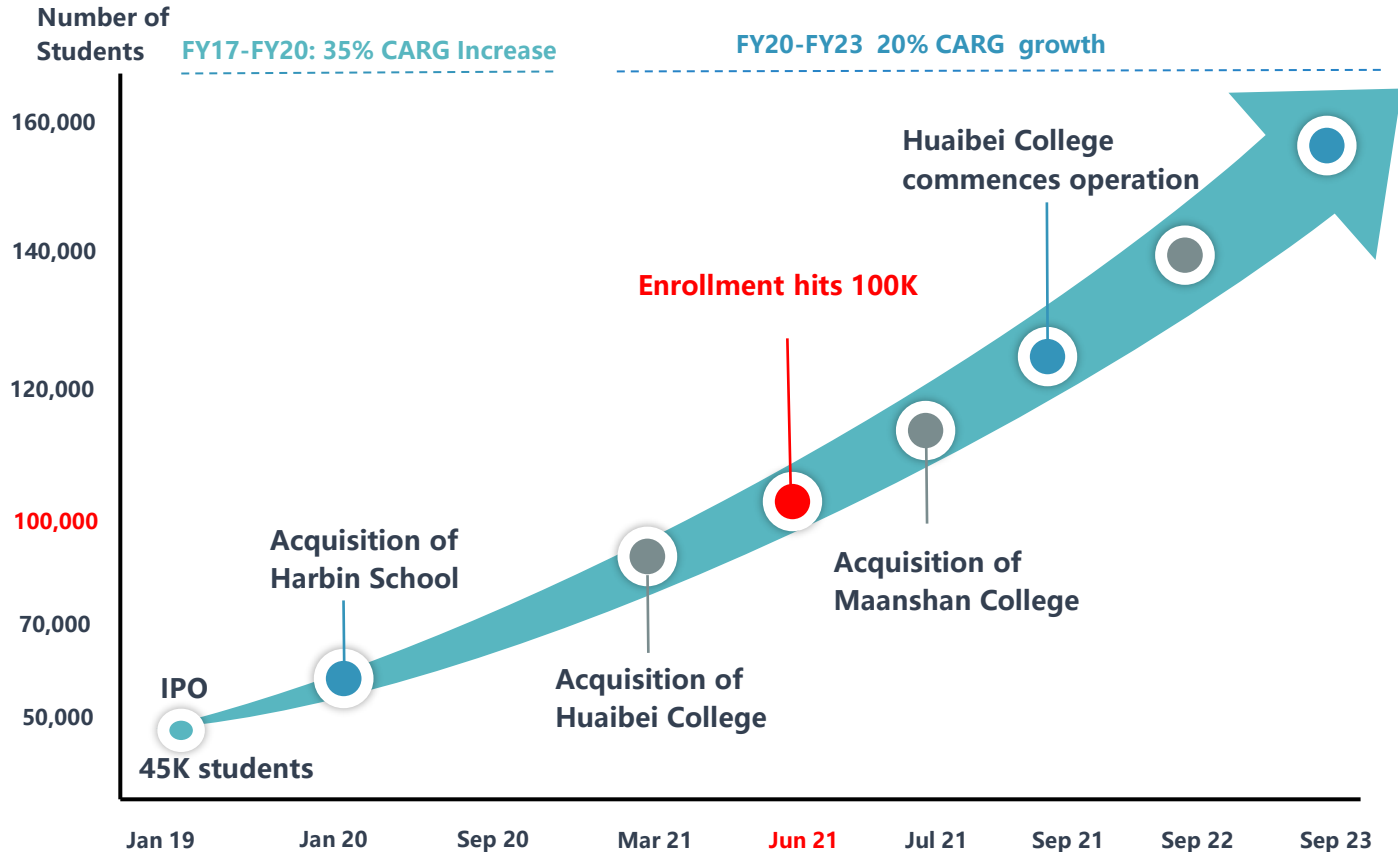
- ✓ The acquisition of 100% equity in Maanshan College was announced in July 2021, need to change the sponsor of the school
- ✓ Signed share management agreement in Aug 2021, and began to consolidate the net profit of Maanshan College before the completion of sponsor change
- ✓ Expect to achieve comprehensive consolidation after completion of the sponsor change, expected timeline in Q1 2022

M&A performance

- ✓ Acquired 3 high-quality undergraduate schools within 1 ½ years; most undergraduate school acquisitions in industry (3 out of 8 in industry)
- ✓ Target to acquire 1-2 undergraduate schools every year

M&A advantages

- ✓ Professional M&A team (PE/VC, Big Four, education industry with 5 years of M&A experience)
- ✓ Wide range of M&A resources
- ✓ Professional management team for post-investment operation



Outstanding Financial Performance of Harbin College with Growth Potential

Harbin College

	Pro-forma ⁽¹⁾	Unaudited	Change
	1H 2021 (RMB Million)	1H 2020 (RMB Million)	(%)
Revenue	92	67	+37%
Net profit	46	24	+97%
NPM	50%	36%	+1400BPS
EBITDA	56	33	+70%
EBITDA margin	61%	49%	+1200BPS
Enrolment	10,664	9,366	+14%

