



CATHAY MEDIA

華夏視聽



**2022**

Interim Report

**CATHAY MEDIA AND EDUCATION GROUP INC.**

**華夏視聽教育集團**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1981

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Pu Shulin  
*(Chairperson and Chief Executive Officer)*  
Mr. Sun Haitao *(retired on 27 May 2022)*  
Mr. Wu Ye  
Mr. Yan Xiang  
Mr. Lau Chi Hung *(appointed on 27 May 2022)*

### Independent non-executive Directors

Mr. Zhang Jizhong  
Mr. Lee Cheuk Yin Dannis  
Mr. Huang Yu

## AUDIT COMMITTEE

Mr. Lee Cheuk Yin Dannis *(Chairperson)*  
Mr. Zhang Jizhong  
Mr. Huang Yu

## REMUNERATION COMMITTEE

Mr. Huang Yu *(Chairperson)*  
Mr. Pu Shulin  
Mr. Lee Cheuk Yin Dannis

## NOMINATION COMMITTEE

Mr. Pu Shulin *(Chairperson)*  
Mr. Zhang Jizhong  
Mr. Lee Cheuk Yin Dannis

## COMPANY SECRETARY

Mr. Sun Haitao *(resigned on 27 May 2022)*  
Ms. Chow Yuk Yin Ivy *(resigned on 27 May 2022)*  
Mr. Lau Chi Hung *(appointed on 27 May 2022)*

## AUTHORISED REPRESENTATIVES

Mr. Pu Shulin  
Mr. Sun Haitao *(resigned on 27 May 2022)*  
Mr. Lau Chi Hung *(appointed on 27 May 2022)*

## HEADQUARTERS

22/F, Block 12, Wanda Plaza  
No. 93 Jianguo Road  
Chaoyang District  
Beijing, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon, Hong Kong

## REGISTERED OFFICE

190 Elgin Avenue, George Town  
Grand Cayman KY1-9008  
Cayman Islands

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants and Registered  
Public Interest Entity Auditor*  
35/F One Pacific Place  
88 Queensway  
Central, Hong Kong

## LEGAL ADVISERS

*As to Hong Kong and U.S. laws*  
Skadden, Arps, Slate, Meagher & Flom and affiliates  
42/F, Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Central, Hong Kong

*As to PRC law*  
Commerce & Finance Law Offices  
12/F – 14/F, China World Office 2  
No. 1 Jianguomenwai Avenue  
Chaoyang District, Beijing, PRC

*As to Cayman Islands law*  
Walkers (Hong Kong)  
15/F, Alexandra House  
18 Chater Road  
Central, Hong Kong

### **HONG KONG SHARE REGISTRAR**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Walkers Corporate Limited  
190 Elgin Avenue, George Town  
Grand Cayman KY1-9008  
Cayman Islands

### **PRINCIPAL BANKS**

DBS Bank (Hong Kong) Limited  
Bank of China (HK) Ltd.

### **STOCK CODE**

1981

### **COMPANY WEBSITE**

[www.cathaymedia.com](http://www.cathaymedia.com)

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022 (unaudited)	2021 (unaudited and restated)	Change (%)
	(RMB'000, except percentages)		
Revenue	377,660	215,855	75.0%
– Higher education (media and arts) and vocational education	281,819	211,695	33.1%
– TV/film production and investment	95,841	4,160	2,203.9%
Gross profit	181,927	139,055	30.8%
<b>Profit for the period from continuing operations</b>	<b>125,872</b>	106,121	18.6%
<b>Profit (loss) for the period from discontinued operation</b>	<b>38,649</b>	(14,601)	N/A
Profit for the period	164,521	91,520	79.8%
Non-HKFRS: Adjusted Net Profit <sup>(1)</sup>	147,884	106,121	39.4%

The Board recommended the payment of an interim dividend of HK\$0.06 per share for the six months ended 30 June 2022 (for the six months ended 30 June 2021: HK\$0.06 per share).

<sup>(1)</sup> “Adjusted Net Profit” as defined in the section headed “Management Discussion and Analysis”. Adjusted Net Profit, which is unaudited, represents profit for the period after adjustments for profit (loss) for the period from discontinued operation and impairment losses recognised in respect of television series and film rights which did not exist in prior periods. Please refer to the reconciliation included in the section headed “Management Discussion and Analysis” for details.

### OVERVIEW OF THE REPORTING PERIOD

During the Reporting Period, the Group disposed of the entire equity interest in Shuimuyuan (as defined below) which provides art entrance exam training services in China, 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

Pursuant to the terms of the purchase agreement entered into between the Group and the then founder of Shuimuyuan (as defined below) on 19 December 2020 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"), the Group has paid a total of RMB165 million of the acquisition consideration to the founder of Shuimuyuan before the disposal of the entire equity interest in 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 will be adversely affected by the latest regulatory requirements mentioned above and the uncertainty of the COVID-19 situation. After arms-lengths 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”), pursuant to which (i) the Group conditionally agreed to sell, and the founder of Shuimuyuan and his associates conditionally agreed to acquire, the entire equity interest in Shuimuyuan at the consideration equivalent to the partly paid acquisition consideration of RMB165 million, and (ii) the parties have agreed to the settlement arrangement relating to the outstanding loan of RMB12.7 million granted to Shuimuyuan by the Group. 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 Listing Rules. 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 Shuimuyuan and his associates, respectively, have been 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.

Up to the date of this report, 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 RMB75 million in aggregate, being the first, second and third payments of the disposal consideration under the Unwind Agreement. Pursuant to the terms of the Unwind Agreement, the fourth, fifth and final payments of the disposal consideration, being RMB25 million, RMB30 million and RMB35 million respectively, shall be settled by the founder of Shuimuyuan and his associates on or before 15 December 2022, 31 December 2023 and 31 December 2024, respectively. In addition, the Group is not required to pay the balance of the acquisition consideration (i.e. RMB135 million). 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 FVTPL 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.

### 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). 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 a set-off over 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.

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 our University (南京傳媒學院), 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).

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 recognised as other receivables in the Company’s condensed consolidated statement of financial position as at 30 June 2022, of which an impairment loss of RMB61.2 million has been provided.

### **Higher education (media and arts) and vocational education**

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. For a long time, we have always believed that every student has unlimited possibilities, and can light up their lives through media and art education. We have been adhering to this concept and providing our high-quality media and art education. For more than ten years, not only well-known literary and artistic star alumni, but also entrepreneurial star alumni have emerged from CUCN. There is also a large number of outstanding alumni working in national media, well-known internet companies and well-known cultural media institutions.

According to the Chinese Universities Alumni Association, CUCN was ranked first in media and arts independent colleges in China in 2021. As of 30 June 2022, the Group had approximately 24,508 students, including 20,099 undergraduates, 351 international preparatory students and 4,058 vocational education students. The above number of undergraduates included 2,143 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 26.6%.

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 (自學助學課程) to the aforementioned adult students.

Currently, the total capacity of our University is approximately 24,000 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

The Group is one of the pioneers in the private TV program production industry in China and a major producer of premium dramas. We emphasize the quality of our work and aim to create high-quality dramas. The programs produced under our brand Cathay Media (華夏視聽) have a long-standing reputation for high quality. Almost all of our work have won impressive popularity and ratings, and are well received by audiences. These public praise and enthusiasm have been transformed into the recognition of our products by customers, major TV stations and online video platforms.

During the Reporting Period, our TV/film production and investment business generated revenue mainly from the first round distribution of the TV series A New Home (新居之約) (formerly known as Dreamed House (理想的房子), 55% invested by the Group), whereas no revenue was recognised from the first round distribution of major TV series in the first half of 2021.

### RECENT DEVELOPMENTS AFTER THE REPORTING PERIOD

On 15 July 2022, the Company announced that Pricewaterhouse Coopers (“PwC”) resigned as the auditor of the Company with effect from 15 July 2022 as the Company and PwC could not reach a consensus in respect of the auditor’s remuneration for the year ending 31 December 2022. On the same day, the Board, with the recommendation of the audit committee of the Company, has resolved to appoint Deloitte Touche Tohmatsu as the new auditor of the Company with effect from 15 July 2022 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the forthcoming annual general meeting of the Company. For details, please refer to the announcement of the Company dated 15 July 2022.

Save as disclosed above and in other sections in this report, there was no significant change to the existing business and operations of the Group after the Reporting Period and up to the date of this report.

## BUSINESS OUTLOOK

Our TV/film production and investment business brings us reputation and recognition in China and helps connect our University with the industry. By leveraging our resources in the TV/film production and investment industry, we introduce industry leaders to join our University as faculty advisers and provide a large number of internship and employment opportunities for our students. Our University at the same time serves as a source for the recruitment of talent and supply of creative content for the media, TV/film production and related industries.

