



Equity Research  
Education/ China

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**OP Express**

**Positive**

For Private higher Edu Group

**Our rating and target price on private higher education groups**

Name	Stock code	Rating	TP(HK\$)
Edvantage	382 HK	BUY	10.50
China Edu Group	839 HK	BUY	20.00
New Higher Edu	2001 HK	BUY	6.70

Source: OP Research

# China Education Sector

## Encourage private participation in vocational education

### Background:

China's State Council recently issued an opinion regarding the promotion of high-quality vocational education system (《關於推動現代職業教育高品質發展的意見》)(“The Opinion”). The Opinion showed that China is eager to push the development of vocational education to cultivate more high-quality technical and skilled talents. The Opinion emphasizes the importance of industry-education integration and school-enterprise cooperation, to align students' skill development with market needs.

### Our Comment:

**Green light for private capital in vocational education.** The Opinion clearly stated that China encourages listed companies and industry-leading enterprises to participate in vocational education. The Government will provide “finance + governmental funding + land + credit” incentives to industry education-integrated enterprises. In addition, it allows application-oriented universities to start vocational education at bachelor degree level.

**Private higher education Group can benefit from China's current vocational education development plans.** We expect China will continue to promote career-oriented top-up degree programs. The growing top-up degree programs will be the key for student growth of many private universities in future. Also, we expect growing demand for vocational education training services given that China encourages lifelong learning and it will establish a more comprehensive vocational skills level certificate system.

**Reaffirm our positive view on private higher education.** China sent a clear signal that it welcomes private participation in vocational education, including the listed companies. Private higher education groups will be direct beneficiaries of China's current vocational education development plans on the ground that they mainly focus on providing application-oriented education. We see private higher education will outperform the market in the short term. CEG (839 HK) is our top pick of this segment given it is the leading private higher and vocational education group in China, and its potential for sizable M&A.

### Exhibit 1: How private higher education groups can benefit from China's current vocational education development plans

Benefits	Related comments in the Opinion
Increase in student admission	- China wants application-oriented universities and/or vocational universities to recruit more graduates from secondary and higher vocational schools (Section 5)
More channels to recruit new students	- For vocational education, China will broaden sources of student recruitment by (a) establishing of a tailored Gaokao system, (b) improving admission system to recruit students based on their vocational skills and cultural quality (Section 4)
Easy access to the vocational education market	- China encourages application-oriented universities to establish vocational education at bachelor degree level (Section 5)
Increase demand on vocational education training services	- More demand for vocational training services given China wants to promote lifelong learning and on-the-job continuous training (Section 7) - More demand for exam training courses given China will establish comprehensive systems for vocational skills certification and skills-recognition(Section 15)

Source: MOE, OP Research

### Exhibit 2: Private Higher Edu Group's valuation

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER Hist (x)	PER FY1 (x)	PER FY2 (x)	3-Yr EPS Cagr (%)	PEG (x)	P/B Hist (x)	P/B FY1 (x)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
China Edu Group	839 HK	16.30	4,842	12.9	28.7	20.9	17.4	29.7	0.76	3.42	2.60	8.0	11.3	22.5	16.2
Yuhua Edu	6169 HK	4.91	2,130	8.1	67.7	10.1	8.9	103.8	0.1	3.3	3.2	26.7	32.7	34.9	-19.8
Hope Edu	1765 HK	1.69	1,734	5.9	22.1	13.3	10.7	36.4	0.4	1.6	1.6	11.2	12.6	36.3	-0.6
China Kepei Edu	1890 HK	4.59	1,189	1.4	13.5	9.9	7.8	26.7	0.4	2.3	2.0	20.5	21.6	8.8	-11.9
New Higher Edu	2001 HK	4.42	901	2.1	14.1	9.7	7.4	31.0	0.3	2.3	2.0	17.5	22.0	21.4	-5.8
Cathay Media Edu	1981 HK	3.34	713	1.4	12.6	11.0	8.7	20.9	0.5	1.7	1.5	13.9	13.0	23.2	-31.6
Edvantage Group	382 HK	5.43	748	1.4	15.7	10.6	7.6	36.9	0.3	2.1	1.8	15.2	19.1	9.5	-22.1
Minsheng Edu	1569 HK	1.22	661	0.2	31.7	6.5	5.1	95.3	0.1	1.0	0.9	6.6	14.8	-	-3.0
China Xinhua Edu	2779 HK	1.69	349	0.1	6.9	5.7	4.5	20.9	0.3	0.8	0.7	13.4	12.8	9.0	-13.8

