



華夏視聽

CATHAY MEDIA AND EDUCATION GROUP INC.

華夏視聽教育集團

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1981



2020

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Pu Shulin
(Chairman and Chief Executive Officer)
 Mr. Sun Haitao
 Mr. Wu Ye
 Mr. Yan Xiang

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Sun Haitao
 Ms. Chow Yuk Yin Ivy

AUTHORIZED REPRESENTATIVES

Mr. Pu Shulin
 Mr. Sun Haitao

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and Registered
 Public Interest Entity Auditor*

REGISTERED OFFICE

Cayman Corporate Centre
 27 Hospital Road, George Town
 Grand Cayman KY1-9008
 Cayman Islands

HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
 183 Queen's Road East
 Hong Kong

LEGAL ADVISORS

As to Hong Kong law and United States law
 Skadden, Arps, Slate, Meagher & Flom
 42/F, Edinburgh Tower
 The Landmark
 15 Queen's Road Central
 Central, Hong Kong

As to PRC law
 Commerce & Finance Law Offices
 6/F NCI Tower, A12 Jianguomenwai Avenue
 Chaoyang District
 Beijing, PRC

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

COMPLIANCE ADVISOR

SPDB International Capital Limited
33/F, SPD Bank Tower
1 Hennessy Road
Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (HK) Ltd.

STOCK CODE

1981

COMPANY WEBSITE

www.cathaymedia.com



BUSINESS REVIEW

The Group is a media and education group, built on twin pillars of a leading TV/film production business and a higher education business focused on media and arts. The Group was one of the pioneers in the private TV program production industry in China. TV shows produced by the Group has enjoyed high popularity and viewership for more than two decades. The Group also operates 南京傳媒學院 (“CUCN” or “University”) (Pinyin: Nanjing Chuanmei Xueyuan, formerly known as Communication University of China, Nanjing), which was ranked first in media and arts independent colleges in China in 2020 by the Chinese Universities Alumni Association.

Our University officially converted from an independent college to a private higher education institution under the new school name 南京傳媒學院 (Pinyin: Nanjing Chuanmei Xueyuan) in March 2020, and obtained the updated Private School Operating License in May 2020. We do not expect the conversion to have any material negative effects on the attractiveness of our University to prospective students or the operations of our University.

The outbreak of the novel coronavirus (“COVID-19”) emerged in late 2019, and was declared a Public Health Emergency of International Concern and a Global Pandemic by the World Health Organization on 30 January 2020 and 11 March 2020, respectively. CUCN resumed teaching through online classes from the beginning of March 2020, about one month later than the spring semester was originally scheduled to begin, and resumed classroom learning from late April 2020. Such adjustments did not significantly affect the revenue of our higher education business, as the tuition fees and the boarding fees for the school year 2019/2020 were already collected at the beginning of the school year, in September 2019, and the revenue has been recognized based on the actual progresses of the semester. Although we have refunded approximately 2 to 4 months of boarding fees to our students in accordance with the relevant guidelines on refunding of boarding fees to students due to the pandemic outbreak issued by local competent education authorities, such refund will only have a slight impact on the revenue of our higher education business. In the first half of 2020, a total of 64,891 students have taken the art entrance exams of CUCN for the school year 2020/2021, the number of which is higher than the previous school year. In late April 2020, in cooperation with Emperor Entertainment Group (英皇娛樂集團), one of the market leaders in the entertainment industry in the Asia-Pacific region, we offered a joint training program on performing arts called Golden Artist Plan which charges from RMB45,000 to RMB98,000 per student.

In the first half of 2020, in our TV/film segment, we produced and delivered the TV series Shichahai (什刹海), which has been a stellar success. Broadcasting in July 2020, Shichahai outperformed other competing TV series on CCTV and was ranked No. 1 in viewer ratings nationwide. We also delivered the co-produced TV series Zhaohe (朝歌). In early April 2020, our Group’s first web film, Don’t Call Me Jiushen (別叫我酒神), obtained the record-filing number from the NRTA, and was broadcasted online starting from June 2020. The web film has as of 26 August 2020 accumulated approximately 93 million views on Tencent.

Outlook and Events after the Reporting Period

The Company was successfully listed on the Main Board of the Stock Exchange on 15 July 2020, enabling the Company to enter into the international capital markets and also providing funds for the long-term development of the Company to grasp development opportunities in the industry. On 31 July 2020, the Over-allotment Option (as described in the Prospectus) was fully exercised by the joint global coordinators (for themselves and on behalf of the international underwriters) pursuant to which the Company raised additional capital. Further details of the exercise of the Over-allotment Option are set out in the announcement of the Company dated 31 July 2020.

While the impact of COVID-19 has continued in the second half of 2020, for the TV series and film production segment, our TV series and web films remain under production as scheduled. For the higher education segment, our students commenced the 2020/2021 academic year on schedule and started to return to college from 28 August 2020. All the tuition, boarding fee and related fees for the entire 2020/2021 academic year are expected to be collected in September 2020.

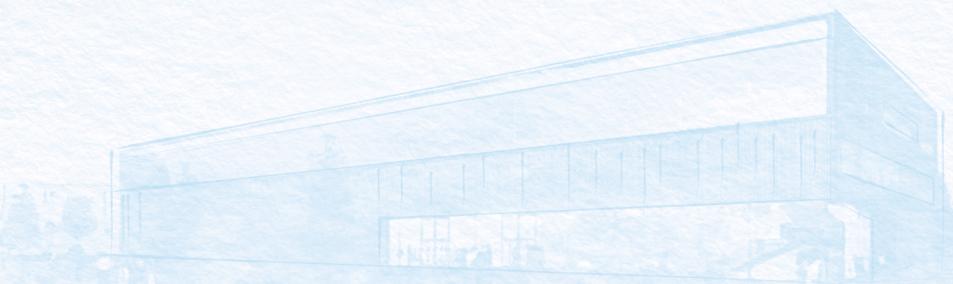
Based on the above assessment, the Directors are of the view that there is not any significant adverse impact on the Group's financial position as of the Latest Practicable Date as a result of COVID-19. There might be certain unfavourable impact on the Group's financial performance due to the delay in resuming the TV series and film production activities, but the financial effect for the year ending 31 December 2020 cannot be reasonably estimated at this stage. The Group will closely monitor the latest development of COVID-19 and continue to adopt positive counter-measures to overcome any challenges or unfavourable impact arising from COVID-19.

Business outlook

The Group intends to maintain and strengthen the Group's leading position in the TV series production industry and private media and arts university field, and at the same time expand operations into media and arts training areas where we can leverage our brand recognition and our experience and connections in the content creation and arts education industries.

In respect of TV/film production, as Shichahai (什刹海) outperformed other competing TV series during prime time and was ranked No. 1 in viewer ratings nationwide, we expect to have the second round of delivery this year. The Group also expects to finish the post-production of Quiet (安靜), a TV series that the Group has invested 30% in and will deliver in the second half of 2020. We also aim to complete production of the Group's second web film in the second half of 2020.

We take the quality of our production seriously, and have always been actively involved in the production of TV series, variety shows and films, whether as the sole producer or as co-producer together with others. The Group will continue this practice and produce high quality content.



BUSINESS REVIEW

In respect of higher education, the Group is continuing its phase II plan to expand the capacity of CUCN. Students enrolment for higher education, international preparatory program and continuing education program are expected to increase rapidly for the upcoming new school year.

In respect of media and arts training programs, the Group has launched media and arts training programs for children and younger students and started recruitment activities in Beijing in August 2020.

As an industry leader in the media and arts education industry, leveraging on our success and experience in both education and media sector, we will continue to explore opportunities to launch media and arts training programs, as we see great market potential and the possibility to monetise the brand recognition of our Group, and our experience gained from running various featured programs in our University. We see great market opportunities given the recent strong growth momentum of this industry and the absence of dominant existing players, in the context of the growing size of the Chinese middle class that are willing to pay for art training for their children or themselves, and the impact of the internet celebrity economy that attracts young people into the arts and content creation.

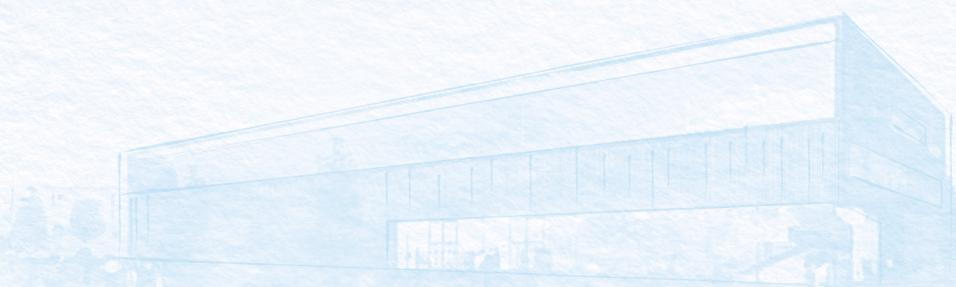
Looking ahead, we will continue to produce premium quality content and expand the scale of the University, while adjusting our tuition fees and raising our profitability. We will also accelerate the business development of our media and arts training. While expanding our internal growth, we will undertake and commence mergers and acquisitions for our higher education and arts training segments to create optimal returns for shareholders.

