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華夏視聽

CATHAY MEDIA AND EDUCATION GROUP INC.
華夏視聽教育集團

(Incorporated in Cayman Islands with limited liability)

(Stock code: 1981)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 annual results of the Group for the year ended 31 December 2022 (the "**Reporting Period**"). These annual results have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2022	2021	Change (%)
	(RMB'000, except percentages)		
Continuing operations			
Revenue	**656,815**	578,051	13.6%
– Higher education (media and arts) and vocational education	**561,747**	472,764	18.8%
– TV/film production and investment	**95,068**	105,287	-9.7%
Gross profit	**317,201**	276,172	14.9%
Profit from continuing operations	**78,213**	125,496	-37.7%
Profit (loss) from discontinued operation	**43,710**	(53,674)	N/A
Profit for the year	**121,923**	71,822	69.8%
Non-HKFRS: Adjusted Net Profit[1]	**118,815**	186,703	-36.4%

(1) Adjusted Net Profit, which is unaudited, represents profit for the year after adjusting for profit (loss) for the year from discontinued operation, impairment losses on other receivables and a write-down of certain inventories which did not exist in prior years. Please refer to the reconciliation included in the section headed "Management Discussion and Analysis" for details.

BUSINESS REVIEW AND OUTLOOK

Overview

During the Reporting Period, the Group disposed of its entire equity interest in Shuimuyuan (as defined below) which provides art entrance exam training services in the People's Republic of China ("**China**" or "**PRC**"), and its media and arts training operation has been reclassified as discontinued operation accordingly. The Group's continuing operations comprise higher education (media and arts) and TV/film production and investment.

Shuimuyuan

On 19 December 2020, the Group and the then founder of Shuimuyuan has entered into a purchase agreement in connection with the acquisition 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, the "**Shuimuyuan**").

Since the fourth quarter of 2021, several government authorities in the PRC have released certain regulatory requirements which primarily aim to tighten the regulation of off-campus training (including non-curriculum-based tutoring). These regulatory requirements include, among others, restrictions on pricing of tuition fees, prepayment of tuition fees, tutoring hours, advertisements for student recruitment, qualifications of practitioners and operating venues. Having considered the potential impact of these regulatory requirements on Shuimuyuan's art entrance exam training services which are classified as non-curriculum-based tutoring, in December 2021, the Group decided to dispose of the entire equity interests in Shuimuyuan. Accordingly, the business of Shuimuyuan has been reclassified as discontinued operation and its assets and liabilities as at 31 December 2021 have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the Company's consolidated statement of financial position as at 31 December 2021, respectively.

In March 2022, the Ministry of Education of the PRC, the National Development and Reform Commission and the State Administration for Market Regulation jointly issued the announcement on Regulating Non-curriculum-based Off-campus Training《關於規範非學科類校外培訓的公告》to regulate non-curriculum-based off-campus training institutions and certain municipal and provincial government authorities in the PRC have also announced the temporary closure of offline off-campus training institutions due to coronavirus ("**COVID-19**").

The Company is of the view that the operations, results and performance of Shuimuyuan would be adversely affected by the latest regulatory requirements mentioned above and the uncertainty of the COVID-19 situation. After arm's length negotiations, the Group and the founder of Shuimuyuan have agreed to unwind the acquisition of Shuimuyuan and accordingly, on 28 March 2022, the Group, the founder of Shuimuyuan, his associates and Shuimuyuan entered into an unwind agreement (the "**Unwind Agreement**"). Prior to the said disposal, the Group has paid a total of RMB165 million of the acquisition consideration to the founder of Shuimuyuan.

Pursuant to the Unwind Agreement, (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. As the founder of Shuimuyuan, being a director of Shuimuyuan, is a connected person of the Company at the subsidiary level, the Unwind Agreement constitutes a connected transaction for the Company under Chapter 14A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Please refer to the announcement of the Company dated 28 March 2022 and the circular of the Company dated 25 May 2022 for more details.

Transfers of the equity interest in Shuimuyuan to the founder of Shuimuyan and his associates, respectively, were completed and duly registered with the relevant authorities in the PRC on 12 April 2022. Since the registration of the aforementioned transfers, the Group ceased to control the board of directors of Shuimuyuan, and Shuimuyuan ceased to be subsidiaries of the Company and, accordingly, the financial statements of Shuimuyuan were no longer consolidated into the financial statements of the Group. Upon completion of the disposal of Shuimuyuan, the contingent consideration of RMB56 million in relation to the acquisition of Shuimuyuan recognised as financial liabilities at fair value through profit or loss in the Company's consolidated statement of financial position as at 31 December 2021 was derecognised and the amount was included in the gain on disposal of Shuimuyuan during the Reporting Period.

Up to the date of this announcement, the registration of the share pledges in Shuimuyuan by the founder of Shuimuyuan and his associates with the relevant authorities in China have also been completed pursuant to the requirements of the Unwind Agreement, and 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 under the Unwind Agreement. 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.

Olympic College

On 21 June 2021, the Group entered into a sale and purchase agreement (the "**Agreement**") with certain independent third parties, including the transferor (the "**Transferor**") and the beneficial owners of the Transferor, pursuant to which the Group agreed to acquire the entire controlling interests of, among others, the Olympic College for a total consideration of RMB450 million (which may be adjusted to RMB250 million if certain conditions precedent (including completion of transfer of an additional land lot for the operation of Olympic College) cannot be satisfied within 36 months from the date of the Agreement).

Olympic College, a secondary college of Nanjing Sport Institute (南京體育學院) located in Jiangning District, Nanjing City, is approved by the International Olympic Committee and authorized by the Chinese Olympic Committee, and is currently the only higher education college named "Olympic" in the PRC. As at the date of the Agreement, Olympic College had approximately 3,000 higher education students. The Company expects that, if Olympic College is merged with 南京傳媒學院 ("**CUCN**" or our "**University**", formerly known as 中國傳媒大學南廣學院) upon completion of the acquisition of Olympic College, Olympic College will become a secondary college of CUCN and the Binjiang campus of CUCN (南京傳媒學院濱江校區), and thereby increasing the capacity for student enrolment of Olympic College (assuming all conditions are satisfied including completion of transfer of an additional land lot). Please refer to the announcements of the Company dated 22 June 2021 and 19 August 2021 for more details.

In order to facilitate the restructuring in connection with the Agreement, 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.

As certain conditions precedent required for the acquisition of Olympic College have not been completed, the beneficial owners of the Transferor, the Transferor and Olympic College (collectively the "**Relevant Parties**") and the Group have entered into a management services agreement pursuant to which, among others, the students of Olympic College recruited in the name of our University from 2021 shall be managed by the Group, the Relevant Parties agreed to appoint the Group to provide teaching, management and supporting services to the students recruited in the name of Olympic College and located in the Binjiang campus of CUCN and the Group is entitled to receive a management fee from Olympic College based on an agreed percentage of its annual tuition fees, boarding fees and other fees.

