華夏視聽

CATHAY MEDIA AND EDUCATION GROUP INC.

華夏視聽教育集團

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1981)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Cathay Media and Education Group Inc. (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023 (the "**Reporting Period**"). The results have been reviewed by the audit committee of the Company and the auditors of the Company, Deloitte Touche Tohmatsu.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	Change (%)
	(unaudited)	(unaudited and restated)	
	(RMB'000, except percentages)		
Continuing operations			
Revenue	**376,788**	377,660	-0.2%
– Higher education (media and arts) and vocational education	**306,631**	281,819	8.8%
– Entertainment and livestreaming e-commerce	**70,157**	95,841[1]	-26.8%
Gross profit	**151,564**	165,183	-8.2%
(Loss) profit for the period from continuing operations	**(109,932)**	125,872	N/A
Profit for the period from discontinued operation	**–**	43,710	-100%
(Loss) profit for the period	**(109,932)**	169,582	N/A
Non-HKFRS: Adjusted Net (Loss) Profit[2]	**(58,426)**	147,884	N/A

The Board recommended the payment of an interim dividend of HK$0.03 per share for the six months ended 30 June 2023 (for the six months ended 30 June 2022: HK$0.06 per share).

(1) For the six months ended 30 June 2022, the number represented revenue from our TV/film production and investment business only. Since May 2023, the Group has started its livestreaming e-commerce and artist management business and renamed this business segment to include revenue from both livestreaming e-commerce and artist management business, and TV/film production and investment business.

(2) Adjusted Net (Loss) Profit, which is unaudited, represents (loss) profit for the period after adjustments for profit for the period from discontinued operation and impairment losses recognised on other receivables, impairment losses on television series and film rights subsequently reclassified as write-down of inventories, and equity-settled share-based payments which did not exist in prior periods. Please refer to the reconciliation included in the section headed "Management Discussion and Analysis" for details.

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

Higher education (media and arts) and vocational education

Communication University of China, Nanjing (南京傳媒學院) ("CUCN" or our "University")

According to the Chinese Universities Alumni Association, CUCN was ranked first in media and arts independent colleges in the People's Republic of China (the "**PRC**" or "**China**") in 2022. As at 30 June 2023, the Group had approximately 27,527 students, including 22,305 undergraduates, 4,823 vocational education students and 399 international preparatory students. The above number of undergraduates included 1,294 undergraduates enrolled by Olympic College under our University's management. Excluding the number of undergraduates of Olympic College, the total number of our students recorded a period-on-period growth of approximately 17.3%.

Currently, CUCN offers more than 50 undergraduate majors, covering multiple media and art fields. Among them, 16 majors were appraised as the first tier at the provincial level of Jiangsu and 4 of which were appraised as the first tier at the national level. Our high-quality courses, ingenious ideas and excellent teaching results are what make CUCN uniquely competitive and attractive.

Our international preparatory programs are supported by our cooperation with more than 70 leading media and art colleges across the world. Students enrolled in these programs can study at the overseas universities we cooperate with to continue their undergraduate courses after completing relevant courses.

Our vocational education programs serve adult students who want to further develop skills for a new job, develop a personal interest, or obtain a degree. We provide self-taught examination preparation program (自考助學課程) to the aforementioned adult students.

Olympic College of Nanjing Sport Institute (南京體育學院奧林匹克學院) ("Olympic College")

In order to facilitate the restructuring in connection with the sale and purchase agreement (the "**Agreement**") entered into in June 2021 with certain independent third parties, including the transferor (the "**Transferor**") for the acquisition of Olympic College, the Group also entered into two bridging loan agreements (the "**Loan Agreements**") for the principal amounts of RMB250 million and RMB170 million (the "**Bridging Loans**"), respectively, to be extended to the Transferor. The Group is entitled to set-off the consideration payable to the Transferor arising under the Agreement against any amount due to the Group from the Transferor or its associates arising under the Loan Agreements. Please refer to the announcements of the Company dated 22 June 2021 and 19 August 2021 for details.

Up to the date of this announcement, certain conditions precedent required for the acquisition of Olympic College have not been completed. The total amount of RMB420 million for the Bridging Loans was included in other receivables in the Company's condensed consolidated statement of financial position and the accumulated impairment losses recognised on the Bridging Loans amounted to RMB117.2 million as at 30 June 2023 (as at 31 December 2022: RMB65.8 million). The impairment losses on the Bridging Loans have been provided based on the fair value of Olympic College and the security provided for the Bridging Loans estimated by an independent professional valuer. During the Reporting Period, the impairment losses recognised on the Bridging Loans increased primarily due to the change in the fair value of Olympic College.

Segment performance

During the Reporting Period, our higher education (media and arts) and vocational education segment recorded a total revenue of RMB306.6 million, representing a period-on-period growth of 8.8%, of which tuition and boarding fees generally increased in line with the growth in student enrolment while entrance examination fee income and education management service income decreased. The segment profit of our higher education (media and arts) and vocational education business decreased from RMB147.8 million for the six months ended 30 June 2022 to RMB101.0 million for the Reporting Period, primarily due to the increase in impairment losses of RMB51.4 million on other receivables recognised in relation to the acquisition of Olympic College. However, such increase in impairment losses was a non-cash item which had no impact on the Group's cash and cash equivalents as at 30 June 2023. Excluding the relevant impairment losses on other receivables, the segment profit of our higher education (media and arts) and vocational education business for the Reporting Period would be adjusted to RMB152.4 million.

Entertainment and livestreaming e-commerce

During the Reporting Period, we renamed the business segment of "TV/film production and investment" to "entertainment and live-streaming e-commerce" as we commenced our live-streaming e-commerce and artist management business in May 2023. Our entertainment and livestreaming e-commerce segment currently comprises livestreaming e-commerce and artist management business as well as TV/film production and investment business.

Livestreaming e-commerce and artist management

Since the second quarter of 2023, we have officially entered the livestreaming e-commerce field, opening up a new growth curve. In May 2023, the Group entered into long-term exclusive and comprehensive cooperative agreements (including but not limited to livestreaming e-commerce management and artist management businesses) with Ms. Qi Wei, one of the leading celebrity streamers in the industry, and her spouse, Mr. Li Chengxuan, respectively. The Group and the core members of Ms. Qi Wei's team have also jointly invested in Beijing Huaxia Huyu Culture Communication Co., Ltd. (北京華夏互娛文化傳媒有限公司) (formerly known as Huaxia Youpin (Beijing) Culture Communication Co., Ltd. (華夏優品(北京)文化傳播有限公司)) which is owned as to 70% by a consolidated entity of the Company and owned as to 30% by the core members of Ms. Qi Wei's team.

Ms. Qi Wei formed a strong alliance with us after giving birth to her second child and her comeback has achieved outstanding performance in promoting and selling products through livestreaming. During the period from May 2023 to 30 June 2023, Ms. Qi Wei's livestreaming room has been on air nine times, with a cumulative gross merchandise value ("**GMV**") of nearly RMB80 million. In this year's 618 livestreaming event, the effect of Ms. Qi Wei's livestreaming sessions for the promotion of many brands was remarkable, which not only provided consumers with precise recommendations and enhanced user stickiness, but also empowered the brand's recognition, bringing considerable GMV revenue in a short time, and at the same time gaining high recognitions from a number of brands and consumers. A number of brands cooperating with Ms. Qi Wei have accumulated sales of more than RMB1 million from May to June 2023.