FINANCIAL HIGHLIGHTS

HIGHLIGHTS

| | Six months ended | | |
|---|-------------------------------|-----------------------------|------------|
| | 30 June 2020 (unaudited) | 30 June 2019 (unaudited) | Change (%) |
| | (RMB'000, except percentages) | | |
| Revenue | 384,302 | 599,495 | -35.9% |
| – TV/film production | 197,680 | 434,065 | -54.5% |
| – Higher education | 186,622 | 165,430 | 12.8% |
| Gross profit | 177,807 | 298,923 | -40.5% |
| Operating profit | 135,429 | 289,092 | -53.2% |
| Profit for the period | 127,369 | 245,766 | -48.2% |
| Non-HKFRS: Adjusted Net Profit ⁽¹⁾ | 142,697 | 245,766 | -41.9% |

⁽¹⁾ Adjusted Net Profit, which is unaudited, represents profit for the period adding back listing expenses and amortisation of licensing rights payment to Communication University of China.



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

| | Six months ended | | | |
|------------------------|-------------------------------|---------------|-----------------------------|--------|
| | 30 June 2020 (unaudited) | | 30 June 2019 (unaudited) | |
| | (RMB'000, except percentages) | | | |
| Segment Revenue | | | | |
| TV/film production | 197,680 | 51.4% | 434,065 | 72.4% |
| Higher education | 186,622 | 48.6% | 165,430 | 27.6% |
| Total | 384,302 | 100.0% | 599,495 | 100.0% |

For the six months ended 30 June 2020, the Group recorded a revenue of RMB384.3 million and a gross profit of RMB177.8 million. The gross profit margin was 46.3% for the six months ended 30 June 2020 as compared with 49.9% for the corresponding period in 2019.

The Group's revenue from the TV/film production business decreased significantly from RMB434.1 million for the six months ended 30 June 2019 to RMB197.7 million for the six months ended 30 June 2020. The licensing fee revenue recorded during the Reporting Period was mainly attributable to the first-round distribution of Shichahai (什刹海), Zhaoge (朝歌) and Don't Call Me Jiushen (别叫我酒神). As a comparison, the revenue for the six months ended 30 June 2019 was comprised of the licensing fee revenue from the first-round broadcasting and overseas distribution of The Heaven Sword and Dragon Saber (倚天屠龍記) as well as the online broadcasting of The Gods (封神). The Group was the sole producer of The Heaven Sword and Dragon Saber (倚天屠龍記) and the investment in the TV series was 100%. The Group co-produced Zhaoge (朝歌) and the investment was only 30%. Shichahai (什刹海) is a modern series which leads the licensing fee less than the costume drama such as The Heaven Sword and Dragon Saber (倚天屠龍記). The difference in investment portion and the TV series type, coupled with the timing of revenue recognition resulted in the decrease in revenue recorded during the Reporting Period compared to the corresponding period in 2019.

The Group's revenue from the higher education segment increased by 12.8% from RMB165.4 million for the six months ended 30 June 2019 to RMB186.6 million for the six months ended 30 June 2020, mainly attributable to the growth in total student enrolment.

Cost of revenue

| Segment Cost | Six months ended | | | |
|--------------------|-------------------------------|---------------|--------------|--------|
| | 30 June 2020 | | 30 June 2019 | |
| | (unaudited) | | (unaudited) | |
| | (RMB'000, except percentages) | | | |
| TV/film production | 135,782 | 65.8% | 232,187 | 77.2% |
| Higher education | 70,713 | 34.2% | 68,385 | 22.8% |
| Total | 206,495 | 100.0% | 300,572 | 100.0% |

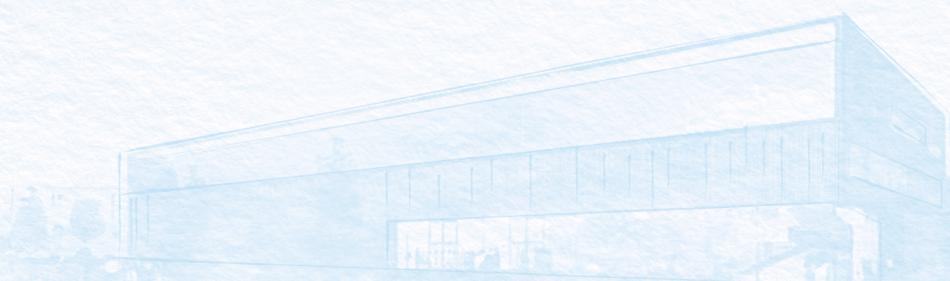
The cost of revenue of the Group's TV/film production segment decreased significantly from RMB232.2 million for the six months ended 30 June 2019 to RMB135.8 million for the six months ended 30 June 2020. The large amount of cost of revenue for the six months ended 30 June 2019 included amortisation of the TV series The Heaven Sword and Dragon Saber (倚天屠龍記) and The Gods (封神). In the six months ended 30 June 2020, the Group mainly amortised the cost related to Zhaoge (朝歌) that the Group co-invested and Shichahai (什刹海), a modern series, which costs less than the costume drama.

The cost of revenue of the Group's higher education segment increased by 3.4% from RMB68.4 million for the six months ended 30 June 2019 to RMB70.7 million for the six months ended 30 June 2020, mainly due to the increase in employee benefit expense in connection with the additional recruitment of teachers for the purpose of improving the teaching quality as well as the teacher-to-student ratio, partially offset by the decrease in the student activities cost due to the influence of COVID-19.

Gross profit and gross profit margin

| Segment Cost | Six months ended | | | |
|--------------------|-------------------------------|---------------------|--------------|--------------|
| | 30 June 2020 | | 30 June 2019 | |
| | (unaudited) | | (unaudited) | |
| | Gross profit | Gross margin | Gross profit | Gross margin |
| | (RMB'000, except percentages) | | | |
| TV/film production | 61,898 | 31.3% | 201,878 | 46.5% |
| Higher education | 115,909 | 62.1% | 97,045 | 58.7% |
| Total | 177,807 | 46.3% | 298,923 | 49.9% |

As a result of the foregoing, the Group's gross profit decreased significantly by 40.5% from RMB298.9 million for the six months ended 30 June 2019 to RMB177.8 million for the six months ended 30 June 2020. The Group's gross margin decreased from 49.9% for the six months ended 30 June 2019 to 46.3% for the six months ended 30 June 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

The gross margin for the Group's TV/film production business decreased from 46.5% for the six months ended 30 June 2019 to 31.3% for the six months ended 30 June 2020, mainly attributable to the relatively lower selling price of first-round broadcasting of Shichahai (什刹海), a modern series.

The gross margin for the Group's higher education business increased from 58.7% for the six months ended 30 June 2019 to 62.1% for the six months ended 30 June 2020, mainly as a result of economies of scale.

Selling expenses

The Group's selling expenses increased by 176.3% from RMB8.0 million for the six months ended 30 June 2019 to RMB22.1 million for the six months ended 30 June 2020. The selling expenses for the Group's higher education segment remained relatively stable in the six months ended 30 June 2019 and 30 June 2020, while the selling expenses for the Group's TV/film production business increased from RMB7.7 million for the six months ended 30 June 2019 to RMB21.7 million for the six months ended 30 June 2020, mainly due to the distribution fee incurred for selling the TV series Shichahai (什刹海) and Zhaoge (朝歌) in the first half of 2020.

Administrative expenses

The Group's administrative expenses increased by 37.6% from RMB27.9 million in the six months ended 30 June 2019 to RMB38.4 million in the six months ended 30 June 2020. Excluding the listing expenses of RMB7.8 million incurred in the first half of 2020, the increase was mainly as a result of the additional employee benefit expenses in connection with the recruitment of administrative staff in the higher education segment.

Other income

Other income decreased from RMB8.2 million in the six months ended 30 June 2019 to RMB6.8 million in the six months ended 30 June 2020. The decrease was primarily attributable to the decrease in donation income.

Other gains

The Group recorded net other gains of RMB17.9 million in the six months ended 30 June 2019 as compared to RMB11.4 million in the six months ended 30 June 2020. This difference was primarily due to the deterioration of performance of the Group in certain financial assets, particularly equity-related products.

Operating profit

The operating profits of the Group amounted to RMB135.4 million and RMB289.1 million for the six months ended 30 June 2020 and 30 June 2019, respectively. The decrease was primarily due to the decrease in revenue.

Finance (costs)/income – net

The Group's net finance costs were RMB0.2 million for the six months ended 30 June 2020, which decreased by RMB4.0 million as compared to RMB3.8 million net finance income for the same period of 2019, as a loan to a related party of the Group had been repaid in August 2019 and therefore reduced the interest income.

