



The new policies on the education industry mainly affects the Compulsory Education Sector and has tiny effect on Higher Education Sector

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During the fifteenth meeting of the Central Committee for Comprehensively Deepening Reform (中央全面深化改革委員會第十五次會議) on the 1st of September, President Xi Jinping has presided over the guideline of vitalizing higher education in the country's central and western regions 《關於新時代振興中西部高等教育的若干意見》 and the guideline of standardizing private schools for compulsory education 《關於規範民辦義務教育發展的實施意見》. The guideline of standardizing private schools for compulsory education 《關於規範民辦義務教育發展的實施意見》 is in line with the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) 《民促法實施條例(修訂草案)(送審稿)》 issued in 2018. It restated the public welfare attributes of compulsory education (primary and junior high school).

Further, the opinions on further strengthening and standardizing the management of education fees 《關於進一步加強和規範教育收費管理的意見》 published by Ministry of Education and other four departments at the end of August is also consistent with the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) 《民促法實施條例(修訂草案)(送審稿)》, stating that the individual school fees can only be adjusted by the provincial Government for Non-Profitable Schools and for Profitable-Schools, school fees can be freely adjusted according to the market conditions.

In conclusion, the newly announced policies stated above only affect compulsory education. The guideline of standardizing private schools for compulsory education 《關於規範民辦義務教育發展的實施意見》 once again emphasized that compulsory education can only be held on a non-profit basis, which has a negative impact on the future growth of compulsory education schools. In addition, standardizing private schools for compulsory education may potentially increase the capital investments on compulsory schools and hence extending the investment return cycle. However, we believe that for higher education, the contents of the above-mentioned new policies are consistent with those from the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) 《民促法實施條例（修訂草案）（送審稿）》. Since higher education schools can choose to be profitable, tuition increases and M&A in the future will not be limited by these policies. As a result, the above newly announced education policies have little impact on higher education schools.

We still recommend China Kepei (1890.HK). China Kepei's colleges will all choose to be held profitable in the future. Further, The schools of China Kepei are located in Guangdong and Heilongjiang provinces where higher education can set prices independently and without the interference of the Government.