Apart from promoting and selling products through livestreaming, Ms. Qi Wei and her spouse, Mr. Li Chengxuan, have also signed agreements with certain customers, respectively, for brand endorsement and product promotion, pursuant to which Ms. Qi Wei and Mr. Li Chengxuan are entitled to receive fees in return.

During the Reporting Period, our livestreaming e-commerce and artist management business recorded a total revenue of RMB10.6 million, which mainly comprised sales commission and product and brand promotion fees. A number of cosmetic, maternal and infant and fashion brand products were our major income sources for our livestreaming e-commerce business and artist management business.

TV/film production and investment

During the Reporting Period, our TV/film production and investment business recorded a revenue of RMB59.6 million which was mainly attributable to the first round distribution of the TV series Lady's Character (女士的品格) (40% invested by the Group), whereas the revenue of RMB95.8 million for the six months ended 30 June 2022 mainly came from the first round distribution of the TV series A New Home (新居之約) (formerly known as Dreamed House (理想的房子), 55% invested by the Group).

Our TV/film production and investment business recognised additional impairment losses on certain long outstanding trade and other receivables of RMB191.3 million in aggregate and a write-down of inventories of RMB7.9 million during the Reporting Period as the TV/film production industry in China generally remained difficult in the first half of 2023 and the receivable collection process was slower than expected. In view of the challenges faced by the TV/film production industry in China, we did not invest in any new TV/film productions during the Reporting Period.

Segment performance

During the Reporting Period, our entertainment and livestreaming e-commerce segment recorded a total revenue of RMB70.2 million as compared to that of RMB95.8 million from our TV/film production and investment business for the six months ended 30 June 2022. The decrease in revenue of this segment was mainly due to the decrease in revenue from our TV/film production and investment business. The segment loss of our entertainment and livestreaming e-commerce segment increased from RMB12.4 million to RMB208.5 million, primarily due to the increases in impairment losses recognised on certain trade and other receivables and the write-down of inventories from our TV/film production and investment business. However, such increases in impairment losses and the write-down of inventories were non-cash items which had no impact on the Group's cash and cash equivalents as at 30 June 2023.

Discontinued Operation

On 28 March 2022, the Group, the founder of Beijing Shuimu Jinghua Education & Technology Co., Ltd., Monet (Hangzhou) Culture & Art Co., Ltd., Jinan Shuimuyuan Education & Technology Co., Ltd., Shenzhen Shuimuyuan Art Education Co., Ltd., Shenzhen Shuimuyuan Education & Technology Co., Ltd. and Shuimuyuan (Dalian) Education & Technology Co., Ltd. (collectively, "**Shuimuyuan**"), his associates and Shuimuyuan entered into an unwind agreement (the "**Unwind Agreement**"), pursuant to which (i) the Group conditionally agreed to sell, and the founder of Shuimuyuan and his associates conditionally agreed to acquire, the entire equity interest in Shuimuyuan at the consideration equivalent to the partly paid acquisition consideration of RMB165 million, and (ii) the parties have agreed to the settlement arrangement relating to the outstanding loan of RMB12.7 million granted to Shuimuyuan by the Group. Please refer to the announcement of the Company dated 28 March 2022 and the circular of the Company dated 25 May 2022 for details.

Transfers of the equity interest in Shuimuyuan to the founder of Shuimuyuan and his associates, respectively, were completed and duly registered with the relevant authorities in the PRC in April 2022. Up to the date of this announcement, the Group has received RMB112.7 million in aggregate, being the first, second, third and fourth payments of the disposal consideration and the whole outstanding loan amount of RMB12.7 million from Shuimuyuan. Pursuant to the terms of the Unwind Agreement, the fifth and final payments of the disposal consideration, being RMB30 million and RMB35 million, shall be settled by the founder of Shuimuyuan and his associates on or before 31 December 2023 and 31 December 2024, respectively. For the avoidance of doubt, the Group is not required to pay the balance of the acquisition consideration (i.e. RMB135 million) under the Unwind Agreement.

The Group recorded a profit of RMB43.7 million from discontinued operation for the six months ended 30 June 2022 primarily due to the extraordinary gain on the disposal of Shuimuyuan in April 2022. There was no profit or loss from discontinued operation for the Reporting Period.

Regulatory update

As advised by the Company's PRC legal advisor, there has been no significant PRC regulatory update relating to our business in China since the publication of the Company's 2022 annual report. Please refer to the Company's 2022 annual report published on 28 April 2023 for details.

Recent developments after the Reporting Period

There has been no significant events after the Reporting Period and up to the date of this announcement.

OUTLOOK

Higher education (media and arts) and vocational education

In the first half of 2023, with the release of policies such as the Implementation Plan for Improving the Integration and Empowerment of Industry and Education in Vocational Education (2023-2025) (《職業教育產教融合賦能提升行動實施方案(2023–2025年)》) and the Notice on Accelerating the Reform of Key Tasks for the Construction of a Modern Vocational Education System (《關於加快推進現代職業教育體系建設改革重點任務的通知》), China emphasized its determination to promote the development of healthy interaction and deep integration of industry and education, as well as to strengthen the modern vocational education system.

In order to promote the integration of the livestreaming e-commerce and our media and arts higher education, the faculty of Jiangsu livestreaming e-commerce and digital economy industries (江蘇直播電商與數字經濟產業學院) of our University has set up livestreaming rooms and related courses to train our students to become potential anchors, internet celebrities and operation crew and actively seeks collaborations with enterprises for providing internships and job opportunities to our students. It is expected that the livestreaming base of our University will be officially in operations in the second half of 2023, and will provide a number of livestreaming rooms for students to carry out practical livestreaming activities.

The entry barrier of the livestreaming e-commerce industry has also been gradually raised, and more and more attention is being paid to the professional training of streamers and operators. Diversified trainings and upgrades improved the professional standards and performances of streamers, which can continually supply talents for the industry, and promote the rapid development of the industry and healthy competition. We have excellent resources of more than 28,000 students and teachers from our media and arts higher education, and the launch of the new business of livestreaming e-commerce can provide better resources and training platform for the integration of industry and education, and truly realize the practice and extension of the principle of "healthy interaction of industry and education, and complementary strengths of schools and enterprises"(「產教良性互動、校企優勢互補」).

Ms. Qi Wei as the representative of the top streamer team will also join the training team as a mentor, to provide applied teaching for students, help students to establish their own livestreaming rooms, nurture and train high-quality talent for the livestreaming e-commerce industry. We will also focus on strengthening cooperation with certain brands in livestreaming training, and actively give full play to the professional advantages of our higher education business, cultivating streamers, operational and related professionals for the industry through education, training, practice and other forms of training. In addition, school-enterprise co-operation projects can also broaden the channels for students' internship and employment.

