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華夏控股

CATHAY GROUP HOLDINGS INC.

華夏集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1981)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Cathay Group Holdings 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 2024 (the “**Reporting Period**”). These interim results have been reviewed by the audit committee of the Company and the auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024 (unaudited)	2023 (unaudited)	Percentage change
Revenue	386,570	376,788	2.6%
– Higher education (media and arts) and vocational education	320,308	306,631	4.5%
– Entertainment and livestreaming e-commerce	66,262	70,157	–5.6%
Gross profit	193,768	151,564	27.8%
Profit (loss) for the period	59,262	(109,932)	N/A
Non-HKFRS: Adjusted Net Profit (Loss) ^(Note)	108,393	(58,426)	N/A

Note: Adjusted Net Profit (Loss), which is unaudited, represents profit (loss) for the period after adjustments for impairment losses on other receivables and equity-settled share-based payments. Please refer to the reconciliation below and in the section headed “Management Discussion and Analysis” for details.

The following table reconciles our Adjusted Net Profit (Loss) from the most directly comparable financial measure calculated and presented in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) (profit (loss) for the period).

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	(RMB’000)	(RMB’000)
Profit (loss) for the period	59,262	(109,932)
Add: Impairment losses on other receivables (included in impairment losses under expected credit loss model, net of reversal)	48,231	51,404
Add: Equity-settled share-based payments	900	102
	<hr/>	<hr/>
Non-HKFRS: Adjusted Net Profit (Loss)	<u>108,393</u>	<u>(58,426)</u>

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

During the Reporting Period, the Company changed its name from “Cathay Media and Education Group Inc.” to “Cathay Group Holdings Inc.” and its dual foreign name from “華夏視聽教育集團” to “華夏集團控股有限公司”, and its English and Chinese short stock names for trading in the securities of the Company on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) from “CATHAY EDU” and “華夏視聽教育” to “CATHAY GP HLDGS” and “華夏控股”, respectively. For details of the change of company name, please refer to the Company’s announcement dated 1 March 2024, the circular dated 15 March 2024 and the announcements dated 10 April 2024 and 25 June 2024, respectively.

The Board considers that the Company’s new name better reflects the current business mix, strategic business plan and future development direction of the Group. The Board also believes that the Company’s new name will better promote the Group’s corporate image for its future business development. Currently, the Company is an investment holding company and the Group is principally engaged in the businesses of higher education (media and arts) and vocational education, and entertainment and livestreaming e-commerce in the People’s Republic of China (the “**PRC**” or “**China**”).

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 ranked first among media and arts independent colleges in China in 2024. As at 30 June 2024, the Group had approximately 29,155 students, including 24,127 undergraduates, 4,579 vocational education students and 449 international preparatory students. The above number of undergraduates included 578 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 year-on-year growth of approximately 8.9%.

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 made 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 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 “**Acquisition**”), 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. According to the terms of the Acquisition, as the conditions of the second payment could not be satisfied on or before 20 June 2024 (i.e. within 36 months from the date of Agreement), the consideration for the Acquisition shall be adjusted from RMB450 million to RMB250 million (the “**Adjusted Consideration**”). Please refer to the announcements of the Company dated 22 June 2021 and 19 August 2021 for details.

On one hand, given that certain conditions precedent required for the Acquisition have not been completed as at the date of this announcement, the Group has been liaising with the Transferor to complete the payment conditions of the first payment (i.e. RMB250 million) and the Acquisition in order to set-off the Adjusted Consideration payable to the Transferor against the Bridging Loan of RMB250 million. On the other hand, the Group has initiated legal proceedings in order to recover the Bridging Loan of RMB170 million and obtained a judgment in favour of the Group from the relevant PRC court.

As at 30 June 2024, 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 RMB209.5 million (as at 31 December 2023: RMB161.3 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, and details of the valuation are set out in “Impairment losses under expected credit loss model, net of reversal” under the section headed “Management Discussion and Analysis”.

Segment performance

During the Reporting Period, our higher education (media and arts) and vocational education segment recorded a total revenue of RMB320.3 million, representing a period-on-period growth of 4.5%. Compared to that for the six months ended 30 June 2023, tuition and boarding fees from undergraduate programs increased by RMB38.5 million, or 19.9%, to RMB232.0 million for the Reporting Period, primarily due to an increase in annual tuition fees for the new undergraduate students enrolled. Such increase was partially off-set by a decrease in entrance examination fee income by RMB28.3 million during the Reporting Period. The segment profit of our higher education (media and arts) and vocational education business increased from RMB101.0 million for the six months ended 30 June 2023 to RMB101.4 million for the Reporting Period. 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 RMB149.7 million.

Entertainment and livestreaming e-commerce

We commenced our livestreaming 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

Apart from promoting and selling products through livestreaming and short videos, the Group also cooperated with certain advertising and media companies to arrange for its well-known artist, Ms. Qi Wei, to endorse and promote different products for a number of reputable brands during the Reporting Period. These products include daily necessities, new energy vehicles, maternal and infant products, clothing, handsets and online games. In addition, each of Ms. Qi Wei and her spouse, Mr. Li Chengxuan (one of the artists of the Group) participated in variety shows in certain media platforms in China during the Reporting Period.

The Group has also established a cooperative relationship with Mr. Liu Wei, a well-known artist and celebrity streamer in China, in livestreaming e-commerce business.