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 as at 31 December 2022, and the accumulated impairment loss recognised on the Bridging Loans amounted to RMB65.8 million (as at 31 December 2021: RMB61.2 million). The impairment loss on the Bridging Loans has been provided based on the fair value of Olympic College and the security provided for the Bridging Loans estimated by an independent professional valuer.

Business Review

Higher education (media and arts) and vocational education

During the Reporting Period, our higher education (media and arts) and vocational education business recorded a total revenue of RMB561.7 million, representing a year-on-year growth of 18.8%, which was in line with the growth in student enrolment. The segment profit of our higher education (media and arts) and vocational education business increased from RMB222.7 million for the year ended 31 December 2021 to RMB280.7 million for the Reporting Period, primarily due to the reduction of impairment loss recognised on the Bridging Loans during the Reporting Period. COVID-19 did not have significant impact on the financial results and operation of our higher education (media and arts) and vocational education business during the Reporting Period.

Our University has been converted from an independent college to a private higher education institution under the new school name 南京傳媒學院 (Communication University of China, Nanjing) in March 2020. According to the Chinese Universities Alumni Association, CUCN was ranked first in media and arts independent colleges in China in 2022. As at 31 December 2022, the Group had approximately 27,638 students, including 22,345 undergraduates, 4,890 vocational education students and 403 international preparatory students. The above number of undergraduates included 1,290 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 16.8%.

Currently, CUCN offered more than 50 undergraduate majors, covering multiple media and art fields. Among them, 4 majors were appraised as the first tier at the national level, and 12 majors were appraised as the first tier at the provincial level of Jiangsu. 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.

Media, arts and vocational training

As mentioned in the section headed "Shuimuyuan" above, the Group entered into the Unwind Agreement with the founder of Shuimuyuan and his associates on 28 March 2022 and transferred the entire equity interest in Shuimuyuan to the founder of Shuimuyuan and his associates on 12 April 2022, taking into account the potential impact of tightening regulatory requirements and the uncertainty of the COVID-19 situation on the operations, results and performance of Shuimuyuan.

Based on the same considerations, in March 2022, the Group ceased the operation of its media and arts training center in Beijing, Cathay Kids Arts Center (華夏視聽藝術成長中心), which provided drama, music, dancing and fine arts courses mainly for children aged from 3 to 12. As Cathay Kids Arts Center was only launched in September 2021 and the scale of operation was small, the cessation of Cathay Kids Arts Center did not have significant impact on the Group's results.

Accordingly, the Group's media and arts training operation has been reclassified as discontinued operation.

TV/film production and investment

During the Reporting Period, our TV/film production and investment business generated revenue mainly from the 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). Revenue from this business segment decreased by 9.7% to RMB95.1 million for the Reporting Period. The segment loss of our TV/film production and investment business increased from RMB77.0 million for the year ended 31 December 2021 to RMB172.8 million for the Reporting Period, primarily due to the increase in impairment losses on trade receivables and a write-down of inventories as a result of unexpected challenges faced by our TV/film production and investment business.

TV/film production is normally a lengthy process during which we may encounter some unexpected situations, such as delays in the production process and obtaining distribution permit which, in turn, may affect the timing of revenue recognition. TV/film distribution channels in China, such as TV stations and online video channels, usually settle their purchase of TV/film series after broadcasting the relevant TV/film series, and their broadcast schedules are beyond our control. Accordingly, the revenue and receivables cycle of our TV/film production and investment business is generally long and was further extended amid strict COVID-19 prevention and control measures adopted by certain regions in China in 2022. During the Reporting Period, our TV/film production and investment business recognised impairment losses on certain long outstanding trade receivables of RMB140.5 million and made a provision for obsolete and slow moving inventories of RMB36.1 million, due to uncertain recoverability of these assets.

Regulatory update

Pursuant to the Decision on Amending the Law for Promoting Private Education of the PRC approved by the Standing Committee of the National People's Congress in November 2016 which took effect on 1 September 2017 (the "**2016 Decision**"), school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. On 22 February 2018, the government of Jiangsu Province promulgated the Implementation Opinion on Encouraging Social Groups to Engage in Education and Promoting the Healthy Development of Private Education, and on 8 May 2018, five local government authorities, including the Jiangsu Education Department, promulgated the Implementation Rules for Classification and Registration of Private Schools in Jiangsu Province (the "**Jiangsu Implementation Rules**"). The Jiangsu Implementation Rules allow private schools established before 7 November 2016 to choose and complete the registration as for-profit or non-profit schools by 2020, or possibly extended until 2022. Under the existing regulatory environment and based on the interpretation of the 2016 Decision and related implementing rules and the existing ownership structure of our University, in June 2021, our University submitted the decision to the Jiangsu Education Department to register as a for-profit private school. As at the date of this announcement, we have not been informed that our University is not allowed to register as a for-profit private school.

On 14 May 2021, the State Council published the Implementing Regulations for the Law for Promoting Private Education of the PRC《(中華人民共和國民辦教育促進法實施條例》) (the "**2021 Implementation Regulations**"), which has become effective from 1 September 2021. The 2021 Implementation Regulations introduced significant changes to certain provisions of the 2004 implementation regulations and contain provisions governing the operation and management of private schools.

The 2021 Implementation Regulations stipulate that: (1) private schools may enjoy the preferential tax policies stipulated by the State, among which non-profit private schools may enjoy the same preferential tax policies as public schools; (2) for schools that provide education for academic qualifications, the local governments may provide land by means of bid invitation, auction or listing, assignment of contracts, long-term lease or combination of sale and as rental, and may allow to settle payments by installments; (3) private schools not providing compulsory education must conduct transactions with their interested parties, which include the sponsor, the actual controller, the principal, the council member, the director, the supervisor, the person in charge of the financial affairs of a private school, and any organization or individual that has mutual control or influence over the above mentioned organizations or individuals which may lead to any interest transfer of private schools (the "**Interested Parties**"), in a manner that is open, justified and fair and conduct at reasonable pricing and establish standardised decision-making for such transactions, and must not harm the interests of the State, schools, teachers and students. Private schools must set up an information disclosure mechanism for dealing with their Interested Parties; (4) the registered capital of a private school must be paid in full when it formally established and shall be compatible with the type, level and scale of the school; and (5) at the end of each financial year, a for – profit private school must set aside a portion of not less than 10% of its audited annual net profit, and a non-profit private school must set aside a portion of not less than 10% of its audited annual net increase in assets, as the development fund, which is to be used for the development of school.

In addition, on 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress of the PRC and has taken effect on 1 January 2020. Besides, on 27 December 2021, the Ministry of Commerce and the National Development and Reform Commission jointly released the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資準入特別管理措施(負面清單)(2021 年版)》), which became effective on 1 January 2022, to replace the previous negative list (2020 Edition).