Taxation

Income tax expense of the Group decreased from RMB47.2 million in the six months ended 30 June 2019 to RMB7.8 million in the six months ended 30 June 2020. The decrease was mainly due to the decrease in operating profit for the Group's TV/film production business from RMB193.0 million in the six months ended 30 June 2019 to RMB36.2 million in the six months ended 30 June 2020, as well as the grant of PRC enterprise income tax exemption in respect of the profit for the Group's higher education business.

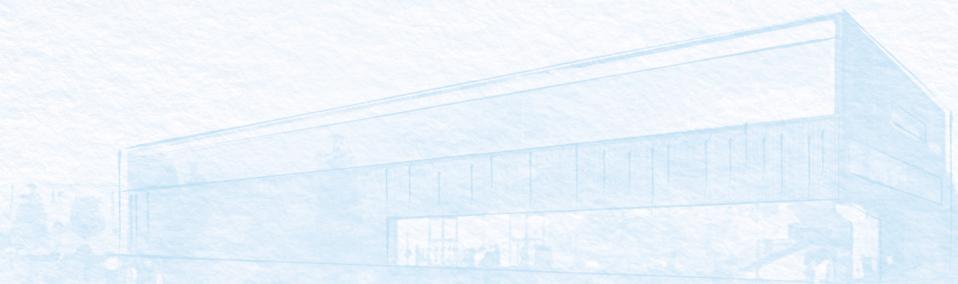
Profit for the period

As a result of the foregoing, the Group's profit for the period decreased from RMB245.8 million in the six months ended 30 June 2019 to RMB127.4 million in the six months ended 30 June 2020.

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 (defined below) as an additional financial measure. The Group presents this financial measure because it is used by the 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 figure 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 standardized meaning prescribed by HKFRS and therefore it may not be comparable to similar measures presented by other companies listed on the Stock Exchange.

The adjusted net profit, which is unaudited, represents profit for the period adding back listing expenses and amortisation of licensing rights payment to Communication University of China (the "Adjusted Net Profit"). The Adjusted Net Profit of the Group for the six months ended 30 June 2020 was RMB142.7 million, representing a decrease of RMB103.1 million or a 41.9% decrease from RMB245.8 million for the corresponding period in 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

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

| | Six months ended | |
|---|---|-----------------------------|
| | 30 June 2020 (unaudited) | 30 June 2019 (unaudited) |
| | (RMB'000) | |
| Revenue | 384,302 | 599,495 |
| Profit before income tax | 135,153 | 292,937 |
| Income tax expense | (7,784) | (47,171) |
| Profit for the period | 127,369 | 245,766 |
| Add: Listing expenses | 7,828 | 0 |
| Add: Amortisation of licensing rights payment to Communication University of China | 7,500 | 0 |
| Non-HKFRS: Adjusted Net Profit | 142,697 | 245,766 |

The 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 and source of funding and borrowing

As at 30 June 2020, the Group's cash and cash equivalents decreased by 56.8% from RMB120.5 million as at 31 December 2019 to RMB52.1 million. The decrease of cash and cash equivalents for the six months ended 30 June 2020 primarily resulted from payments associated with investment in TV series and repayment of unsecured borrowing.

As at 30 June 2020, the current assets of the Group amounted to RMB1,028.8 million, including RMB52.1 million in cash and cash equivalents, financial assets at fair value through profit or loss of RMB630.6 million, trade receivables of RMB268.0 million, TV series and film rights of RMB57.6 million, prepayments, deposits and other receivables of RMB20.5 million. The current liabilities of the Group amounted to RMB224.1 million, of which RMB91.7 million was trade payables, RMB98.4 million was other payables and accrual charges, and RMB34.0 million was other current liabilities. As at 30 June 2020, the current ratio, which is equivalent to the current assets divided by the current liabilities, of the Group was 4.59 as compared with 3.04 as at 31 December 2019.

Significant Investments

The Group did not make or hold any significant investments during the six months ended 30 June 2020.

Material acquisitions and disposals

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 2020.

Pledge of assets

As at 30 June 2020, the Group had no pledge of assets.

Future plans for material investments or capital asset

The Group did not have detailed future plans for material investments or capital assets.

Gearing ratio

As at 30 June 2020, the Group's gearing ratio (i.e. total liabilities divided by total assets, in percentage) was 13.0% (as at 31 December 2019: 22.2%).

Foreign exchange exposure

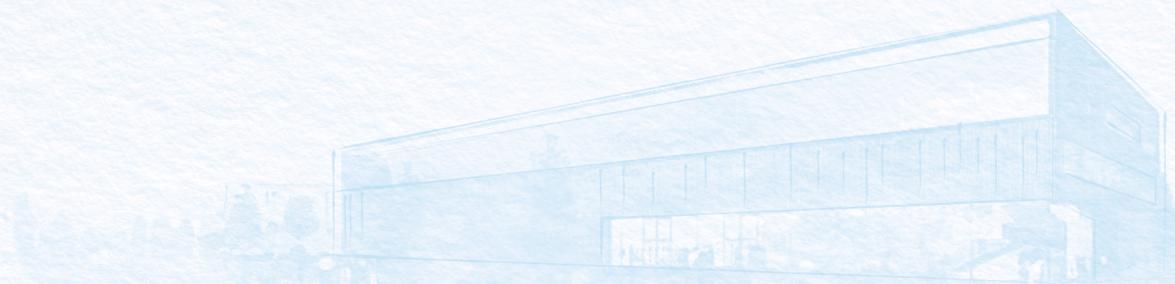
During the six months ended 30 June 2020, the Group mainly operated in China and the majority of the transactions were settled in RMB, the Company's primary consolidated affiliated entities' functional currency. As at 30 June 2020, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2020 (as at 31 December 2019: nil).

Capital commitment

For the six months ended 30 June 2020, capital commitment of the Group was RMB36.9 million (for the six months ended 30 June 2019: RMB53.0 million), mainly on the construction of dormitories.



Employees and Remuneration

As at 30 June 2020, the Group had a total of 893 employees. We believe the number of our fulltime employees is in-line with the industry practice and can support our expansion. The following table sets forth the total number of employees by function as of 30 June 2020:

| Function | Number of employees |
|--------------------|----------------------------|
| TV/film production | |
| Content creation | 20 |
| Administration | 35 |
| Higher education | |
| Full-time teachers | 706 |
| Administration | 132 |
| Total | 893 |

The total remuneration cost incurred by the Group for the six months ended 30 June 2020 was RMB47.7 million, as compared to RMB42.0 million for the six months ended 30 June 2019.

The Company has also adopted a Post-IPO Share Award Scheme and a Post-IPO Share Option Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on 4 January 2017 as an exempted company with limited liability, and the Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date.

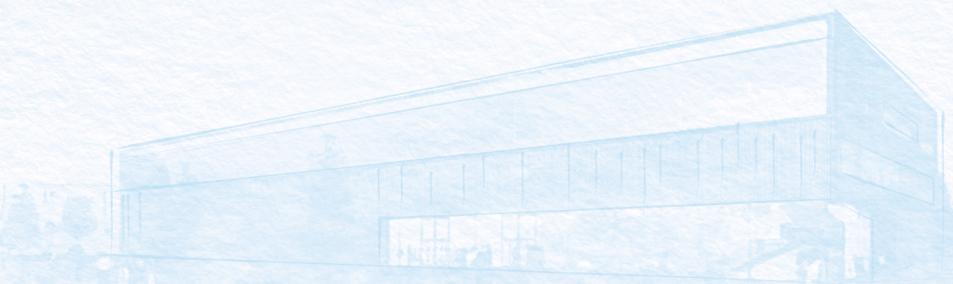
The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

As the Shares of the Company were not listed on the Stock Exchange as at 30 June 2020, the Corporate Governance Code contained in Appendix 14 to the Listing Rules was not applicable to the Company during the Reporting Period.

After the Listing, the Company has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules, save and except for the following deviation from code provision A.2.1 of the Corporate Governance Code.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Mr. Pu Shulin is the Chairman of the Board 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 Chairman 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 chairman 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

As the Shares of the Company were not listed on the Stock Exchange during the Reporting Period, the Model Code was not applicable to the Company during the Reporting Period.

After the Listing, the Company has adopted the Management Trading of Securities Policy (the “Company’s 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 the relevant employees and they have confirmed that they have complied with the Company’s Code since the Listing Date up to the Latest Practicable Date.

AUDIT COMMITTEE

The Group has established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code comprising of three members, being Mr. Lee Cheuk Yin Dannis, Mr. Zhang Jizhong and Mr. Huang Yu. Mr. Lee Cheuk Yin Dannis (being the Company’s independent non-executive Director with the appropriate professional qualifications) is the chairman of the audit committee.

The audit committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 and this interim report. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters.

In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 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.

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has also established a nomination committee and a remuneration committee in compliance with the Corporate Governance Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the Latest Practicable Date.

