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China Education Group Holdings Limited

中國教育集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 839)

VOLUNTARY ANNOUNCEMENT MARKET AND BUSINESS DEVELOPMENTS

China Education Group Holdings Limited (the “**Company**”) is pleased to provide shareholders and investors with an update on prevailing market conditions and recent corporate developments. This announcement outlines the macroeconomic environment, key trends shaping the education sector in China, and the proactive initiatives the Company is implementing to drive continued financial resilience, innovation, and sustainable growth. The Company remains confident in its ability to adapt to evolving market conditions while consistently delivering high-quality educational services aligned with its mission and the best interests of its shareholders.

MACRO ENVIRONMENT IN CHINA

The broader operating environment in China is undergoing significant and transformative changes, presenting both challenges and new opportunities across multiple sectors, including education. These developments are being shaped by three interconnected macroeconomic factors: demographic shifts, evolving consumer behaviors, and dynamic funding landscapes.

Demographic trends, particularly the gradual decline in birth rates, are influencing the composition and size of the student population. According to data from the Ministry of Civil Affairs of China, marriage registrations decreased by 21% year-on-year in 2024 and have halved since 2013. While these trends may intensify competition for student enrollments across educational institutions, they also create opportunities for institutions to distinguish themselves through academic excellence, innovation, and the delivery of compelling value propositions.

At the same time, deflationary pressures and greater consumer selectivity are driving stronger demand for educational offerings that demonstrate proven quality, reliability, and meaningful outcomes—further reinforcing the Company’s long-standing commitment to academic excellence and student success. The Company believes that its focus on high-demand vocational and application-oriented programs positions it well to attract students who are seeking practical and employable skills in an increasingly competitive job market.

In addition, tightened financial conditions across broader markets underscore the critical importance of disciplined capital planning. By maintaining a strong, resilient balance sheet and emphasizing prudent financial management, the Company is well-positioned to thrive amid these macroeconomic changes.

EDUCATION SECTOR TRENDS IN CHINA

The education sector continues to evolve, providing exciting growth opportunities for forward-thinking institutions:

- **Intensified Enrollment Competition:**

Demographic shifts are driving — and are expected to continue driving—greater competition across all educational stages, from early childhood through to higher education. While declining birth rates are generally not expected to impact higher education enrollment levels in the next decade, and many of the Company’s institutions anticipate sustained enrollment growth during this period, the Company views these demographic changes as a powerful catalyst for continuous innovation, enhancement of educational offerings, and the strengthening of institutional appeal.

- **Secondary Vocational Education Trends:**

Shifts in student preferences and labor market demands are creating opportunities within the secondary vocational education segment. The Company is actively refining and upgrading its vocational programs to ensure greater alignment with market needs and to enhance graduate outcomes.

- **Private Institution Registration:**

The registration process for for-profit private educational institutions is ongoing in various regions. The Company remains proactive in engaging with regulatory authorities to ensure full compliance and to maintain operational excellence in response to evolving policies.

- **Tuition Regulation:**

Local authorities across China have introduced frameworks regulating tuition pricing to promote accessibility and affordability. The Company views these developments as opportunities to drive innovation, enhance operational efficiency, and create greater value for students and families.

The Company also remains vigilant in managing key financial and operational risks within the sector:

- **Credit and Liquidity Management:**

Given the tighter credit environment and approaching sector-wide debt maturities, the Company has adopted proactive refinancing strategies and disciplined liquidity management practices to reinforce its financial stability, ensuring readiness to meet future obligations and to support ongoing growth initiatives.

- **Asset Performance and Foreign Exchange Management:**

The Company closely monitors market conditions and foreign exchange fluctuations, including the impact of geopolitical volatility and global trade developments such as recent tariff measures. By maintaining agile financial strategies, the Company seeks to safeguard asset performance and ensure robust financial health.