We believe that there is a good potential in the field of education and content related to media and arts in China. Therefore, the Group plans to continue to maintain the market position of its application oriented higher education (which focuses on media and arts), improve its teaching quality and maintain the quality of its TV series production and investment business, while exploring opportunities in vocational training primarily in the fields of media, arts and TV/film production and other related businesses.

The PRC government is committed in promoting the development of modern and high-quality vocational education. As one of the leading operators of private media and arts higher education in China, we have been vigorously promoting the integration of industry and education, and developing modern vocational education.

Since March 2022, the Group has made use of the advantages of our talent pool of more than 23,000 teachers and students in media and arts, as well as our resources in the media and TV/film production industry, to develop our livestreaming e-commerce business. In this regard, the Group has signed intentional collaboration agreements with a number of our students and artists who have many followers on social media. To cater for the development of our livestreaming e-commerce business, we have established new companies in Beijing and Nanjing under our new brand, namely 華夏優選 (Cathay Choice\*) and set up livestreaming studios in Beijing and Nanjing, respectively. In July 2022, the first pilot broadcasting event was conducted in our livestreaming studio in Nanjing under the guidance of a popular founder of cosmetic brands, whereas the livestreaming studio in Beijing was under renovation.

With the rise of the livestreaming e-commerce industry, we believe that the Group has the ability to build an excellent team in livestreaming e-commerce business by leveraging its advantages in higher education for media and art education, and media and TV/film production industry, providing more business opportunities and creating a greater value for the Group.

\* For illustration purpose only.

### 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.

The Company expects that the maximum capacity of our University may further increase assuming the construction of all phases of dormitories and facilities is completed, the necessary government approvals are obtained and the acquisition of Olympic College is completed.

### TV/film production and investment

We will continue to pursue quality work primarily in the production and investment of TV series, whether as the sole producer or a co-producer, with others. We will also look for other high-quality TV/film projects and opportunities for investment.

As of the date of this report, we invested in four TV/film series, namely Fights Break Sphere (斗破蒼穹) (30% invested by the Group), Lady’s Character (女士的品格) (40% invested by the Group), Meteor with White Plume (白羽流星) (30% invested by the Group) and The Galloped Era II (奔騰年代II) (60% invested by the Group).

During the Reporting Period, our investment in the TV series Fights Break Sphere (斗破蒼穹) has been reclassified as financial assets at FVTPL according to certain terms of the investment agreement. The production of the TV series Fights Break Sphere (斗破蒼穹) has been completed and the distributor is in the process of applying for the distribution permit. The TV series The Galloped Era II (奔騰年代II) is in the process of scriptwriting, whereas the filming process of the TV series Lady’s Character (女士的品格) is expected to be completed in September 2022. The TV series Meteor with White Plume (白羽流星) has obtained the required distribution permit and we are negotiating with customers on the delivery schedule.

### The impact of COVID-19

There was no significant impact on the Group’s continuing operations for the Reporting Period. Based on the current situation and the current information available to the Group, it is expected that the impact of COVID-19 on the Group’s continuing operations may not be significant for the year ending 31 December 2022. Our University is allowed to provide online courses for our students if the local government requires students not to attend physical classes as a result of COVID-19. However, the Group will closely monitor the situation of COVID-19 and will make further disclosure when necessary.

### Conclusion

Looking forward, we will continue to improve the teaching quality of our higher education (media and arts) and vocational education business, and produce and invest in high-quality content TV/film series. We will explore more opportunities for the integration of industry and education such as the development of livestreaming e-commerce businesses by leveraging the talent pool of our University and our resources in the media and TV/film production industries in order to create the greatest return for the Shareholders in the long run.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINUING OPERATIONS

### Revenue

The following table sets forth our revenue by business segment for the six months ended 30 June 2022 and 2021.

	Six months ended 30 June			
	2022 (unaudited)		2021 (unaudited and restated)	
	(RMB'000, except percentages)			
<b>Segment Revenue</b>				
Higher education (media and arts) and vocational education	281,819	74.6%	211,695	98.1%
TV/film production and investment	95,841	25.4%	4,160	1.9%
Total	377,660	100.0%	215,855	100.0%

Total revenue from continuing operations of the Group increased by 75.0% from RMB215.9 million for the six months ended 30 June 2021 to RMB377.7 million for the six months ended 30 June 2022, due to the increase in revenue from both of our higher education (media and arts) and vocational education and TV/film production and investment businesses.

Revenue from our higher education (media and arts) and vocational education business increased by RMB70.1 million, or 33.1%, from RMB211.7 million for the six months ended 30 June 2021 to RMB281.8 million for the six months ended 30 June 2022, primarily due to the growth in overall student enrolment.

Revenue from our TV/film production and investment business increased from RMB4.2 million for the six months ended 30 June 2021 to RMB95.8 million for the six months ended 30 June 2022. The increase was mainly due to the revenue recognised from the first round distribution of the TV series A New Home (新居之約) (formerly known as Dreamed House (理想的房子), 55% invested by the Group) for the six months ended 30 June 2022. There was no revenue recognised from the first round distribution of major TV series for the six months ended 30 June 2021.

**Cost of revenue**

	<b>Six months ended 30 June</b>			
	<b>2022</b>		<b>2021</b>	
	<b>(unaudited)</b>		<b>(unaudited and restated)</b>	
	(RMB'000, except percentages)			
<b>Segment Cost</b>				
Higher education (media and arts) and vocational education	<b>107,393</b>	<b>54.9%</b>	76,528	99.6%
TV/film production and investment	<b>88,340</b>	<b>45.1%</b>	272	0.4%
<b>Total</b>	<b>195,733</b>	<b>100.0%</b>	76,800	100.0%

The cost of revenue of our higher education (media and arts) and vocational education business increased from RMB76.5 million for the six months ended 30 June 2021 to RMB107.4 million for the six months ended 30 June 2022, primarily due to 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 increased from RMB0.3 million for the six months ended 30 June 2021 to RMB88.3 million for the six months ended 30 June 2022, primarily due to the cost recognised for 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) and impairment losses recognised on certain television series and film rights.

**Gross profit and gross profit margin**

	<b>Six months ended 30 June</b>			
	<b>2022</b>		<b>2021</b>	
	<b>(unaudited)</b>		<b>(unaudited and restated)</b>	
	(RMB'000, except percentages)			
Higher education (media and arts) and vocational education	<b>174,426</b>	<b>61.9%</b>	135,167	63.8%
TV/film production and investment	<b>7,501</b>	<b>7.8%</b>	3,888	93.5%
<b>Total</b>	<b>181,927</b>	<b>48.2%</b>	139,055	64.4%

As a result of the foregoing, the Group's overall gross profit from continuing operations increased by 30.8% from RMB139.1 million for the six months ended 30 June 2021 to RMB181.9 million for the six months ended 30 June 2022. The Group's overall gross profit margin decreased from 64.4% for the six months ended 30 June 2021 to 48.2% for the six months ended 30 June 2022, primarily due to the decrease in gross profit margin of our TV/film production and investment business and the increase in its revenue contribution.

The gross profit margin for our higher education (media and arts) and vocational education business decreased from 63.8% for the six months ended 30 June 2021 to 61.9% for the six months ended 30 June 2022, mainly due to increase in teachers' salaries and the depreciation of certain new teaching buildings and dormitories in our University.

## MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit margin for our TV/film production and investment business decreased from 93.5% for the six months ended 30 June 2021 to 7.8% for the six months ended 30 June 2022, mainly because (i) impairment losses on certain television and film rights were recognised during the Reporting Period, and (ii) the gross profit margin for the six months ended 30 June 2021 could not represent the normal gross profit margin of our TV/film production and investment business as there was no distribution of major TV series in that period.

### **Other income and expenses**

Other income and expenses decreased from RMB2.7 million for the six months ended 30 June 2021 to RMB2.0 million for the six months ended 30 June 2022. The change was primarily attributable to the impairment losses recognised on certain television and film rights during the Reporting Period largely offset by the increase in government grants which are non-recurring in nature.

### **Other gains and losses**

Other gains and losses decreased from RMB15.9 million for the six months ended 30 June 2021 to RMB4.0 million for the six months ended 30 June 2022, primarily due to the decrease in gains from changes in fair value of financial assets measured at FVTPL.