INTERIM DIVIDEND

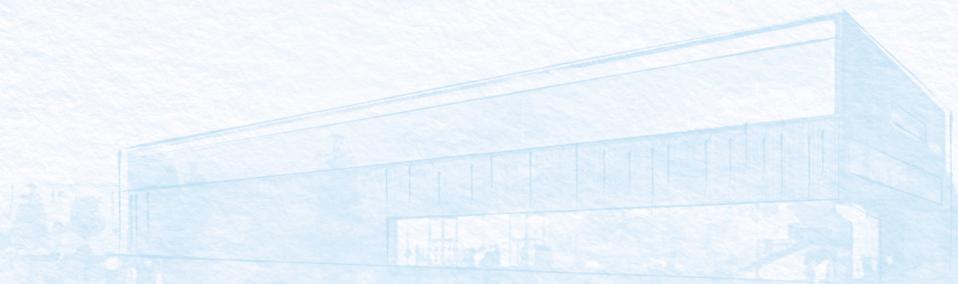
The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2020.

USE OF PROCEEDS

On 15 July 2020, the Shares of the Company were listed on 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\$1,332.8 million, which are intended to be applied in the manner set out in the Company's Prospectus.

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

As at the Latest Practicable Date, 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.



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

As the Company was not listed on the Stock Exchange as at 30 June 2020, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as at 30 June 2020.

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives 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 they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

| Name of Director | Nature of interest | Number of ordinary shares | Approximate percentage of holding ⁽¹⁾ |
|------------------|--------------------------------------|---------------------------|--|
| Mr. Pu | Interest in a controlled corporation | 1,155,000,000 | 69.57% |

Note:

(1) The calculation is based on the total number of 1,660,000,000 Shares in issue as at the Latest Practicable Date.

(ii) Interest in associated corporation

| 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 of controlled corporation | 1 | 100% |

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or the chief executives of the Company, none of the Directors nor the chief executives of the Company 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 the Company was not listed on the Stock Exchange as at 30 June 2020, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the substantial shareholders of the Company as at 30 June 2020.

As at the Latest Practicable Date, 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:

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary shares | Approximate percentage of holding ⁽¹⁾ |
|--|------------------------------------|---------------------------|--|
| Mr. Pu ⁽²⁾ | Interest of controlled corporation | 1,155,000,000 | 69.57% |
| Cathay Media Holding Inc. ⁽²⁾ | Beneficial owner | 1,155,000,000 | 69.57% |
| Areo Holdings Limited | Interest of controlled corporation | 100,000,000 | 6.02% |
| Highland Pines Limited | Beneficial owner | 100,000,000 | 6.02% |
| Lam Lai Ming | Interest of controlled corporation | 100,000,000 | 6.02% |
| Li Gabriel | Interest of controlled corporation | 100,000,000 | 6.02% |
| Oavii Holdings, L.P. | Interest of controlled corporation | 93,000,000 | 5.60% |
| Orchid Asia V Group Management, Limited | Interest of controlled corporation | 93,000,000 | 5.60% |
| Orchid Asia V Group, Limited | Interest of controlled corporation | 93,000,000 | 5.60% |
| Orchid AsiaVII GP, Limited | Interest of controlled corporation | 93,000,000 | 5.60% |
| Orchid Asia VII, L.P. | Interest of controlled corporation | 93,000,000 | 5.60% |

Notes:

(1) The calculation is based on the total number of 1,660,000,000 Shares in issue as at the Latest Practicable Date.

(2) Cathay Media Holding Inc. is wholly-owned by Mr. Pu, who is also a director of Cathay Media Holding Inc.

Save as disclosed herein, as at the Latest Practicable Date, no person, other than the Directors and chief executives whose interests are set out in this interim report, had any interests 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.



SHARE SCHEMES

1. 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.

As at the Latest Practicable Date, 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.

2. 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 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.

As at the Latest Practicable Date, 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.

DRAFT FOREIGN INVESTMENT LAW

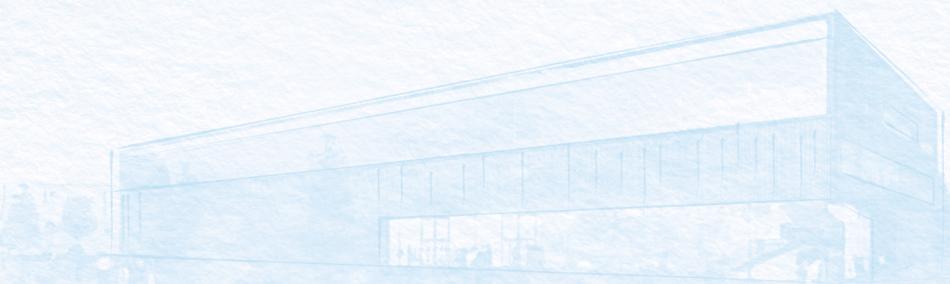
Background of the Foreign Investment Law

On 15 March 2019, the National People's Congress approved the Foreign Investment Law which became effective on 1 January 2020. On 26 December 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on 1 January 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC based companies, including our Group. We use contractual arrangements to establish control of our Consolidated Affiliated Entities, by the WFOEs, through which we operate our business in the PRC. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our contractual arrangements as a whole and each of the agreements comprising the contractual arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods". The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned contractual arrangements will be handled. Therefore, there is no guarantee that the contractual arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations.



PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP IN THE MEDIA AND EDUCATION INDUSTRIES

TV/film production

Pursuant to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 version) (外商投資准入特別管理措施(負面清單) (2019年版)), foreign investors are prohibited from holding any equity interest in any PRC radio and TV production company and any PRC film production company. See the section headed “Regulations – Regulations on TV series and variety shows production in the PRC” in the Prospectus for more details.

With the assistance of our PRC Legal Adviser, we consulted the NRTA in August 2019, being the competent authority as advised by our PRC Legal Adviser to confirm the matters relating to foreign investment in a radio and TV production company. We were advised by an official of the Division of TV Series Content of the NRTA that:

- (i) foreign investment in TV and film production and distribution business are explicitly prohibited, and the NRTA will not approve any foreign investors to directly or indirectly invest in such business; and
- (ii) the execution of our contractual arrangements does not require approval from the NRTA.

Given the relevant regulations and policy followed by the NRTA as summarized above, our Directors consider that it is not practicable for us to hold any equity interest in Dongyang Huaxia and its subsidiaries directly or indirectly.

Higher education

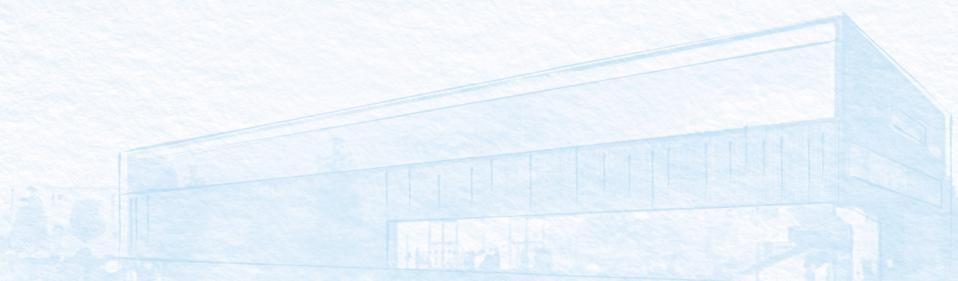
Pursuant to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 version) (外商投資准入特別管理措施(負面清單) (2019年版)), the provision of higher education in the PRC falls within the ‘restricted’ category. As such, foreign investment in higher education institutions must be in the form of a Sino-foreign cooperation, which means that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Regulations on Operating Sino-foreign Schools (中外合作辦學條例) (the “Sino-Foreign Regulation”) and its implementing rules. In addition, such catalog provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that: (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign school (the “Foreign Control Restriction”). Currently, the principal, the chief executive officers and all members of the board of directors (except Jacqueline Luo) of CUCN are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation and its implementing rules, the foreign investor in a Sino-foreign school (a “Sino-Foreign School”) must be a foreign educational institution with relevant qualification and high quality of education (the “Qualification Requirement”). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見), the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the “Foreign Ownership Restriction”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level. Our PRC Legal Adviser has advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience, and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement.

With the assistance of our PRC Legal Adviser, we consulted the Education Department of Jiangsu Province (江蘇省教育廳) in August 2019, being the competent authority as advised by our PRC Legal Adviser, to confirm the matters relating to the Sino-Foreign Schools relevant to us. We were advised by an official of Development and Planning Office of the Education Department of Jiangsu Province that:

- (i) the Foreign Control Restriction and the Foreign Ownership Restriction apply to Sino-Foreign Schools in Jiangsu Province;
- (ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation and its implementing rules and the Qualification Requirement in Jiangsu Province;
- (iii) although there is an understanding that the foreign investor will generally be an educational institution ranked globally among the top 200 universities or top 100 in the relevant fields, due to policy reason, the Education Department of Jiangsu Province will be unlikely to approve an application to convert CUCN or any schools to be newly established or invested by us into Sino-Foreign Schools; and
- (iv) the execution of our contractual arrangements does not require approval from them.