In June 2024, the Group entered in a cooperative agreement with a well-known internet and technology company, pursuant to which both parties agreed to cooperate in livestreaming e-commerce for the e-sports events of a popular online game and related activities.

Revenue from our livestreaming e-commerce and artist management business, which mainly comprised product endorsement and promotion fees, sales commission and promotion fees from livestreaming sessions and short videos, increased significantly from RMB10.6 million for the six months ended 30 June 2023 to RMB66.3 million for the Reporting Period.

TV/film production and investment

As mentioned in the Company's 2023 annual results announcement and 2023 annual report, traditional advertising income of the TV/film broadcast channels in China has generally declined in recent years, which has affected the decisions of the TV/film broadcast channels on both timing and prices for purchasing TV/film series on the market. Moreover, a number of productions and distributions of TV/film series in the industry have been delayed in the past few years largely due to the impact of COVID-19 in China, leading to an intensive competitive environment in the industry in the post-COVID-19 period, during which there was a greater supply of TV/film series available for TV/film broadcast channels in China. In light of the abovementioned, the TV/film production industry in China has been facing many challenges and uncertainties, including prolonged distribution process, extended receivables collection period and decreasing distribution prices of TV/film series. To the best knowledge and information of the Group, the TV/film production industry in China remained challenging in the first half of 2024.

The investment in the TV/film series Fights Break Sphere (鬥破蒼穹) (30% invested by the Group) was recorded as financial assets at fair value through profit or loss ("FVTPL") in the Company's condensed consolidated statement of financial position according to certain terms of the investment agreement. During the Reporting Period, the third series of the TV/film series Fights Break Sphere (鬥破蒼穹) was released. Up to the date of this announcement, the TV/film series Fights Break Sphere (鬥破蒼穹) had three more series to be scheduled for release.

The broadcast schedule for the TV/film series Meteor with White Plume (白羽流星) (50% invested by the Group) is still under negotiation with an online video platform in China.

Revenue from our TV/film production and investment business decreased by RMB59.6 million as there was no first-round distribution of TV/film series during the Reporting Period. During the Reporting Period, our TV/film production and investment business recognised credit impairment losses on certain long outstanding trade receivables amounting to RMB31.4 million, and the Group has initiated legal proceedings in order to recover certain trade receivables. For details of the impairment losses on trade receivables of our TV/film production and investment business, please refer to "Impairment losses under expected credit loss model, net of reversal" under the section headed "Management Discussion and Analysis".

Segment performance

As a result of the foregoing, our entertainment and livestreaming e-commerce segment recorded a total revenue of RMB66.3 million for the Reporting Period as compared to that of RMB70.2 million for the six months ended 30 June 2023. The decrease in revenue from this business segment was mainly due to the increase in revenue from our livestreaming e-commerce and artist management business was lower than the decrease in revenue from our TV/film production and investment business.

The segment loss of our entertainment and livestreaming e-commerce business segment decreased from RMB208.5 million for the six months ended 30 June 2023 to RMB41.2 million for the Reporting Period, primarily due to the decreases in impairment losses recognised on certain trade and other receivables and write-down of inventories from our TV/film production and investment business. For details of the impairment losses on trade receivables of our TV/film production and investment business, please refer to "Impairment losses under expected credit loss model, net of reversal" under the section headed "Management Discussion and Analysis".

Regulatory update

As advised by the Company's PRC legal adviser, there has been no significant PRC regulatory update relating to our business in China since the publication of the Company's 2023 annual report. Please refer to the Company's 2023 annual report published on 29 April 2024 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

The PRC State Council issued the "Opinions of the State Council on Promoting the High-Quality Development of Service Consumption" (Guofa [2024] No. 18) in July 2024. In terms of stimulating the vitality of improved consumption, among others, the relevant opinions propose to promote the opening of high-quality educational resources by colleges and universities, scientific research institutions and social organizations to meet the diversified and personalized learning needs of the public, promote the improvement of quality and efficiency of vocational education, build high-standard vocational schools and majors, and encourage high-standard cooperation with internationally renowned institutions of higher education in China. In addition, the relevant opinions also propose to strengthen policy protections, including continuous improvement of the professional settings and training plans for relevant disciplines, strengthening the integration of industry and education, school-enterprise cooperation and work-study integration, and "order-based" training of talents in short supply in the service industry, and encourage general universities, vocational schools and enterprises to cooperate in building open and regional industry-education integration practice centers to cultivate compound, applied, skilled and service-oriented talents.

In order to promote the integration of our livestreaming e-commerce, media and arts higher education and vocational education businesses, 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 streamers, Internet celebrities and operation crew, and our University actively seeks collaborations with enterprises to provide internships and job opportunities to our students.

The Group's higher education and vocational education business provides high-quality resources for more than 30,000 students and teachers in the fields of media and arts, while our livestreaming e-commerce business provides resources and training platforms for the integration of industry and education, which are conducive to encouraging the promotion of school-enterprise cooperation projects.

The Group will continue to improve its teaching quality and continue to expand the student capacity of its higher education (media and arts) and vocational education segment, including exploring the possibility of renting certain properties eligible for the operation of our higher education and vocational education businesses.