### **Selling expenses**

The Group's selling expenses from continuing operations increased by RMB0.8 million, or 23.7%, from RMB3.4 million for the six months ended 30 June 2021 to RMB4.2 million for the six months ended 30 June 2022, primarily due to the increase in distribution expenses of our TV/film production and investment business.

### **Administrative expenses**

The Group's administrative expenses from continuing operations increased by RMB1.5 million, or 3.3%, from RMB47.1 million for the six months ended 30 June 2021 to RMB48.7 million for the six months ended 30 June 2022. The increase was primarily due to increase in salaries for administrative staff of the Group.

### **Impairment losses under expected credit loss model, net of reversal**

Impairment losses under expected credit loss comprised mainly impairment losses on certain trade receivables from our TV/film production and investment business. The Group's impairment losses under expected credit loss model (net of reversal) increased slightly from RMB5.0 million for the six months ended 30 June 2021 to RMB5.1 million.

### **Taxation**

The Group recorded income tax expense of RMB4.1 million for the six months ended 30 June 2022, as compared to income tax credit of RMB3.9 million for the six months ended 30 June 2021, primarily because of the increase in taxable profit of our TV/film production and investment business and the decrease in deferred tax credit.

**Profit for the period from continuing operations**

As a result of the foregoing, the Group's profit from continuing operations increased by RMB19.8 million, or 18.6%, from RMB106.1 million for the six months ended 30 June 2021 to RMB125.9 million for the six months ended 30 June 2022.

**Profit (loss) for the period from discontinued operation**

Profit (loss) for the period 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 condensed consolidated financial statements in this report).

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. During the Reporting Period, the results performance of Shuimuyuan business 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 RMB38.6 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 period**

As a result of the foregoing, the Group's profit for the period increased by 79.8% from RMB91.5 million for the six months ended 30 June 2021 to RMB164.5 million for the six months ended 30 June 2022.

**Non-HKFRS Measure – Adjusted Net Profit**

In order to supplement the Group's consolidated financial statements, which are presented in accordance with 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted Net Profit, which is unaudited, represents profit for the period after adjusting for profit (loss) for the period from discontinued operation and impairment losses recognised on television series and film rights which did not exist in prior periods. The Adjusted Net Profit of the Group for the six months ended 30 June 2022 was RMB147.9 million, representing an increase of 39.4%, as compared to RMB106.1 million for the corresponding period in 2021.

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

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited and restated)
	(RMB'000)	
<b>Profit for the period</b>	<b>164,521</b>	91,520
Add: (Profit) loss for the period from discontinued operations	<b>(38,649)</b>	14,601
Add: Impairment losses recognised on television series and film rights	<b>22,012</b>	–
<b>Non-HKFRS: Adjusted Net Profit</b>	<b>147,884</b>	106,121

Adjusted Net Profit is not a measure of performance under HKFRS. The use of the 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, financial resources and capital structure

During the six months ended 30 June 2022, the Group funded its cash requirements principally from funds raised through the Global Offering (as defined in the Prospectus) in July 2020 and cash generated from operations.

As of 30 June 2022, the Group's cash and cash equivalents amounted to RMB550.3 million (as of 31 December 2021: RMB250.0 million), of which the majority were denominated in Renminbi and Hong Kong dollars. The increase in cash and cash equivalents was primarily due to the redemption of certain structured deposits which were classified as financial assets at FVTPL.

As of 30 June 2022, the Group's structured deposits and listed equity investments classified as financial assets at FVTPL amounted to RMB56.1 million (as of 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 of 30 June 2022, the current ratio (the ratio of total current assets to total current liabilities) was 679.9% (as of 31 December 2021: 267.8%). The total assets of the Group decreased from RMB3,703.5 million as of 31 December 2021 to RMB3,032.3 million as of 30 June 2022, while the total liabilities decreased from RMB988.4 million as of 31 December 2021 to RMB262.3 million as of 30 June 2022. The liability-to-asset ratio decreased from 26.7% at the end of 2021 to 8.6% as at 30 June 2022.

As of 30 June 2022, the Group did not have interest-bearing borrowings (as of 31 December 2021: nil). As of 30 June 2022, the Group's total equity amounted to RMB2,770.0 million (as of 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 of 30 June 2022, as the Group did not have any interest-bearing borrowings, its gearing ratio was zero (as of 31 December 2021: zero).

### **Capital expenditure and commitment**

During the six months ended 30 June 2022, the Group paid RMB52.6 million for the purchases of property and equipment primarily for the expansion of the capacity of our University and paid RMB17.4 million for certain leasehold land occupied by our University.

As of 30 June 2022, capital commitment of the Group was RMB14.1 million (as of 31 December 2021: RMB83.8 million).

### **Foreign exchange exposure**

During the six months ended 30 June 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 of 30 June 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 of 30 June 2022, the Group had no pledge of assets (as of 31 December 2021: nil).

### **Contingent liabilities**

The Group had no material contingent liabilities as of 30 June 2022 (as of 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 30 June 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 six months ended 30 June 2022.

### Future plans for material investments or capital asset

As of 30 June 2022, the Group did not have detailed future plans for material investments or capital assets.

### Employees and remuneration

As of 30 June 2022, the Group had a total of 1,618 employees. The following table sets forth the total number of employees by function as of 30 June 2022:

Function	Number of employees
<b>Continuing operations</b>	
Higher education (media and arts) and vocational education	
Teachers	1,377
Administration	186
TV/film production and investment	
Content creation	38
Administration	17
<b>Total</b>	<b>1,618</b>

The total remuneration cost incurred by the Group’s continuing operations for the six months ended 30 June 2022 was RMB75.0 million, as compared to RMB63.2 million for the six months ended 30 June 2021.

The Company has also adopted the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme. Please refer to the “Corporate Governance and Other Information” in this report for more details of the Post-IPO Share Award Scheme.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that transparency and good corporate governance will lead to long-term success for the Company. The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the "Previous CG Code") as set out in Appendix 14 to the Listing Rules before the amendments to the Corporate Governance Code (the "New CG Code") came into effect on 1 January 2022, save and except for code provision A.2.1 of the Previous CG Code (equivalent to C.2.1 of the New CG Code) throughout the Reporting Period, details of which are stated below. The requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest measures and standards set out in the New CG Code.

New CG Code provision C.2.1 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 performs both the roles of the Chairperson and the chief executive officer of the Company. Mr. Pu is the founder of the Group and has extensive experience in the business operations and management of the Group. The Board believes that vesting the roles of both Chairperson and chief executive officer in Mr. Pu has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning. This structure will enable the Company to make and implement decisions promptly and effectively.

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

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Management Trading of Securities Policy (the "Company's Code"), with terms no less exacting than the Model Code, 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 relevant employees and they have confirmed that they have complied with the Company's Code during the Reporting Period and up to the date of this report.

There has been no non-compliance with the required standard as set out in the Corporate Governance Code.

## GUARANTEED PROFITS OR NET ASSETS

As set out in the announcements dated 20 December 2020, 28 January 2021 and 7 April 2021, the Group acquired control of the affiliated entities comprising Shuimuyuan for an aggregate consideration of RMB300 million. Pursuant to the acquisition agreement, Mr. Ma Xiaochuan (馬小川) warranted and guaranteed that the net profit attributable to owners of the Target Company (as defined in the announcement dated 20 December 2020), consolidating the financial information of the Affiliated Entities (as defined in the announcement dated 20 December 2020), for the three years ending 31 December 2021, 2022 and 2023 as calculated in accordance with PRC GAAP shall not be less than RMB24 million, RMB27.6 million and RMB31.74 million, respectively.

On 28 March 2022, the Group, Mr. Ma Xiaochuan and his associates entered into an agreement to unwind the acquisition agreement, pursuant to which the Group agreed to sell, and Mr. Ma Xiaochuan and his associates agreed to acquire, the entire equity interests of the affiliated entities comprising Shuimuyuan for a consideration of RMB165 million. Reference is made to the Company's announcements dated 28 March 2022 and 16 August 2022 and the circular of the Company dated 25 May 2022 for details.

## DISCLOSURES PURSUANT TO RULES 13.13 AND 13.20 OF THE LISTING RULES

In order to facilitate the restructuring in connection with the acquisition of the Olympic College of Nanjing Sport Institute as disclosed in the section headed "Business Review and Outlook" in this report, the Group entered into Loan Agreement for the principal amounts of RMB250 million (the "1st Loan") and RMB170 million (the "2nd Loan"), respectively, to be extended to the 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) referred to as the Transferor.