Given the policy adopted by the Education Department of Jiangsu Province as summarized above, our Directors consider that it is not practicable for us to seek to apply to reorganize CUCN as a Sino-Foreign School.



Plan to comply with the Qualification Requirement

We are implementing a business plan with a view to expanding our education operations overseas. We currently plan to establish and operate a university authorized to grant Bachelor of Arts degrees in Animation and Media in the state of California, the United States. We believe that such business plan represents our commitment and a meaningful endeavor to demonstrate compliance with the Qualification Requirement. In particular, we have taken the following concrete steps to comply with the Qualification Requirement:

- On 27 June 2017, we incorporated a holding company of a new school in California, the United States, namely, Cathay Picture, Inc., which is wholly-owned by Cathay Media HK and will be responsible for the daily operation and management of the university to be established.
- On 6 July 2017, we entered into a consulting agreement with an independent education consultant with extensive experience and background in private post-secondary education in California, the United States, pursuant to which the consultant shall provide consultation and adviser services in relation to the licensing application submitted to the Bureau for Private Post-secondary Education (“BPPE”) in California.
- On 30 May 2018, we submitted a formal application to, and have since been in correspondence with, the BPPE for the establishment of a university through the non-accredited process.
- In December 2018, we received a response letter from the BPPE to request for further information, which we responded to in January 2019.
- In February 2020, we received a request from BPPE for further information, which we responded to in March 2020.

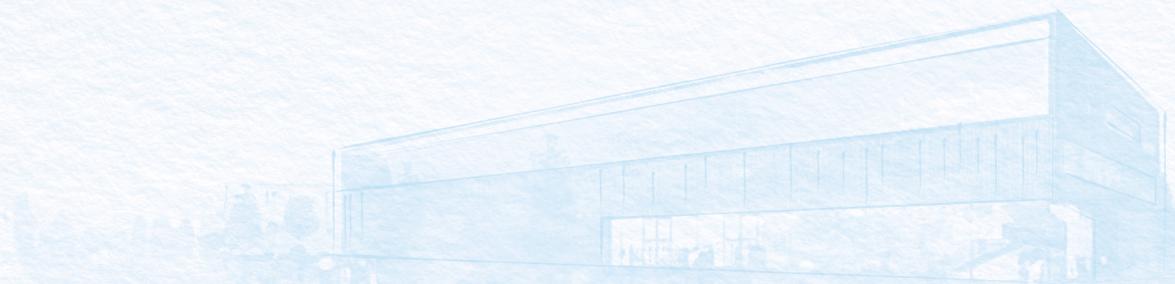
Based on the further information requested by BPPE and our understanding from our agent, assuming there is no major issue, the approval process with the BPPE is expected to complete in or before 2021. We anticipate that the new university will formally commence operations in around half a year after licensing approval is received.

We had expended approximately US\$20,650 in connection with our plan as of 30 June 2020. We also estimate additional costs of around US\$40,000 in relation to the licensing and accreditation process, and that an initial investment of US\$1 million will be required to establish this university. We intend to fund the establishment, management and operations of the new university from internal resources.

We are in the process of searching for appropriate premises to be used as our initial school office. With the assistance of the consultant, we have prepared the program syllabus and designed the online learning management system. We intend to appoint a chief academic officer with at least 10 years' experience in academic affairs and university management, and approximately twelve additional staff and faculty.

Our PRC Legal Adviser is of the view that while Sino-foreign Schools are to be jointly established by both foreign and domestic educational institutions, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience, and form and extent of ownership in the foreign jurisdiction) in order to demonstrate that it meets the Qualification Requirement. Based on the interviews conducted with the Education Department of Jiangsu Province and the steps that we have undertaken as mentioned above, our PRC Legal Adviser is of the view that we have taken all reasonable steps towards fulfilling the Qualification Requirement subject to the discretion of competent authority.

We will communicate with the relevant authorities on a regular basis to keep abreast of any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Schools in Jiangsu Province, and assess whether we are qualified to meet the Qualification Requirement.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CATHAY MEDIA AND EDUCATION GROUP INC.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 60, which comprises the interim condensed consolidated balance sheet of Cathay Media and Education Group Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities of 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” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the presentation and preparation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information 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” issued by the Hong Kong Institute of Certified Public Accounts. A review of interim financial information 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 Accounting 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 interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

OTHER MATTER

The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as at 31 December 2019. The comparative information for the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of cash flows, and related explanatory notes, for the six-month period ended 30 June 2019 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------------|
| | | 2020 | 2019 |
| | | Unaudited RMB' 000 | Unaudited RMB' 000 |
| Revenue | 6,7 | 384,302 | 599,495 |
| Cost of revenue | 10 | (206,495) | (300,572) |
| Gross profit | | 177,807 | 298,923 |
| Selling expenses | 10 | (22,141) | (7,968) |
| Administrative expenses | 10 | (38,445) | (27,890) |
| Other income | | 6,803 | 8,171 |
| Other gains- net | 9 | 11,405 | 17,856 |
| Operating profit | | 135,429 | 289,092 |
| Finance income | 11 | 125 | 4,298 |
| Finance costs | 11 | (353) | (453) |
| Finance (costs)/income- net | 11 | (228) | 3,845 |
| Share of losses of investment accounted for using the equity method | 14 | (48) | – |
| Profit before income tax | | 135,153 | 292,937 |
| Income tax expense | 12 | (7,784) | (47,171) |
| Profit for the period | | 127,369 | 245,766 |
| Profit attributable to | | | |
| Owners of the Company | | 117,742 | 223,944 |
| Non-controlling interests | | 9,627 | 21,822 |
| | | 127,369 | 245,766 |
| Earnings per share for profit attributable to owners of the Company (expressed in RMB per share) | | | |
| – Basic earnings per share | 13 | 0.10 | 0.19 |
| – Diluted earnings per share | 13 | 0.10 | 0.19 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Currency translation differences | | 537 | 319 |
| Total comprehensive income | | 127,906 | 246,085 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 118,279 | 224,263 |
| Non-controlling interests | | 9,627 | 21,822 |
| | | 127,906 | 246,085 |

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited RMB'000 |
|---|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | 15 | 109,423 | 112,617 |
| Property, plant and equipment | 16 | 570,013 | 539,960 |
| Investments accounted for using the equity method | 14 | 1,704 | – |
| Intangible assets | 17 | 8,622 | 15,659 |
| Deferred income tax assets | 19 | 11,688 | 12,101 |
| Total non-current assets | | 701,450 | 680,337 |
| Current assets | | | |
| Television series and film rights | 18 | 57,604 | 71,650 |
| Inventory | | – | 3,820 |
| Trade receivables | 21 | 267,993 | 70,336 |
| Prepayments, deposits and other receivables | 22 | 20,528 | 22,616 |
| Financial assets at fair value through profit or loss | 20 | 630,556 | 799,516 |
| Cash and cash equivalents | | 52,072 | 120,481 |
| Total current assets | | 1,028,753 | 1,088,419 |
| Total assets | | 1,730,203 | 1,768,756 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 23 | 86 | 86 |
| Other reserves | | 549,513 | 548,976 |
| Retained earnings | | 821,258 | 703,516 |
| | | 1,370,857 | 1,252,578 |
| Non-controlling interests | | 133,802 | 124,175 |
| Total equity | | 1,504,659 | 1,376,753 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | As at 30 June 2020 Unaudited RMB' 000 | As at 31 December 2019 Audited RMB' 000 |
|-------------------------------------|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income | | 1,412 | 1,561 |
| Borrowings | 26 | – | 32,000 |
| Total non-current liabilities | | 1,412 | 33,561 |
| Current liabilities | | | |
| Trade payables | 24 | 91,703 | 36,304 |
| Other payables and accrual charges | 25 | 98,435 | 104,253 |
| Contract liabilities | 8 | 5,126 | 191,707 |
| Current income tax liabilities | | 7,264 | 4,574 |
| Dividend payables | | 21,604 | 21,604 |
| Total current liabilities | | 224,132 | 358,442 |
| Total liabilities | | 225,544 | 392,003 |
| Total equity and liabilities | | 1,730,203 | 1,768,756 |