Entertainment and livestreaming e-commerce

Livestreaming e-commerce and artist management

According to the data released by the Ministry of Commerce, in the first half of 2024, China's online retail sales continued to grow to RMB7.1 trillion, a year-on-year increase of 9.8%, indicating that, with the continual realization of China's potential domestic demand, online shopping has become an important component of China's consumer market. According to the statistics from the China Internet Network Information Center, as of December 2023, the number of online livestreaming users in China has reached 816 million, of which 597 million are livestreaming e-commerce users. The growing user base has driven the livestreaming e-commerce industry to form a huge market with unique market structure. At the end of 2023, the market size of China's livestreaming e-commerce transactions reached RMB4.9 trillion. It is expected that by 2029, the market size of China's livestreaming e-commerce transactions may reach RMB19 trillion, with a compound annual growth rate of 30%. China's livestreaming e-commerce industry has always shown strong vitality and potential, and continues to promote innovation and change in consumption models. Paying attention to content quality and in-depth exploration of user experience may become the only way for industry participants to pursue sustainable development.

Since the Group officially launched its livestreaming e-commerce business in May 2023, given the high degree of synergy with its higher education, vocational education and TV/film production and investment businesses, our livestreaming e-commerce and artist management business has made significant progress, becoming new growth drivers for the Group. In the foreseeable future, we will continue to focus on "livestreaming e-commerce, expert operations, brand incubation, and technology empowerment" as the core strategy in providing more professional and better services.

We will continue to leverage the number of fans and the livestreaming advantages of our star artists, Ms. Qi Wei and Mr. Liu Wei, and continue to look for more artists and talents suitable for cooperating with us to develop livestreaming e-commerce business. In addition, we will aggregate resources from the livestreaming industry chain to focus on incubating new livestreaming accounts, continue to improve our livestreaming matrix, and synergize the intellectual properties of our artists, in order to create a leveraging effect. We will build a more positive brand image and enhance fan stickiness and loyalty through continuously improving high-quality content output. As our livestreaming e-commerce business continues to deepen and expand, it is expected to attract more of our teachers and students as talent reserves for streamers, content creators, operators, etc., and also provide employment opportunities for talents in PRC media and arts industry to achieve economic and social benefits.

The Group will also strengthen the strategic development of supply chain of our livestreaming e-commerce business, accelerate the development of self-operated brands and jointly owned brands, and expand into diversified areas such as e-sports. On one hand, we will ensure a high degree of quality and design control to deliver more quality products to consumers and enrich their wonderful life experience. On the other hand, we will continue to optimize our cost structure, provide consumers with better price offers and benefits, and also create sustainable returns for the Group. In terms of livestreaming e-commerce product selection, we will maintain a unique vision and focus on daily life goods with practical aesthetic design, including clothing, maternal and infant, sports and outdoor fields. In the future, we will enhance the application of digitalization and technology in the livestreaming e-commerce business, and further improve our operational management capabilities, supply chain management capabilities, business analysis and decision-making capabilities, in order to meet more diverse consumer needs.

TV/film production and investment

As mentioned in the section headed “Business Review” above, the TV/film production industry in China has been facing many challenges and uncertainties, including prolonged distribution process, extended receivables collection period and decreasing distribution prices of TV/film series. It is expected that the situation will not improve significantly in the second half of 2024 and accordingly, we continue to be cautious about the future development of our TV/film production and investment business.

We will closely monitor the action plans to recover certain trade receivables, including the progress of the legal proceedings initiated.

Conclusion

We will continue to improve the teaching quality and expand the student capacity for our higher education (media and arts) and vocational education businesses. 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 30,000 students and teachers of our University, as well as 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

Revenue

The following table sets forth our revenue by business segment for the six months ended 30 June 2024 and 2023.

	Six months ended 30 June			
	2024		2023	
	(unaudited)		(unaudited)	
	<i>(RMB'000, except percentages)</i>			
Segment Revenue				
Higher education (media and arts) and vocational education	320,308	82.9%	306,631	81.4%
Entertainment and livestreaming e-commerce	66,262	17.1%	70,157	18.6%
Total	386,570	100.0%	376,788	100.0%

Total revenue of the Group increased from RMB376.8 million for the six months ended 30 June 2023 to RMB386.6 million for the six months ended 30 June 2024.

Revenue from our higher education (media and arts) and vocational education business segment increased by RMB13.7 million, or 4.5%, from RMB306.6 million for the six months ended 30 June 2023 to RMB320.3 million for the six months ended 30 June 2024, primarily due to the increase in tuition and boarding fees from our undergraduates.

Revenue from our entertainment and livestreaming e-commerce business segment comprises i) revenue from our livestreaming e-commerce and artist management business, and ii) revenue from our TV/film production and investment business.

Revenue from our livestreaming e-commerce and artist management business increased by RMB55.7 million, or 526.2%, from RMB10.6 million for the six months ended 30 June 2023 to RMB66.3 million for the six months ended 30 June 2024. Our livestreaming e-commerce and artist management business commenced in May 2023 and hence there were only two-month operations for the six months ended 30 June 2023.

Revenue from our TV/film production and investment business for the Reporting Period decreased by RMB59.6 million from RMB59.6 million for the six months ended 30 June 2023. There was no first-round distribution of TV/film series for the Reporting Period, whereas a revenue of RMB59.6 million was recorded for 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 2023.

