Credit Opinion

10 August 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g
Outlook	Stable

Analyst Contacts

Peter Chong +852-2860 7124
Associate Director of Credit Ratings
peter_chong@ccxap.com

Rory Li +852-2860 7126
Assistant Credit Analyst
rory_li@ccxap.com

Elle Hu +852-2860 7120
Executive Director of Credit Ratings
elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

China Chunlai Education Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of BBB_g to China Chunlai Education Group Co., Ltd., with stable outlook.

Summary

The BBB_g long-term credit rating of China Chunlai Education Group Co., Ltd. ("China Chunlai" or the "Company") is underpinned by the Company's (1) status as a leading private higher education institution in Central China, with geographic and brand advantages; (2) increasing revenue and good profitability; and (3) manageable debt burden and improving credit metrics.

However, the rating is constrained by (1) risks from policy shift and intensifying competition; (2) uncertainties regarding the conversion of Tianping College; and (3) high reliance on tuition fees.

The stable outlook on China Chunlai's rating reflects our expectation that, the Company will maintain its status as a leading private higher education institution in Central China, with stable revenue stream and manageable debt burden for the next 12 to 18 months.

Rating Drivers

- Leading private higher education institution in Central China, with geographic and brand advantages
- Risks from policy shift and intensifying competition
- Uncertainties regarding the conversion of Tianping College
- Increasing revenue and good profitability
- Manageable debt burden and improving credit metrics

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if the Company's stand-alone credit profile improves significantly, such as strengthening market position or diversified business mix.

What could downgrade the rating?

The rating could be downgraded if the Company's stand-alone credit profile deteriorates, such as eroded liquidity profile or substantial increase in debt burden.

Key Indicators

	2023FY	2024FY	2025FY	2026H1
Total Assets (RMB million)	6,457.8	7,253.8	7,734.2	7,727.7
Total Equity (RMB million)	3,275.7	3,883.9	4,611.9	5,042.5
Total Revenue (RMB million)	1,498.0	1,631.5	1,790.6	956.3
Net Profits (RMB million)	684.4	778.2	835.6	429.8
EBIT Margin (%)	54.3	54.1	50.8	-
Return on Assets (%)	13.2	12.9	12.1	-
Total Debt/Total Capital (%)	39.9	36.7	29.8	19.7
Total Debt/EBITDA (x)	2.1	2.0	1.6	-
EBITDA/Interest (x)	8.3	12.0	18.9	-
FFO/Total debt (x)	0.4	0.4	0.5	-

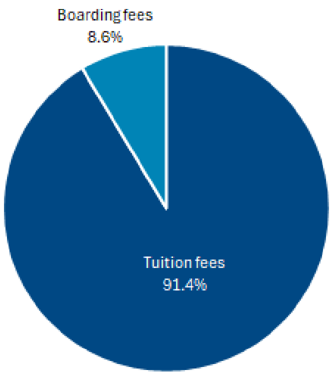
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Established in 2017 and listed on the Main Board of the Hong Kong Stock Exchange in 2018, China Chunlai (Stock code: 1969.HK) is the leading private higher education provider in Central China. The Company operates six institutions across Henan and Hubei provinces and also participates in the operation of Tianping College in Jiangsu. As of 30 June 2026, Chunlai Investment Co., Ltd. directly held 75.0% of the Company's shares. The ultimate controlling shareholder is Mr. Hou Junyu.

Exhibit 1. Revenue structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Leading private higher education institution in Central China, with geographic and brand advantages

China Chunlai is the leading private higher education provider in Central China, with a strategically irreplaceable geographic and brand advantages. The Company and its colleges and universities have repeatedly won various accolades, such as Education Group with Influential Brand, China's Most Influential Private School, China's Top 30 Private Education Providers, and Advanced Institution Among Private Education Providers.

The Company operates four institutions in Henan, which is China's most populous province and largest college-entrant market, and two in Hubei, another top-ten province by examination population. This core positioning ensures abundant and stable student supply. Furthermore, its participation in Tianping College in Jiangsu, an economically developed coastal province, balances student sourcing with superior employment opportunities, forming a full-chain advantage from enrolment to career placement.