- ✓ Post-acquisition financial performance are remarkable, FY2020 net profit margin increased to 53%, and expected to reached over 58% in FY2021;
- ✓ Newly introduced off-campus adult programs, training service, and rental income in 1H 2021, contributing to more than RMB5 million in revenue;
- ✓ Successfully accomplished the quality evaluation by the Ministry of Education. Enrolment quota increased by 7% to 2,790;
- ✓ The student registration rate reached 97.4%, historical highest and ranking 1st in province;
- ✓ Newly introduced 3+1 student education model in SY2021, the school utilization rate can be further improved;

(1) The pro-forma financial results of Harbin College from January to June 2021. The Group consolidated the P/L & B/S since April 2021. From April to June 2021, the revenue of Harbin College was RMB69 million;

Entered the Yangtze River Delta Market with High Growth Potential

Strategic M&A entering 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 student 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%, far below the national average 23.4%

2

M&A Highlights

Huge room for student enrollment Growth

- ✓ The top-up degree enrollment quota of Huaibei College increased by 500% YOY, and Maanshan College increased by 50% YOY;
- ✓ The proportion of private college in top-up degrees in Anhui Province increased to 40% in 2021 (2020: 30%)
- ✓ After improving the financial performance of Maanshan College, the enrollment quota will increase

3

Flexible pricing strategy leading to strong profitability

- ✓ Starting from 2021, private undergraduate college can self-priced the tuition fee and boarding fee standard;
- ✓ Residents in the Yangtze River Delta region have high disposable incomes, strong capability to continuously increase tuition fees;
- ✓ The tuition fee of Huaibei College and Maashan College is 25% lower than the highest standard in province

4

Growth Potential in Huaibei College and Maanshan College

Undergraduate Colleges In Anhui Province	Land Area (mu)	Construction Area (Mm2)	Number of Students	Enrollment Quota in 2021		Enrollment Quota in 2020		Tuition fee in 2021 (RMB)	Tuition fee in 2020 (RMB)
				Undergr aduates	Top-up	Undergra duates	Top-up		
Private A College	1,500	50	23,000	5,420	1,500	5,300	1,100	23,800	19,800
Private B College	780	31	17,400	3,960	1,500	3,960	1,000	19,800	16,000
Private C College	1,353	43	14,000	3,800	1,200	3,700	800	19,200	19,200
Private D College	750	26	12,200	2,650	1,500	2,450	1,000	21,500	19,800
Private E College	703	27	12,000	2,300	1,500	2,200	600	19,800	15,000
Private F College	1,400	33	12,000	3,200	300	3,200	660	19,800	16,800
Private G College	1,000	23	6,600	1,800	1,200	1,700	800	15,000	15,000
Maashan College	881	30	9,100	1,840	1,320	2,040	880	18,800	15,800
Huaibei College	1,000	22	-	1,100	1,500	1,000	300	19,800	11,000
Average	1,041	32	11,800	2,897	1,280	2,839	793	19,700	16,500

- ✓ The average enrollment of undergraduate colleges in Anhui Province is around 12K, while Maanshan College has only 9K students with 13K existing capacity. Lot of room to increase the enrolment of Maanshan College in the future;
- ✓ The enrollment quota of Maashan College is about 1,000 lower than the provincial average. The quota should increase after lowering the debt ratio in the future;
- ✓ Huaibei College will start its first-year enrollment in Sept 2021. The current capacity is 10K. Estimating to reach 10K students in FY23. FY24 (fully ramp-up) can contribute RMB120 million in profit and ROE will reach 24%.