The Foreign Investment Law stipulates three forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC legal advisor, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our contractual arrangements as a whole and each of the agreements comprising the contractual arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our contractual arrangements will be recognized as foreign investment, whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how our contractual arrangements will be handled are uncertain.

On 17 February 2023, the China Securities Regulatory Commission (the "**CSRC**") released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarified that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. 31 March 2023) shall be deemed as existing applicants (存量企業), or the Existing Applicants. Existing Applicants are not required to complete the filling procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

As at the date of this announcement, our Group's operations have not been affected by the above law, decision, implementing regulations and rules and administration measures. Based on the current conditions and the Company's preliminary assessment, the Board is of the view that the above law, decision, implementing regulations and rules and administration measures do not have an immediate material adverse impact on our Group's business operations, business plans and financial conditions.

Our Company will continue to monitor developments of the above law, decision, implementing regulations and rules, administration measures and related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

Recent Developments after the Reporting Period

There has been no significant change in the Group's continuing operations after the Reporting Period.

Outlook

Our higher education (media and arts) and vocational education will continue to provide stable revenue and cash flows to the Group. On the other hand, we are committed to expanding our business through promoting the integration of industries and education.

Among the industries related to our media and arts higher education, we believe the livestreaming e-commerce in China will bring more job opportunities for our students and will provide us with more business opportunities, given the popularity of online shopping and online video platforms. Livestreaming e-commerce is transforming online shopping mode by blending interactive entertainment of livestreamers with instant purchasing behaviours of consumers. With the rise in livestreaming shopping activities in China, more and more reputable brands and micro brands expand their sales channels through livestreaming e-commerce.

Leveraging the advantages of the talent resources in our University and our business network in the TV/film production, we have been striving to expand our business to the livestreaming e-commerce and create job opportunities for our students.

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 is able to provide a talent pool of potential anchors, internet celebrities, content creators, scenic designers and lighting technicians, etc. for the livestreaming e-commerce industry. We currently have more than 28,000 students and teachers and the majority of our students major in broadcasting and hosting, performing arts, digital media, TV/film production and arts design, animation and media related disciplines. It is expected that the number of our graduates will exceed 5,000 each year in the future. Since its establishment in 2004, our University has cultivated more than 45,000 graduates. A number of our outstanding alumni have remarkable achievements in the entertainment and media professions, covering a wide range of careers such as media hosts, actors, singers, models and TV/film directors.

On the other hand, we have been operating in the TV/film production and investment industry for a long time, during which we cooperate with many well-known artists and maintain a good relationship with them. These artists generally have a large number of followers on social media and some of them already have strong capabilities in livestreaming sales. In the future, the cast of some TV/film series that we intend to produce or invest in will come from those artist and internet celebrity anchors who collaborate with our livestreaming e-commerce business.

In order to cater for the development of our livestreaming e-commerce business, we have established new companies with our new brands, namely 華夏優選 (Huaxia Youxuan), 華夏優品 (Huaxia Youpin), 華夏嚴選 (Huaxia Yanxuan) and 華夏互娛 (Huaxia Huyu), set up livestreaming studios in Beijing and Nanjing, and recruited a seasoned operation team for livestreaming e-commerce. Our livestreaming operation team has been negotiating with various suppliers of quality products including cosmetics, fashion products, food, books and cultural and living goods. Since the second half of 2022, we have organized some trial livestreaming collaborations with certain artists and internet celebrities who have many followers on video platforms such as Douyin and Kuaishou, in order to evaluate their livestreaming sales performance. We will select those artists and internet celebrities who are fit and appropriate to cooperate with us in our livestreaming e-commerce business, and we expect our livestreaming e-commerce business will be officially launched in the second quarter of 2023.

Higher education (media and arts) and vocational education

The Central Committee of the Communist Party of China and the State Council of China issued the "Opinions on Promoting the High-Quality Development of Modern Vocational Education"《(關於推動現代職業教育高質量發展的意見》) in 2021 which, among others, encourage listed companies to run vocational education in China. We believe that private higher education operators which provide undergraduate programs in China are beneficiaries with the support of the relevant policies for the development of vocational education in China.

In order to promote the integration of the livestreaming e-commerce industry 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 some livestreaming rooms and related courses for training our students to become potential anchors, internet celebrities and operation crew and it actively seeks collaborations with enterprises for providing internships and job opportunities to our students.

The Company expects that the maximum capacity of the main campus of our University may further increase to over 30,000 students, assuming the construction of all phases of dormitories and facilities is completed, and the necessary government approvals are obtained.

Our University has submitted the application for tuition fee increment to the relevant government authority, pending government approval. Although the date of approval for the tuition fee increment is beyond our control, we will follow up with the local government authority from time to time. We expect that our University can further improve its teaching quality by recruiting more outstanding teachers if we obtain the approval for our tuition fee increment.

TV/film production and investment

Receivables collection will be the primary task of our TV/film production and investment business in 2023. Given the lengthy revenue and receivables cycle, we are cautious about the future development of our TV/film production and investment business. In the future, one of the key considerations for our investments in TV/film production is that those artist and internet celebrity anchors who collaborate with our livestreaming e-commerce business will be part of the cast of those TV/film series we intend to invest in.

Up to the date of this announcement, the production of 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**") during the Reporting Period according to certain terms of the investment agreement, has been completed. The TV/film series Fights Break Sphere (斗破蒼穹) 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 still in the process of scriptwriting, whereas the TV/film series Meteor with White Plume (白羽流星) (50% invested by the Group) has obtained the required distribution permit and we are negotiating with customers on the delivery schedule. The first round distribution of the TV/film series Lady's Character (女士的品格) (40% invested by the Group) was completed in February 2023 and accordingly, the corresponding revenue is expected to be recognized in the first half of 2023.

The impact of COVID-19

With the relaxation of COVID-19 restrictions in China since December 2022, based on the current situation and the current information available to the Group, it is expected that the COVID-19 situation will not have significant impact on the Group's continuing operations for the year ending 31 December 2023. However, the Group will closely monitor the situation of COVID-19 and will make further disclosure when necessary.

Conclusion

We will continue to improve the teaching quality, expand the student capacity and strive for the tuition fee increment for our higher education (media and arts) and vocational education business. We will strive to develop the livestreaming e-commerce businesses by leveraging our advantages of the support 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), 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 years ended 31 December 2022 and 2021.