STRATEGIC TRANSFORMATION AND INVESTMENT INITIATIVES

To capture growth opportunities and respond to evolving industry dynamics, the Company is advancing strategic transformation initiatives across four key areas:

- **Enhancement of Undergraduate Programs:**

The Company is investing in the enhancement of its undergraduate education platform, focusing on the recruitment of top-tier faculty, strengthening research capabilities, and modernizing curricula. Several of the Company's institutions are also actively pursuing accreditation to confer master's degrees, further elevating academic prestige and enhancing appeal to prospective students.

- **Secondary Vocational Segment Realignment:**

Recognizing changes in secondary vocational education demand, the Company is realigning its secondary vocational offerings toward higher vocational or academic formats where appropriate, while optimizing program portfolios and operational efficiency to enhance overall competitiveness.

- **Disciplined Project Execution:**

The Company maintains disciplined oversight of its capital projects, ensuring that investments are high-impact, cost-effective, and completed on schedule. Strengthened project management processes are in place to guarantee quality, budget adherence, and timely delivery, contributing meaningfully to the Company's long-term growth and academic excellence.

- **Financial Strength and Funding Diversification:**

The Company is actively expanding its financing channels, pursuing cost-effective funding opportunities from international financial institutions, and prioritizing RMB-denominated financing to further strengthen financial resilience and mitigate foreign exchange risks.

Collectively, these initiatives position the Company for greater academic achievements, operational excellence, and sustainable financial strength.

FINANCIAL STABILITY AND CAPITAL MANAGEMENT

Maintaining financial stability remains a top priority. The Company continues to manage its cash flows prudently, ensuring a strong financial foundation to support debt obligations and future investments.

The Company is actively reviewing its capital management strategies, with a particular emphasis on evaluating the relative merits of dividend distributions and share repurchases. Subject to prevailing market conditions and the availability of capital, with a view to prioritize debt repayment and liquidity stability amid the tightened financial conditions mentioned above and the upcoming debt maturities to ensure no cross-default risks and to safeguard operational stability, and noting that the historic dividend payouts had not been able to stabilize and reflect the Company's value in the market, share repurchases may provide greater flexibility in capital allocation compared to dividend payments. Moreover, share repurchases serve as an effective instrument to demonstrate the Company's confidence in its intrinsic value, enhance shareholder returns, and potentially deliver additional efficiencies for investors participating through the Stock Connect program, which collectively hold approximately 14.79% of the Company's issued shares as at 25 April 2025 based on the website of The Stock Exchange of Hong Kong Limited.

The Company remains committed to delivering sustainable value to its shareholders. In line with its established dividend policy, the Board will continue to conduct a prudent and comprehensive assessment of the Company's financial position, strategic capital requirements, and prevailing external market conditions, including those set out above, when determining whether or not to recommend the declaration of dividends and, if so, the

amount thereof. This approach is designed to ensure a balanced and forward-looking capital allocation strategy that enhances the Company's financial resilience while supporting sustainable long-term shareholder returns.

CLOSING REMARKS

The Company remains highly confident about the opportunities ahead and is committed to navigating the evolving landscape with strategic clarity, agility, and focus. The Company's ongoing transformation initiatives reflect both internal strategic priorities and valuable feedback from investor interactions in meetings convened on 17 February 2025 and thereafter. Its ongoing transformation initiatives underscore the Company's confidence in its ability to achieve academic excellence, operational agility, and sustainable financial growth.

Despite near-term macroeconomic challenges, the Company remains optimistic about the long-term prospects of the education sector. The enduring demand for high-quality education and professional training continues to align closely with national development priorities and the aspirations of individuals.

With a clear strategic vision, continuous innovation, and strong adaptability, the Company is optimistic that its integrated approach — combining educational excellence, strategic expansion, and prudent financial management — will generate long-term value for shareholders and all stakeholders.

By order of the Board
China Education Group Holdings Limited
Yu Kai Wang Rui
Co-Chairmen

Hong Kong, 28 April 2025

As at the date of this announcement, the executive directors of the Company are Dr. Yu Kai and Mr. Wang Rui, and the independent non-executive directors of the Company are Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Wu Kin Bing.