

**IPO FACT SHEET**
**Huali University Group Limited (1756)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$879.0m – HK\$978.0m
<b>Placement Tranche:</b>	300m
<b>Price:</b>	HK\$2.93 – HK\$3.26
<b>Board lot:</b>	1,000
<b>Entry fee:</b>	HK\$3.292.85
<b>Historical PE</b>	14.15x – 15.74x
<b>Net tangible asset per share:</b>	HK\$2.15 – HK\$2.23
<b>Market Cap (post-IPO):</b>	HK\$3,516m – HK\$3,912m
<b>Open:</b>	14 Nov 2019
<b>Close:</b>	12.00 noon on 19 Nov 2019
<b>Trading:</b>	25 Nov 2019
<b>Sponsor:</b>	China Securities (International) Corporate Finance Company Limited

<b>Year ended 31 Aug</b>	<b>(RMB'000)</b>	<b>yoy % chg</b>
<b>Revenue</b>		
2018	608,008	5.2%
2019	674,800	10.1%
<b>Profit / loss for the year/period</b>		
2018	193,327	0.1%
2019	223,063	15.4%

**BACKGROUND**

- The Group is a leading large-scale private higher education and vocational education group in South China, offering applied science-focused and practice-oriented programs.
- As of October 31, 2019, they had an aggregate of 40,627 students enrolled at their three schools, namely Huali College, Huali Vocational College and Huali Technician College
- According to the Frost & Sullivan Report, by the end of 2018, as measured by student enrollment, they ranked second among all private vocational education service providers in South China and ranked fourth among all private higher education service providers in South China.
- Their schools offer private higher education and private vocational education in a wide range of fields in applied sciences with an aim to prepare their students with the necessary knowledge base, skill sets and accreditations to secure jobs and pursue careers in particular professions, trades and industries.
- They have designed their curricula with a distinct emphasis on practical, job-oriented content for a variety of majors that are in demand by potential employers in the Pearl River Delta.

**BUSINESS STRATEGIES**

- Continue to enhance their reputation as a provider of private higher education and private vocational education.
- Continue to increase student enrollment through expanding their business operations in their existing schools and further expand their school network in China and abroad.
- Continue to improve their profitability by optimizing their pricing and sources of revenue.
- Continue to strengthen collaboration with corporate employers.
- Continue to attract, incentivize and retain talented teachers and support their professional development.

#### COMPETITIVE STRENGTHS

- They are a pioneer in the private education industry in China, operating top-ranked private higher education institutions and private vocational education institutions in South China.
- Their schools' strategic geographic location in Guangdong Province and their strong reputation for offering applied science-focused and practice-oriented formal higher education programs and vocational programs provide a strong basis for their business growth.
- They have achieved high Initial Employment Rates supported by their market-focused major offerings, practical job-oriented curricula and their access to a broad network of corporate employers.
- Their unified educational philosophy, centralized management structure and unique corporate culture enable them to achieve operating efficiency and replicate their success.
- They have an experienced and proven senior management team.

#### KEY RISKS

- Their business depends on their ability to maintain or raise the tuition fee rates and boarding fee rates they charge at their schools.
- Their business and results of operations depend on the number of students they may admit, which in turn is subject to the admission quotas approved by relevant education authorities and limited by the capacity of their school facilities.
- They are subject to uncertainties brought by the Amendment of the Law for Promoting Private Education of the PRC and the MOJ Draft for Comments.
- They may not be able to register Huali College as a for-profit private school or complete relevant procedures or obtain the government registrations under the current form of the MOJ Draft for Comments.
- They are exposed to concentration risks as all of their schools are located in Guangdong Province.

#### DIVIDEND POLICY

- No fixed dividend policy.

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Expansion for their existing schools by constructing additional buildings for Huali College and Huali Vocational College.	451.4	53.0%
Establishment of a new junior college in Jiangmen City, Guangdong Province.	309.2	37.0%
Working capital and general corporate purposes.	84.5	10.0%
<b>Total:</b>	<b>845.1</b>	<b>100.0%</b>

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