\* Outliners and "N/A" entries are excl. from the calculation of averages

Source: Bloomberg, OP Research

**Exhibit 3: Our recent report**

Date	Company / Sector	Stock Code	Title	Rating	Analyst
11/10/2021	AAC Tech	2018	Sluggish 3Q21 earnings on weak smartphone market	BUY	John Siah
03/09/2021	HK Tech Venture	1137	Striving to become a global technology enabler	BUY	John Siah
31/08/2021	Tian Lun Gas	1600	Mixed 21H1 results, expecting margins to improve in 21H2E	BUY	John Siah
27/08/2021	AAC Tech	2018	Optics segment stood strong against headwinds in 21Q2	BUY	John Siah
25/08/2021	361 Degrees	1361	Strong earnings expected to continue in 21H2E	BUY	John Siah
09/08/2021	Edvantage Group	382	Promising growth to continue in FY22E	BUY	John Siah
09/08/2021	China Edu Group	839	Another landmark M&A	BUY	John Siah
09/08/2021	New Higher Edu	2001	SY21/22 growth on track	BUY	John Siah
06/08/2021	Innovent Bio	1801	Sintilimab on track to become RMB10 bn drug	BUY	Kevin Tam
05/08/2021	Greentown Mgmt	9979	Safe sail inside the Storm	BUY	John Siah
05/08/2021	Xinyi Energy	3868	More M&A coming in 21H2E	BUY	John Siah
30/07/2021	SF REIT	2191	First logistics REITs in HK, riding the e-commerce wave	NR	John Siah
27/07/2021	China Edu Sector	-	Private Higher Edu will not be the next K12 tutoring	-	John Siah
13/07/2021	HKTv	1137	Edging up GMV with enabler business kicking off	BUY	Kevin Tam
07/07/2021	Xinyi Energy	3868	Fast growing solar farms with promising dividend outlook	BUY	John Siah
02/07/2021	Yidu Tech	2158	Getting closer to breakeven	BUY	Kevin Tam
24/06/2021	Greentown Mgmt	9979	21H1 net profit expected to up more than 70% YoY	BUY	John Siah
11/06/2021	TCL Electronics	1070	Turnaround possible in 2H21E	BUY	Kevin Tam
09/06/2021	Tian Lun Gas	1600	Zhuhai Port (000507.SZ) becomes new major shareholder	BUY	John Siah
03/06/2021	Tian Lun Gas	1600	Attractively valued with solid outlook	BUY	John Siah
25/05/2021	Yeahka	9923	Narrowed valuation premium on revised growth outlook	HOLD	Kevin Tam
20/05/2021	China Edu Sector	-	Policy risk on private higher education eased	-	John Siah
17/05/2021	AAC Tech	2018	Acoustic and optics led strong rebound in 21Q1	BUY	John Siah
12/05/2021	HKTv	1137	Convincing long term prospect despite sluggish near term GMV	BUY	Kevin Tam
30/04/2021	China Edu Group	839	Ready for more M&A	BUY	John Siah
22/04/2021	New Higher Edu	2001	More visible growth path	BUY	John Siah
22/04/2001	Edvantage Group	382	Fascinating growth story set to take off	BUY	John Siah

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<b>Relevant Benchmark</b>	Represents the stock closing price as at the date quoted in this report.

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