The 1st Loan and the 2nd Loan are free of interest and repayment of these loans shall be at the earlier of six (6) months from the drawdown date of the respective Loan Agreements, or the completion date pursuant to the respective Loan Agreement, or the compulsory early repayment date pursuant to the respective Loan Agreement. Mr. Ye Hua and Ms. Gao Jiehong, two of the founders of the Olympic College, have executed share pledges in favour of Nanjing Lanchou over the entire interest of the Transferor and 9% equity interest in Jiangsu Zijin Science and Education Investment Co. Ltd.\* (江蘇紫金科教投資有限公司) as collateral relating to the 1st Loan and the 2nd Loan.

As at 30 June 2022, the 1st loan and the 2nd loan provided under the Loan Agreements remained outstanding, and the aggregate amount (before credit impairment loss) was RMB420 million, which exceeded 8% under the assets ratio (as defined under Chapter 14 of the Listing Rules) and constituted an advance to an entity under Rule 13.13 of the Listing Rules.

For details of the Loan Agreements in relation to the 1st Loan and 2nd Loan, please see the Company's announcement dated 22 June 2021.

## AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 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.

In addition, the independent auditor of the Company, Deloitte Touche Tohmatsu, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## 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 the 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
<b>Total</b>	<b>5,063,000</b>			<b>9,652</b>

Save as disclosed above in the "Corporate Governance and Other Information" and in the "Notes to the Condensed Consolidated Financial Statements", 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

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this report.

## USE OF PROCEEDS FROM GLOBAL OFFERING

On the Listing Date, the Shares 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 have been 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 the use of proceeds from the Global Offering as of 30 June 2022:

Purpose	% of use of proceeds	Net proceeds (HK\$ million)	Amount used as of 31 December 2021 (HK\$ million)	Amount used during the six months ended 30 June 2022 (HK\$ million)	Unutilised as of 30 June 2022 (HK\$ million)	Expected time of full utilisation
Invest in high quality content of TV/film production	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
<b>Total</b>		1,383.0	1,370.8	12.2	-	

## DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended the payment of an interim dividend for the six months ended 30 June 2022 of HK\$0.06 per share to Shareholders whose names appear on the register of members of the Company at the close of business on 12 October 2022. The interim dividend will be distributed to Shareholders on or about 28 October 2022.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from 10 October 2022 to 12 October 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, no later than 4:30 p.m. on 7 October 2022.

## DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION PURSUANT TO LISTING RULE 13.51B(1)

As disclosed in the Company's circular dated 26 April 2022, Mr. Sun Haitao ("Mr. Sun") did not offer himself for re-election as executive Director at the Company's annual general meeting (the "AGM") held on 27 May 2022 and Mr. Lau Chi Hung ("Mr. Derek Lau") was proposed to be elected as executive Director at the AGM. Accordingly, Mr. Sun retired as executive Director on 27 May 2022. Mr. Derek Lau was elected as executive Director at the AGM.

Mr. Lee Cheuk Yin Dannis, an independent non-executive Director, retired as independent non-executive director of Geely Automobile Holdings Limited (stock code: 175) on 25 May 2022.

Save as disclosed above, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the 2021 annual report of the Company on 26 April 2022.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange are set out below:

### Interest in the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding <sup>(1)</sup>
Mr. Pu	Founder of a discretionary trust	1,160,934,000	70.14%
Mr. Lau Chi Hung	Beneficial owner	100,000	0.00%

Note:

(1) The calculation is based on the total number of 1,654,937,000 Shares in issue as at 30 June 2022.

### Interest in associated corporations

Associated corporation	Name of director	Nature of interest	Number of shares/amount of contribution to registered capital	Interest in associated corporation
Cathay Media Holding Inc.	Mr. Pu	Interest in a controlled corporation	1	100%

Save as disclosed above, as of 30 June 2022, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company or their respective associate has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 30 June 2022, the following persons (other than the Directors and chief executives whose interests have been disclosed in this interim report) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO:

<b>Name of Shareholder</b>	<b>Capacity/Nature of interest</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of holding<sup>(1)</sup></b>
Mr. Pu <sup>(2)</sup>	Founder of a discretionary trust	1,160,934,000	70.14%
Cathay Media Holding Inc. <sup>(2)</sup>	Beneficial owner	1,160,934,000	70.14%
Media One International (PTC) Limited	Trustee	1,160,934,000	70.14%
Winning Global Ventures Limited <sup>(2)</sup>	Interest in a controlled corporation	1,160,934,000	70.14%
Aero Holdings Limited	Interest in a controlled corporation	88,874,000	5.37%
Highland Pines Limited	Beneficial owner	88,874,000	5.37%
Lam Lai Ming	Interest in a controlled corporation	88,874,000	5.37%
Li Gabriel	Interest in a controlled corporation	88,874,000	5.37%

Notes:

(1) The calculation is based on the total number of 1,654,937,000 Shares in issue as at 30 June 2022.

(2) Cathay Media Holding Inc. is wholly-owned by Winning Global Ventures Limited. Mr. Pu, as settlor, controls Winning Global Ventures Limited through a discretionary trust.

Save as disclosed above, as of 30 June 2022, no other person (other than the Directors and chief executives of the Company) had any interest or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## SHARE SCHEMES

### (i) Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was conditionally adopted pursuant to the resolutions of the Shareholders on 22 June 2020. The Post-IPO Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons with those of our Group through ownership of 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.

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to our Group is eligible to receive an award.

The maximum aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Shares which have been forfeited in accordance with the Share Award Scheme) will not exceed 32,000,000 Shares (representing approximately 2% of the total issued Shares as of the Listing Date) without further Shareholders' approval (the "Share Award Scheme Limit"), subject to an annual limit of 1% of the total number of issued Shares of the relevant times. Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Scheme.

The Post-IPO Share Award Scheme shall be valid and effective for ten years from the Listing Date (after which no awards will be granted), and thereafter for so long as there are any non-vested Shares granted prior to the expiration of the Post-IPO Share Award Scheme, in order to give effect to the vesting of such Shares or otherwise as may be required in accordance with the rules of the Post-IPO Share Award Scheme.

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"). On 7 October 2021, the Board approved to set aside funds through internal resources for the Trustee in respect of the purchase of the Shares on and/or off the market at appropriate time for the operation of the Post-IPO Share Award Scheme. The Shares purchased will be used to satisfy the Award Shares to provide incentive to the selected participants in the future.

As at 30 June 2022, the Trustee has purchased a total of 32,000,000 Shares (as of 31 December 2021: 13,741,000 Shares) on the Stock Exchange and no Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme. Further details of the Post-IPO Share Award Scheme are set out in the Prospectus.

**(ii) Post-IPO Share Option Scheme**

The Post-IPO Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders passed on 22 June 2020. The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted). The remaining life of the Post-IPO Share Option Scheme is approximately 8 years.

The purpose of the Post-IPO Share Option Scheme is to provide eligible persons to the Post-IPO Share Option Scheme with the opportunity to acquire proprietary interests in our Company and to encourage the eligible person to work towards enhancing the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to eligible persons.

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any of our Group's affiliates who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options.

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company is 160,000,000, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "Option Scheme Mandate Limit"). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "Option Scheme Limit"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time subject to prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Option Scheme Mandate Limit as refreshed cannot exceed 10% of the Shares in issue as of the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit. Our Company may also seek separate approval of our Shareholders in general meeting for granting options beyond the Option Scheme Mandate Limit, provided such grant is to eligible person specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought.

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each eligible person (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue.

A consideration of HK\$1.00 is payable within 20 business days from the date of grant of an option.

An option may, subject to the rules of the Post-IPO Share Option Scheme and the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as our Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

As at 30 June 2022, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 160,000,000 Shares.

Further details of the Post-IPO Share Option Scheme are set out in the Prospectus.

## REGULATORY UPDATE

As advised by the PRC Legal Adviser, there has been no significant PRC regulatory update relating to our business in China since the publication of the Company's 2021 annual report. Please refer to the Company's 2021 annual report published on 26 April 2022 for details of the relevant regulatory update.

### Qualification requirements

There has been no significant update since the publication of the Company's 2021 annual report. Please refer to the Company's 2021 annual report published on 26 April 2022 for details.

