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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)**

### SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Cathay Media and Education Group Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) dated 29 August 2023 (the “**Announcement**”) in relation to its interim results for the six months ended 30 June 2023 (the “**Reporting Period**”) and the interim report of the Company for the Reporting Period (the “**Interim Report**”). Terms used herein shall have the same meanings as defined in the Announcement and the Interim Report unless otherwise stated.

As disclosed in the Announcement and the Interim Report, the Group recognised impairment losses on trade and other receivables of approximately RMB223.1 million (the “**Impairment Losses**”) for the Reporting Period. This supplemental announcement provides additional information in respect of the Impairment Losses.

The Impairment Losses comprise the recognition of impairment losses on (a) the trade receivables from three customers (the “**Customers**”) from the TV/film production and investment segment of the Group (the “**Impairment on Major Trade Receivables from TV Production**”), (b) the other trade receivables in aggregate (the “**Impairment on Other Trade Receivables**”), and (c) the two Bridging Loans (the “**Impairment on Bridging Loans**”), 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.

As part of the half-year assessment process 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 RMB169.3 million.

(b) Impairment on Other Trade Receivables

These trade receivables comprise various trade receivables (“**Other Trade Receivables**”) from both TV/film production and investment business and higher education (media and arts) and vocational education business of the Group. The total impairment amount recognised on these trade receivables for the Reporting Period amounted to RMB2.4 million.

(c) Impairment on Bridging Loans

As disclosed in the announcement of the Company dated 21 June 2021, the Announcement and the Interim Report, the Bridging Loans were entered into between the Group (as the lender) and the Transferor for the aggregate principal amount of RMB420 million to facilitate the Transferor’s restructuring in connection with the Acquisition. The Group is entitled to set off the consideration payable by the Group arising from the Acquisition with the Bridging Loans. As certain conditions precedent for the Acquisition have not been fulfilled, the Bridging Loans could not be set-off against the 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 each of the years ended 31 December 2021 and 31 December 2022, and for the Reporting Period, the impairment losses recognized on the Bridging Loans amounted to RMB51.4 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:

	<b>Accumulated impairment as at 31 December 2022 RMB’000</b>	<b>For the Reporting Period RMB’000</b>	<b>Accumulated impairment as at 30 June 2023 RMB’000</b>
Impairment on Major Trade Receivables from TV Production (in aggregate)	(165,972)	(169,369)	(335,341)
Impairment on Other Trade Receivables	(5,198)	(2,362)	(7,560)
Impairment on total trade receivables	(171,170)	(171,731)	(342,901)
Impairment on Bridging Loans	(65,757)	(51,404)	(117,161)
<b>Total</b>	<b>(236,927)</b>	<b>(223,135)</b>	<b>(460,062)</b>

In order to determine the amount of Impairment Losses, the Group engaged an independent valuer to conduct valuation based on the valuation method as set out below:

<b>Receivables</b>	<b>Valuation method</b>	<b>Principal inputs/assumptions</b>
<ul style="list-style-type: none"> <li>Major Trade Receivables from TV Production</li> </ul>	Discounted cash flow method – individual assessment	Taking into account (i) the number of episodes of the relevant TV series, (ii) the expected price per episode that may be offered by TV stations and online video platforms, (iii) the percentage of interest attributable to the Group (ranging from 27% to 100%), (iv) the discount rate (ranging from 13.90% to 14.09%), (v) the expected broadcasting time, and (vi) the expected payment time.
<ul style="list-style-type: none"> <li>Other Trade Receivables</li> </ul>	Credit rating method	Taking into account (i) exposure at default, (ii) probability of default, (iii) loss given default and (iv) forward-looking indicator.
<ul style="list-style-type: none"> <li>Bridging Loans</li> </ul>	Market approach	Taking into account (i) the past 12 months' revenue from the assets pledged (equity interests in companies which own a private independent college and Olympic College respectively) for the two Bridging Loans, (ii) the average price-to-sales ratio of comparable listed companies, (iii) the percentage of interest attributable to the security (i.e. 9% and 100% in aggregate) provided for the Bridging Loans, (iv) the lack of marketability discount rate of 30% for unlisted equity interests pledged for the security, and (v) control premium of 14.3% for equity interests pledged in Olympic College.

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, the Group has also initiated proceedings to actively recover the outstanding amount of the Bridging Loans from the respective parties. The Group will use its best efforts to recover these amounts from the relevant parties.

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

China, 27 October 2023

*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.*