As a result of the foregoing, the overall revenue from our entertainment and livestreaming e-commerce business segment decreased from RMB70.2 million for six months ended 30 June 2023 to RMB66.3 million for the six months ended 30 June 2024.

Cost of revenue

	Six months ended 30 June			
	2024		2023	
	(unaudited)		(unaudited)	
	<i>(RMB '000, except percentages)</i>			
Segment Cost				
Higher education (media and arts) and vocational education	137,854	71.5%	120,720	53.6%
Entertainment and livestreaming e-commerce	54,948	28.5%	104,504	46.4%
Total	<u>192,802</u>	<u>100.0%</u>	<u>225,224</u>	<u>100.0%</u>

The cost of revenue of our higher education (media and arts) and vocational education business segment increased from RMB120.7 million for the six months ended 30 June 2023 to RMB137.9 million for the six months ended 30 June 2024, primarily due to an increase in teaching staff costs.

The cost of revenue from our entertainment and livestreaming e-commerce business segment comprises i) costs from our livestreaming e-commerce and artist management business, and ii) costs from our TV/film production and investment business.

The cost of revenue of our livestreaming e-commerce and artist management business for the Reporting Period increased as compared to that for the six months ended 30 June 2023 mainly because our livestreaming e-commerce and artist management business commenced in May 2023 and hence there were only two-month operations for the six months ended 30 June 2023.

The cost of revenue of our TV/film production and investment business for the six months ended 30 June 2024 decreased as compared to that for the six months ended 30 June 2023, primarily due to the reasons that, during the Reporting Period, (i) there was no distribution of TV/film series, (ii) no further impairment was recognised for the initial investment in the TV/film series Galloped Era II (奔騰年代II), whereas a provision for impairment of RMB19.8 million for such TV/film series was recognised for the six months ended 30 June 2023, and (iii) there was no write-down of inventories.

As a result, the cost of revenue of our entertainment and livestreaming e-commerce business segment decreased from RMB104.5 million for the six months ended 30 June 2023 to RMB54.9 million for the six months ended 30 June 2024 (which mainly comprised the cost of livestreaming e-commerce and artist management business).

Gross profit/(loss) and gross margin

	Six months ended 30 June			
	2024		2023	
	(unaudited)		(unaudited)	
	Gross profit	Gross margin	Gross profit/(loss)	Gross margin
	<i>(RMB'000, except percentages)</i>			
Higher education (media and arts) and vocational education	182,454	57.0%	185,911	60.6%
Entertainment and livestreaming e-commerce	11,314	17.1%	(34,347)	(49.0)%
Total	<u>193,768</u>	<u>50.1%</u>	<u>151,564</u>	<u>40.2%</u>

As a result of the foregoing, the Group's overall gross profit increased by 27.8% from RMB151.6 million for the six months ended 30 June 2023 to RMB193.8 million for the six months ended 30 June 2024. The Group's overall gross margin increased from 40.2% for the six months ended 30 June 2023 to 50.1% for the six months ended 30 June 2024.

The gross profit margin for our higher education (media and arts) and vocational education business segment decreased from 60.6% for the six months ended 30 June 2023 to 57.0% for the six months ended 30 June 2024, mainly due to the increase in teaching staff costs.

Our entertainment and livestreaming e-commerce business segment recorded a gross profit margin of 17.1% for the Reporting Period as compared to a gross loss margin of 49.0% for the six months ended 30 June 2023, primarily due to the reasons that, during the Reporting Period, no further impairment was recognised for the initial investment in the TV/film series Galloped Era II (奔騰年代II) and there was no write-down of inventories as mentioned above.

Other income

Other income increased from RMB12.8 million for the six months ended 30 June 2023 to RMB12.9 million for the six months ended 30 June 2024, primarily due to an increase in interest income from banks.

Other gains and losses

Other gains and losses decreased from RMB13.9 million for the six months ended 30 June 2023 to RMB2.4 million for the six months ended 30 June 2024, primarily due to a decrease in gain from changes in fair value of financial assets measured at FVTPL.

Selling expenses

The Group's selling expenses decreased from RMB9.5 million for the six months ended 30 June 2023 to RMB9.3 million for the six months ended 30 June 2024, primarily due to a decrease advertising expenses from our TV/film production and investment business.

Administrative expenses

The Group's administrative expenses increased from RMB55.3 million for the six months ended 30 June 2023 to RMB60.0 million for the six months ended 30 June 2024, primarily due to an increase in staff costs from our University.

Impairment losses under expected credit loss model, net of reversal

Impairment losses under expected credit loss (net of reversal) comprised the recognition of impairment losses on (a) trade receivables from three customers (the "**Customers**") of the Group's TV/film production and investment business (the "**Impairment on Major Trade Receivables from TV Production**"), (b) other trade receivables in aggregate (the "**Impairment on Other Trade Receivables**"), and (c) the two Bridging Loans (the "**Impairment on Bridging Loans**") included in other receivables, which were assessed with the support of an independent valuer, details of which are as follows:

(a) Impairment on Major Trade Receivables from TV Production

The Group entered into transfer agreement(s) in late 2020 and 2021 with each of the Customers, which are independent third parties principally engaged in TV/film production and distribution in China, in relation to the sale of certain TV series rights by the Group to each of the Customers. The consideration of each of the agreement(s) shall be settled by three installments with credit periods ranging from 3 to 12 months or 5 to 12 months. The Customers were unable to settle part or any of the consideration under the respective agreements when the consideration falls due. To the best knowledge of the Group, the Customers were unable to settle the relevant consideration mainly because their cash flows were affected by the slow inventory turnover of their on-going TV series/web film projects and substantial price reductions primarily caused by the impact of COVID-19 at the relevant time and its subsequent impact on the TV/film production industry in China.