**Pu Shulin**

*Chairperson*

31 August 2022

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## **To the Board of Directors of Cathay Media and Education Group Inc.**

華夏視聽教育集團

*(incorporated in the Cayman Islands with limited liability)*

## **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Cathay Media and Education Group Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 30 to 57, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2021 and the relevant explanatory notes included in these condensed consolidated financial statements were extracted from the interim financial information of the Group for the six months ended 30 June 2021 reviewed by another auditor who expressed an unmodified conclusion on the interim financial information on 30 August 2021. The comparative condensed consolidated statement of financial position as at 31 December 2021 were extracted from the consolidated financial statements of the Group for the year ended 31 December 2021 audited by the same auditor who expressed an unmodified opinion on those statements on 31 March 2022.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong  
31 August 2022

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited and restated)
<b>Continuing operations</b>			
Revenue	4	377,660	215,855
Cost of revenue		(195,733)	(76,800)
Gross profit		181,927	139,055
Other income and expenses	5	1,988	2,715
Other gains and losses	6	4,001	15,854
Selling expenses		(4,174)	(3,374)
Administrative expenses		(48,653)	(47,112)
Impairment losses under expected credit loss model, net of reversal		(5,113)	(4,963)
Profit before tax		129,976	102,175
Income tax (expense) credit	7	(4,104)	3,946
Profit for the period from continuing operations	8	125,872	106,121
<b>Discontinued operation</b>			
Profit (loss) for the period from discontinued operation (including derecognised contingent considerations of RMB56,000,000)	9	38,649	(14,601)
Profit for the period		164,521	91,520
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		10,085	(12,786)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		444	367
Other comprehensive income (expense) for the period		10,529	(12,419)
Total comprehensive income for the period		175,050	79,101
Profit (loss) for the period attributable to owners of the Company:			
– from continuing operations		112,543	96,189
– from discontinued operation		39,579	(13,331)
Profit for the period attributable to owners of the Company		152,122	82,858
Profit (loss) for the period attributable to non-controlling interests:			
– from continuing operations		13,329	9,932
– from discontinued operation		(930)	(1,270)
Profit for the period attributable to non-controlling interests		12,399	8,662
		164,521	91,520

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited and restated)
Total comprehensive income for the period attributable to:			
Owners of the Company		162,651	70,439
Non-controlling interests		12,399	8,662
		175,050	79,101
Total comprehensive income (expense) for the period attributable to owners of the Company:			
– from continuing operations		123,072	83,770
– from discontinued operation		39,579	(13,331)
		162,651	70,439
Earnings per share	11		
From continuing and discontinued operations			
– Basic and diluted (RMB cents)		9.30	4.99
From continuing operations			
– Basic and diluted (RMB cents)		6.88	5.79

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
<b>Non-current Assets</b>			
Property and equipment	12	1,004,397	946,959
Right-of-use assets	12	114,010	99,840
Other intangible assets		1,483	1,278
Deferred tax assets		18,744	16,535
Trade and other receivables	15	59,145	–
Financial assets at fair value through profit or loss (“FVTPL”)	16	56,861	56,861
		<b>1,254,640</b>	1,121,473
<b>Current Assets</b>			
Television series and film rights	13	26,549	47,205
Inventories	14	61,993	94,670
Trade and other receivables	15	1,082,708	999,039
Financial assets at FVTPL	16	56,125	577,994
Bank balances and cash		550,301	249,953
		<b>1,777,676</b>	1,968,861
Assets classified as held for sale		–	613,168
		<b>1,777,676</b>	2,582,029
<b>Current Liabilities</b>			
Trade and other payables	17	203,925	200,144
Contract liabilities	18	30,525	281,716
Financial liabilities at FVTPL		–	32,862
Tax liabilities		6,077	12,486
Dividend payable		20,950	20,950
		<b>261,477</b>	548,158
Liabilities associated with assets classified as held for sale		–	416,168
		<b>261,477</b>	964,326
<b>Net Current Assets</b>		<b>1,516,199</b>	1,617,703
<b>Total Assets less Current Liabilities</b>		<b>2,770,839</b>	2,739,176
<b>Non-current Liabilities</b>			
Financial liabilities at FVTPL		–	23,138
Deferred income		818	965
		<b>818</b>	24,103
<b>Net Assets</b>		<b>2,770,021</b>	2,715,073
<b>Capital and Reserves</b>			
Share capital	19	117	118
Reserves		2,597,937	2,545,789
Equity attributable to owners of the Company		<b>2,598,054</b>	2,545,907
Non-controlling interests		171,967	169,166
<b>Total Equity</b>		<b>2,770,021</b>	2,715,073

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company									
	Share capital	Shares held for share award scheme	Share premium	Capital reserve	Translation reserve	Statutory surplus reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	118	(34,778)	1,052,889	247,627	(97,830)	379,076	998,805	2,545,907	169,166	2,715,073
Profit for the period	-	-	-	-	-	-	152,122	152,122	12,399	164,521
Other comprehensive income for the period	-	-	-	-	10,529	-	-	10,529	-	10,529
Total comprehensive income for the period	-	-	-	-	10,529	-	152,122	162,651	12,399	175,050
Disposal of a subsidiary (note 9)	-	-	-	-	-	-	-	-	(9,598)	(9,598)
Purchases of shares under share award scheme (note 20)	-	(17,633)	-	-	-	-	-	(17,633)	-	(17,633)
Repurchase and cancellation of shares (note 19)	(1)	-	(8,255)	-	-	-	-	(8,256)	-	(8,256)
Transaction costs attributable to repurchase and cancellation of shares	-	-	(48)	-	-	-	-	(48)	-	(48)
Dividend recognised as distribution (note 10)	-	-	(84,567)	-	-	-	-	(84,567)	-	(84,567)
At 30 June 2022 (unaudited)	117	(52,411)	960,019	247,627	(87,301)	379,076	1,150,927	2,598,054	171,967	2,770,021
At 1 January 2021 (audited)	118	-	1,246,184	247,627	(83,970)	353,950	966,404	2,730,313	144,871	2,875,184
Profit for the period	-	-	-	-	-	-	82,858	82,858	8,662	91,520
Other comprehensive expense for the period	-	-	-	-	(12,419)	-	-	(12,419)	-	(12,419)
Total comprehensive (expense) income for the period	-	-	-	-	(12,419)	-	82,858	70,439	8,662	79,101
Non-controlling interests arising on acquisitions of subsidiaries	-	-	-	-	-	-	-	-	10,000	10,000
Dividend recognised as distribution (note 10)	-	-	(110,859)	-	-	-	-	(110,859)	-	(110,859)
At 30 June 2021 (unaudited)	118	-	1,135,325	247,627	(96,389)	353,950	1,049,262	2,689,893	163,533	2,853,426

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(143,224)</b>	(277,462)
<b>INVESTING ACTIVITIES</b>		
Interest received	433	–
Proceeds on disposals of property and equipment	–	48
Purchases of property and equipment	(52,605)	(121,280)
Purchases of leasehold land	(17,366)	–
Purchases of other intangible assets	(321)	(383)
Purchases of financial assets at FVTPL	(250,500)	(1,206,991)
Redemptions of financial assets at FVTPL	775,948	1,460,109
Net cash outflow on acquisition of subsidiaries	–	(157,374)
Net cash inflow on disposal of subsidiaries	34,733	–
Loans to third parties in relation to business combination	–	(420,000)
Net cash inflow on acquisition of a subsidiary	–	1,756
Net cash from (used in) investing activities	<b>490,322</b>	(444,115)
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(84,567)	(111,516)
Payments for shares under share award scheme	(17,633)	–
Payment on repurchase and cancellation of shares	(8,256)	–
Transaction costs attributable to repurchase and cancellation of shares	(48)	–
Repayments of leases liabilities	(353)	(3,761)
Issue costs paid	–	(7,647)
Net cash used in financing activities	<b>(110,857)</b>	(122,924)
Net increase (decrease) in cash and cash equivalents	<b>236,241</b>	(844,501)
Cash and cash equivalents at the beginning of the period, represented by		
bank balances and cash	249,953	1,308,667
bank balances and cash classified as held for sale	62,418	–
Effect of foreign exchange rate changes	<b>1,689</b>	(838)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>550,301</b>	463,328

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

Certain comparative figures for the six months ended 30 June 2021 and as at 31 December 2021 have been re-classified to conform to the current period presentation.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed 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 interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the provision of higher and vocational education services and television series and film productions in the PRC.

### Disaggregation of revenue from contracts with customers from continuing operations

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited and restated)
<b>Types of goods or services</b>		
Sale of inventories	94,380	–
Licensing of television series and film rights	1,461	4,160
Higher education related income		
– Tuition fees	150,274	125,131
– Boarding fees	13,164	10,493
International preparatory program	20,522	21,570
Continuing education services	45,420	24,060
Entrance examination fee income	36,483	25,974
Education management service income	8,500	–
Others	7,456	4,467
	<b>377,660</b>	<b>215,855</b>
<b>Geographical markets (Note)</b>		
Mainland China	376,744	215,297
Others	916	558
	<b>377,660</b>	<b>215,855</b>
<b>Timing of revenue recognition</b>		
A point in time	132,324	30,134
Over time	245,336	185,721
	<b>377,660</b>	<b>215,855</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### 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. and its subsidiaries (collectively referred as "Shuimuyuan") on 6 April 2021 (the "Acquisition"), 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 was set out in note 36 of the Group's consolidated financial statements for the year ended 31 December 2021 in the 2021 annual report.