The Company expects that the maximum capacity of our University may further increase to over 30,000 students, assuming the acquisition of Olympic College is completed.

Entertainment and livestreaming e-commerce

Livestreaming e-commerce and artist management

After several years of rapid development, livestreaming e-commerce is gradually moving from irrational growth to standardization and maturity. Strengthening content development and focusing on nurturing industry professionals have become the new trend of livestreaming e-commerce. In the future, we will provide full life cycle and professional products and services for the upstream and downstream industry chain for livestreaming e-commerce.

With the goal of covering a full range of product networks, we have built a diversified streamer system and the streamer matrix is being gradually being improved. Ms. Qi Wei's livestreaming room cooperates with many brands which mainly focus on the exquisite mother crowd. The sales in the maternal and infant, skin care and beauty fields are more prominent, and it continues to create high-quality content to meet the diversified needs of consumers, guiding consumers to more rational and efficient consumption. Ms. Qi Wei and her spouse, Mr. Li Chengxuan, have signed endorsement and promotion agreements with a number of brands, including certain maternal and infant brands which may become the second largest demographic income source other than cosmetics in the future. In the second half of 2023, Ms. Qi Wei will attend international fashion weeks such as New York, Milan and Paris, and will also combine the attributes of content e-commerce to create a benchmark livestreaming room on fashion and beauty. In addition, we are also actively negotiating with other top streamers for potential cooperations.

Besides, our internet celebrity matrix has signed a number of internet celebrities with strong realization ability, involving dancing, national customs, food, maternal and infant, automobiles and other categories, and each of these celebrities has a stable fan base, which is expected to bring more growth momentum to the Group by the promotion and sales of products through livestreaming and product placement advertisements in the future.

As livestreaming e-commerce enters a new stage of development, supply chain management becomes increasingly important. We continue to optimize our supply chain system in the hope of leveraging the traffic effect brought by livestreaming to boost brand promotion and new product launches. A strong supply chain system can also ensure the best price/performance ratio for our streamers, so that consumers can buy at a good price and the promises to consumers can be fulfilled. In terms of brand incubation, we have also gained the opportunity to cooperate with high-quality brands. In the future, we will develop self-operated and co-branded products in the apparel and fragrance fields to provide consumers with quality products.

TV/film production and investment

Receivables collection is still the primary task of our TV/film production and investment business in the second half of 2023. Given the uncertainties of the TV/film production industry in China and its lengthy revenue and receivables cycle, we are cautious about the future development of our TV/film production and investment business.

Up to the date of this announcement, the TV/film series Fights Break Sphere (斗破蒼穹) (30% invested by the Group), which has been reclassified as financial assets at fair value through profit or loss ("**FVTPL**") according to certain terms of the investment agreement, is expected to be delivered in the second half of 2023. The TV/film series Galloped Era II (奔騰年代 II) (60% invested by the Group) is in the final stage of scriptwriting, whereas the TV/film series Meteor with White Plume (白羽流星) (50% invested by the Group) is expected to be delivered in the second half of 2023.

Conclusion

We will continue to improve the teaching quality and expand the student capacity for our higher education (media and arts) and vocational education business. We will strive to further expand our livestreaming e-commerce businesses by leveraging the advantages of resources from the faculty of Jiangsu livestreaming e-commerce and digital economy industries (江蘇直播電商與數字經濟產業學院) and the talent pool of over 28,000 students and teachers of our University, and our business network in the TV/film production industry, aiming to increase the return for shareholders of the Company (the "**Shareholders**").

MANAGEMENT DISCUSSION AND ANALYSIS

Continuing Operations

Revenue

The following table sets forth our revenue by business segment for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June			
	2023		2022	
	(unaudited)		(unaudited)	
	(RMB'000, except percentages)			
Segment Revenue				
Higher education (media and arts) and vocational education	**306,631**	**81.4%**	281,819	74.6%
Entertainment and livestreaming e-commerce (Note)	**70,157**	**18.6%**	95,841	25.4%
Total	**376,788**	**100.0%**	377,660	100.0%

Note: For the six months ended 30 June 2022, the number represented revenue from our TV/film production and investment business only. Since May 2023, the Group has started its livestreaming e-commerce and artist management business and renamed this business segment to include revenue from both livestreaming e-commerce and artist management business, and TV/film production and investment business.

Total revenue of the Group decreased slightly from RMB377.7 million for the six months ended 30 June 2022 to RMB376.8 million for the six months ended 30 June 2023.

Revenue from our higher education (media and arts) and vocational education segment increased by RMB24.8 million, or 8.8%, from RMB281.8 million for the six months ended 30 June 2022 to RMB306.6 million for the six months ended 30 June 2023, primarily due to the increase in tuition and boarding fees.

Our livestreaming e-commerce and artist management business commenced in May 2023, which generated a revenue of RMB10.6 million for the Reporting Period, whereas there was no such revenue for the six months ended 30 June 2022. However, the overall revenue from our entertainment and livestreaming e-commerce segment decreased from RMB95.8 million for the six months ended 30 June 2022 to RMB70.2 million for the six months ended 30 June 2023, due to the decrease in revenue from our TV/film production and investment.

The fluctuation of the revenue from our TV/film production and investment in the comparable periods was generally due to a number of reasons including, but not limited to, the price per episode, the number of episodes, the type of TV/film series and our investment portion for each of the TV/film series sold in the comparable periods. During the Reporting Period, our TV/film production and investment recorded a revenue of RMB59.6 million, which was primarily attributable to the first round distribution of the TV/film series Lady's Character (女士的品格) (40% invested by the Group). For the six months ended 30 June 2022, the revenue of RMB95.8 million mainly represented the revenue from the TV series A New Home (新居之約) (55% invested by the Group).

Cost of revenue

	Six months ended 30 June			
	2023		2022	
	(unaudited)		(unaudited and restated)	
	(RMB'000, except percentages)			
Segment Cost				
Higher education (media and arts) and vocational education	**120,720**	**53.6%**	107,393	50.5%
Entertainment and livestreaming e-commerce (Note)	**104,504**	**46.4%**	105,084	49.5%
Total	**225,224**	**100.0%**	212,477	100.0%

Note: For the six months ended 30 June 2022, the number represented cost of revenue from our TV/film production and investment business only. Since May 2023, the Group has started its livestreaming e-commerce and artist management business and renamed this business segment to include cost of revenue from both livestreaming e-commerce and artist management business, and TV/film production and investment business.

The cost of revenue of our higher education (media and arts) and vocational education segment increased from RMB107.4 million for the six months ended 30 June 2022 to RMB120.7 million for the six months ended 30 June 2023, primarily due to the increase in depreciation for certain new buildings of our University and the increase in teachers' salaries.

The cost of revenue of our entertainment and livestreaming e-commerce segment decreased slightly from RMB105.1 million for the six months ended 30 June 2022 (which was restated after impairment losses on television and film rights have been reclassified as write-down of inventories) to RMB104.5 million for the six months ended 30 June 2023, though revenue from our TV/film production and investment business decreased by RMB36.2 million. During the Reporting Period, the cost of revenue of this segment also recorded (i) the provision for impairment loss of RMB19.8 million on other receivables in relation to the prepayment for television series production and (ii) the write-down of inventories of our TV/film production and investment business amounting to RMB7.9 million.