As part of the impairment assessment for the Reporting Period, the Group conducted interviews with the Customers to obtain the latest information from the Customers (including the progress of the subsequent distribution of the respective TV series in TV stations/online video platforms and the substantial price reduction on the TV series, etc.) for the valuation of receivables and determination of the impairment amount. The total impairment amount recognised on trade receivables from the Customers for the Reporting Period amounted to RMB27.8 million.

(b) Impairment on Other Trade Receivables

These trade receivables comprise various trade receivables (“**Other Trade Receivables**”) from both business segments of higher education (media and arts) and vocational education and entertainment and livestreaming e-commerce of the Group. The total impairment amount recognised on these trade receivables for the Reporting Period amounted to RMB3.6 million.

(c) Impairment on Bridging Loans

As mentioned in the section headed “Business Review”, since certain conditions precedent for the Acquisition have not been fulfilled, the Bridging Loans could not be set-off against the Adjusted Consideration for the Acquisition and the Transferor has failed to repay the Bridging Loans when it falls due. Since the entering into of the Bridging Loans in June 2021, the Group has made impairment losses for and during each of the years ended 31 December 2021, 2022 and 2023, and for the Reporting Period, the impairment losses recognised on the Bridging Loans amounted to RMB48.2 million, which was due to the decrease in fair value of the security as a result of the decrease in the market values of comparable listed companies engaged in higher education in China.

Movement and basis of assessment of the impairment losses

Below sets out the movement of the impairment losses for the Reporting Period:

	Accumulated impairment as at 31 December 2023	Impairment for the Reporting Period (RMB'000)	Accumulated impairment as at 30 June 2024
Impairment on Major Trade Receivables from TV Production (in aggregate)	405,597	27,844	433,441
Impairment on Other Trade Receivables	<u>6,690</u>	<u>3,545</u>	<u>10,235</u>
Impairment on total trade receivables	412,287	31,389	443,676
Impairment on Bridging Loans	<u>161,306</u>	<u>48,231</u>	<u>209,537</u>
Total	<u><u>573,593</u></u>	<u><u>79,620</u></u>	<u><u>653,213</u></u>

The Group has engaged an independent valuer during the Reporting Period to determine the amount of impairment losses based on certain valuation methods which are consistently applied in prior periods, details of which are set out in the Company’s 2023 annual results announcement published on 27 March 2024 and its 2023 annual report published on 29 April 2024.

The Company has formalized action plans to recover the trade receivables, which include the negotiation of feasible timetables to recover the receivables from the respective parties and the assignment of an executive Director to lead the execution of such plans. Further, as mentioned in the section headed “Business Review”, the Group has initiated legal proceedings to actively recover certain trade receivables from one of the Customers and the Bridging Loan of RMB170 million from the respective parties. The Group will use its best efforts to recover these amounts from the relevant parties. Save as disclosed above, there were no material updates on the status of recovery as compared to the status as disclosed in the Company’s 2023 annual result announcement its 2023 annual report.

Taxation

The Group recorded an income tax expense of RMB0.4 million for the Reporting Period as compared to an income tax credit of RMB0.4 million for the six months ended 30 June 2023, primarily due to an increase in taxable profits of certain subsidiaries.

Profit (loss) for the period

As a result of the foregoing, the Group recorded a profit of RMB59.3 million for the six months ended 30 June 2024 as compared to a loss of RMB109.9 million for the six months ended 30 June 2023.

Non-HKFRS Measure – Adjusted Net Profit (Loss)

In order to supplement the Group’s condensed consolidated financial statements, which are presented in accordance with the HKFRS, the Group also uses Adjusted Net Profit (Loss) 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 Stock Exchange.

Adjusted Net Profit (Loss), which is unaudited, represents profit (loss) for the period after adjusting for impairment losses on other receivables and equity-settled share-based payments. The Adjusted Net Profit of the Group for the Reporting Period was RMB108.4 million, as compared to the Adjusted Net (Loss) of RMB58.4 million for the six months ended 30 June 2023.

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

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	(RMB'000)	(RMB'000)
Profit (loss) for the period	59,262	(109,932)
Add: Impairment losses on other receivables (included in impairment losses under expected credit loss model, net of reversal)	48,231	51,404
Add: Equity-settled share-based payments	900	102
	<hr/>	<hr/>
Non-HKFRS: Adjusted Net Profit (Loss)	<u>108,393</u>	<u>(58,426)</u>

Adjusted Net Profit (Loss) is not a measure of performance under HKFRS. The use of Adjusted Net Profit (Loss) 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 2024, the Group funded its cash requirements principally from its cash generated from operations.

As at 30 June 2024, the aggregate of the Group's time deposits and cash and cash equivalents amounted to RMB576.0 million (as at 31 December 2023: RMB717.4 million), of which the majority were denominated in Renminbi ("RMB") and Hong Kong dollars ("HK\$"). The decrease in the total of time deposits and cash and cash equivalents was primarily due to the payment of special dividend for the year ended 31 December 2023.