	Year ended 31 December			
	2022		2021	
	(RMB'000, except percentages)			
Segment Revenue				
Higher education (media and arts) and vocational education	**561,747**	**85.5%**	472,764	81.8%
TV/film production and investment	**95,068**	**14.5%**	105,287	18.2%
Total	**656,815**	**100.0%**	578,051	100.0%

Total revenue from continuing operations of the Group increased by 13.6% from RMB578.1 million for the year ended 31 December 2021 to RMB656.8 million for the year ended 31 December 2022, primarily due to the increase in revenue from higher education (media and arts) and vocational education business during the Reporting Period.

Revenue from our higher education (media and arts) and vocational education business increased by RMB88.9 million, or 18.8%, from RMB472.8 million for the year ended 31 December 2021 to RMB561.7 million for the year ended 31 December 2022, primarily due to the growth in total student enrolment in our University.

Revenue from our TV/film production and investment business decreased from RMB105.3 million for the year ended 31 December 2021 to RMB95.1 million for the year ended 31 December 2022. The fluctuation of the revenue from this business segment in the comparable periods was generally due to a number of reasons including, but not limited to, the pricing per episode, the number of episodes, type of TV/film series and our investment portion for each of the TV/film series sold in the comparable periods. The revenue for the year ended 31 December 2022 was mainly attributable to the revenue from TV series A New Home (新居之約) (formerly known as Dreamed House (理想的房子), 55% invested by the Group). By comparison, the revenue for the year ended 31 December 2021 mainly comprised the revenue from TV/film series Kunlun Silk Road Treasure (崑崙絲路寶藏) (50% invested by the Group), Incomparable Beauty (無與倫比的美麗) (27% invested by the Group), Don't Call Me Jiuchen II (別叫我酒神 II) (50% invested by the Group) and the deduction in revenue of RMB70.0 million in respect of the TV series of Zhaoge (朝歌) delivered in 2020 which was not broadcasted subsequently due to certain commercial reasons.

Cost of revenue

	Year ended 31 December			
	2022		2021	
	(RMB'000, except percentages)			
Segment Cost				
Higher education (media and arts) and vocational education	**220,222**	**64.8%**	169,593	56.2%
TV/film production and investment	**119,392**	**35.2%**	132,286	43.8%
Total	**339,614**	**100.0%**	301,879	100.0%

The cost of revenue of our higher education (media and arts) and vocational education business increased from RMB169.6 million for the year ended 31 December 2021 to RMB220.2 million for the year ended 31 December 2022, primarily due to the increase in teachers' salaries and the depreciation of certain new teaching buildings and dormitories in our University.

The cost of revenue of our TV/film production and investment business decreased from RMB132.3 million for the year ended 31 December 2021 to RMB119.4 million for the year ended 31 December 2022, primarily due to the decrease in number of TV/film series sold during the Reporting Period.

Gross profit/(loss) and gross margin

	Year ended 31 December			
	2022		2021	
	Gross profit/ (loss)	**Gross margin**	Gross profit/ (loss)	Gross margin
	(RMB'000, except percentages)			
Higher education (media and arts) and vocational education	**341,525**	**60.8%**	303,171	64.1%
TV/film production and investment	**(24,324)**	**-25.6%**	(26,999)	-25.6%
Total	**317,201**	**48.3%**	276,172	47.8%

As a result of the foregoing, the Group's gross profit from continuing operations increased by 14.9% from RMB276.2 million for the year ended 31 December 2021 to RMB317.2 million for the year ended 31 December 2022. The Group's overall gross profit margin increased from 47.8% for the year ended 31 December 2021 to 48.3% for the year ended 31 December 2022, primarily due to the increase in the proportion of the revenue from our higher education (media and arts) and vocational education for the Reporting Period.

The gross profit margin for our higher education (media and arts) and vocational education business decreased from 64.1% for the year ended 31 December 2021 to 60.8% for the year ended 31 December 2022, mainly due to the increase in teachers' salaries and the depreciation of certain new teaching buildings and dormitories in our University.

Our TV/film production and investment business recorded a gross loss margin of 25.6% for the year ended 31 December 2022, primarily due to the write-down of certain obsolete and slow moving inventories of RMB36.1 million, whereas the gross loss margin for the year ended 31 December 2021 was primarily attributable to the deduction in revenue of RMB70.0 million in respect of the TV series of Zhaoge (朝歌) delivered in 2020 which was not broadcasted subsequently due to certain commercial reasons.

Other income

Other income and expenses increased from RMB17.2 million for the year ended 31 December 2021 to RMB32.1 million for the year ended 31 December 2022. The increase was primarily attributable to the increase in government grants.

Other gains and losses

Other gains and losses decreased from RMB43.7 million for the year ended 31 December 2021 to RMB3.1 million for the year ended 31 December 2022, primarily due to the decrease in gain from changes in fair value of certain financial assets and liabilities measured at FVTPL.

Selling expenses

The Group's selling expenses from continuing operations decreased by RMB2.2 million, or 12.6%, from RMB17.7 million for the year ended 31 December 2021 to RMB15.5 million for the year ended 31 December 2022, primarily due to the decrease in distribution expenses of our TV/film and production investment business.

Administrative expenses

The Group's administrative expenses from continuing operations increased by RMB3.2 million, or 3.5%, from RMB91.8 million for the year ended 31 December 2021 to RMB95.0 million for the year ended 31 December 2022. The increase was primarily due to the increase in salaries of administrative staff.

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 of 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 RMB87.2 million for the year ended 31 December 2021 to 145.2 million for the year ended 31 December 2022, primarily due to the recognition of impairment losses on certain long outstanding trade receivables of RMB140.5 million from our TV/film production and investment business for the Reporting Period.

Taxation

The Group's income tax expense increased from RMB14.8 million for the year ended 31 December 2021 to RMB17.8 million for the year ended 31 December 2022, primarily due to the increase in deferred tax of our TV/film production and investment business.

Profit for the year from continuing operations

As a result of the foregoing, the Group's profit from continuing operations decreased by RMB47.3 million, or 37.7%, from RMB125.5 million for the year ended 31 December 2021 to RMB78.2 million for the year ended 31 December 2022.

Profit (loss) for the year from discontinued operation

Profit (loss) for the year from discontinued operation comprised the results of discontinued operation of Shuimuyuan for the comparable periods and the gain on disposal of Shuimuyuan (please refer to note 9 to the consolidated financial statements in this announcement).

During the period from 1 January 2022 to the date of completion of the disposal of Shuimuyuan (i.e. 12 April 2022), Shuimuyuan recorded a loss of approximately RMB19.6 million, as compared to a loss of RMB14.6 million for the period from 6 April 2021 (the date of acquisition) to 30 June 2021, and its results performance was below our expectation, primarily due to the impact of COVID-19 and tightening regulatory requirements relevant to the operation of Shuimuyuan.

As a result of the disposal of Shuimuyuan, the Group recorded a gain of approximately RMB43.7 million during the Reporting Period, primarily due to the one-off derecognition of contingent consideration of RMB56 million in relation to the acquisition of Shuimuyuan (which was recorded as financial liabilities at FVTPL as at 31 December 2021).