Gross profit (loss) and gross profit (loss) margin

	Six months ended 30 June			
	2023		2022	
	(unaudited)		(unaudited and restated)	
	Gross profit (loss)	**Gross margin**	Gross profit (loss)	Gross margin
	(RMB'000, except percentages)			
Higher education (media and arts) and vocational education	**185,911**	**60.6%**	174,426	61.9%
Entertainment and livestreaming e-commerce (Note)	**(34,347)**	**(49.0)%**	(9,243)	(9.6)%
Total	**151,564**	**40.2%**	165,183	43.7%

Note: For the six months ended 30 June 2022, the numbers represented gross loss and gross loss margin, respectively, from our TV/film production and investment business only. Since May 2023, the Group has started its livestreaming e-commerce and artist management business and renamed this business segment to include the corresponding figures of both livestreaming e-commerce and artist management business, and TV/film production and investment business.

As a result of the foregoing, the Group's overall gross profit decreased by 8.2% from RMB165.2 million for the six months ended 30 June 2022 to RMB151.6 million for the six months ended 30 June 2023. The Group's overall gross profit margin decreased from 43.7% for the six months ended 30 June 2022 to 40.2% for the six months ended 30 June 2023.

The gross profit margin for our higher education (media and arts) and vocational education segment decreased from 61.9% for the six months ended 30 June 2022 to 60.6% for the six months ended 30 June 2023, mainly due to the increase in depreciation for certain new buildings of our University.

During the Reporting Period, our entertainment and livestreaming e-commerce segment recorded a gross loss margin of 49%, primarily due to the provision for impairment loss on the prepayment for television series production and the write-down of inventories of our TV/film production and investment business, whereas the gross loss margin of 9.6% for the six months ended 30 June 2022 was mainly due to the write-down of inventories.

Other income and expenses

Other income and expenses decreased from RMB18.7 million for the six months ended 30 June 2022 to RMB12.8 million for the six months ended 30 June 2023, primarily due to the decrease in government grants.

Other gains and losses

Other gains and losses increased from RMB4.0 million for the six months ended 30 June 2022 to RMB13.9 million for the six months ended 30 June 2023, primarily due to the increase in gains from changes in fair value of financial assets measured at FVTPL.

Selling expenses

The Group's selling expenses increased by RMB5.3 million from RMB4.2 million for the six months ended 30 June 2022 to RMB9.5 million for the six months ended 30 June 2023, primarily due to the increase in promotional expenses from our TV/film production and investment business.

Administrative expenses

The Group's administrative expenses increased by RMB6.6 million from RMB48.7 million for the six months ended 30 June 2022 to RMB55.3 million for the six months ended 30 June 2023. The increase was primarily due to the increase in staff costs from the Group's higher education (media and arts) and vocational education business and livestreaming e-commerce and artist management business.

Impairment losses under expected credit loss model, net of reversal

Impairment losses under expected credit loss (net of reversal) comprised mainly impairment losses on certain trade receivables from our TV/film production and investment business and other receivables from our higher education (media and arts) and vocational education business. The Group's impairment losses under expected credit loss model (net of reversal) increased from RMB5.1 million for the six months ended 30 June 2022 to RMB223.1 million for the six months ended 30 June 2023.

During the Reporting Period, the impairment losses on trade receivables increased by RMB167.4 million, primarily due to the collection uncertainties of certain long outstanding trade receivables from our TV/film production and investment business, and the impairment losses on other receivables increased by RMB50.6 million, primarily due to additional impairment losses on the Bridging Loans. However, such impairment losses had no impact on the Group's cash and cash equivalents as at 30 June 2023.

Taxation

The Group recorded income tax credit of RMB0.4 million for the Reporting Period as compared to income tax expense of RMB4.1 million for the six months ended 30 June 2022, primarily due to the tax refund and the decrease in taxable profits of certain consolidated affiliated entities of the Group.

(Loss) profit for the period from continuing operations

As a result of the foregoing, the Group recorded a loss from continuing operations of RMB109.9 million for the Reporting Period as compared to a profit from continuing operations of RMB125.9 million for the six months ended 30 June 2022.

Profit for the period from discontinued operation

Profit for the period from discontinued operation for the six months ended 30 June 2022 comprised the loss of RMB19.6 million from the discontinued operation of Shuimuyuan for the period from 1 January 2022 to the date of completion of the disposal of Shuimuyuan (i.e. 12 April 2022) and the gain on disposal of Shuimuyuan of RMB63.3 million.

There was no profit or loss from discontinued operation for the Reporting Period.

(Loss) profit for the period

As a result of the foregoing, the Group's recorded a loss of RMB109.9 million for the six months ended 30 June 2023 as compared to a profit of RMB169.6 million for the six months ended 30 June 2022.

Non-HKFRS Measure – Adjusted Net (Loss) Profit

In order to supplement the Group's consolidated financial statements, which are presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), the Group also uses adjusted net (loss) profit ("**Adjusted Net (Loss) Profit**") as an additional financial measure. The Group presents this financial measure because it is used by the Group's management to evaluate the Group's financial performance by eliminating the impact of certain items that the Group does not consider to be indicative of the Group's performance during the Reporting Period. The Group also believes that this non-HKFRS measure provides additional information to investors and others in their understanding and evaluating the Group's results of operations in the same manner as they help the Group's management and in comparing financial results across accounting periods and to those of the Group's peer companies. This non-HKFRS measure is non-recurring in nature and provides an unbiased presentation for investors to understand the Group's results of operations. However, this non-HKFRS measure does not have a standardised meaning prescribed by HKFRS and therefore it may not be comparable to similar measures presented by other companies listed on the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Adjusted Net (Loss) Profit, which is unaudited, represents (loss) profit for the period after adjusting for profit for the period from discontinued operation and impairment losses recognised on other receivables, impairment losses on television series and film rights subsequently reclassified as write-down of inventories, and equity-settled share-based payments which did not exist in prior periods. The Adjusted Net Loss of the Group for the six months ended 30 June 2023 was RMB58.4 million, as compared to the Adjusted Net Profit of RMB147.9 million for the corresponding period in 2022.

The following table reconciles our Adjusted Net (Loss) Profit from the most directly comparable financial measure calculated and presented in accordance with HKFRS ((loss) profit for the period).

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited and restated)
	(RMB'000)	
(Loss) profit for the period	**(109,932)**	169,582
Less: Profit for the period from discontinued operation	**–**	(43,710)
Add: Impairment losses on Bridging Loans included in other receivables	**51,404**	–
Add: Impairment losses on television series and film rights subsequently reclassified as write-down of inventories	**–**	22,012
Add: Equity-settled share-based payments	**102**	–
Non-HKFRS: Adjusted Net (Loss) Profit	**(58,426)**	147,884

Adjusted Net (Loss) Profit is not a measure of performance under HKFRS. The use of Adjusted Net (Loss) Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant period.

Liquidity, financial resources and capital structure

During the six months ended 30 June 2023, the Group funded its cash requirements principally from its cash generated from operations.