In December 2021, the management of the Company determined to dispose of Shuimuyuan. On 28 March 2022, the board of directors of the Company had approved the unwind agreement to dispose of Shuimuyuan, and the disposal had been completed on 12 April 2022. Accordingly, Shuimuyuan was reported as a discontinued operation in the condensed consolidated financial statements, which was not reported in the following segment information. Details of the discontinued operation are set out in note 9.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### Segment information (continued)

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

*For the six months ended 30 June 2022 (unaudited)*

	Higher and vocational education RMB'000 (unaudited)	Television series and film production RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Continuing operations</b>				
<b>Revenue</b>				
External sales	281,819	95,841	–	377,660
<b>Results</b>				
Segment results	147,776	(12,390)	–	135,386
<b>Unallocated</b>				
Other income and expenses				1,537
Other gains and losses				422
Corporate administrative expenses				(7,369)
Profit before tax from continuing operations				129,976

*For the six months ended 30 June 2021 (unaudited)*

	Higher and vocational education RMB'000 (unaudited and restated)	Television series and film production RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Total RMB'000 (unaudited and restated)
<b>Continuing operations</b>				
<b>Revenue</b>				
External sales	211,695	4,160	–	215,855
<b>Results</b>				
Segment results	123,546	(15,425)	–	108,121
<b>Unallocated</b>				
Other income and expenses				640
Other gains and losses				2,066
Corporate administrative expenses				(8,652)
Profit before tax from continuing operations				102,175

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### Segment information (continued)

#### Information about major customers

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A <sup>1</sup>	67,669	N/A <sup>2</sup>

<sup>1</sup> Revenue from sale of inventories

<sup>2</sup> No revenue recognised in profit or loss for the corresponding period

## 5. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
<b>Continuing operations</b>		
Government grants (Note)	14,780	943
Non-regular service income	1,693	505
Interest income from consideration receivables (note 9)	1,104	–
Donation income	500	590
Interest income from banks	433	640
Impairment losses recognised on television series and film rights (note 8)	(16,744)	–
Others	222	37
	1,988	2,715

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Continuing operations		
Gains from changes in fair value of financial assets measured at FVTPL	3,579	14,520
Losses from changes in fair value of financial liabilities measured at FVTPL	–	(2,000)
Net foreign exchange gains	422	2,066
Others	–	1,268
	4,001	15,854

## 7. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
<b>Continuing operations</b>		
PRC Enterprise Income Tax (“EIT”)		
– Current tax	6,313	1,204
– Deferred tax	(2,209)	(5,150)
	4,104	(3,946)

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

Since 1 April 2018, Hong Kong profits tax rate is calculated at 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong profits tax for both periods.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 7. INCOME TAX EXPENSE (CREDIT) (continued)

According to the relevant provisions of Implementation Rules for the Law for Promoting Private Education and the Implementation Rules, private schools for which the school sponsors do not require reasonable returns or schools elected as to be not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. As a result, 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, Communication University of China, Nanjing (南京傳媒學院) (“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. During the six months ended 30 June 2022, 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 periods. During the six months ended 30 June 2022, the non-taxable income amounted to RMB279,849,000 (six months ended 30 June 2021: RMB211,695,000), and the related non-deductible expenses amounted to RMB129,658,000 (six months ended 30 June 2021: RMB86,059,000).

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

## 8. PROFIT FOR THE PERIOD

Profit for the period from continuing operations has been arrived at after charging the following items:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Profit for the period from continuing operations has been arrived at after charging:		
Directors' remuneration	2,433	2,451
Other staff costs		
– salaries and other allowances	63,101	53,080
– retirement benefit scheme contributions	9,441	7,689
Total staff costs	74,975	63,220
Impairment losses recognised on television series and film rights included in		
– cost of revenue	5,268	–
– other income and expenses (note 5)	16,744	–
Depreciation of property and equipment	23,676	17,375
Depreciation of right-of-use assets	3,196	3,196
Amortisation of other intangible assets	116	398

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 9. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN

### Business combination

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

Pursuant to the Acquisition Agreement, the Founder of Shuimuyuan has warranted and guaranteed to Nanjing Bicheng that the net profit attributable to owners of Shuimuyuan, for each of the three years ended/ending 31 December 2021, 2022 and 2023 (each a “Performance Guaranteed Year”) as calculated in accordance with PRC accounting standards shall not be less than RMB24,000,000, RMB27,600,000 and RMB31,740,000 (the “Guaranteed Net Profit”), respectively. If the audited net profit is less than the Guaranteed Net Profit in each a Performance Guaranteed Year, the Founder shall compensate Nanjing Bicheng in cash (the “Performance Compensation”), which amount is based on the formula agreed in the Acquisition Agreement. Nanjing Bicheng has the right to choose to offset its outstanding payment obligations of RMB45,000,000 for each of the three years ended/ending 31 December 2021, 2022 and 2023 with its due Performance Compensation. As at 31 December 2021, the directors of the Company considered the fair value of contingent considerations amounted to RMB56,000,000.

Details of the business combination were set out in note 36 of the consolidated financial statements in the 2021 annual report.

### 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 Group’s art training service business operation was treated as a discontinued operation for both financial periods.

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), 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 Purchasers have agreed to the settlement arrangement relating to the outstanding amount of the loan, that Nanjing Lanchou Corporate Management Co., Ltd. (南京藍籌企業管理有限公司) (“Nanjing Lanchou”), a consolidated affiliated entity of the Group, granted to Shuimuyuan amounting to RMB12,675,000, which will be settled by 31 December 2022. The disposal was completed on 12 April 2022 and the contingent considerations in the Acquisition Agreement was lapsed and included in the calculation of the gain or loss on disposal of Shuimuyuan.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 9. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN (continued)

#### Discontinued operation and disposal of Shuimuyuan (continued)

Gain (loss) for the period from discontinued operation was set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the art training service operation as a discontinued operation.

	<b>1 January 2022 to 12 April 2022 RMB'000 (unaudited)</b>	6 April 2021 to 30 June 2021 RMB'000 (unaudited)
Loss for the period from discontinued operation	(19,568)	(14,601)
Gain on disposal of Shuimuyuan	58,217	–
	<b>38,649</b>	(14,601)

The results of the discontinued operation were as follows:

	<b>1 January 2022 to 12 April 2022 RMB'000 (unaudited)</b>	6 April 2021 to 30 June 2021 RMB'000 (unaudited)
Revenue	21,624	15,081
Cost of revenue, selling expenses and administrative expenses	(40,816)	(33,957)
Finance costs	(2,434)	(2,750)
Other income	850	36
Loss before income tax	(20,776)	(21,590)
Income tax credit	1,208	6,989
Loss for the period	(19,568)	(14,601)
Loss for the period from discontinued operation attributable to		
Owner of the Company	(18,638)	(13,331)
Non-controlling interests	(930)	(1,270)
	<b>(19,568)</b>	(14,601)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 9. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN (continued)

### Discontinued operation and disposal of Shuimuyuan (continued)

The net cash flows (used in) from the discontinued operation were as follows:

	<b>1 January 2022 to 12 April 2022 RMB'000 (unaudited)</b>	6 April 2021 to 30 June 2021 RMB'000 (unaudited)
Net cash flows (used in) from operating activities	(46,682)	78,380
Net cash flows used in investing activities	(116)	(16,263)
Net cash flows (used in) from financing activities	(353)	10,488
Net cash flows	(47,151)	72,605

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

	<b>RMB'000 (unaudited)</b>
Cash received	50,000
Deferred cash consideration (Note)	107,376
Total consideration	157,376

	<b>12 April 2022 RMB'000 (unaudited)</b>
<b>Analysis of assets and liabilities over which control was lost:</b>	
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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 9. BUSINESS COMBINATION/DISCONTINUED OPERATION AND DISPOSAL OF SHUIMUYUAN (continued)

#### Discontinued operation and disposal of Shuimuyuan (continued)

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

	12 April 2022 RMB'000 (unaudited)
<b>Gain on disposal of Shuimuyuan:</b>	
Consideration received and receivables	157,376
Contingent considerations derecognised in relation to the Acquisition	56,000
Net assets disposed of (excluding goodwill)	(109,378)
Attributable goodwill	(55,379)
Non-controlling interests	9,598
Gain on disposal	58,217
<b>Net cash inflow arising on disposal:</b>	
Cash consideration	50,000
Less: bank balances and cash disposed of	(15,267)
	34,733