Exhibit 2. Student enrolment from 2023 to 2025

	2023FY	2024FY	2025FY
Shangqiu University	29,358	25,046	26,165
Shangqiu University Kaifeng Campus	18,054	15,170	15,499
Anyang University	30,330	28,738	26,143
Anyang University Yuanyang Campus	8,118	10,788	13,045
Jiankang College	3,699	6,805	9,743
Jingzhou College	13,718	16,754	19,357
Total	**103,277**	**103,301**	**109,952**
Tianping College	-	-	About 1,300

Source: Company information, CCXAP research

As of 28 February 2026, total enrollment reached 116,784 students, a 5.3% year-on-year ("YoY") increase, demonstrating robust organic expansion. For the 2025/2026 academic year, the five bachelor-degree-granting colleges recorded an aggregate intake rate of about 91.6%, reflecting strong brand reputation and educational quality.

China Chunlai differentiates itself through deep industry-academia collaboration. It has established extensive partnerships with approximately 1,100 enterprises, covering internships, joint training of order classes, co-built laboratories, and faculty exchange programs, all of which enhance graduate employability. Combined with its entrenched presence in high-demand regions, China Chunlai's business profile solidifies its leadership in Central China's private higher education sector and supports continued student growth.

Actively expanding international education business cooperation

The Company actively seeks overseas cooperation, aiming to establish in-depth strategic cooperation relationships with foreign institutions to promote diversification and internationalization of education. In November 2024, Anyang University and Shangqiu University entered into sino-foreign school operation cooperation agreements with Elite Education Institute in Australia, and Anyang University entered into a sino-foreign school operation cooperation agreement with Massey University in New Zealand.

In August 2026, the Company announced the acquisition of Accountancy & Business College (Ireland) Limited with transaction amount of USD127.5 million, which is expect to have a positive impact on its revenue and profits, but may increase its debt burden. We expect that the Company will continue to broaden its international cooperation footprint and to create synergistic effect between domestic and foreign educational institutions.

Risks from policy shift and intensifying competition

China's private higher education sector remains a significant pillar, comprising 829 institutions and enrolling over 10 million students. However, the industry has entered a structural transition from scale-driven expansion to quality-focused consolidation, facing mounting policy and competitive headwinds.

On the policy front, the long-pending classification reform (for-profit vs. non-profit) remains largely unresolved across most provinces, creating persistent uncertainty over legal status, property rights, and investment returns. Meanwhile, the policy tone has shifted from "encouraging" to "guiding and regulating," with tighter scrutiny over governance, related-party transactions, and fee collection, all of which increase compliance costs and constrain operational flexibility. Given that the Company's colleges are mainly located in Henan and Hubei provinces, a change in policy in these regions may pose certain operational risks on the Company.

On the competition side, newly established research-oriented private universities are outperforming many top public institutions, reshaping the competitive landscape. Public universities and high-quality vocational colleges continue to expand, eroding private schools' market share. These intertwined risks are accelerating a shake-out where only well-positioned, distinctive players will survive.

Uncertainties regarding the conversion of Tianping College

The Company had succeeded in acquiring Jingzhou College in 2021 and consolidated its results of operations in 2022, which enhanced the Company's student enrolment and revenue scale. China Chunlai has been actively working on the conversion of Tianping College into a standalone private ordinary college, which was acquired in 2019 with RMB0.8 billion. The new Nanjing campus of Tianping College was put into use in September 2025, with stable operation. Currently, it is applying for the change of the school sponsor with the Ministry of Education. The change of school sponsor involves various procedures, such as an audit on the assets, liabilities and equity of Tianping College, and an evaluation of the Nanjing campus, causing regulatory unpredictability. If the progress of the conversion is slower than expected, the consolidation and revenue contribution will be delayed.

High reliance on tuition fees

The Company’s largest revenue contributor is tuition fee, accounting for 91.4% of total revenue in 2025, followed by boarding fee (8.6% of total revenue). Private colleges and universities do not receive government funding and highly rely on tuition income. A drop in enrollment or low admission rates could directly trigger a break in its funding chain. Although the Company currently maintains a high intake rate, the projected demographic decline after 2030 poses a long-term structural risk.