As of 30 June 2023, the Group's cash and cash equivalents amounted to RMB411.9 million (as of 31 December 2022: RMB520.9 million), of which the majority were denominated in Renminbi ("**RMB**") and Hong Kong dollars. The decrease in cash and cash equivalents was primarily due to the payment for purchases of property and equipment for our University.

As of 30 June 2023, the Group's structured deposits, unquoted fund investments and listed equity investments classified as financial assets at FVTPL amounted to RMB251.8 million (as of 31 December 2022: RMB459.7 million). The majority of these structured deposits, unquoted fund investments and listed equity investments were purchased for better utilisation of our surplus cash.

The Group continued to maintain a healthy and sound financial position. As of 30 June 2023, the current ratio (the ratio of total current assets to total current liabilities) was 660.3% (as of 31 December 2022: 356.4%). The total assets of the Group decreased from RMB3,225.0 million as of 31 December 2022 to RMB2,769.9 million as of 30 June 2023, while the total liabilities decreased from RMB582.6 million as of 31 December 2022 to RMB237.6 million as of 30 June 2023. The liability-to-asset ratio decreased from 18.1% as at 31 December 2022 to 8.6% as at 30 June 2023.

As of 30 June 2023, the Group did not have interest-bearing borrowings (as of 31 December 2022: nil). As of 30 June 2023, the Group's total equity amounted to RMB2,532.3 million (as of 31 December 2022: RMB2,642.4 million). The Board will evaluate the Group's capital structure from time to time based on the Group's operations, its business growth, the relevant funding requirements and available financial resources.

Gearing ratio

The Group's gearing ratio is calculated as total interest-bearing borrowings divided by total equity. As of 30 June 2023, as the Group did not have any interest-bearing borrowings, its gearing ratio was zero (as of 31 December 2022: zero).

Capital expenditure and commitment

During the six months ended 30 June 2023, the Group paid RMB160.7 million for the purchases of property and equipment primarily for the expansion of the capacity of our University.

As of 30 June 2023, capital commitment of the Group was RMB123.0 million (as of 31 December 2022: RMB194.0 million).

Foreign exchange exposure

During the six months ended 30 June 2023, the Group mainly operated in China and the majority of the transactions were settled in RMB, which is the Company's primary subsidiaries and consolidated affiliated entities' functional currency. As of 30 June 2023, except for certain bank balances and deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

Pledge of assets

As of 30 June 2023, the Group had no pledge of assets (as of 31 December 2022: nil).

Contingent liabilities

Save as disclosed in note 16 to the condensed consolidated financial statements, the Group had no material contingent liabilities as of 30 June 2023 (as of 31 December 2022: RMB41,784,000).

Significant investment

Save for certain bank's structured deposits included in financial assets at FVTPL, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5 per cent, or more of the Company's total assets as at 30 June 2023) during the six months ended 30 June 2023.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 30 June 2023.

Future plans for material investments or capital assets

As of 30 June 2023, the Group did not have detailed future plans for material investments or capital assets.

Employees and remuneration

As of 30 June 2023, the Group had a total of 1,820 employees. The following table sets forth the total number of employees by function as of 30 June 2023:

Function	**Number of employees**
Higher education (media and arts) and vocational education	
Teachers	1,497
Administration	210
Livestreaming e-commerce and artist management	
Operation	49
Administration	23
TV/film production and investment	
Content creation	23
Administration	18
Total	1,820

The total remuneration cost incurred by the Group for the six months ended 30 June 2023 was RMB87.6 million, as compared to RMB75.0 million for the six months ended 30 June 2022.

The Company also has adopted a post-IPO share award scheme and a post-IPO share option scheme on 22 June 2020. Please refer to the interim report to be published for details of the post-IPO share award scheme and the post-IPO share option scheme.

CORPORATE GOVERNANCE

The Board is committed to achieving high standards of corporate governance, which are crucial to the Company's development and safeguard the interests of shareholders.

Compliance with the Code on Corporate Governance Practices

The Board believes that transparency and good corporate governance will lead to long-term success for the Company.

The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2023, save for the deviation set out below.

Code provision C.2.1 of Part 2 of the CG Code recommends, but does not require, that the roles of chairperson and chief executive should be separate and should not be performed by the same person. Mr. Pu Shulin ("**Mr. Pu**") performs both the roles of the chairperson of the Board and the chief executive officer of the Company. Mr. Pu is the founder of the Group and has extensive experience in the business operations and management of the Group. The Board believes that vesting the roles of both chairperson and chief executive officer in Mr. Pu has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning. This structure will enable the Company to make and implement decisions promptly and effectively.

The Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. The Board will reassess the division of the roles of chairperson and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of the Group as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Management Trading of Securities Policy (the "**Company's Code**"), with terms no less exacting that the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Company's Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Company's Code during the Reporting Period and up to the date of this announcement.

Audit committee

The Group has established an audit committee comprising three members, being Mr. Lee Cheuk Yin Dannis, Mr. Zhang Jizhong and Mr. Huang Yu, with Mr. Lee Cheuk Yin Dannis (being the Company's independent non-executive Director with the appropriate professional qualifications) as chairperson of the audit committee.

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 and has met with the independent auditor, Deloitte Touche Tohmatsu. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company.

OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Material litigation

Save as disclosed in this announcement, the Directors are not aware of other material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this announcement.

Interim dividend and closure of register of members

The Board has resolved to declare an interim dividend for the six months ended 30 June 2023 of HK$0.03 per share to Shareholders whose names appear on the register of members of the Company at the close of business on 27 October 2023. The interim dividend will be distributed to Shareholders on or about 10 November 2023.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 25 October 2023 to 27 October 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, no later than 4:30 p.m. on 24 October 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Six months ended 30 June **2023** ***RMB'000*** **(unaudited)**	 2022 *RMB'000* (unaudited and restated)
Continuing operations			
Revenue	*4*	**376,788**	377,660
Cost of revenue		**(225,224)**	(212,477)
Gross profit		**151,564**	165,183
Other income and expenses	*5*	**12,809**	18,732
Other gains and losses	*6*	**13,896**	4,001
Selling expenses		**(9,460)**	(4,174)
Administrative expenses		**(55,297)**	(48,653)
Impairment losses under expected credit loss model, net of reversal	*7*	**(223,135)**	(5,113)
Finance costs		**(675)**	–
(Loss) profit before tax		**(110,298)**	129,976
Income tax credit (expense)	*8*	**366**	(4,104)
(Loss) profit for the period from continuing operations	*9*	**(109,932)**	125,872
Discontinued operation			
Profit for the period from discontinued operation (including derecognised contingent considerations of RMB56,000,000)	*10*	**–**	43,710
(Loss) profit for the period		**(109,932)**	169,582
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**(977)**	10,085
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**662**	444
Release of translation reserve on disposal of subsidiaries		**–**	(5,061)
		662	(4,617)
Other comprehensive (expense) income for the period		**(315)**	5,468
Total comprehensive (expense) income for the period		**(110,247)**	175,050