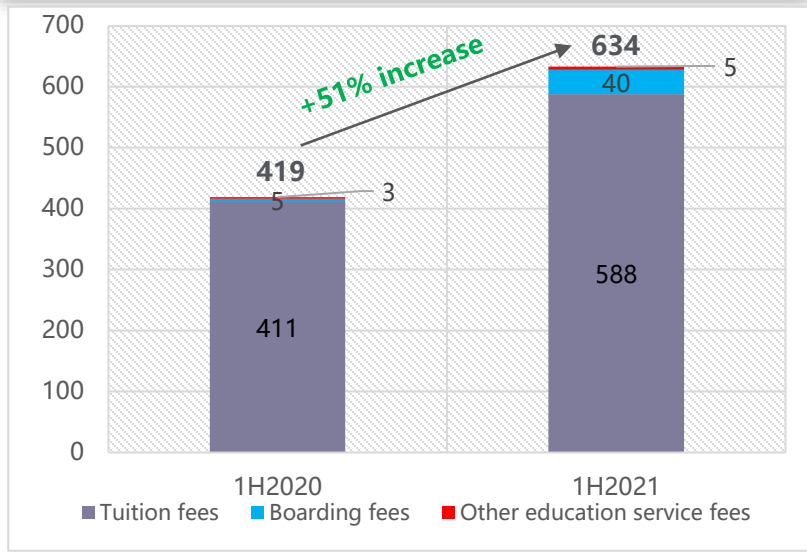
PART 02

Financial Highlights

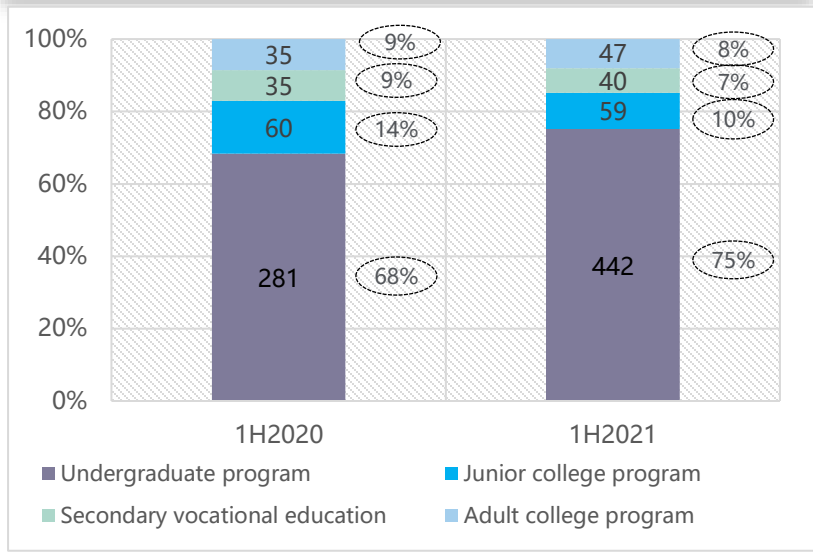


Financial Highlights

Revenue Breakdown



Tuition Fees Breakdown

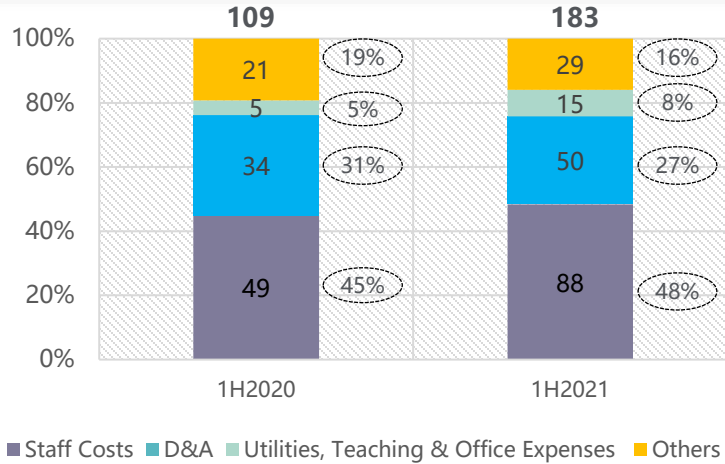


Commentary

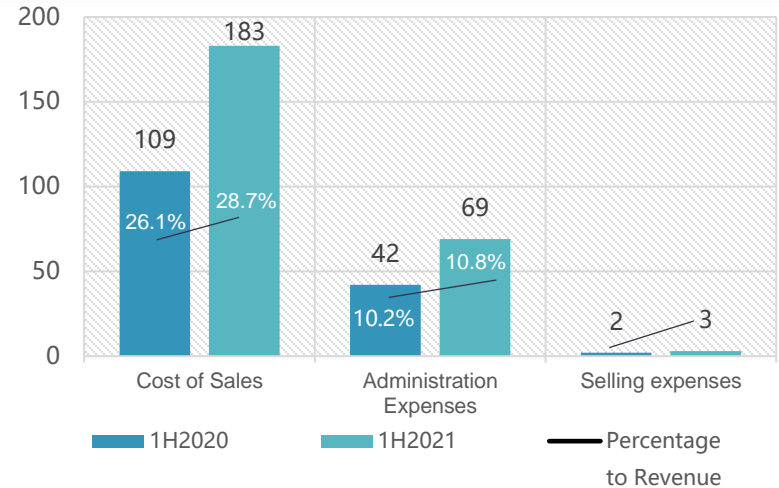
- ✓ Tuition fees increased by 51% (35% organic growth and 16% increase from consolidation of Harbin College), mainly due to the rapid increase of the student enrollment of undergraduate and adult college program, the increase in average tuition fees, and the consolidation of Harbin College;
- ✓ Boarding fees increased by 684%, accounted for 6% of total revenue. The boarding fees increased significantly mainly because the schools refunded boarding fees of RMB26 million to students due to the impact of COVID-19 in 1H 2020. No refund incurred in 1H 2021;
- ✓ 75% of the tuition fees generated from undergraduate program, mainly due to the consolidation of Harbin College. With the consolidation of Maanshan College and Huaibei College in the future, the proportion of undergraduate program will continue to increase.