Profit for the year

As a result of the foregoing, the Group's profit for the year increased from RMB71.8 million for the year ended 31 December 2021 to RMB121.9 million for the year ended 31 December 2022, representing an increase of 69.8%.

Non-HKFRS Measure – Adjusted Net 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 profit ("**Adjusted Net 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 Stock Exchange.

Adjusted Net Profit, which is unaudited, represents profit for the year after adjusting for profit (loss) for the year from discontinued operation, impairment losses on other receivables and a write-down of certain inventories which did not exist in prior years. The Adjusted Net Profit of the Group for the year ended 31 December 2022 was RMB118.8 million, representing a decrease of RMB67.9 million or a 36.4% decrease from RMB186.7 million for the corresponding period in 2021.

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

	Year ended 31 December	
	2022	2021
	(RMB'000)	
Profit for the year	**121,923**	71,822
Less/add: Profit/loss for the year from discontinued operation	**(43,710)**	53,674
Add: Impairment losses on other receivables	**4,550**	61,207
Add: Write-down of inventories	**36,052**	–
Non-HKFRS: Adjusted Net Profit	**118,815**	186,703

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

Liquidity and financial resources

During the year ended 31 December 2022, the Group funded its cash requirements principally from funds raised through the Global Offering (as defined in the prospectus of the Company dated 30 June 2020 (the "**Prospectus**")) in July 2020 and cash generated from operations.

As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB520.9 million (as at 31 December 2021: RMB250.0 million), of which the majority were denominated in Renminbi ("**RMB**") and Hong Kong dollars. The increase in cash and cash equivalents was primarily due to the increase in net cash from operating activities and the decrease in cash used in investing activities.

As at 31 December 2022, the Group's structured deposits and listed equity investments classified as financial assets at FVTPL amounted to RMB459.7 million (as at 31 December 2021: RMB578.0 million). The majority of these structured deposits and listed equity investments were purchased from banks for better utilisation of our surplus cash.

The Group continued to maintain a healthy and sound financial position. As at 31 December 2022, the current ratio (the ratio of total current assets to total current liabilities) was 356.4% (as at 31 December 2021: 267.8%). The total assets of the Group decreased from RMB3,703.5 million as at 31 December 2021 to RMB3,225.0 million as at 31 December 2022, while the total liabilities decreased from RMB988.4 million as at 31 December 2021 to RMB582.6 million as at 31 December 2022. The liability-to-asset ratio decreased from 26.7% at the end of 2021 to 18.1% as at 31 December 2022.

As at 31 December 2022, the Group did not have interest-bearing borrowings (as at 31 December 2021: nil). As at 31 December 2022, the Group's total equity amounted to RMB2,642.4 million (as at 31 December 2021: RMB2,715.1 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 31 December 2022, as the Group did not have any interest-bearing borrowings, its gearing ratio was zero (as at 31 December 2021: zero).

Capital expenditure and commitment

During the year ended 31 December 2022, the Group paid RMB75.4 million for the purchases of property and equipment primarily for the expansion of the capacity of our University and paid RMB32.0 million for certain leasehold land occupied by our University.

As at 31 December 2022, capital commitment of the Group was RMB194.0 million (as at 31 December 2021: RMB44.9 million).

Foreign exchange exposure

During the year ended 31 December 2022, 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 31 December 2022, 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 at 31 December 2022, the Group had no pledge of assets (as at 31 December 2021: nil).

Contingent liabilities

Save as disclosed in note 15 to the consolidated financial statements, the Group had no material contingent liabilities as at 31 December 2022 (as at 31 December 2021: nil).

Significant Investments

Save for certain bank's structured deposits included in financial assets at FVTPL, the Group did not make or hold other significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2022) during the Reporting Period.

Material acquisitions and disposals

Save for the disposal of the entire equity interest in Shuimuyuan as disclosed in the section headed "Business Review and Outlook" above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 December 2022.

Future plans for material investments or capital asset

As at 31 December 2022, the Group did not have detailed future plans for material investments or capital assets.

Employees and remuneration

As at 31 December 2022, the Group had a total of 1,755 employees (as at 31 December 2021: 2,173). The following table sets forth the total number of employees by function as at 31 December 2022:

Function	**Number of employees**
Continuing operations	
Higher education (media and arts) and vocational education	
Teachers	1,481
Administration	180
TV/film production and investment	
Content creation	65
Administration	29
Total	1,755

The total remuneration cost incurred by the Group for the year ended 31 December 2022 was RMB145.2 million, as compared to RMB137.6 million for the year ended 31 December 2021.

The Company also has adopted a post-IPO share award scheme (the "**Post-IPO Share Award Scheme**") and a post-IPO share option scheme. Please refer to the "Other Information" in this announcement for more details of the Post-IPO Share Award 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 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 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, save for the deviation set out below.

Code provision C.2.1 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.

Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2022.

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 year ended 31 December 2022 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 audited consolidated financial statements of the Group for the year ended 31 December 2022 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, risk management and internal control and financial reporting matters with senior management members of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 31 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

OTHER INFORMATION

Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme conditionally adopted pursuant to the Shareholders' resolutions dated 22 June 2020 has been effective from 15 July 2020, the date on which the shares of the Company (the "**Shares**") were listed (the "**Listing Date**") on the Main Board of the Stock Exchange. The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons (the "**Eligible Persons**") with those of our Group through ownership of the Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of our Group. For the avoidance of doubt, the Post-IPO Share Award Scheme was adopted before the new Chapter 17 has come into effect since 1 January 2023. From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing share schemes and will comply with the new Chapter 17 to the applicable extent.

Pursuant to the rules of the Post-IPO Share Award Scheme, the Company entered into a trust deed with Tricor Trust (Hong Kong) Limited (the "**Trustee**") on 24 September 2021 in respect of, among others, granting, administration or vesting of any award shares (the "**Award Shares**").

As at 31 December 2022, the Trustee has purchased a total of 32,000,000 Shares (as at 31 December 2021: 13,741,000 Shares) on the Stock Exchange and no Award Shares was granted during the Reporting Period.

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

During the Reporting Period, the Company repurchased 5,063,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK$9.7 million before expenses. All of these repurchased Shares were subsequently cancelled. Details of the Shares repurchased are as follows:

Month of repurchase during Reporting Period	Number of Shares repurchased	Highest price paid per Share *HK$*	Lowest price paid per Share *HK$*	Aggregate consideration before expenses *HK$'000*
January 2022	2,182,000	1.94	1.68	3,990
February 2022	2,881,000	2.08	1.87	5,662
Total	5,063,000			9,652

Save as disclosed above, 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.