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Note | Attributable to owners of the Company | | | | | | Non-controlling interests | Total |
|--|---------------------------------------|----------------------|----------------|-------------------|-----------|---------|---------------------------|-------|
| | Combined capital | Share Capital | Other reserves | Retained earnings | Sub-total | | | |
| | RMB'000 | (Note 23) RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | |
| For the six months ended 30 June 2020 (Unaudited) | | | | | | | | |
| At 1 January 2020 | - | 86 | 548,976 | 703,516 | 1,252,578 | 124,175 | 1,376,753 | |
| Comprehensive income | | | | | | | | |
| Profit for the period | - | - | - | 117,742 | 117,742 | 9,627 | 127,369 | |
| Currency translation differences | - | - | 537 | - | 537 | - | 537 | |
| Total comprehensive income | - | - | 537 | 117,742 | 118,279 | 9,627 | 127,906 | |
| At 30 June 2020 | - | 86 | 549,513 | 821,258 | 1,370,857 | 133,802 | 1,504,659 | |
| For the six months ended 30 June 2019 (Unaudited) | | | | | | | | |
| At 1 January 2019 | 247,627 | - | 237,070 | 755,329 | 1,240,026 | 123,392 | 1,363,418 | |
| Comprehensive income | | | | | | | | |
| Profit for the period | - | - | - | 223,944 | 223,944 | 21,822 | 245,766 | |
| Currency translation differences | - | - | 319 | - | 319 | - | 319 | |
| Total comprehensive income | - | - | 319 | 223,944 | 224,263 | 21,822 | 246,085 | |
| At 30 June 2019 | 247,627 | - | 237,389 | 979,273 | 1,464,289 | 145,214 | 1,609,503 | |

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Six months ended 30 June | |
|---|------|-------------------------------|-------------------------------|
| | | 2020 Unaudited RMB' 000 | 2019 Unaudited RMB' 000 |
| Cash flows from operating activities | | | |
| Cash (used in)/generated from operations | | (165,129) | 184,119 |
| Income tax paid | | (4,681) | (37,338) |
| Net cash (outflow)/inflow from operating activities | | (169,810) | 146,781 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (45,082) | (12,444) |
| Purchases of intangible assets | | (546) | (37) |
| Purchases of financial assets at fair value through profit or loss | | (67,600) | (276,000) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 248,514 | 212,119 |
| Placement of term deposits with initial terms of over three months | | – | (66,000) |
| Withdrawal of term deposits with initial terms of over three months | | – | 15,000 |
| Interest received | | 125 | 336 |
| Purchases of short-term investments measured at amortised cost | | – | (91,939) |
| Proceeds from disposal of short-term investments measured at amortised cost | | – | 99,003 |
| Investments in joint venture | | (1,750) | – |
| Net cash inflow/(outflow) from investing activities | | 133,661 | (119,962) |
| Cash flows from financing activities | | | |
| Repayments of borrowings | 26 | (32,000) | – |
| Payment of share issuance cost | | (435) | – |
| Net cash outflow from financing activities | | (32,435) | – |
| Net (decrease)/increase in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of period | | 120,481 | 58,072 |
| Exchange gains on cash and cash equivalents | | 175 | 362 |
| Cash and cash equivalents at end of period | | 52,072 | 85,253 |

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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. The address of the Company’s registered office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in television series and film production as well as the provision of media and arts higher education service in the People’s Republic of China (the “PRC”).

The ultimate holding company of the Company is Cathay Media Holding Inc. (“Cathay Media Holding”), a company incorporated in the British Virgin Islands, and which is wholly owned by Mr. Pu Shulin (“Mr. Pu”), who is also an executive director and Chairman of the Board of Directors of the Company.

Prior to the incorporation of the Company and the completion of the reorganisation in the preparation of the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Reorganisation”), the television series and film production business and the higher education service business was principally carried out by the companies which are automated controlled by Mr. Pu. The Reorganisation was completed on 5 September 2019 and pursuant to which the companies engaged in the television series and film production business and the higher education service business under common control of Mr. Pu were transferred to the Company.

On 30 June 2020, the Company issued a prospectus and launched a public offering of 400,000,000 shares at a price of HK\$3.10 per share (the “Offering price”). The company’s ordinary shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 15 July 2020. On 5 August 2020, the Company issued additional 60,000,000 new shares upon the exercises of over-allotment of the public offering at the Offering price.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all amounts are rounded to the nearest thousand yuan (RMB’000), unless otherwise stated.

This unaudited interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 28 August 2020.

2 BASIS OF PRESENTATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the accountant’s report included as appendix I (“the Accountant’s Report”) to the prospectus of the Company dated on 30 June 2020 (the “Prospectus”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

Prior to and following the Reorganisation (as mentioned in Note 1), all companies comprising the Group were directly or indirectly controlled by Mr. Pu. The Reorganisation, as completed on 5 September 2019, has been accounted for as a reorganisation of business under common control in a manner similar to merger accounting, and accordingly the assets and liabilities of the television and films production business and higher education service business transferred to the Company have been stated at historical Carrying amounts and the comparative financial information for the six months ended 30 June 2019 has been prepared as if the television and films production business and higher education service business were transferred to the Company as of the beginning of the period presented.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those of the financial statement for the year ended 31 December 2019 as described in the Accountant’s Report except for the adoption of new and amended standard as described below.

The following new or amended standards, interpretations and annual improvements are mandatory for the first time for the Group’s financial year beginning on 1 January 2020:

- | | |
|--|----------------|
| • Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| • Amendments to HKAS 1 and HKAS 8 Definition of Material | 1 January 2020 |
| • Amendments to HKFRS 3 Definition of a Business | 1 January 2020 |

The adoption of the aforesaid new or amended standard, interpretation and annual improvements does not have any material impact on this interim condensed consolidated financial information.

4 ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Accountant's Report.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant's Report.

There have been no changes in the risk management policies since 31 December 2019.

5.2 Liquidity risk

There was no material change in the contractual undiscounted cash out flows for financial liabilities.

The Group is not subject to any significant liquidity risk in view of the sufficiency of its working capital.

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation

The Group has two types of financial assets that are measured at fair value as at 30 June 2020 (31 December 2019: two), which are the Group's trading securities and wealth management products purchased from bank. The Group's trading securities and wealth management products purchased from bank have been designated as financial assets at fair value through profit or loss. The Group does not have any financial liabilities that are measured at fair value.

The following table presents the Group's assets and liabilities that are required to be measured at fair value as at 30 June 2020 and 31 December 2019:

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|--|--------------------|--------------------|--------------------|------------------|
| As at 30 June 2020 | | | | |
| (Unaudited) | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Trading listed equity securities | 7,861 | – | – | 7,861 |
| – Wealth management products purchased from banks | – | – | 622,695 | 622,695 |
| | 7,861 | – | 622,695 | 630,556 |
| As at 31 December 2019 | | | | |
| (Audited) | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Trading listed equity securities | 9,344 | – | – | 9,344 |
| – Wealth management products purchased from banks | – | – | 790,172 | 790,172 |
| | 9,344 | – | 790,172 | 799,516 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (continued)**5.3 Fair value estimation (continued)**

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2020:

| | Wealth management products purchased from banks (Unaudited) RMB' 000 |
|--|---|
| As at 1 January 2020 | 790,172 |
| Additions | 67,600 |
| Settlements | (248,514) |
| Gains and losses recognised in profit and loss | 13,437 |
| As at 30 June 2020 | 622,695 |
| Changes in unrealised gains or losses for the year included in profit or loss for assets held at the end of the period | 10,520 |

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2019:

| | Wealth management products purchased from banks (Unaudited) RMB' 000 |
|--|--|
| As at 1 January 2019 | 622,566 |
| Additions | 276,000 |
| Settlements | (181,558) |
| Gains and losses recognised in profit and loss | 11,345 |
| As at 30 June 2019 | 728,353 |
| Changes in unrealised gains or losses for the year included in profit or loss for assets held at the end of the period | 2,353 |

6 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company who review the Group’s internal reporting in order to assess performance and allocate resources.

The CODM had identified the television series and film production and higher education as separate reportable segments, namely the television series and film production segment and the higher education segment. Revenue of the television series and film production segment represents the licensing income from the sale of the television series and film rights. Revenue of the higher education segment comprise of tuition fee income, boarding fee income, entrance examination fee income, international preparation program income, continuing education service income and others.

The CODM evaluates the performance of the reportable segments based on their revenue, gross profit and operating results which derived from gross profit to include selling expenses, administrative expenses, other income and other gains-net.