Financial Highlights

Cost of Sales



Operating Costs



Optimizing the cost structure

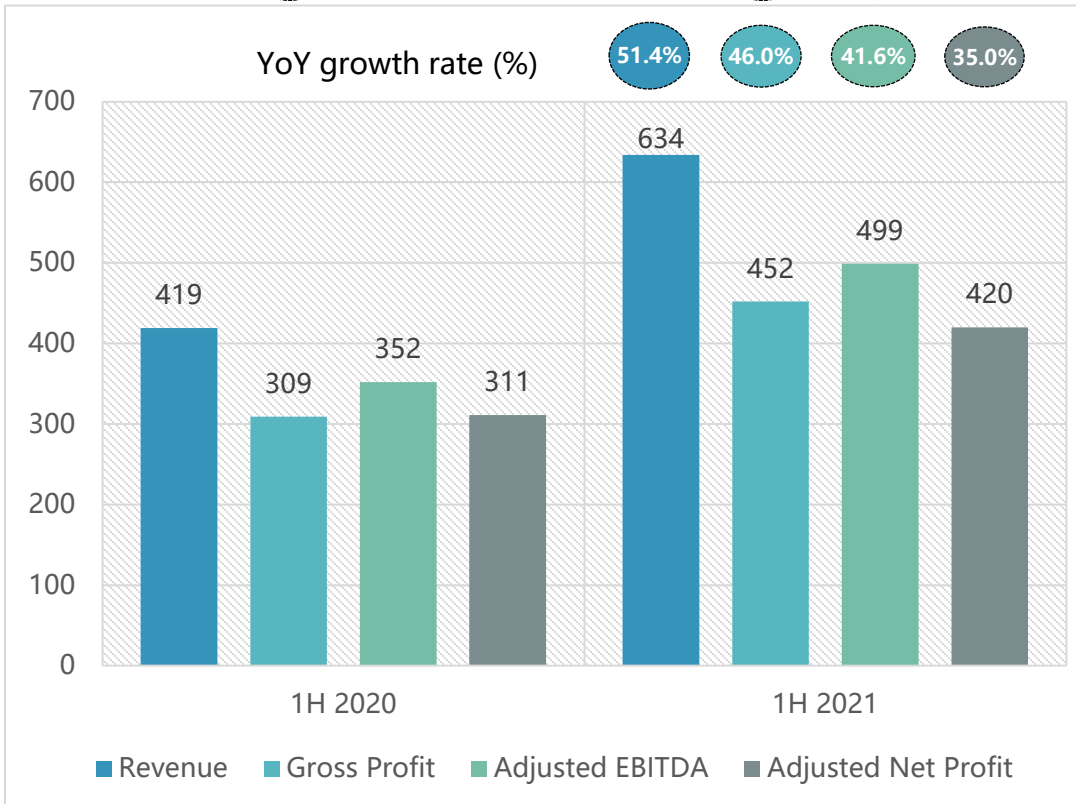
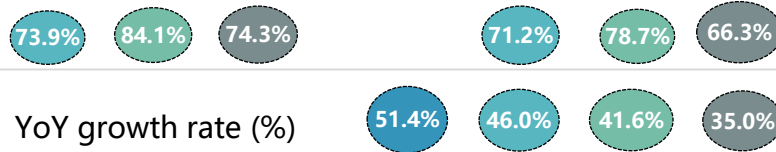
- ✓ Staff costs increased by 80% due to the increased number of teacher and average salary. We will continue to increase the teacher's average salary and benefits in the future
- ✓ Achieving scale effect due to strong enrolment, the proportion of D&A and other expenses decreased

Optimizing the operating costs

- ✓ Cost of sales as a percentage of revenue increased by 2.6 ppt due to the consolidation of Harbin College with low GPM;
- ✓ The proportion of admin expenses slightly increased mainly due to the increase in share-based payment and M&A related expenses. After excluding the share-based payment, the proportion of admin expenses decreased by 3 ppt due to scale effect

Financial Highlights

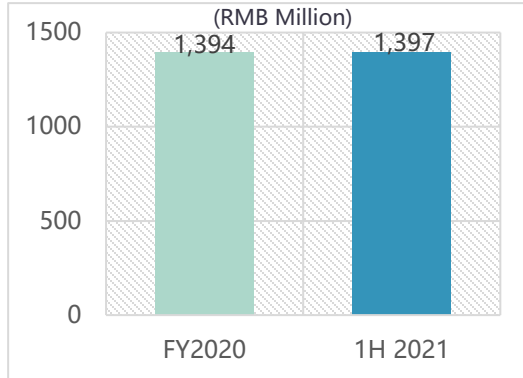
Margin(%)



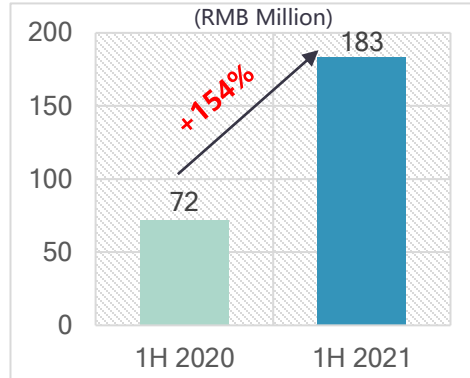
- ✓ GP up by 46% YOY, adjusted EBITDA up by 41.6% YOY, adjusted NP up by 35% YOY, mainly due to the rapid increases in the student enrolment of undergraduate and adult college program, the increases of the average tuition fees, and the consolidation of Harbin College.
- ✓ Adjusted EBITDA margin was 78.7% in 1H 2021. If excluding the impact from the consolidation of net profit of Harbin College, the adjusted EBITDA margin was 76.4% in 1H 2020. Adjusted EBITDA margin increased mainly due to the increase of enrollment and average tuition fees of Guangdong College;
- ✓ Adjusted NPM was 66.3%. If excluding the impact from the consolidation of net profit of Harbin College, the adjusted NPM was 66.6% in 1H 2020