As at 30 June 2024, the Group's structured deposits and unquoted fund investments classified as financial assets at FVTPL amounted to RMB245.0 million (as at 31 December 2023: RMB376.0 million), which were mainly purchased for better utilisation of our surplus cash.

The Group continued to maintain a healthy and sound financial position. As at 30 June 2024, our current ratio (the ratio of total current assets to total current liabilities) was 455.0% (as at 31 December 2023: 257.0%). The total assets of the Group decreased from RMB3,078.2 million as at 31 December 2023 to RMB2,683.8 million as at 30 June 2024, while total liabilities decreased from RMB662.2 million as at 31 December 2023 to RMB299.6 million as at 30 June 2024. Our liability-to-asset ratio decreased from 21.5% as at 31 December 2023 to 11.2% as at 30 June 2024.

As at 30 June 2024, the Group did not have any interest-bearing borrowings (as at 31 December 2023: nil). As at 30 June 2024, the Group's total equity amounted to RMB2,384.2 million (as at 31 December 2023: RMB2,416.0 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 at 30 June 2024, as the Group did not have any interest-bearing borrowings, its gearing ratio was zero (as at 31 December 2023: zero).

Capital expenditure and commitment

During the six months ended 30 June 2024, the Group paid RMB64.9 million for the purchases of property and equipment primarily for our University.

As at 30 June 2024, capital commitment of the Group was RMB1.0 million (as at 31 December 2023: RMB5.0 million).

Foreign exchange exposure

During the six months ended 30 June 2024, 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 at 30 June 2024, 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 instruments for hedging purpose as it is expected that foreign exchange exposure will not be material.

Pledge of assets

As at 30 June 2024, the Group had no pledge of assets (as at 31 December 2023: nil).

Contingent liabilities

Saved as disclosed in note 15 to the condensed consolidated financial statements, the Group had no material contingent liabilities as at 30 June 2024 (as at 31 December 2023: RMB105.8 million).

Significant Investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 30 June 2024) during the six months ended 30 June 2024.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the Reporting Period.

Future plans for material investments or capital assets

As at 30 June 2024, the Group did not have detailed future plans for material investments or capital assets.

Employees and remuneration

As at 30 June 2024, the Group had a total of 2,230 employees. The following table sets forth the total number of employees by function as at 30 June 2024:

Function	Number of employees
Higher education (media and arts) and vocational education	
Teachers	1,943
Administration	204
Livestreaming e-commerce and artist management	
Operations	40
Administration	8
TV/film production and investment	
Operations	15
Administration	20
Total	2,230

The total remuneration cost incurred by the Group for the six months ended 30 June 2024 was RMB103.9 million, as compared to RMB87.6 million for the six months ended 30 June 2023.

The Company has adopted a post-IPO share award scheme and a post-IPO share option scheme, details of which will be published in the interim report for the Reporting Period.

CORPORATE GOVERNANCE

The Board is committed to achieving high standards of corporate governance, which are crucial to the Company's development and for safeguarding the interests of the 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 set out in Part 2 of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2024, 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 ("**Chairperson**") 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 than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 Company 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 the chairperson of the audit committee.

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024 and has met with the independent auditor, Messrs. 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 (including sale of treasury shares) during the Reporting Period. As at 30 June 2024, the Company did not hold any treasury shares.

Material litigation

Save as disclosed in this announcement, the Group was not involved in other material litigation or arbitration proceedings during the Reporting Period and the Directors are also 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

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: HK\$0.03 per share).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTES	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	4	386,570	376,788
Cost of revenue		(192,802)	(225,224)
Gross profit		193,768	151,564
Other income	5	12,932	12,809
Other gains and losses	6	2,373	13,896
Selling expenses		(9,327)	(9,460)
Administrative expenses		(59,955)	(55,297)
Impairment losses under expected credit loss model, net of reversal	7	(79,620)	(223,135)
Finance costs		(513)	(675)
Profit (loss) before tax		59,658	(110,298)
Income tax (expense) credit	8	(396)	366
Profit (loss) for the period	9	59,262	(109,932)
Other comprehensive (expense) income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(1,714)	(977)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		101	662
Other comprehensive expense for the period		(1,613)	(315)
Total comprehensive income (expense) for the period		57,649	(110,247)
Profit (loss) for the period attributable to:			
Owners of the Company		48,547	(119,055)
Non-controlling interests		10,715	9,123
		59,262	(109,932)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		46,934	(119,370)
Non-controlling interests		10,715	9,123
		57,649	(110,247)
Earnings (loss) per share	11		
– Basic (RMB cents)		2.99	(7.34)
– Diluted (RMB cents)		2.99	(7.34)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	<i>NOTES</i>	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Non-current Assets			
Property and equipment		1,216,695	1,242,257
Right-of-use assets		130,499	136,639
Intangible assets		27,510	34,280
Deferred tax assets		262	163
Rental deposits		1,061	1,061
		<u>1,376,027</u>	<u>1,414,400</u>
Current Assets			
Inventories		34,017	33,975
Trade and other receivables	<i>12</i>	412,213	490,896
Financial assets at fair value through profit or loss (“FVTPL”)		285,517	421,571
Time deposits		280,000	375,311
Cash and cash equivalents		295,977	342,044
		<u>1,307,724</u>	<u>1,663,797</u>
Current Liabilities			
Trade and other payables	<i>13</i>	189,929	245,356
Contract liabilities		71,322	376,309
Tax liabilities		515	478
Dividend payable		20,950	20,950
Lease liabilities		4,699	4,192
		<u>287,415</u>	<u>647,285</u>
Net Current Assets		<u>1,020,309</u>	<u>1,016,512</u>
Total Assets less Current Liabilities		<u>2,396,336</u>	<u>2,430,912</u>