Assets and liabilities dedicated to a particular segment’s operations are included in that segment’s total assets and liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2020 is as follows:

| | Television series and film production RMB' 000 | Higher education RMB' 000 | Unallocated RMB' 000 | Inter- segment elimination RMB' 000 | Total RMB' 000 |
|---|--|---------------------------------|-------------------------|--|-------------------|
| Six months ended 30 June 2020 | | | | | |
| (Unaudited) | | | | | |
| Revenue | 197,680 | 186,622 | – | – | 384,302 |
| Cost of revenue | (135,782) | (70,713) | – | – | (206,495) |
| Gross profit | 61,898 | 115,909 | – | – | 177,807 |
| Selling expenses | (21,706) | (435) | – | – | (22,141) |
| Administrative expenses | (7,631) | (21,911) | (8,903) | – | (38,445) |
| Other income | 4,552 | 2,251 | – | – | 6,803 |
| Other(losses)/gains – net | (915) | 12,320 | – | – | 11,405 |
| Operating profit/(loss) | 36,198 | 108,134 | (8,903) | – | 135,429 |
| Finance costs – net | | | | | (228) |
| Share of losses of investment accounted for using the equity method | | | | | (48) |
| Profit before income tax | | | | | 135,153 |
| Other segment information | | | | | |
| Total assets | 398,453 | 1,457,693 | 5,434 | (131,377) | 1,730,203 |
| Total liabilities | 269,866 | 59,690 | 27,365 | (131,377) | 225,544 |
| Additions to non-current assets (Notes 15, 16 and 17) | 331 | 35,856 | – | – | 36,187 |
| Depreciation and amortisation (Note 10) | 137,832 | 23,889 | – | – | 161,721 |

6 SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2019 is as follows:

| | Television series and film production RMB'000 | Higher education RMB'000 | Unallocated RMB'000 | Inter- segment elimination RMB'000 | Total RMB'000 |
|--------------------------------------|---|--------------------------------|------------------------|---|------------------|
| Six months ended 30 June 2019 | | | | | |
| (Unaudited) | | | | | |
| Revenue | 434,065 | 165,430 | - | - | 599,495 |
| Cost of revenue | (232,187) | (68,385) | - | - | (300,572) |
| Gross profit | 201,878 | 97,045 | - | - | 298,923 |
| Selling expenses | (7,670) | (298) | - | - | (7,968) |
| Administrative expenses | (7,245) | (19,441) | (1,204) | - | (27,890) |
| Other income | 5,740 | 2,431 | - | - | 8,171 |
| Other gains- net | 295 | 17,561 | - | - | 17,856 |
| Operating profit/(loss) | 192,998 | 97,298 | (1,204) | - | 289,092 |
| Finance income – net | | | | | 3,845 |
| Profit before income tax | | | | | 292,937 |
| Other segment information | | | | | |
| Total assets | 376,601 | 1,441,124 | - | (951) | 1,816,774 |
| Total liabilities | 71,029 | 121,628 | 15,565 | (951) | 207,271 |
| Additions to non-current assets | 37 | 12,387 | - | - | 12,424 |
| Depreciation and amortisation | 234,355 | 14,516 | - | - | 248,871 |

Notes:

- (a) The unallocated expenses represent professional fees and directors' emoluments.
- (b) The inter-segment elimination is related to the inter-segment loans.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)**Geographical information**

The following tables present information on revenue, based on the location of the customers of the Group by geographical regions.

| | Six months ended 30 June | |
|---|---------------------------------|-----------|
| | 2020 | 2019 |
| | Unaudited | Unaudited |
| | RMB'000 | RMB'000 |
| Revenue | | |
| The PRC, excluding Hong Kong and Taiwan | 369,454 | 594,645 |
| Others | 14,848 | 4,850 |
| | 384,302 | 599,495 |

Non-current assets are all located in the PRC during the six months ended 30 June 2020.

The major customers which contributed more than 10% of the total revenue for the six months ended 30 June 2019 and 2020 are listed as below:

| | Six months ended 30 June | |
|------------|---------------------------------|-----------|
| | 2020 | 2019 |
| | Unaudited | Unaudited |
| | RMB'000 | RMB'000 |
| Customer A | – | 400,943 |
| Customer B | 70,047 | – |
| Customer C | 66,321 | – |

7 REVENUE

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2020 | 2019 |
| | Unaudited | Unaudited |
| | RMB' 000 | RMB' 000 |
| Revenue recognised at a point in time | | |
| Licensing income | 197,680 | 434,065 |
| Entrance examination fee income | 30,515 | 28,201 |
| | 228,195 | 462,266 |
| Revenue recognised over time | | |
| Higher education related income | | |
| – Tuition fees | 126,979 | 115,552 |
| – Boarding fees | 3,865 | 10,161 |
| International preparatory program | 18,214 | 6,706 |
| Continuing education services | 2,740 | 504 |
| Others | 4,309 | 4,306 |
| | 156,107 | 137,229 |
| | 384,302 | 599,495 |

8 CONTRACT LIABILITIES

Contract liabilities is recognised when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, preceding the Group's performance.

| | As at | As at |
|-----------------------------------|--------------|-------------|
| | 30 June | 31 December |
| | 2020 | 2019 |
| | Unaudited | Audited |
| | RMB' 000 | RMB' 000 |
| Licensing income | 3,543 | 9,206 |
| Higher education related income | | |
| – Tuition fees | – | 126,908 |
| – Boarding fees | – | 13,596 |
| Entrance examination fee income | – | 21,135 |
| International preparatory program | 930 | 16,483 |
| Continuing education services | 423 | 2,536 |
| Others | 230 | 1,843 |
| | 5,126 | 191,707 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 CONTRACT LIABILITIES (continued)**(a) Revenue recognised in relation to contract liabilities**

The following table shows the revenue recognised during the current period related to brought-forward contract liabilities:

| | Six months ended 30 June | |
|---|---------------------------------|-----------|
| | 2020 | 2019 |
| | Unaudited | Unaudited |
| | RMB'000 | RMB'000 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | | |
| Licensing income | 9,206 | 188,635 |
| Higher education related income | | |
| – Tuition fees | 126,908 | 119,024 |
| – Boarding fees | 3,865 | 13,524 |
| Entrance examination fee income | 21,135 | – |
| International preparatory program | 16,483 | 7,865 |
| Continuing education services | 2,536 | – |
| Others | 1,613 | 1,384 |
| | 181,746 | 330,432 |

(b) Unsatisfied performance obligations

| | As at | As at |
|---|------------------|-------------|
| | 30 June | 31 December |
| | 2020 | 2019 |
| | Unaudited | Audited |
| | RMB'000 | RMB'000 |
| Expected to be recognised within one year | | |
| Licensing income | – | 85,868 |
| Higher education related income | | |
| – Tuition fees | – | 126,908 |
| – Boarding fees | – | 13,596 |
| Entrance examination fee income | – | 21,135 |
| International preparatory program | 930 | 16,483 |
| Continuing education services | 423 | 2,536 |
| Others | 230 | 1,843 |
| Expected to be recognised over one year | | |
| Licensing income | 3,543 | – |
| | 5,126 | 268,369 |

9 OTHER GAINS – NET

| | Six months ended 30 June | |
|--|-------------------------------|-------------------------------|
| | 2020 Unaudited RMB' 000 | 2019 Unaudited RMB' 000 |
| Changes in fair value of financial assets at fair value through profit or loss | | |
| – Trading listed equity securities | (1,483) | 6,500 |
| – Wealth management products purchased from banks | 13,437 | 11,345 |
| Others | (549) | 11 |
| | 11,405 | 17,856 |

10 EXPENSES BY NATURE

| | Six months ended 30 June | |
|--|-------------------------------|-------------------------------|
| | 2020 Unaudited RMB' 000 | 2019 Unaudited RMB' 000 |
| Employee benefit expenses | 47,729 | 41,995 |
| Amortisation | | |
| – Television series and film rights | 135,743 | 232,187 |
| – Licensing rights | 7,500 | – |
| – Software | 83 | 33 |
| Depreciation | | |
| – Property, plant and equipment | 15,201 | 13,457 |
| – Right-of-use assets | 3,194 | 3,194 |
| Office expenses and utilities fee | 15,122 | 17,929 |
| Licensing fee | – | 7,500 |
| Property management and maintenance expenses | 4,361 | 5,603 |
| Student activities expenses | 1,042 | 1,659 |
| Training expenses | 5,769 | 3,309 |
| Professional fee | 5,328 | – |
| Auditors' remuneration | | |
| – Audit services | 2,500 | – |
| – Non-audit services | – | – |
| Distribution expenses | 20,279 | 2,730 |
| Promotion expenses | 282 | 3,815 |
| Other expenses | 2,948 | 3,019 |
| Total cost of revenue, selling expenses and administrative expenses | 267,081 | 336,430 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 FINANCE (COSTS)/INCOME – NET

| | Six months ended 30 June | |
|---|---------------------------------|-----------|
| | 2020 | 2019 |
| | Unaudited | Unaudited |
| | RMB'000 | RMB'000 |
| Finance income | | |
| Interest income from a related party | – | 3,396 |
| Interest income from cash at bank and term deposits with initial term of over three months | 125 | 854 |
| Exchange gain – net | – | 48 |
| | 125 | 4,298 |
| Finance costs | | |
| Interest on lease liabilities | – | (453) |
| Exchange loss – net | (353) | – |
| | (353) | (453) |
| Finance (costs)/income – net | (228) | 3,845 |

12 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------------|---------------------------------|-----------|
| | 2020 | 2019 |
| | Unaudited | Unaudited |
| | RMB'000 | RMB'000 |
| Current income tax expense | 7,371 | 45,709 |
| Deferred income tax expense | 413 | 1,462 |
| | 7,784 | 47,171 |

12 INCOME TAX EXPENSE (Continued)

(i) Cayman Islands profits tax

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of local income tax.