Financial Highlights

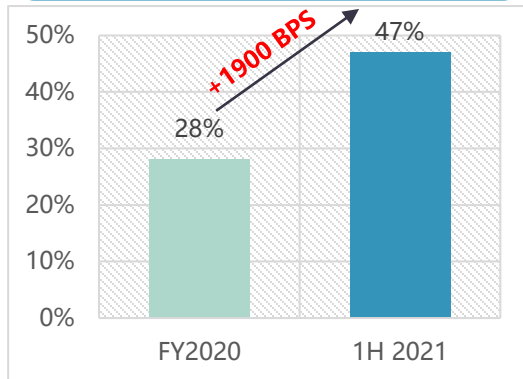
Cash & Cash Equivalents



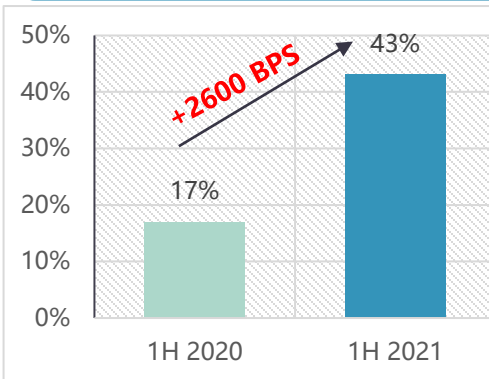
CapEx



Debt to Asset Ratio



Gearing Ratio



- ✓ Cash and cash equivalents was RMB1,397M at 1H 2021. The Group maintains sufficient cash for new M&A opportunities;
- ✓ For 1H 2021, CapEx was mainly for the expansion of 3,000 student capacity in Guangdong Polytechnic College and the construction of new campus of Huaibei College;
- ✓ The increase in debt-to-asset ratio and gearing ratio was mainly due to the increase of loan balance of RMB927 million in 1H 2021, mainly used for the payment of consideration for M&A and the construction of the new campus of Huaibei College;
- ✓ For the new borrowings in 1H 2021, the finance cost of a 7-year M&A loan is 4.75%, and the cost of a 1-year loan is around 4%, relatively low in industry.

PART 03

Development Strategy

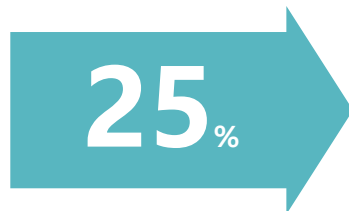


Earnings Guidance-Organic Growth



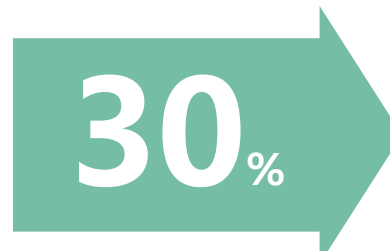
Student Enrolments

- ✓ Strong enrolment growth of undergraduate and adult college program in Guangdong College
- ✓ Ramp up the Huaibei College in a fast pace
- ✓ Enrollment increase after lowering debt ratio of Maanshan College



Revenue

- ✓ Average tuition fees increase by 5-8% annually
- ✓ Increase Qualification training income
- ✓ Further expand campus site and increase rental income



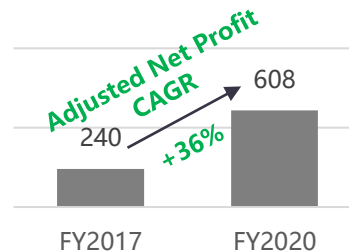
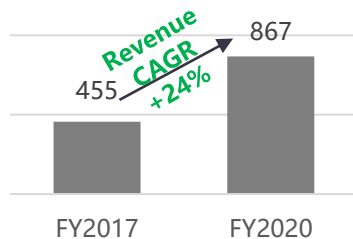
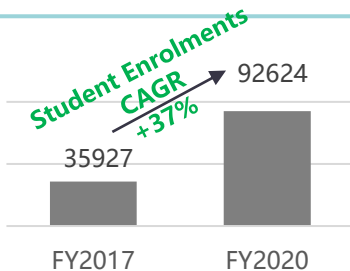
Net profit

- ✓ Increase school utilization rate
- ✓ Centralized management, reducing cost and increase benefit
- ✓ Achieve scale effect
- ✓ Lower finance cost