	NOTE	Six months ended 30 June 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited and restated)
(Loss) profit for the period attributable to owners of the Company:			
– from continuing operations		**(119,055)**	112,543
– from discontinued operation		**–**	44,640
(Loss) profit for the period attributable to owners of the Company		**(119,055)**	157,183
Profit (loss) for the period attributable to non-controlling interests:			
– from continuing operations		**9,123**	13,329
– from discontinued operation		**–**	(930)
Profit for the period attributable to non-controlling interests		**9,123**	12,399
		(109,932)	169,582
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(119,370)**	162,651
Non-controlling interests		**9,123**	12,399
		(110,247)	175,050
Total comprehensive (expense) income for the period attributable to owners of the Company:			
– from continuing operations		**(119,370)**	118,011
– from discontinued operation		**–**	44,640
		(119,370)	162,651
(Loss) earnings per share	*12*		
From continuing and discontinued operations			
– Basic (RMB cents)		**(7.34)**	9.60
– Diluted (RMB cents)		**(7.34)**	9.60
From continuing operations			
– Basic (RMB cents)		**(7.34)**	6.88
– Diluted (RMB cents)		**(7.34)**	6.88

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	NOTES	**30 June 2023 *RMB'000* (unaudited)**	31 December 2022 *RMB'000* (audited)
Non-current Assets			
Property and equipment		**1,111,539**	1,039,886
Right-of-use assets		**145,229**	148,491
Intangible assets		**40,821**	1,128
Other receivables	*13*	**29,072**	29,072
Rental deposits		**1,276**	1,061
		1,327,937	1,219,638
Current Assets			
Inventories		**44,882**	109,126
Trade and other receivables	*13*	**630,176**	818,712
Financial assets at FVTPL		**305,981**	514,624
Restricted bank deposits	*16*	**49,000**	42,000
Cash and cash equivalents		**411,948**	520,872
		1,441,987	2,005,334
Current Liabilities			
Trade and other payables	*14*	**157,123**	236,796
Contract liabilities		**36,174**	300,507
Tax liabilities		**–**	845
Dividend payable		**20,950**	20,950
Lease liabilities		**4,129**	3,601
		218,376	562,699
Net Current Assets		**1,223,611**	1,442,635
Total Assets less Current Liabilities		**2,551,548**	2,662,273

	NOTE	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Non-current Liabilities			
Lease liabilities		**18,536**	19,054
Deferred tax liabilities		**216**	130
Deferred income		**521**	669
		19,273	19,853
Net Assets		**2,532,275**	2,642,420
Capital and Reserves			
Share capital	*15*	**117**	117
Reserves		**2,338,011**	2,457,279
Equity attributable to owners of the Company		**2,338,128**	2,457,396
Non-controlling interests		**194,147**	185,024
Total Equity		**2,532,275**	2,642,420

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 January 2017 as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on the Stock Exchange since 15 July 2020. Its immediate holding company is Cathay Media Holdings Inc, a company incorporated in the British Virgin Islands (the "BVI") and its ultimate holding company is Media One International (PTC) Limited, a company incorporated in the BVI, which is the trustee of a trust established in January 2021 of which the settlor is Mr. Pu Shulin, who is also an executive director and chairman of the board of directors of the Company. The address of the Company's registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of higher and vocational education services, television series and film productions, livestreaming e-commerce and artist management in the PRC.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is different from the Company's functional currency of United States dollars ("US$"). Since the majority of the assets and operations of the Group are located in the PRC, the condensed consolidated financial statements are presented in RMB.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules on the Stock Exchange.

The basis of preparation of condensed consolidated financial statements of the Group for the six months ended 30 June 2023 is the same as that of the the Group's annual consolidated financial statements for the year ended 31 December 2022.

Certain comparative figures for the six months ended 30 June 2022 have been reclassified to conform to the current period presentation.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Other than additional/change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers from continuing operations

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Types of goods or services		
Recognised over time		
Higher and vocational education service income		
– Higher education programmes	**193,476**	163,438
– Continuing education programmes	**57,050**	45,420
– International preparatory programmes	**22,463**	20,522
Education management service income	**–**	8,500
Other income from higher and vocational education	**5,358**	7,456
Other income from livestreaming e-commerce	**2,718**	–
	281,065	245,336
Recognised at a point in time		
Sales of inventories	**59,575**	95,841
Entrance examination fee income	**28,284**	36,483
Commission income from livestreaming e-commerce	**7,864**	–
	95,723	132,324
	376,788	377,660
Geographical markets ***(Note)***		
Mainland China	**376,788**	376,744
Others	**–**	916
	376,788	377,660

Note: Information about the Group's revenue from continuing operations is presented based on the location of the customers.

Segment information

The Group's operating segments are based on information prepared and reported to the chief executive officer and executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and performance assessment.

The CODM had identified two reportable and operating segments, namely higher and vocational education segment and entertainment and livestreaming e-commence segment. During the six months ended 30 June 2023, the Group has commenced its livestreaming e-commerce and artist management businesses. These new businesses, together the television series and film production business, are included in the entertainment and livestreaming e-commerce segment.

Upon the completion of acquisition of Shuimuyuan on 6 April 2021, the Group commenced the business in provision of art training services in the PRC. The business was considered as a separate reportable and operating segment, namely art training services segment.

In December 2021, the management of the Group determined to dispose of Shuimuyuan. On 28 March 2022, the board of directors of the Company approved to unwind the agreement in order to dispose of Shuimuyuan to the original owners, and the disposal had been completed on 12 April 2022. Accordingly, Shuimuyuan was reported as a discontinued operation in the condensed consolidated financial statements for the period ended 30 June 2022, which was not reported in the following segment information. Details of the discontinued operation are set out in the published annual report of the Group for the year ended 31 December 2022.

Segment results represent the profits earned by each segment and excluding certain other income and expenses, other gains and losses and corporate administrative expenses. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments:

Continuing operations

	Higher and vocational education *RMB'000*	Entertainment and livestreaming e-commerce *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2023 (unaudited)			
Segment revenue			
External sales	**306,631**	**70,157**	**376,788**
Segment profit (loss)	**100,967**	**(208,507)**	**(107,540)**
Unallocated			
Other income and expenses			**3,610**
Other gains and losses			**(7)**
Corporate administrative expenses			**(6,361)**
Loss before tax from continuing operations			**(110,298)**
For the six months ended 30 June 2022 (unaudited)			
Segment revenue			
External sales	281,819	95,841	377,660
Segment profit (loss)	147,776	(12,390)	135,386
Unallocated			
Other income and expenses			1,537
Other gains and losses			422
Corporate administrative expenses			(7,369)
Profit before tax from continuing operations			129,976

Information about major customers

Revenue from contracts with customers of the corresponding periods contributed over 10% of the total sales of the Group are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Customer A	**59,434**	–
Customer B	**–**	67,669

5. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
Continuing operations		
Government grants *(Note)*	**1,985**	14,780
Non-regular service income	**2,666**	1,693
Interest income from consideration receivables *(note 10)*	**1,427**	1,104
Donation income	**615**	500
Interest income from banks	**2,183**	433
Others	**3,933**	222
	12,809	18,732

Note: Government grants mainly represented subsidies granted by certain local governments for encouraging domestic business development and recognised upon receipt. There were no unfulfilled conditions or contingencies relating to these subsidies.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Gains from changes in fair value of financial assets measured at FVTPL	**13,903**	3,579
Net foreign exchange (losses) gains	**(7)**	422
	13,896	4,001

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Impairment losses recognised:		
– trade receivables	**171,731**	4,344
– other receivables	**51,404**	769
	223,135	5,113

8. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
PRC Enterprise Income Tax ("EIT")		
– current tax	**452**	(6,313)
– deferred tax	**(86)**	2,209
	366	(4,104)

The Company was incorporated in the Cayman Islands and its direct owned subsidiary, Cathay Media Group (BVI) Inc. was incorporated in the BVI that are tax exempted as no business carried out in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI, respectively.