Use of proceeds from Global Offering

On the Listing Date, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering (following full exercise of the Over-allotment Option, as defined in the Prospectus) were approximately HK$1,383.0 million, which are intended to be applied in the manner set out in the Prospectus. There was no change in the intended use of proceeds as previously disclosed.

Set out below is the status of use of proceeds from the Global Offering as at 31 December 2022.

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Amount used as at 31 December 2021 (HK$ million)	Amount used during the year ended 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (HK$ million)	Expected time of full utilisation
Invest in high quality content	30%	414.9	414.9	–	–	N/A
Improve and expand our University	30%	414.9	402.7	12.2	–	N/A
Mergers and acquisitions	30%	414.9	414.9	–	–	N/A
General working capital	10%	138.3	138.3	–	–	N/A

Final dividend

The Board did not recommend the distribution of a final dividend for the year ended 31 December 2022 (2021: HK$0.03 per share).

Closure of register of members

The Company's annual general meeting ("**AGM**") will be held on 31 May 2023. The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to attend the AGM from 25 May 2023 to 31 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend the AGM, 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 May 2023.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	**Year ended 31 December** **2022** ***RMB'000***	2021 *RMB'000* (restated)
Continuing operations			
Revenue	*4*	**656,815**	578,051
Cost of revenue		**(339,614)**	(301,879)
Gross profit		**317,201**	276,172
Other income	*5*	**32,050**	17,153
Other gains and losses	*6*	**3,106**	43,707
Selling expenses		**(15,502)**	(17,743)
Administrative expenses		**(95,042)**	(91,816)
Impairment losses under expected credit loss model, net of reversal		**(145,188)**	(87,215)
Finance costs		**(578)**	–
Profit before tax		**96,047**	140,258
Income tax expense	*7*	**(17,834)**	(14,762)
Profit for the year from continuing operations	*8*	**78,213**	125,496
Discontinued operation			
Profit (loss) for the year from discontinued operation (including derecognised contingent considerations of RMB56,000,000)	*9*	**43,710**	(53,674)
Profit for the year		**121,923**	71,822
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**261,340**	(55,455)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(240,704)**	41,595
Release of translation reserve on disposal of subsidiaries		**(5,061)**	–
Other comprehensive income (expense) for the year		**15,575**	(13,860)
Total comprehensive income for the year		**137,498**	57,962

	NOTES	Year ended 31 December 2022 RMB'000	2021 RMB'000 (restated)
Profit (loss) for the year attributable to owners of the Company:			
– from continuing operations		**51,827**	111,729
– from discontinued operation		**44,640**	(54,202)
Profit for the year attributable to owners of the Company		**96,467**	57,527
Profit (loss) for the year attributable to non-controlling interests:			
– from continuing operations		**26,386**	13,767
– from discontinued operation		**(930)**	528
Profit for the year attributable to non-controlling interests		**25,456**	14,295
		121,923	71,822
Total comprehensive income for the year attributable to:			
Owners of the Company		**112,042**	43,667
Non-controlling interests		**25,456**	14,295
		137,498	57,962
Total comprehensive income (expense) for the year attributable to owners of the Company:			
– from continuing operations		**67,402**	97,869
– from discontinued operation		**44,640**	(54,202)
		112,042	43,667
Earnings per share	*11*		
From continuing and discontinued operations			
Basic (RMB cents)		**5.92**	3.47
From continuing operations			
Basic (RMB cents)		**3.18**	6.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	NOTES	As at 31 December 2022 RMB'000	2021 RMB'000 (restated)
Non-current Assets			
Property and equipment		**1,039,886**	946,959
Right-of-use assets		**148,491**	99,840
Other intangible assets		**1,128**	1,278
Deferred tax assets		**–**	16,535
Other receivables	*12*	**29,072**	–
Rental deposit		**1,061**	–
Financial assets at fair value through profit or loss ("FVTPL")		**–**	56,861
		1,219,638	1,121,473
Current Assets			
Inventories		**109,126**	170,177
Trade and other receivables	*12*	**818,712**	970,737
Financial assets at FVTPL		**514,624**	577,994
Restricted bank deposit	*15*	**42,000**	–
Cash and cash equivalents		**520,872**	249,953
		2,005,334	1,968,861
Assets classified as held for sale	*9*	**–**	613,168
		2,005,334	2,582,029
Current Liabilities			
Trade and other payables	*13*	**236,796**	200,144
Contract liabilities		**300,507**	281,716
Financial liabilities at FVTPL		**–**	32,862
Tax liabilities		**845**	12,486
Dividend payable		**20,950**	20,950
Lease liabilities		**3,601**	–
		562,699	548,158
Liabilities associated with assets classified as held for sale	*9*	**–**	416,168
		562,699	964,326
Net Current Assets		**1,442,635**	1,617,703
Total Assets less Current Liabilities		**2,662,273**	2,739,176

	NOTES	As at 31 December 2022 RMB'000	2021 RMB'000 (restated)
Non-current Liabilities			
Deferred tax liabilities		**130**	–
Financial liabilities at FVTPL		**–**	23,138
Deferred income		**669**	965
Lease liabilities		**19,054**	–
		19,853	24,103
Net Assets		**2,642,420**	2,715,073
Capital and Reserves			
Share capital	*14*	**117**	118
Reserves		**2,457,279**	2,545,789
Equity attributable to owners of the Company		**2,457,396**	2,545,907
Non-controlling interests		**185,024**	169,166
Total Equity		**2,642,420**	2,715,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Cathay Media and Education Group Inc. (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 of Hong Kong Limited (the "Stock Exchange") since 15 July 2020. Its parent 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, and 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 television series and film productions in the People's Republic of China (the "PRC").

The 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 consolidated financial statements are presented in RMB.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

Certain comparative figures for the year ended 31 December 2021 and as at 31 December 2021 have been re-classified to conform to the current year presentation.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after a date to be determined.

[3] Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers from continuing operations

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(restated)
Types of goods or services		
Recognised over time		
Higher and vocational education service income		
– Higher education programmes	**355,127**	308,862
– Continuing education programmes	**100,238**	75,682
– International preparatory programmes	**42,766**	42,405
Education management service income	**13,500**	8,500
Other ancillary service income	**13,633**	11,341
	525,264	446,790
Recognised at a point in time		
Sales of inventories	**95,068**	105,287
Entrance examination fees	**36,483**	25,974
	131,551	131,261
	656,815	578,051
Geographical markets (Note)		
Mainland China	**655,860**	576,007
Others	**955**	2,044
	656,815	578,051

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 television series and film production segment.

Upon the completion of acquisition of Beijing Shuimu Huaxia Education Technology Co., Ltd. (北京水木華夏教育科技有限公司) and its subsidiaries (collectively referred as "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. Details of the acquisition of Shuimuyuan are set out in the announcements of the Company dated 20 December 2020, 28 January 2021 and 7 April 2021.