	<i>NOTE</i>	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Non-current Liabilities			
Lease liabilities		11,938	14,576
Deferred income		223	372
		<u>12,161</u>	<u>14,948</u>
Net Assets		<u>2,384,175</u>	<u>2,415,964</u>
Capital and Reserves			
Share capital	<i>14</i>	117	117
Reserves		<u>2,173,121</u>	<u>2,215,625</u>
Equity attributable to owners of the Company		<u>2,173,238</u>	<u>2,215,742</u>
Non-controlling interests		<u>210,937</u>	<u>200,222</u>
Total Equity		<u>2,384,175</u>	<u>2,415,964</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Main Board of 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 (collectively referred as the “Group”) are principally engaged in the provision of higher and vocational education services and entertainment and livestreaming e-commerce in the PRC.

The condensed consolidated financial statements are presented in RMB, which is different from the Company’s functional currency of HK\$. 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 “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.

3. PRINCIPAL ACCOUNTING POLICIES

Other than additional/change in accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of 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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the 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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Types of goods or services		
<i>Recognised over time</i>		
Higher and vocational education service income		
– Higher education programmes	231,957	193,476
– Continuing education programmes	55,336	57,050
– International preparatory programmes	26,274	22,463
Promotion income from livestreaming e-commerce	9,159	2,718
Other income from higher and vocational education	3,274	5,358
	326,000	281,065
<i>Recognised at a point in time</i>		
Sales of inventories	–	59,575
Entrance examination fee and others	3,467	28,284
Artist management service income	45,781	–
Commission income from livestreaming e-commerce	11,322	7,864
	60,570	95,723
	386,570	376,788
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Geographical markets (Note)		
Mainland China	386,570	376,788

Note: Information about the Group's revenue 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-commerce 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.

Segment results represent the profits earned by each segment and excluding certain other income, 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 by reportable and operating segments:

	Higher and vocational education RMB'000	Entertainment and livestreaming e-commerce RMB'000	Total RMB'000
For the six months ended 30 June 2024 (unaudited)			
Segment revenue			
External sales	<u>320,308</u>	<u>66,262</u>	<u>386,570</u>
Segment profit (loss)	<u>101,439</u>	<u>(41,212)</u>	<u>60,227</u>
Unallocated			
Other income			6,490
Other gains and losses			(33)
Corporate administrative expenses			<u>(7,026)</u>
Profit before tax			<u><u>59,658</u></u>
For the six months ended 30 June 2023 (unaudited)			
Segment revenue			
External sales	<u>306,631</u>	<u>70,157</u>	<u>376,788</u>
Segment profit (loss)	<u>100,967</u>	<u>(208,507)</u>	<u>(107,540)</u>
Unallocated			
Other income			3,610
Other gains and losses			(7)
Corporate administrative expenses			<u>(6,361)</u>
Loss before tax			<u><u>(110,298)</u></u>

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	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A	<u><u>–</u></u>	<u><u>59,434</u></u>

5. OTHER INCOME

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Government grants (<i>Note</i>)	149	1,985
Non-regular service income	2,110	2,666
Interest income from consideration receivables (<i>note 12</i>)	792	1,427
Donation income	850	615
Interest income from banks	5,698	2,183
Others	3,333	3,933
	12,932	12,809
	12,932	12,809

Note: Government grants mainly represented subsidies granted by certain local governments for encouraging domestic business development. Unconditional government grants are recognised in profit and loss when received while conditional government grants are recognised in profit or loss when the Group fulfilled the conditions.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Gain from changes in fair value of financial assets measured at FVTPL	2,406	13,903
Net foreign exchange loss	(33)	(7)
	2,373	13,896
	2,373	13,896

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

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Impairment losses recognised:		
– trade receivables	31,389	171,731
– other receivables	48,231	51,404
	79,620	223,135
	79,620	223,135

8. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
PRC Enterprise Income Tax (“EIT”)		
– current tax	495	(452)
– deferred tax	(99)	86
	<u>396</u>	<u>(366)</u>

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 registration of CUCN into for-profit private school (the “**Registration**”) in accordance with these laws and regulations. As at 30 June 2024 and 2023, the Registration 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 2024, the non-taxable income amounted to RMB316,580,000 (six months ended 30 June 2023: RMB305,104,000), and the related non-deductible expenses amounted to RMB165,522,000 (six months ended 30 June 2023: RMB151,401,000).

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 have been provided as the PRC subsidiaries will not declare any dividend to holding companies outside mainland China in the foreseeable future.

9. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Directors' remuneration	2,850	2,968
Other staff costs		
– salaries and other allowances	85,289	72,193
– retirement benefit scheme contributions	14,890	12,328
– equity-settled share-based payments	900	102
Total staff costs	<u>103,929</u>	<u>87,591</u>
Depreciation of property and equipment	32,837	26,967
Depreciation of right-of-use assets	6,140	6,314
Amortisation of intangible assets	7,007	2,135
Total depreciation and amortisation	45,984	35,416
Less: capitalised in construction in progress	–	(85)
	<u>45,984</u>	<u>35,331</u>
Write-down of inventories (included in cost of revenue)	–	7,925
Impairment of prepayment for television series production (included in cost of revenue)	–	19,800
	<u>–</u>	<u>19,800</u>

10. DIVIDEND

On 27 March 2024, a special dividend of HK\$0.06 per ordinary share in respect of the year ended 31 December 2023 was declared to owners of the Company. The aggregate amounts of the special dividend declared and paid in the current period amounted to approximately HK\$99,296,000 (equivalent to approximately RMB90,338,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that no dividend will be declared for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB45,546,000 in aggregate).

11. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	<u>48,547</u>	<u>(119,055)</u>
	Six months ended 30 June	
	2024	2023
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,622,937	1,622,937
Effect of dilutive potential ordinary shares – share options (<i>Note</i>)	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>1,622,937</u>	<u>1,622,937</u>

Note: The computation of diluted loss per share for the six months ended 30 June 2024 and 2023 did not assume the exercise of the Company's share options granted under the post-IPO share option scheme as the exercise price of the share options was higher than the average market price for shares for the period.

12. TRADE AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade receivables		
– from television series and film production	567,778	568,959
– from livestreaming e-commerce and artist management	4,631	6,635
– from higher and vocational education	1,743	4,980
	<u>574,152</u>	<u>580,574</u>
Less: Allowance for credit losses	(443,676)	(412,287)
	<u>130,476</u>	<u>168,287</u>
Other receivables and prepayments		
Loan Receivables (defined below) (Note i)	420,000	420,000
Less: Allowance for credit losses (Note i)	(209,537)	(161,306)
	<u>210,463</u>	<u>258,694</u>
Consideration receivables (Note ii)	34,261	33,469
Prepayment for services	10,395	9,815
Receivables from canteen operators	6,002	4,292
Value added tax recoverable	5,560	6,415
Deposits for short-term leases	2,008	2,933
Others	13,048	6,991
	<u>281,737</u>	<u>322,609</u>
	<u><u>412,213</u></u>	<u><u>490,896</u></u>

Notes:

- i. On 21 June 2021, Nanjing Lanchou Corporate Management Co., Ltd. (南京藍籌企業管理有限公司) (“**Nanjing Lanchou**”), a consolidated affiliated entity, entered into the sale and purchase agreement with the Transferor (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)), 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) (the “**Target Company**”) 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 the 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 2024 and 31 December 2023, 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 RMB210,463,000 (2023: RMB258,694,000) as at the end of the reporting period, and the Group has recognised allowance for credit loss amounting to RMB209,537,000 (2023: RMB161,306,000) as at the end of the reporting period.

- ii. Pursuant to the unwind agreement as disclosed in the Company's announcement dated 28 March 2022, 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 adjusted for the effects of time value of money using an effective interest rate of 4.75% per annum. During the current period, the imputed interest income amounted to RMB792,000 (six months ended 30 June 2023: RMB1,427,000).

Consideration receivables were secured by 40% equity interests of Shuimuyuan (which has the same meaning as disclosed in the Company's announcement dated 28 March 2022). 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 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Less than 1 year	7,875	88,958
1 to 2 years	72,116	–
2 to 3 years	23,494	38,349
Over 3 years	26,991	40,980
	130,476	168,287

13. TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade payables	67,777	63,462
Payables for property and equipment	64,181	121,821
Payroll payables	21,555	22,990
Miscellaneous deposits received from students	15,872	18,059
Deposits from construction suppliers	8,277	8,434
Discretionary subsidies received on behalf of students	4,405	574
Value added tax and other taxes payable	5,562	4,878
Other payables	2,300	5,138
	189,929	245,356

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

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Within 1 year	21,187	17,395
1 to 2 years	1,411	2,206
Over 2 years	45,179	43,861
	<u>67,777</u>	<u>63,462</u>

14. SHARE CAPITAL

	Number of shares	Share capital HK\$	Shown in the condensed consolidated financial statements RMB'000
<i>Ordinary shares of HK\$0.00001 each</i>			
Authorised:			
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>5,000,000,000</u>	<u>50,000</u>	
Issued and fully paid:			
At 1 January 2023 (audited), 30 June 2023 (unaudited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>1,654,937,000</u>	<u>16,549</u>	<u>117</u>

15. CONTINGENT LIABILITIES

Two independent plaintiffs raised two litigation claims against CUCN in the PRC court. The aggregate claims from plaintiffs were approximately RMB98,784,000 plus petition cost and attorneys' fees in relation to variable construction cost of the school campus. Up to the date of approval of the unaudited condensed consolidated financial statements, there were no formal judgments from the PRC court.

After seeking 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 period ended 30 June 2024.

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 2024 will be published on the aforesaid websites of the Stock Exchange and the Company and will be made available to the Shareholders in due course.

By order of the Board
Cathay Group Holdings Inc.
Pu Shulin
Chairperson and executive Director

China, 29 August 2024

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