Organic Growth

FY2020-FY2023

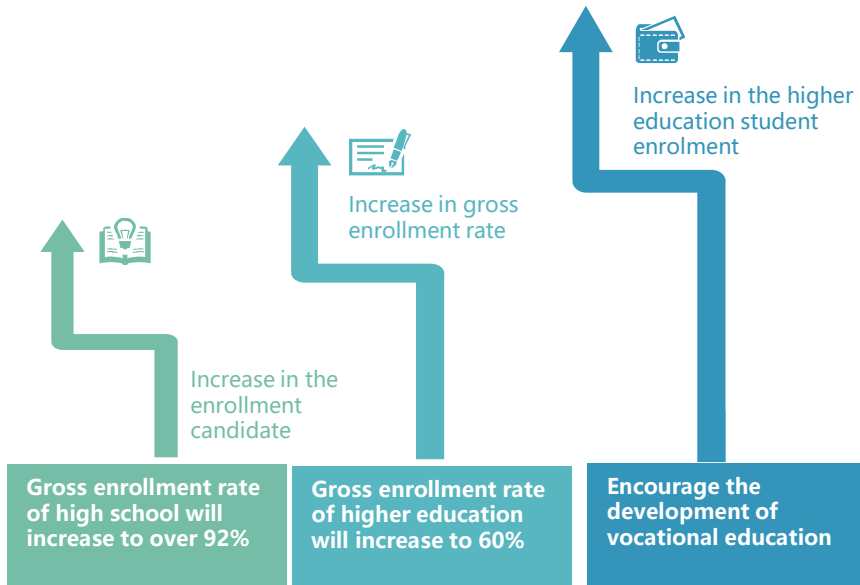
Next three years
Organic CAGR



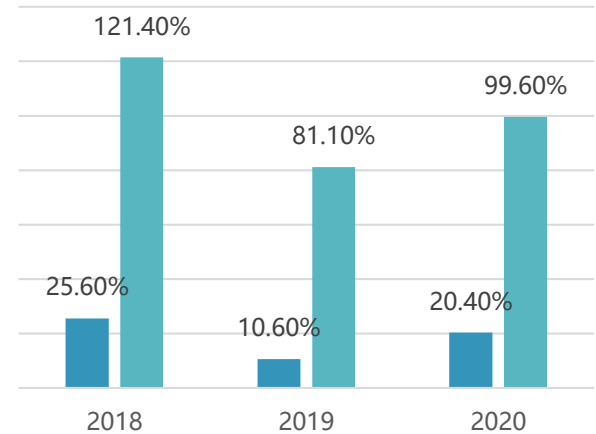
FY2017-FY2020

Historical Organic Growth

Favourable Policies, ample room for organic growth



Central Government' s Fourteenth Five-Year Plan



■ National adult education enrollment growth rate
■ Kepei adult education enrollment growth rate

The adult education market grows strongly, Kepei has first-mover advantages

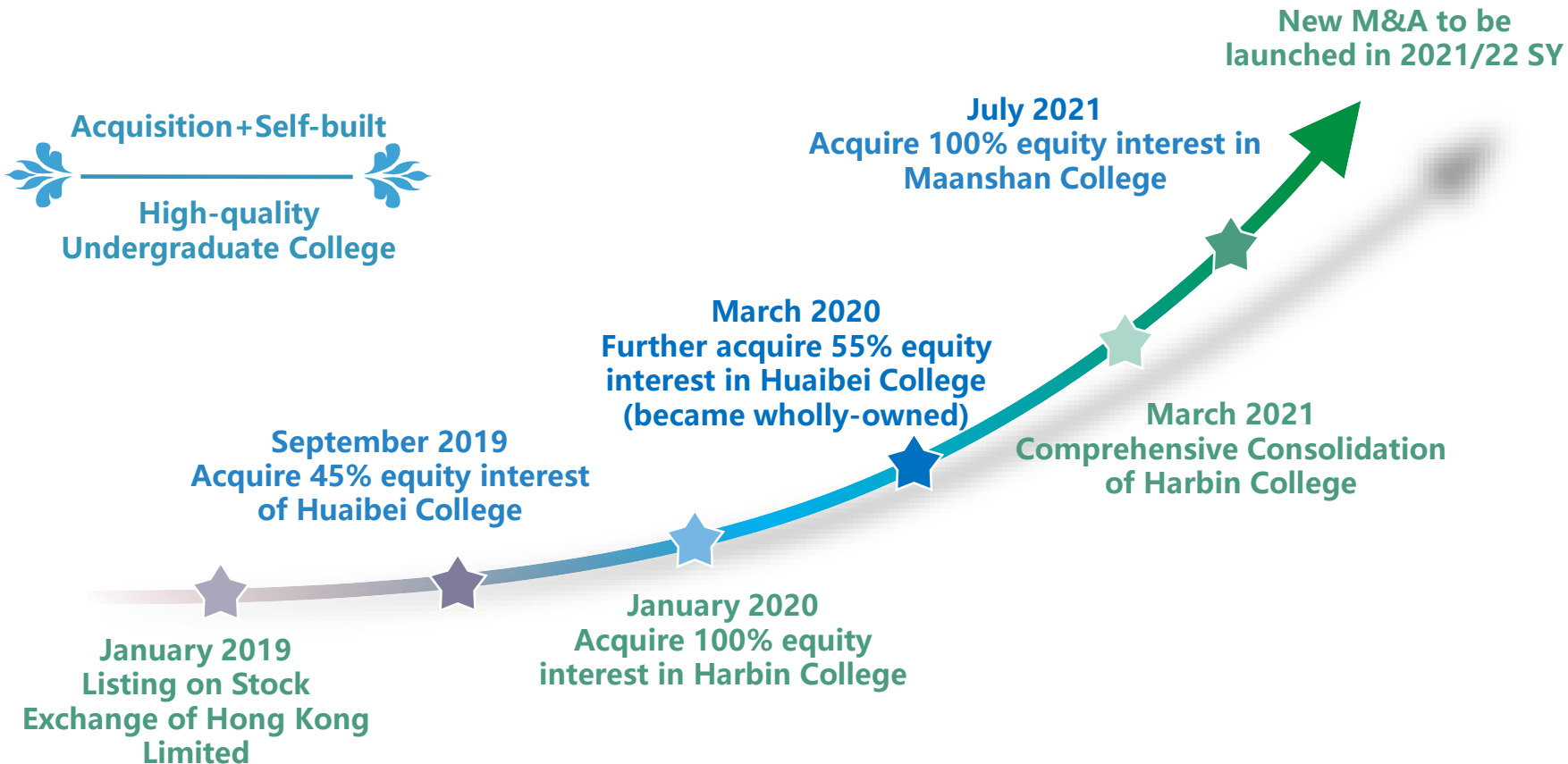
Organic Growth-Sustainable and strong pricing capabilities