Note: Pursuant to the unwind agreement, the deferred considerations amounting to RMB115,000,000 will be settled in four instalments by 15 August 2022, 15 December 2022, 31 December 2023 and 31 December 2024, respectively. Accordingly, the deferred considerations have been adjusted for the effects of time value of money using an effective interest rate of 4.75% per annum. In the current period, imputed interest income amounted to RMB1,104,000 was recognised and such consideration receivables were analysed at 30 June 2022 as follows:

	RMB'000 (unaudited)
Consideration receivables	
– Current	49,335
– Non-current	59,145
	108,480

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 10. DIVIDEND

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

On 27 May 2021, a final dividend of HK\$8 cents per share (equivalent to approximately RMB7 cents) in respect of the year ended 31 December 2020 was declared to owners of the Company. The aggregate amount of the final dividend declared and paid in the prior period amounted to approximately HK\$132,800,000 (approximately equivalent to RMB110,859,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK6 cents per share amounting to HK\$99,296,000 in aggregate (six months ended 30 June 2021: HK\$6 cents per share amounting to HK\$99,600,000) (equivalent to approximately RMB82,436,000) will be paid to owners of the Company whose names appear in the Register of Members on 12 October 2022.

## 11. EARNINGS PER SHARE

### From continuing and discontinued operations

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share profit for the period attributable to owners of the Company	152,122	82,858

  

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (Note)	1,636,483,293	1,660,000,000

Note: The computation of diluted earnings per share for the six months ended 30 June 2022 did not consider the effect of shares under the share award scheme adopted on 24 September 2021 as there was no restricted shares granted by the Group during the six months ended 30 June 2022. Accordingly, the diluted earnings per share was same as the basic earnings per share for the six months ended 30 June 2022.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 11. EARNINGS PER SHARE (continued)

### From continuing operations

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited and restated)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share profit for the period attributable to owners of the Company from continuing operations	112,543	96,189

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

### From discontinued operation

Basic and diluted earnings per share from discontinued operation is RMB2.42 cents per share (six months ended 30 June 2021: basic and diluted loss per share is RMB0.80 cents per share) based on the profit for the period from discontinued operation of RMB39,579,000 (six months ended 30 June 2021: loss for the period: RMB13,331,000) and the denominators detailed above for both basic and diluted earnings/loss per share.

## 12. MOVEMENTS IN PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group incurred approximately RMB67,704,000 (six months ended 30 June 2021: RMB92,358,000) for construction costs for new teaching buildings and dormitories of CUCN and approximately RMB13,410,000 (six months ended 30 June 2021: RMB11,487,000) for acquisitions of furniture and fixtures, motor vehicles, education equipment and office equipment.

During the current interim period, the Group entered into a new leasehold land agreement with no definite lease term, to expand the capacity of CUCN with more teaching buildings and dormitories. On lease commencement, the Group recognised RMB17,366,000 of right-of-use assets related to a leasehold land (six months ended 30 June 2021: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 12. MOVEMENTS IN PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

As at 30 June 2022, the Group is in the process of obtaining title deeds of buildings with carrying value of RMB483,375,000 (31 December 2021: RMB315,179,000).

As at 30 June 2022, the carrying values of the leasehold lands of RMB112,077,000 (31 December 2021: RMB95,971,000) are allocated by the government, which have no definite lease term stated in the relevant leasehold lands certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such leasehold lands allocated by the government.

### 13. TELEVISION SERIES AND FILM RIGHTS

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Television series and film rights		
– Adaption rights and scripts	23,022	21,742
– Under production	8,978	25,463
– Completed production	16,561	–
	48,561	47,205
Less: Impairment losses	(22,012)	–
	26,549	47,205

Movements of television series and film rights are as follows:

	<b>Adaption rights and scripts RMB'000</b>	<b>Under production RMB'000</b>	<b>Completed production RMB'000</b>	<b>Total RMB'000</b>
As at 1 January 2022 (audited)	21,742	25,463	–	47,205
Additions	1,280	76	–	1,356
Transfer upon production completed	–	(16,561)	16,561	–
Impairment losses	(16,744)	(5,268)	–	(22,012)
As at 30 June 2022 (unaudited)	6,278	3,710	16,561	26,549

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 14. INVENTORIES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Work in progress	33,691	94,670
Finished goods	28,302	–
	<b>61,993</b>	94,670

Inventories recognised as cost of revenue during the six months ended 30 June 2022 amounted to approximately RMB83,019,000 (six months ended 30 June 2021: Nil).

### 15. TRADE AND OTHER RECEIVABLES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
<b>Trade receivables</b>		
– from television series and film productions	477,803	406,969
– from higher and vocational education	453	651
	<b>478,256</b>	407,620
Less: Allowance for credit losses	<b>(27,773)</b>	(23,429)
	<b>450,483</b>	384,191
<b>Prepayments</b>		
Prepayments for television series and film productions	102,365	151,759
Prepayment for teaching materials	1,026	481
Value added tax recoverable	7,202	5,422
Others	5,775	5,167
	<b>116,368</b>	162,829
<b>Other receivables</b>		
Loan receivables in relation to acquisition of Olympic College (Note)	420,000	420,000
Loan receivable from Shuimuyuan (note 9)	12,675	–
Consideration receivable on disposal of Shuimuyuan (note 9)	108,480	–
Receivable from sale of a television series copyright	93,524	93,524
Payments of utilities on behalf of canteen operators and other third parties	3,760	3,782
Deposits	3,091	1,071
Advance to staff	1,772	1,625
Others	778	326
	<b>644,080</b>	520,328

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 15. TRADE AND OTHER RECEIVABLES (continued)

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Less: Allowance for credit losses	<b>(69,078)</b>	(68,309)
	<b>575,002</b>	452,019
	<b>1,141,853</b>	999,039
<b>Analysed as:</b>		
– Current	<b>1,082,708</b>	999,039
– Non-current	<b>59,145</b>	–
	<b>1,141,853</b>	999,039

Note: 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.

On 21 June 2021, to facilitate the series of restructuring stated in the sale and purchase agreement, Nanjing Lanchou has also entered into two loan agreements, pursuant to which Nanjing Lanchou shall grant to the Transferor two bridging loans in the principal amounts of RMB250,000,000 and RMB170,000,000, respectively. The total loans of RMB420,000,000 are non-interest bearing with maturity date of six months from the date of disbursement, out of which, RMB420,000,000 shall not be used for any purpose other than the repayment of subject debt agreed in the loan agreements. Mr. Ye Hua and Ms. Gao Jiehong, the founders of the Transferor, has pledged their 67% and 33% of equity interests in the Transferor as well as 9% equity interests in Jiangsu Zijin Science and Education Investment Co., Ltd. (江蘇紫金科教投資有限公司), an entity in which Mr. Ye Hua held 30% equity interests, to Nanjing Lanchou as securities for the bridging loans. The Group has granted the aforementioned bridging loans in June 2021.

As at 30 June 2022, the total bridging loans of RMB420,000,000 has not been repaid by the Transferor. The Group has performed individual assessment on the recoverability of the overdue bridging loans using the discounted cash flow model. In making such impairment test, management considered such as revenue growth rate, the cost of equity of comparable companies in the industry and discount rate, and exercised judgement in developing its expectation for the future cash flows. The Group has recognised allowance for credit amounted to RMB61,207,000 (2021: RMB61,207,000).