No provision for Hong Kong profits tax was made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong profits tax for both periods.

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "EIT Law of the PRC"), the statutory tax rate of the PRC subsidiaries is 25% for both periods.

According to the relevant provisions of Implementation Rules for the Law for Promoting Private Education and the Implementation Rules, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns or the schools are elected to be not-for-profit schools. In June 2021, the Group submitted the application for the election for the conversion of CUCN into for-profit private school (the "Conversion") in accordance with these laws and regulations. As at 30 June 2023 and 2022, the Conversion was still in process and the tax positions of CUCN has not been changed for both interim periods. CUCN followed previous EIT preferential treatments according to the current tax practice. During the six months ended 30 June 2023, the non-taxable income amounted to RMB305,104,000 (six months ended 30 June 2022: RMB279,849,000), and the related non-deductible expenses amounted to RMB151,401,000 (six months ended 30 June 2022: RMB129,658,000).

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred tax liabilities regarding the withholding tax has been provided as the PRC subsidiaries will not declare any dividend to holding companies outside mainland China in the foreseeable future.

9. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period from continuing operations has been arrived at after charging the following items:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
Directors' remuneration	**2,968**	2,433
Other staff costs		
– salaries and other allowances	**72,193**	63,101
– retirement benefit scheme contributions	**12,328**	9,441
– equity-settled share-based payments	**102**	–
Total staff costs	**87,591**	74,975
Depreciation of property and equipment	**26,967**	23,676
Depreciation of right-of-use assets	**6,314**	3,196
Amortisation of intangible assets	**2,135**	116
Total depreciation and amortization	**35,416**	26,988
Less: capitalised in construction in progress	**(85)**	–
	35,331	26,988
Write-down of inventories (included in cost of revenue)	**7,925**	22,012
Impairment of prepayment for television series production (included in cost of revenue)	**19,800**	–

10. DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN

On 6 April 2021, Bicheng Art Consulting (Nanjing) Co., Ltd. ("Nanjing Bicheng"), a wholly owned subsidiary of the Group, completed the acquisition of entire equity interests of Shuimuyuan, from its sole shareholder, Mr. Ma Xiaochuan (the "Founder of Shuimuyuan"), at an aggregate consideration of RMB300,000,000, which comprised 1) cash consideration of RMB165,000,000 which has been fully paid upon completion of the acquisition and 2) contingent consideration of RMB45,000,000 for each of the three years ended/ending 31 December 2021, 2022 and 2023 subject to satisfaction of certain conditions as agreed in investment agreements (the "Acquisition Agreement").

On 29 December 2021, the management of the Group decided to exit art training service business carried out by Shuimuyuan, taking into account that the tightening regulatory requirements for off-campus training (including non-curriculum-based tutoring) released since the fourth quarter of 2021, together with the notices of temporary closure of offline off-campus training institutions due to COVID-19 issued by certain municipal and provincial government authorities, may have a potential adverse impact on the operations, results and performance of Shuimuyuan. The Group's art training service business operation was treated as a discontinued operation prior to the disposal mentioned hereinbelow.

On 28 March 2022, Nanjing Bicheng entered into the Unwind Agreement with the Founder of Shuimuyuan, Ms. You Xiaofei, the spouse of the Founder of Shuimuyuan and Qingdao Yangjin Culture and Art Partnership (Limited Partnership) (青島央金文化合夥企業(有限合夥)), whose ultimate beneficial owner is the Founder of Shuimuyuan (collectively referred as the "Purchasers"), to dispose of all equity interests in Shuimuyuan at the consideration of RMB165,000,000 and the settlement arrangement relating to the outstanding loan amounted to RMB12,675,000 granted by Nanjing Lanchou to Shuimuyuan. The loan was settled by 31 December 2022. The disposal was completed on 12 April 2022 and the contingent considerations in the Acquisition Agreement had lapsed and were included in the calculation of the gain or loss on disposal of Shuimuyuan.

Pursuant to the Unwind Agreement, the deferred considerations amounted/amounting to RMB25,000,000, RMB25,000,000, RMB30,000,000 and RMB35,000,000 have been settled in four instalments by 15 August 2022, 15 December 2022, 31 December 2023 and 31 December 2024, respectively. The deferred considerations have been secured by the Purchasers' equity interests of Shuimuyuan, and the deferred considerations have been adjusted for the effects of time value of money using an effective interest rate of 4.75% per annum. In the current period, imputed interest income amounted to RMB1,427,000 (six months ended 30 June 2022: RMB1,104,000) was recognised and such consideration receivables (the "Consideration Receivables") were analysed at 30 June 2023 and 31 December 2022 as follows:

	30 June 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Consideration Receivables		
– Current	**32,946**	31,519
– Non-current	**29,072**	29,072
	62,018	60,591

Details of the business combination, the gain for the period from discontinued operation, the results of the discontinued operation and the disposal of discontinued operation were set out in note 9 of the consolidated financial statements published in the 2022 annual report.

11. DIVIDEND

On 31 March 2022, a final dividend of HK$3 cents per share (equivalent to approximately RMB2.55 cents) and a special dividend of HK$3 cents per share (equivalent to approximately RMB2.55 cents) in respect of the year ended 31 December 2021 were declared to owners of the Company. The aggregate amounts of the final dividend and special dividend declared and paid in the current period amounted to approximately HK$99,296,000 (equivalent to approximately RMB84,567,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$3 cents per share amounting to HK$49,648,000 (equivalent to approximately RMB45,774,000) in aggregate (six months ended 30 June 2022: HK$6 cents per share amounting to HK$99,296,000 (equivalent to approximately RMB90,049,000) in aggregate) will be paid to the owners of the Company whose names appear in the register of members of the Company on 27 October 2023.

12. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted (loss) earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2023 *RMB'000* **(unaudited)**	2022 *RMB'000* (unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(119,055)**	157,183

	Six months ended 30 June	
	2023	2022
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,622,937**	1,636,484
Effect of dilutive potential ordinary shares – share options *(Note)*	**–**	N/A
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,622,937**	1,636,484

Note: The computation of diluted loss per share for the six months ended 30 June 2023 did not assume the exercise of the Company's share options granted under the post-IPO share option scheme.

