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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)

PROFIT WARNING

This announcement is made by Cathay Media and Education Group Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to the Company’s profit warning announcement dated 22 August 2023 (the “**Profit Warning**”), the interim results announcement and interim report for the six months ended 30 June 2023 (both dated 29 August 2023) (the “**2023 Interim Results**”) and the Company’s supplemental announcement dated 27 October 2023 (the “**Supplemental Announcement**”).

As disclosed in the Profit Warning, the change from profit for the six months ended 30 June 2022 to loss for the six months ended 30 June 2023 of the Group was primarily a result of (i) increases in impairment losses on certain long outstanding trade and other receivables and write down of inventories from our TV/film production and investment business, and (ii) an increase in impairment losses on other receivables in relation to the acquisition of Olympic College primarily due to a change in fair value of Olympic College. As disclosed in the 2023 Interim Results, the Group recognised impairment losses under expected credit loss model (net of reversal) of RMB223.1 million (the “**Impairment**”) and recorded an unaudited 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 (unaudited and restated). Details of the Impairment are set out in the Supplemental Announcement.

The Board informs the Shareholders and potential investors of the Company that, based on a preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2023 (the “**Reporting Period**”) and information currently available, the Group expects to record a consolidated loss of not more than RMB190 million for the Reporting Period, as compared to a consolidated profit of RMB121.9 million for year ended 31 December 2022. The expected consolidated loss for the Reporting Period was mainly attributable to (i) the same reasons for the change from profit to loss as stated in the Profit Warning with further increases in the Impairment in the second half of 2023, and (ii) an increase in impairment on the initial investment amount in a TV/film series (60% invested by the Group in 2021) in the second half of 2023, of which the investment amount was included in other receivables and the impairment was recorded in the cost of revenue of the Group. After deliberate consideration, the Group believes that it is uncertain as to the recovery of the relevant investment amount paid by the Group under the current TV/film production industry environment in China and, accordingly, has decided not to further invest in the relevant TV/film series and made the aforementioned impairment on the relevant investment. However, such increases in impairment on trade and other receivables had no impact on the Group’s cash and cash equivalents as at 31 December 2023.

Notwithstanding the increases in impairment and the expected consolidated loss for the Reporting Period of the Group, our higher education (media and arts) and vocational education business still recorded a profit in the same period. For the year ended 31 December 2022, the Group also recorded a gain from the disposal of the discontinued operation, whereas there was no such gain for the Reporting Period.

The Company is still in the process of finalising the audit of the consolidated financial statements of the Group for the Reporting Period. The information contained in this announcement is only based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the Reporting Period and information currently available, which have neither been audited or reviewed by the Company’s auditors nor reviewed by the audit committee of the Company and are subject to changes and adjustments. Shareholders and potential investors are advised to refer to the annual results announcement of the Group for the Reporting Period which is expected to be published on 27 March 2024.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Cathay Media and Education Group Inc.
Pu Shulin
Chairperson and Executive Director

China, 20 March 2024

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