Tuition Fee	2019/2020 School Year	2020/2021 School Year	2021/2022 New School Year
Guangdong Polytechnic College	(RMB)	(RMB)	(RMB)
—Undergraduate program	23,800	26,800	29,800
—Junior college program	17,800	18,800	18,800
—On-campus adult education	5,900—13,300	7,400—16,800	8,000—18,000
—Off-campus adult education	680—980	680—980	680—980
Zhaoqing School			
—Secondary vocational education	7,200—11,100	8,000—12,400	8,400—12,400
Harbin College			
—Undergraduate program	18,000	19,800—21,800	20,800—24,800
—Off-campus adult education	N/A	1,400—2,000	1,400—2,000
Huaibei Polytechnic College			
—Undergraduate program	N/A	N/A	19,800
Maanshan College			
—Undergraduate program	14,800—16,800	14,800—16,800	18,800

Boarding Fees	2019/2020 School Year	2020/2021 School Year	2021/2022 New School Year
Guangdong Polytechnic College	1,600	1,800-6,000	1,800—6,000
Zhaoqing School	1,170—1,570	1,380	1,500
Harbin College	1,500	1,500	1,500
Huaibei Polytechnic College	N/A	N/A	1,800
Maanshan College	1,800	1,800	1,800

- ✓ Undergraduate tuition fees for 2021/22 school year up by 10%;
- ✓ Zhaoqing School tuition fees up by around 5-10% for 2021/22 school year;
- ✓ The schools in Guangdong, Anhui and Heilongjiang Province can self-price;
- ✓ Current tuition fee standard is only at the provincial average level of peers, and there is ample room to further increase in the future

External expansion - M&A



Achieved Remarkable Results in Post-acquisition of Harbin College

Teaching management

- ✓ Improving faculty quality, hired 20% new full-time teacher
- ✓ Develop an online/offline teaching quality assessment system, develop teacher reward mechanism
- ✓ Share the recruitment resources of excellent enterprises within the group
- ✓ Strengthen the enrollment team, broaden enrolment channel and ads through Internet platform or social media

- Successfully completed the quality evaluation by MOE
- Teacher Satisfaction Survey hits new high after acquisition
- Registration rate reached 97.4%, historical highest and ranked 1st in province

Logistics service

- ✓ The stores and canteens will be integrated into the unified logistics management of the Group to provide diversified consumption services for students
- ✓ Campus construction and maintenance were managed by the Group to improve teaching and living conditions
- ✓ Suppliers are integrated into group' s management system to improve procurement efficiency and quality

- The rental income from new shops and canteen reached RMB7million
- Saved RMB7 million maintenance cost
- Saved RMB5 million procurement cost

Financial Management

- ✓ Broaden revenue sources through adult college education, qualification training and rental income
- ✓ Optimize tuition fees and boarding fee
- ✓ Strict budget control to reduce operation costs and increase efficiency
- ✓ Group' s Large-scale procurement to reduce procurement costs

- 10% increase in tuition fees
- Adult education programs, rental, and training income up by 500%
- Net profit increased by 97% YOY

Informationization

- ✓ Finance, HR, Procurement, and Student management System were integrated by the Group
- ✓ Launched Tencent e-school system, online payment and dorm allocation service
- ✓ Promote school digitalization , intelligence school management, and mobile payment
- ✓ Improved efficiency through cutting queue time

- Students satisfactory rate reached historic high
- Attendance of online courses reached 99.3%
- On-line graduation ceremony

M&A Targets

Private regular undergraduate institutions
Independent colleges

Selection criteria-Business

Enrolment and tuition fee growth potential,
school registration rate, school utilization,
capacity, liabilities, location, population

Business Synergy

Share enrolment and employment information & resources
Centralized management (teachers, finance, procurement)
Integration of production & education
Extensive school-enterprise relations



Region

Provinces with scarce resources in higher education
Provinces with sufficient enrolment candidate

Selection criteria-Financials

ROE
PE ratio
EV/EBITDA
Investment payback period

M&A delivery expectation and funding for M&A

Deliver 1-2 M&A projects each year
RMB2.3 billion credit facility granted by reputable banks for M&A

Tuition Fees & Boarding Fees

- Leading position and well-established reputation enable the Group to further increase tuition fees
- Improvement of learning and living conditions enable the Group to further increase the boarding fees
- Integration of production and education, broaden the types of undergraduate majors with higher tuition;

Qualification Training Income

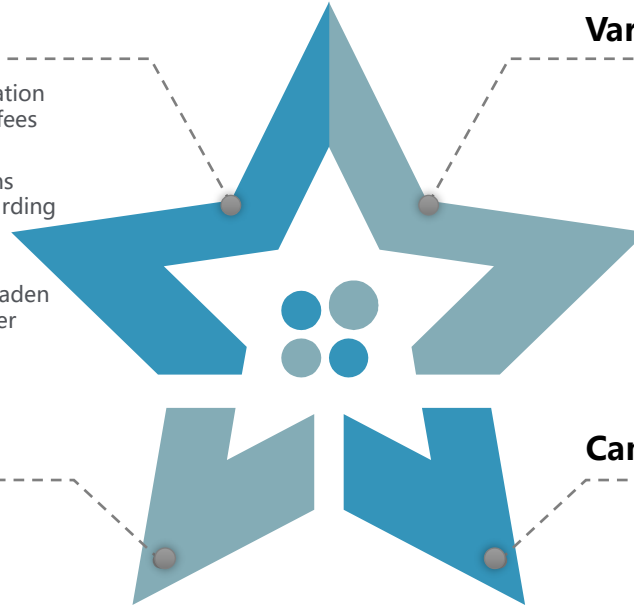
- Further expanding the course offering of the Qualification Training Center to improve students' market competitiveness and to diversify the income sources
- The qualification training income will further increase with the increasing student enrollment