As of the date of the approval of these condensed consolidated financial statements, the acquisition was not yet completed.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 15. TRADE AND OTHER RECEIVABLES (continued)

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

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Within 6 months	74,327	174,845
6 to 12 months	171,036	555
1 to 2 years	203,375	203,375
2 to 3 years	1,745	5,416
	<b>450,483</b>	384,191

### 16. FINANCIAL ASSETS AT FVTPL

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
<b>Financial assets mandatorily measured at FVTPL (Note i):</b>		
– Film production investments (Note ii)	56,861	56,861
– Structured deposits (Note iii)	52,259	571,362
– Listed equity investments	3,866	6,632
	<b>112,986</b>	634,855
<b>Analysed as:</b>		
– Current	56,125	577,994
– Non-current	56,861	56,861
	<b>112,986</b>	634,855

Notes:

- i. Details of the fair value measurement for financial assets at FVTPL are set out in note 21.
- ii. The film production investments were two investments that the Group provided funding and was not entitled to the film copyrights. These financial assets were with minimum guaranteed return rates of 3.33% and 30%, respectively.
- iii. The structured deposits were short-term investments issued by banks with no predetermined or guaranteed return and were not principal protected. These financial assets were with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 17. TRADE AND OTHER PAYABLES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade payables	59,147	86,865
Payables for purchases of property and equipment	78,408	49,899
Payroll payables	19,367	21,250
Miscellaneous deposits received from students	18,081	16,094
Payables for deposits	9,954	12,414
Discretionary subsidies received on behalf of students	4,547	4,784
Value added tax and other taxes payable	7,993	1,045
Payables for professional services	2,214	914
Other payables	4,214	6,879
	<b>203,925</b>	200,144

The following is an analysis of trade payables by age, presented based on the invoice dates:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Within 1 year	17,090	40,605
1 to 2 years	18,545	19,140
Over 2 years	23,512	27,120
	<b>59,147</b>	86,865

## 18. CONTRACT LIABILITIES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
<b>Contract liabilities</b>		
– from television series and film production	24,856	19,178
– from higher and vocational education	5,669	262,538
	<b>30,525</b>	281,716
<b>Analysed as:</b>		
– Current	<b>30,525</b>	281,716

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 19. SHARE CAPITAL

	Number of shares	Share Capital HK\$	Shown in the condensed consolidated financial statements RMB'000
<i>Ordinary shares of HK\$0.00001 each</i>			
<b>Authorised:</b>			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	5,000,000,000	50,000	–
<b>Issued and fully paid:</b>			
At 1 January 2021 (audited), 30 June 2021 (unaudited) and 1 January 2022 (audited)	1,660,000,000	16,600	118
Shares repurchased and cancelled (Note)	(5,063,000)	(51)	(1)
At 30 June 2022 (unaudited)	<b>1,654,937,000</b>	<b>16,549</b>	<b>117</b>

Note: During the current period, 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 Equivalent to	
		Highest HK\$	Lowest 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

### 20. SHARE AWARD SCHEME

On 24 September 2021, the Company adopted the share award scheme to align the interests of eligible persons with those of the Company through ownership of 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 the Group. The Company has set up the Cathay Media and Education Share Incentive (the "Trust") to administer and hold the Company's shares before they are vested and transferred. The Trust purchased the Company's shares from the open market using cash contributed by the Company, not permitted to exceed 32,000,000 shares without further shareholders' approval. As at 30 June 2022, no shares were granted by the Company (2021: Nil).

During the six months ended 30 June 2022, 18,259,000 shares amounted to HK\$20,565,000 (equivalent to approximately RMB17,633,000) were purchased under the share award scheme (six months ended 30 June 2021: Nil). As at 30 June 2022, 32,000,000 shares in a total consideration of HK\$63,157,000 (equivalent to approximately RMB52,411,000) were recognised as treasury shares in the condensed consolidated statement of changes in equity.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value measurements and valuation processes

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets/ financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)				
Financial assets at FVTPL:						
– Listed equity investments	3,866	6,632	Level 1	Quoted prices in active markets	N/A	N/A
– Structured deposits	52,259	571,362	Level 3	Discounted cash flow method was used/ expected return rate	Expected return rates from 2.2% to 4.28% (2021: 2.48% to 4.28%)	The higher the expected return, the higher the fair value, vice versa
– Film production investment	56,861	56,861	Level 3	Discounted cash flow method was used/ expected return rate	Expected return rates from 3.3% to 30% (2021: 3.3% to 30%)	The higher the expected return, the higher the fair value, vice versa
Financial liabilities at FVTPL:						
– Contingent consideration in a business combination	–	56,000	Level 3	Monte Carlo method was used to capture the present value of the expected future economic benefits that will flow arising from the contingent consideration	Expected discount rate of 15.5% and volatility of 29%	The higher the discount rate and volatility, the lower the fair value, vice versa

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

#### Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

The following table presents the reconciliation of Level 3 measurements during both periods:

	<b>Financial assets at FVTPL</b>	<b>Financial liabilities at FVTPL</b>
	RMB'000	RMB'000
At 1 January 2021 (audited)	810,270	–
Arising from business combination	–	(63,000)
Purchases	426,500	–
Redemptions	(834,313)	–
Gains (losses) in profit or loss	6,266	(2,000)
At 30 June 2021 (unaudited)	408,723	(65,000)
At 1 January 2022 (audited)	<b>628,223</b>	<b>(56,000)</b>
Purchases	<b>250,500</b>	–
Redemptions	<b>(775,948)</b>	–
Gains in profit or loss	<b>6,345</b>	<b>56,000</b>
At 30 June 2022 (unaudited)	<b>109,120</b>	–

### 22. CAPITAL COMMITMENTS

	<b>30 June 2022</b>	31 December 2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Capital expenditures contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of		
– property and equipment	<b>14,067</b>	44,856
– television series and film production	–	38,919
	<b>14,067</b>	83,775

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 23. RELATED PARTY TRANSACTIONS

### (i) Non-trade balances with a related party

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Dividend payables to a non-controlling shareholder	<b>20,950</b>	20,950

### (ii) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022 RMB'000 (unaudited)</b>	2021 RMB'000 (unaudited)
Short-term employee benefits	<b>2,408</b>	2,431
Post-employment benefits	<b>25</b>	20
	<b>2,433</b>	2,451

## DEFINITIONS

<b>“Board”</b>	the board of Directors
<b>“Chairperson”</b>	the chairperson of the Board
<b>“China” or “PRC”</b>	the People’s Republic of China and for the purposes of this interim report only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Company”, “our Company” or “the Company”</b>	Cathay Media and Education Group Inc. (華夏視聽教育集團) (formerly known as Cathay Media Group Inc. (華夏視聽傳媒集團)), an exempted company incorporated in the Cayman Islands with limited liability on 4 January 2017
<b>“Consolidated Affiliated Entity(ies)”</b>	Dongyang Huaxia, Nanjing Lanchou and their subsidiaries and affiliated entities, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of contractual arrangements
<b>“Controlling Shareholder”</b>	has the meaning ascribed thereto under the Listing Rules and except where the context requires otherwise, refers to Mr. Pu and Cathay Media Holding Inc.
<b>“Corporate Governance Code”</b>	the Corporate Governance Code set out in Appendix 14 of the Listing Rules, as amended and modified from time to time
<b>“CUCN” or “University”</b>	南京傳媒學院 (Pinyin: Nanjing Chuanmei Xueyuan), formally known as Communication University of China, Nanjing (中國傳媒大學南廣學院), which received the certificate of registration for a privately-run non-enterprise unit on 31 January 2005
<b>“Director(s)”</b>	the director(s) of our Company
<b>“Dongyang Huaxia”</b>	Dongyang Huaxia Audio-Visual Film Culture Co., Ltd. (東陽華夏視聽影視文化有限公司), a company established in the PRC on 18 June 2019 and a Consolidated Affiliated Entity of our Company
<b>“Global Offering”</b>	the public offering of the Shares as defined and described in the Prospectus

<b>“Group”, “we” or “us”</b>	the Company, its subsidiaries, and the Consolidated Affiliated Entities from time to time, and in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Date”</b>	15 July 2020, the date on which the Shares were listed on the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
<b>“Main Board”</b>	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
<b>“Mr. Pu”</b>	Mr. Pu Shulin (蒲樹林), our founder, executive Director, chief executive officer, Chairman and our Controlling Shareholder
<b>“Nanjing Lanchou”</b>	Nanjing Lanchou Corporate Management Co., Ltd. (南京藍籌企業管理有限公司), a company established in the PRC on 26 October 2017 and a Consolidated Affiliated Entity of our Company
<b>“Olympic College”</b>	the Olympic College of Nanjing Sport Institute
<b>“Post-IPO Share Award Scheme”</b>	the post-IPO share award scheme conditionally approved and adopted by our Company on 22 June 2020
<b>“Post-IPO Share Option Scheme”</b>	the post-IPO share option scheme conditionally approved and adopted by our Company on 22 June 2020

## DEFINITIONS

<b>“PRC Legal Adviser”</b>	Commerce & Finance Law Offices
<b>“Prospectus”</b>	the prospectus of the Company dated 30 June 2020
<b>“Reporting Period”</b>	the six months ended 30 June 2022
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of PRC
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Share(s)”</b>	ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary” or “subsidiaries”</b>	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
<b>“substantial shareholder”</b>	has the meaning ascribed to it in the Listing Rules
<b>“United States” or “US”</b>	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>“U.S. dollars” or “US\$”</b>	United States dollars, the lawful currency of the United States
<b>“%”</b>	per cent