China Chunlai’s faculty has expanded rapidly, with total staff reaching 5,800 in 2025, more than doubling from 2,710 in 2020, in line with student growth. The teaching team is well-qualified: over 70% hold postgraduate degrees, more than 60% possess intermediate or senior professional titles, and approximately 1,400 are "dual-qualified" teachers with both academic and industry experience. However, rising staff costs have become a key factor weighing on gross margins, underscoring the challenge of balancing teaching quality with cost control.

In addition, the Company has a high supplier concentration, with suppliers primarily comprising suppliers of textbooks, uniforms and teaching equipment, and construction companies for building campus facilities. For the years ended 31 August 2025, purchases from the five largest suppliers amounted to RMB196.9 million, accounting for 91.8% of total purchases, with the largest supplier being a construction company that constructs campus facilities.

Financial Profile

Increasing revenue and good profitability

China Chunlai’s revenue scale shows an increasing trend. From 2023 to 2025, its total revenue rose from RMB1.5 billion to RMB1.8 billion, driven by enlarging student base and higher average tuition fees. However, its gross margin declined from 59.4% in 2023 to 54.2% in 2025, largely due to increased number of staff and higher staff salaries, but still ranking top among peers. We expect the Company’s revenue will further increase if the conversion of Tianping College completes.

Despite the margin squeeze, China Chunlai maintains a robust operating profitability, with a high EBIT margin of 50.8% in 2025, thanks to a reduction in period expenses, which fell from 20.3% in 2023 to 14.8% in 2025, partly offsetting the gross margin headwinds. However, the increasing salary costs may exert certain pressure on future profitability.

The Company’s total assets mainly consist of fixed assets and receivables, accounting for 69.9% of total assets as of 28 February 2026. Fixed assets are mainly college buildings, while receivables are mainly advances for Tianping College, which generate stable interest income, both with relatively good asset quality. As a result, its return on assets is relatively good, with EBIT/average assets ratio of 12.7% on average from 2023 to 2025.

Manageable debt burden and improving credit metrics

China Chunlai’s debt burden shows a decreasing trend due to active debt repayment. As of 28 February 2026, the Company’s adjusted total debt amounted to RMB1.2 billion, with total capitalization ratio declining from 39.9% as of 31 August 2023 to 19.7%, mainly due to decrease in debts and increase in equities. However, the short-term debt accounted for 88.1% of total debt, and its cash to short-term debt ratio was 0.4x, indicating high short-term repayment pressure. Given its limited near-term financing and investment needs, we expect that the Company’s debt burden will remain at an acceptable level for the next 12 to 18 months.

With manageable debt burden and good profitability, China Chunlai’s long-term debt servicing capability is relatively good. In 2025, the Company’s total debt/EBITDA ratio and EBITDA/interest ratio were 1.6x and 18.9x, respectively, indicating relatively good debt and interest coverage from its operating profits. In addition, the

Company’s debt servicing capability from operating cash flow is also good. In 2025, its FFO/total debt ratio was 0.5x.

ESG Considerations

China Chunlai strictly abides by national environmental regulations, actively takes measures to reduce emissions, continuously controls emissions and resource use in the process and improves the efficiency of resource utilization to practice corporate sustainable development. In 2025, its greenhouse gas emission intensity per square meter decreased by 33.9% YoY.

China Chunlai has invariably taken the fostering of virtue through education as the fundamental task and attached great importance on the cultivation of teachers’ professional ethics and conduct, as well as the enhancement of teaching quality. In 2025, the average rate of positive feedback regarding teaching reached 96.1%.

China Chunlai has established an ESG governance structure under which the Board of Directors makes decisions, covering all levels of the Company, including the decision-making level, organizational level and executive level. The Board is responsible for determining and overseeing the management system for ESG policies, strategies, objectives and overall operations. The ESG Committee is led by the Chief Executive Officer and consists of key persons in charge of the Board Office and various departments. The Committee is responsible for formulating specific ESG management policies, strategies, objectives and implementation plans.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address:	Suites 1904-1909, 19/F, Jardine House,
	1 Connaught Place, Central, Hong Kong
Website:	www.ccxap.com
Email:	info@ccxap.com
Tel:	+852-2860 7111
Fax:	+852-2868 0656