From continuing operations

The calculation of basic and diluted (loss) earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company from continuing operations for the purpose of basic and diluted (loss) earnings per share	**(119,055)**	112,543

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From discontinued operation

For the six months ended 30 June 2022, basic and diluted earnings per share from discontinued operation is RMB2.72 cents per share based on the profit for the period from discontinued operation of RMB44,640,000 and the denominators detailed above for both basic and diluted earnings/loss per share.

13. TRADE AND OTHER RECEIVABLES

	30 June 2023 **RMB'000** **(unaudited)**	31 December 2022 *RMB'000* (audited)
Trade receivables		
– from television series and film production	**566,023**	512,303
– from higher and vocational education	**2,941**	4,585
	568,964	516,888
Less: Allowance for credit losses	**(342,901)**	(171,170)
	226,063	345,718
Other receivables and prepayments		
Loan Receivables (defined below) *(Note i)*	**420,000**	420,000
Less: Allowance for credit losses *(Note i)*	**(117,161)**	(65,757)
	302,839	354,243
Consideration Receivables *(note 10) (Note ii)*	**62,018**	60,591
Prepayment for television series production	**43,200**	63,000
Value added tax recoverable	**7,576**	6,584
Prepayment for services	**6,699**	7,226
Receivables from canteen operators	**6,621**	5,326
Deposits for short-term leases	**1,466**	1,453
Others	**2,766**	3,643
	433,185	502,066
	659,248	847,784
Analysed as:		
– Current	**630,176**	818,712
– Non-current	**29,072**	29,072
	659,248	847,784

Notes:

i. On 21 June 2021, Nanjing Lanchou entered into the sale and purchase agreement with Jiangsu China Red Science and Education Investment Group Nanjing Energy and Technology Co. Ltd. (江蘇華紅科教投資集團南京能源科技有限公司) (the "Transferor"), pursuant to which Nanjing Lanchou agreed to acquire the entire equity interests of Jiangsu China Red Science and Education and Investment Group Co., Ltd. (江蘇華紅科教投資集團有限公司) for an aggregate cash consideration of RMB450,000,000 which may be adjusted to RMB250,000,000 if certain conditions precedent (including completion of transfer of an additional land lot for the operation of the Olympic College cannot be satisfied within 36 months from the date of the sale and purchase agreement.

   To facilitate the series of restructuring stated in the sale and purchase agreement, Nanjing Lanchou has also entered into two loan agreements, pursuant to which Nanjing Lanchou shall grant to the Transferor two Bridging Loans in the principal amounts of RMB250,000,000 and RMB170,000,000, respectively (collectively referred as the "Loan Receivables"). The Loan Receivables were non-interest bearing with maturity date of six months, among which RMB410,000,000 shall not be used for any purpose other than agreed terms in the loan agreements. Mr. Ye Hua and Ms. Gao Jiehong, the founders of the Transferor, has provided the personal guarantee and pledged their 67% and 33% of equity interests in the Transferor as well as their 9% equity interests in Jiangsu Zijin Science and Education Investment Co., Ltd.(江蘇紫金科教投資有限公司) ("Jiangsu Zijin") to Nanjing Lanchou as collaterals for the Loan Receivables.

   As at 30 June 2023 and 31 December 2022, the Loan Receivables were not repaid and were overdue by the Transferor.

   In view of the directors of the Company, after seeking the legal advice and support from the independent valuer, the market value of the pledged assets held by the Transferor and the founders of the Transferor, including 100% equity interests of the Transferor and 9% equity interests of Jiangsu Zijin, will be approximately RMB302,839,000 (2022: RMB354,243,000) as at the end of the Reporting Period, and the Group has recognised allowance for credit loss amounting to RMB117,161,000 (2022: RMB65,757,000) as at the end of the Reporting Period.

ii. Consideration Receivables were secured by 40% equity interests of Shuimuyuan. As at the end of the Reporting Period, the Group has not recognised a loss allowance for Consideration Receivables as a result of these collaterals.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the revenue recognition dates:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Less than 1 year	**57,397**	26,765
1 to 2 years	**79,368**	143,000
2 to 3 years	**89,298**	175,953
	226,063	345,718

14. TRADE AND OTHER PAYABLES

	30 June 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Trade payables	**50,845**	63,669
Payables for property and equipment	**53,477**	115,663
Payroll payables	**20,425**	21,568
Miscellaneous deposits received from students	**14,103**	17,034
Deposits from construction suppliers	**9,156**	8,578
Discretionary subsidies received on behalf of students	**1,201**	4,278
Value added tax and other taxes payable	**3,185**	4,751
Other payables	**4,731**	1,255
	157,123	236,796

The following is an aging analysis of trade payables presented based on the transaction date.

	30 June 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Within 1 year	**5,112**	17,557
1 to 2 years	**1,337**	1,463
Over 2 years	**44,396**	44,649
	50,845	63,669

15. SHARE CAPITAL

	Number of shares	**Share capital** *HK$*	**Shown in the condensed consolidated financial statements** *RMB'000*
Ordinary shares of HK$0.00001 each			
Authorised:			
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	5,000,000,000	50,000	
Issued and fully paid:			
At 1 January 2022 (audited)	1,660,000,000	16,600	118
Shares repurchased and cancelled	(5,063,000)	(51)	(1)
At 30 June 2022 (unaudited)	1,654,937,000	16,549	117
At 1 January 2023 (audited) and 30 June 2023 (unaudited)	1,654,937,000	16,549	117

During the six months ended 30 June 2022, the Company repurchased and cancelled its own ordinary shares in the Stock Exchange as follows:

Month of Repurchase	No. of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid	
					Equivalent to
		HK$	*HK$*	*HK$'000*	*RMB'000*
January 2022	2,182,000	1.94	1.68	3,990	3,412
February 2022	2,881,000	2.08	1.87	5,662	4,844
Total	5,063,000			9,652	8,256

During the six months ended 30 June 2023 there were no shares repurchased and cancelled by the Company.

16. CONTINGENT LIABILITIES

Three independent plaintiffs raised litigation claims against CUCN in the PRC court. The aggregate claims from plaintiffs were approximately RMB105,784,000 plus petition cost and attorneys' fees in relation to variable construction cost of the school campus. In December 2022 and April 2023, the PRC court also approved to freeze two bank accounts of the Group with balances of RMB42,000,000 and RMB7,000,000, respectively, which was disclosed under the restricted bank deposits in the condensed consolidated financial statements as at 30 June 2023. Up to the date of the condensed consolidated financial statements, there were no formal judgments from the PRC court.

After seeking the independent legal advice, the directors of the Company consider that the outcome and the amounts of final payments, if any, are uncertain, and no provision has been made during the six months ended 30 June 2023.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cathaymedia.com). The interim report for the six months ended 30 June 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

By order of the Board
Cathay Media and Education Group Inc.
Jacqueline Luo
Executive Director

China, 29 August 2023

As at the date of this announcement, the Board comprises Mr. Pu Shulin, Ms. Jacqueline Luo, Mr. Wu Ye and Mr. Lau Chi Hung as executive Directors, and Mr. Zhang Jizhong, Mr. Lee Cheuk Yin Dannis and Mr. Huang Yu as independent non-executive Directors.