Variety of Educational Programs

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

Campus Rental Income

- Provide comprehensive services such as catering, entertainment, fitness through upgrading the campus and introducing high-quality tenants
- Further increase property rental income after the completion of the new campus and renovation of existing campus

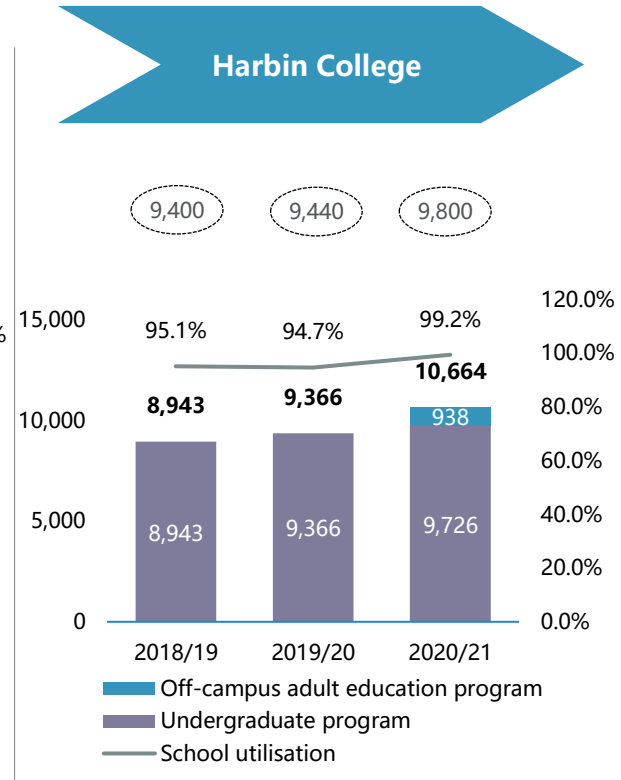
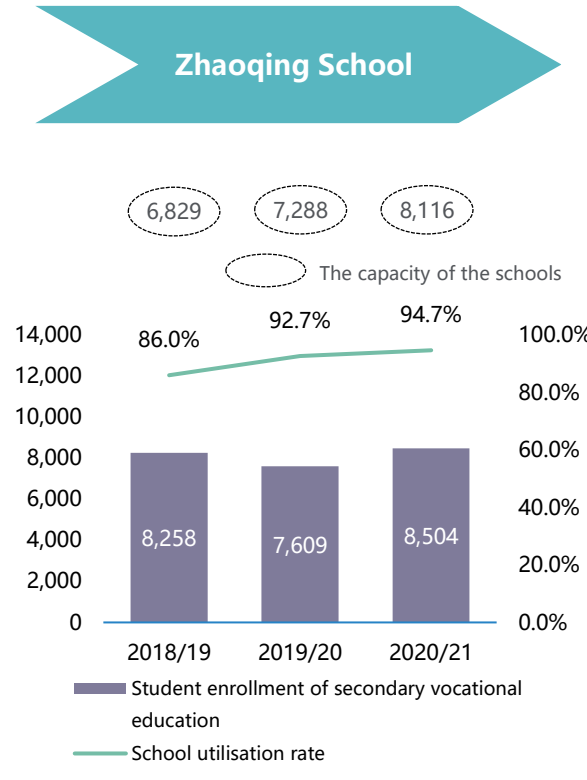
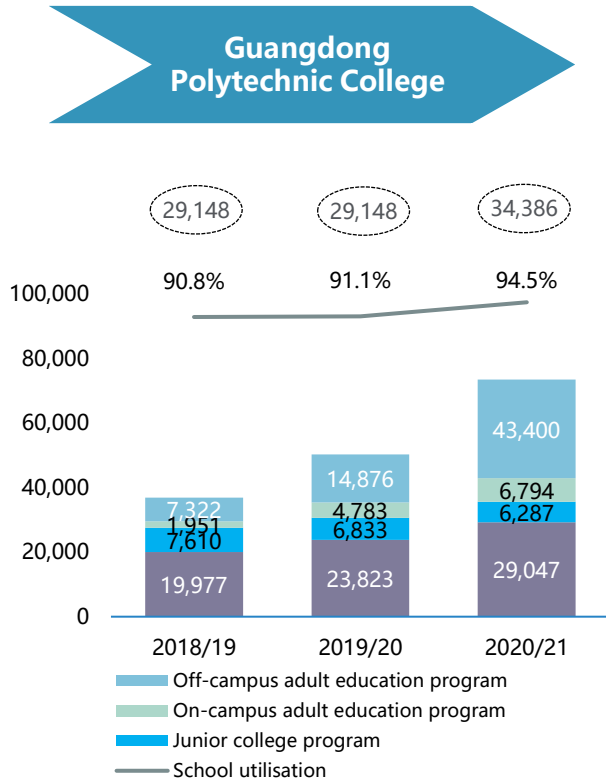


Appendix

Corporate Information



Enrolment Structure, Capacity and Utilization Rate of Each School



Q&A Session



Thanks!