In December 2021, the management of the Company determined to dispose of Shuimuyuan. On 28 March 2022, the board of directors of the Company approved an unwind 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 consolidated financial statements, which was not reported in the following segment information. Details of the discontinued operation are set out in note 9.

Segment revenues and results

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

For the year ended 31 December 2022

Continuing operations

	Higher and vocational education *RMB'000*	Television series and film production *RMB'000*	Total *RMB'000*
Segment revenue			
External sales	**561,747**	**95,068**	**656,815**
Segment profit (loss)	**280,746**	**(172,838)**	**107,908**
Unallocated			
Other income			**4,148**
Other gains and losses			**(1,113)**
Corporate administrative expenses			**(14,896)**
Profit before tax from continuing operations			**96,047**

For the year ended 31 December 2021

Continuing operations

	Higher and vocational education *RMB'000*	Television series and film production *RMB'000*	Total *RMB'000*
Segment revenue			
External sales	472,764	105,287	578,051
Segment profit (loss)	222,718	(76,965)	145,753
Unallocated			
Other income			794
Other gains and losses			6,177
Corporate administrative expenses			(12,466)
Profit before tax from continuing operations			140,258

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Customer A	**67,669**	–
Customer B	**–**	103,774
Customer C	**–**	59,604

5. OTHER INCOME

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000* (restated)
Continuing operations		
Government grants (Note)	**22,789**	3,587
Interest income from deferred consideration *(note 9)*	**3,215**	–
Non-regular service income	**3,053**	3,402
Donation received by CUCN	**1,510**	9,370
Interest income from banks	**933**	794
Others	**550**	–
	32,050	17,153

Note: Government grants mainly represented subsidies granted by 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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
Gain from changes in fair value of financial assets measured at FVTPL	**4,219**	37,530
Gain from changes in fair value of financial liabilities measured at FVTPL	**–**	7,000
Net foreign exchange loss	**(1,113)**	(823)
	3,106	43,707

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Continuing operations		
PRC Enterprise Income Tax ("EIT")		
– current tax	**1,169**	15,114
– deferred tax	**16,665**	(352)
	17,834	14,762

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 of Hong Kong Profits Tax was made in these consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during both years.

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 years.

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. Although the detailed Implementation Rules of Law for Promoting Private Education has been announced with effective from 1 September 2021, CUCN has not yet elected to be for-profit or not-for-profit schools since it was not compulsory to be elected up to the end of the reporting period. As at the end of the reporting period, the relevant taxation policy regarding schools elected as for-profit or not-for-profit remains unchanged and no further new and specific tax implementation regulations are announced, no income tax expense was recognised by CUCN for both years. During the year ended 31 December 2022, the non-taxable income amounted to RMB558,801,000 (2021: RMB471,353,000), and the related non-deductible expenses amounted to RMB261,224,000 (2021: RMB162,769,000).

8. PROFIT FOR THE YEAR

Profit for the year from continuing operations has been arrived at after charging:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Directors' remuneration	**4,878**	3,620
Other staff costs		
– salaries and other allowances	**120,117**	114,772
– retirement benefit scheme contributions	**20,238**	19,190
	145,233	137,582
Depreciation of property and equipment	**49,006**	34,536
Depreciation of right-of-use assets	**8,669**	6,389
Amortisation of other intangible assets	**472**	548
Total depreciation and amortization	**58,147**	41,473
Less: capitalised in construction in progress	**(843)**	–
	57,304	41,473
Write-down of inventories (included in cost of revenue)	**36,052**	–
Auditor's remuneration	**3,580**	3,980

9. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN

Business combination

On 6 April 2021, Nanjing Bicheng 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 was 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"). The acquisition has been accounted for as acquisition of business using the acquisition method.

Details of the acquisition were set out in the announcements of the Company dated 20 December 2020, 28 January 2021 and 7 April 2021.

Discontinued operation and disposal of Shuimuyuan

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 management of the Group has initiated an active program to locate a buyer for Shuimuyuan. The associated assets and liabilities were consequently presented as held for sale in these consolidated financial statements as at 31 December 2021, and the art training business were therefore presented as discontinued business for the year then ended.

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 amounting 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 were lapsed and included in the calculation of the gain or loss on disposal of Shuimuyuan.

Gain (loss) for the year from discontinued operation was set out below:

	1 January 2022 to 12 April 2022	6 April 2021 to 31 December 2021
	RMB'000	*RMB'000*
Loss for the year from discontinued operation	**(19,568)**	(53,674)
Gain on disposal of Shuimuyuan	**63,278**	–
	43,710	(53,674)

The results of the discontinued operation are as follows:

	1 January 2022 to 12 April 2022 *RMB'000*	6 April 2021 to 31 December 2021 *RMB'000*
Revenue	**21,624**	260,342
Cost of revenue, selling expenses and administrative expenses	**(40,816)**	(235,362)
Impairment loss recognised on goodwill	**–**	(63,975)
Finance costs	**(2,434)**	(8,119)
Other income	**850**	3,901
Loss before income tax	**(20,776)**	(43,213)
Income tax credit (expense)	**1,208**	(10,461)
Loss for the year	**(19,568)**	(53,674)
(Loss) profit for the year from discontinued operation attributable to		
Owner of the Company	**(18,638)**	(54,202)
Non-controlling interests	**(930)**	528
	(19,568)	(53,674)
Depreciation of property and equipment	**2,323**	6,419
Depreciation of right-of-use assets	**7,289**	23,788
Amortisation of other intangible assets	**5,205**	15,501

Details of the assets and liabilities classified as held for sale in relation to the discontinued operation as at 31 December 2021 are set out below:

	31 December 2021 *RMB'000*
Assets classified as held for sale	
Property and equipment	56,291
Right-of-use assets	217,674
Goodwill	55,379
Other intangible assets	160,692
Deferred tax assets	50,593
Trade and other receivables	10,121
Cash and cash equivalents	62,418
Total assets classified as held for sale	613,168
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	(62,362)
Amount due to the Founder of Shuimuyuan	(17,980)
Contract liabilities	(25,501)
Tax liabilities	(10,974)
Lease liabilities	(202,608)
Deferred tax liabilities	(96,743)
Total liabilities of disposal group held for sale	(416,168)

Details of the consideration, assets and liabilities in relation to the discontinued operation disposed of are set out below:

	RMB'000
Consideration received:	
Cash received	100,000
Deferred cash consideration (Note)	57,376
Total consideration received	157,376

Note: 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 year, imputed interest income amounted to RMB3,215,000 was recognised and the remaining consideration receivables (the "Consideration Receivables") are analysed as at 31 December 2022 as follows:

	RMB'000
Consideration Receivables	
– Current	31,519
– Non-current	29,072
	60,591

Details of the consideration, assets and liabilities in relation to discontinued operation disposed of are set out below:

	12 April 2022 *RMB'000*
Analysis of assets and liabilities over which control was lost:	
Property and equipment	54,306
Right-of-use assets	210,385
Other intangible assets	155,487
Deferred tax assets	50,593
Trade and other receivables	17,456
Tax recoverable	2,752
Bank balances and cash	15,267
Trade and other payables	(47,052)
Amount due to the Founder of Shuimuyuan	(17,980)
Amount due to Nanjing Lanchou	(12,675)
Contract liabilities	(19,397)
Lease liabilities	(204,342)
Deferred tax liabilities	(95,422)
Net assets disposed of (excluding goodwill)	109,378

	12 April 2022
	RMB'000
Gain on disposal of Shuimuyuan:	
Consideration received and receivables	157,376
Contingent considerations derecognised in relation to the acquisition of Shuimuyuan	56,000
Net assets disposed of (excluding goodwill)	(109,378)
Attributable goodwill	(55,379)
Non-controlling interests	9,598
Release of translation reserve	5,061
Gain on disposal	63,278

10. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 interim dividend of HK$0.06 (2021: 2021 interim dividend of HK$0.06) per share	**90,049**	82,436
2021 final dividend of HK$0.03 (2021: 2020 final dividend of HK$0.08) per share	**42,283**	110,859
2021 special dividend of HK$0.03 (2021: Nil) per share	**42,284**	–
	174,616	193,295

No finial dividend for the year ended 31 December 2022 was proposed by the directors of the Company.

11. EARNINGS PER SHARE

From continuing operations

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company from continuing operations	**51,827**	111,729

	Year ended 31 December	
	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,629,654**	1,657,821

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

From continuing and discontinued operation

The calculation of the basic earnings per share from continuing and discontinued operation attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company	**96,467**	57,527

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation was RMB2.74 cents per share (2021: basic loss per share was RMB3.27 cents per share) based on the profit for the year from the discontinued operation of RMB44,640,000 (2021: loss for the year: RMB54,202,000) and the denominators detailed above for basic earnings/loss per share.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(restated)
Trade receivables		
– from television series and film production	**512,303**	500,493
– from higher and vocational education	**4,585**	651
	516,888	501,144
Less: Allowance for credit losses	**(171,170)**	(30,532)
	345,718	470,612
Other receivables and prepayments		
Loan Receivables (defined in Note i below)	**420,000**	420,000
Less: Allowance for credit losses (Note i)	**(65,757)**	(61,207)
	354,243	358,793
Consideration Receivables (note 9) (Note ii)	**60,591**	–
Prepayment for television series and film production	**63,000**	123,457
Prepayment for services	**7,226**	5,059
Value added tax recoverable	**6,584**	5,422
Receivables from canteen operators	**5,326**	3,782
Deposits for short-term leases	**1,453**	1,078
Others	**3,643**	2,534
	502,066	500,125
	847,784	970,737
Analysed as:		
– Current	**818,712**	970,737
– Non-current	**29,072**	–
	847,784	970,737

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) (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 of Nanjing Sport Institute (南京體育學院奧林匹克學院) (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 ("250M Bridging Loan") and RMB170,000,000 ("170M Bridging Loan"), 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 has 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 securities for the Loan Receivables.

As at 31 December 2022 and 2021, the Loan Receivables were not repaid and overdue by the Transferor.

In view of the directors of the Company, after seeking the support from the independent professional valuer, the estimated fair value of the pledged assets held by the Transferor and the founders of the Transferor, including 100% equity interests of the Target Company and 9% equity interests of Jiangsu Zijin,,will be approximately RMB354,243,000 (2021: RMB358,793,000) as at the end of the reporting period, and the Group has recognised allowance for credit loss amounting to RMB65,756,000 (2021: RMB61,207,000) as at the end of the reporting period.

ii. Consideration Receivables was 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.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB367,549,000.

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**26,765**	180,972
1 to 2 years	**143,000**	289,640
2 to 3 years	**175,953**	–
	345,718	470,612

The Group allows a credit period ranging from three months to one year to its customers. As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB311,746,000 (2021: nil) which are past due but not impaired as at the reporting date. Out of the past due balances, RMB175,953,000 (2021: nil) has been past due 90 days or more and is not considered as in default as recovered based on repayment history, the financial conditions and the current credit worthiness of each customers.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**63,669**	86,865
Payables for property and equipment	**115,663**	49,899
Payroll payables	**21,568**	21,250
Miscellaneous deposits received from students	**17,034**	16,094
Deposits from construction suppliers	**8,578**	12,414
Discretionary subsidies received on behalf of students	**4,278**	4,784
Value added tax and other taxes payable	**4,751**	1,045
Other payables	**1,255**	7,793
	236,796	200,144

The following is an aged analysis of trade payable presented based on the transaction date.

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**17,557**	40,605
1 to 2 years	**1,463**	19,140
Over 2 years	**44,649**	27,120
	63,669	86,865

14. SHARE CAPITAL

	Number of shares	**Share Capital**	**Shown in the condensed consolidated financial statements**
		HK$	*RMB'000*
Ordinary shares of HK$0.00001 each			
Authorised:			
At 1 January 2021, 31 December 2021, and 31 December 2022	5,000,000,000	50,000	
Issued and fully paid:			
At 1 January 2021 and 31 December 2021	1,660,000,000	16,600	118
Shares repurchased and cancelled	(5,063,000)	(51)	(1)
At 31 December 2022	1,654,937,000	16,549	117

On 29 December 2021, the board of directors of the Company resolved to exercise its powers under the general mandate to repurchase shares of the Company and subject to market conditions, the Company may repurchase the issued shares in the open market of the Stock Exchange from time to time at a maximum aggregate amount of HK$100 million.

During the year ended 31 December 2022, the Company repurchased and cancelled its own ordinary shares through the Stock Exchange as follows:

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

The above ordinary shares were cancelled upon repurchase. For the year ended 31 December 2021, there were no shares repurchased and cancelled by the Company.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

15. CONTINGENT LIABILITIES

A plaintiff raised a litigation claim against CUCN in the PRC court on 31 August 2022. The plaintiff claims an amount of approximately RMB41,784,000 plus petition cost and attorneys' fees in relation to variable construction cost of the school campus. In December 2022, the court also approved to freeze one of the bank account with balance of RMB42,000,000, which was disclosed under the restricted bank deposit in the consolidated financial statements as at 31 December 2022. Up to the date of the consolidated financial statements, there was no formal judgment from the PRC court.

After seeking the independent legal advice, the directors of the Company consider that the outcome and the amount of final payment, if any, are uncertain, and no provision has been made for the year ended 31 December 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cathaymedia.com). The annual report for the year ended 31 December 2022 will be dispatched to the Shareholders and made available for review on the same websites in due course.

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

China, 31 March 2023

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