(ii) British Virgin Islands profits tax

The Company's direct subsidiary incorporated in British Virgin Islands under the International Business Companies Act of the British Virgin Islands is exempted from payment of local income tax.

(iii) Hong Kong profits tax

Since 1 April 2018, Hong Kong profits tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million.

(iv) PRC corporate income tax

Corporate income tax ("CIT") in the PRC is calculated based on the statutory profit or loss of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC Corporate Income Tax Law promulgated by the PRC government, the tax rate for the Company's PRC subsidiaries is 25%.

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of the PRC. During six months ended 30 June 2020, no regulations have been promulgated by such authorities in this regard. As a result, no income tax expense was recognised by 南京傳媒學院(Pinyin: Nanjing Chuanmei Xueyuan) during six months ended 30 June 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 EARNINGS PER SHARE**(a) Basic**

The basic earnings per share is calculated on the profit attributable to owner of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 30 June | |
|---|---------------------------------|-----------|
| | 2020 | 2019 |
| | Unaudited | Unaudited |
| | RMB'000 | RMB'000 |
| Profit attributable to owners of the Company (RMB'000) | 117,742 | 223,944 |
| Weighted average number of ordinary shares in issue ('000) | 1,200,000 | 1,200,000 |
| Basic earnings per share (expressed in RMB) | 0.10 | 0.19 |

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the six months ended 30 June 2020.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The movements investments accounted for using the equity method are as follows:

| | As at |
|----------------------------------|---------------------|
| | 30 June 2020 |
| | Unaudited |
| | RMB'000 |
| Beginning of the period | – |
| Additions | 1,750 |
| Loss for the period | (48) |
| Currency translation differences | 2 |
| End of the period | 1,704 |

Cathay Media Group (Hong Kong) Limited (“Cathay Media HK”), a subsidiary of the company, has entered into an agreement on 25 July 2019 and committed to invest in and has 50% equity holding in Emperor Nanguang performance (Nanjing) Co., Ltd. (“Emperor Nanguang”), a new company incorporated on 15 November 2019.

15 RIGHT-OF-USE ASSETS

| | Land use rights RMB'000 | Leased properties RMB'000 | Total RMB'000 |
|--------------------------------------|---------------------------------------|---|-------------------------|
| Six months ended 30 June 2020 | | | |
| (Unaudited) | | | |
| Opening net book amount | 101,009 | 11,608 | 112,617 |
| Additions | – | – | – |
| Depreciation charge | (1,259) | (1,935) | (3,194) |
| Closing net book amount | 99,750 | 9,673 | 109,423 |
| Six months ended 30 June 2019 | | | |
| (Unaudited) | | | |
| Opening net book amount | 103,528 | 15,478 | 119,006 |
| Additions | – | – | – |
| Depreciation charge | (1,259) | (1,935) | (3,194) |
| Closing net book amount | 102,269 | 13,543 | 115,812 |

Land use rights with carrying amounts of approximately RMB99,750,000 and RMB102,269,000 as at 30 June 2020 and 2019, respectively, which are allocated by the PRC government, have no definite life of use stated in the land use rights certification. The estimated useful lives are 50 years which is the best estimate by reference to the normal lease terms as stated in the land use right certificates in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use rights as allocated by the PRC government.

Land use rights are depreciated on a straight-line basis over estimated useful lives and the depreciation was charged to cost of revenue in the condensed consolidated statements of comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 PROPERTY, PLANT AND EQUIPMENT

| | Buildings and facilities RMB'000 | Furniture and fixtures RMB'000 | Motor vehicles RMB'000 | Education equipment RMB'000 | Office equipment RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|--|--------------------------------------|------------------------------|-----------------------------------|--------------------------------|--|------------------|
| At 31 December 2019 | | | | | | | |
| Cost | 646,476 | 83,131 | 7,028 | 112,442 | 5,671 | 51,957 | 906,705 |
| Accumulated depreciation | (200,026) | (69,023) | (5,338) | (87,620) | (4,738) | - | (366,745) |
| Net book amount | 446,450 | 14,108 | 1,690 | 24,822 | 933 | 51,957 | 539,960 |
| Six months ended | | | | | | | |
| 30 June 2020 (Unaudited) | | | | | | | |
| Opening net book amount | 446,450 | 14,108 | 1,690 | 24,822 | 933 | 51,957 | 539,960 |
| Additions | - | 1,012 | - | 7,006 | 396 | 36,840 | 45,254 |
| Transfer upon construction completed | 9,613 | - | - | - | - | (9,613) | - |
| Disposals | - | - | - | - | - | - | - |
| Depreciation charge | (8,149) | (2,412) | (356) | (4,104) | (180) | - | (15,201) |
| Closing net book amount | 447,914 | 12,708 | 1,334 | 27,724 | 1,149 | 79,184 | 570,013 |
| At 30 June 2020 | | | | | | | |
| Cost | 656,089 | 84,143 | 7,028 | 119,448 | 6,067 | 79,184 | 951,959 |
| Accumulated depreciation | (208,175) | (71,435) | (5,694) | (91,724) | (4,918) | - | (381,946) |
| Net book amount | 447,914 | 12,708 | 1,334 | 27,724 | 1,149 | 79,184 | 570,013 |

17 INTANGIBLE ASSETS

| | Computer Software RMB'000 | Licensing rights RMB'000 | Total RMB'000 |
|--|---------------------------------|--------------------------------|------------------|
| At 31 December 2019 | | | |
| Cost | 1,808 | 22,500 | 24,308 |
| Accumulated amortisation | (1,149) | (7,500) | (8,649) |
| Net book amount | 659 | 15,000 | 15,659 |
| Six months ended 30 June 2020 (Unaudited) | | | |
| Opening net book amount | 659 | 15,000 | 15,659 |
| Additions | 546 | – | 546 |
| Amortisation charge | (83) | (7,500) | (7,583) |
| Closing net book amount | 1,122 | 7,500 | 8,622 |
| At 30 June 2020 | | | |
| Cost | 2,353 | 22,500 | 24,853 |
| Accumulated amortisation | (1,231) | (15,000) | (16,231) |
| Net book amount | 1,122 | 7,500 | 8,622 |

18 TELEVISION SERIES AND FILM RIGHTS

| | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited RMB'000 |
|-----------------------------------|---|--|
| Television series and film rights | | |
| – Adaption rights and scripts | 19,494 | 17,988 |
| – Under production | 34,363 | 4,915 |
| – Completed production | 3,747 | 48,747 |
| | 57,604 | 71,650 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 TELEVISION SERIES AND FILM RIGHTS (continued)

| | Adaption rights and scripts RMB' 000 | Under production RMB' 000 | Completed production RMB' 000 | Total RMB' 000 |
|--|---|---------------------------------|-------------------------------------|-------------------|
| As at 1 January 2020 | 17,988 | 4,915 | 48,747 | 71,650 |
| Additions | 1,506 | 119,071 | – | 120,577 |
| Transfer upon production completed | – | (89,623) | 89,623 | – |
| Transfer from adaption rights and scripts to under production | – | – | – | – |
| Recognised in cost of revenue | – | – | (134,623) | (134,623) |
| As at 30 June 2020 | 19,494 | 34,363 | 3,747 | 57,604 |

19 DEFERRED INCOME TAX ASSETS

The gross movement of deferred income tax assets and deferred income tax liabilities is as follows:

Deferred income tax assets

| | As at 30 June 2020 Unaudited RMB' 000 | As at 31 December 2019 Audited RMB' 000 |
|--------------------------------|---|---|
| Beginning of the period | 15,004 | 21,892 |
| Charged to profit or loss | (897) | (6,888) |
| End of the Period | 14,107 | 15,004 |

19 DEFERRED INCOME TAX ASSETS (continued)**Deferred income tax liabilities**

| | As at 30 June 2020 Unaudited RMB' 000 | As at 31 December 2019 Audited RMB' 000 |
|--------------------------------|--|---|
| Beginning of the period | 2,903 | 3,870 |
| Credited to profit or loss | (484) | (967) |
| End of the Period | 2,419 | 2,903 |

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 30 June 2020 Unaudited RMB' 000 | As at 31 December 2019 Audited RMB' 000 |
|--|--|---|
| Financial assets at fair value through profit or loss | | |
| – Trading listed equity securities | 7,861 | 9,344 |
| – Wealth management products purchased from banks | 622,695 | 790,172 |
| | 630,556 | 799,516 |

The wealth management products purchased from banks are denominated in RMB, with expected rates of return ranging from 3.00% to 4.10% and 3.32% to 4.02% per annum for the year ended 31 December 2019 and six months ended 30 June 2020, respectively. The principals and returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. The fair values are based on cash flow discounted using the expected return based on management estimation and are within level 3 of the fair value hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 TRADE RECEIVABLES

| | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited RMB'000 |
|---|---|--|
| Trade receivables | | |
| – Television series and film productions | 263,345 | 68,715 |
| – Higher education and related resources services | 4,648 | 1,621 |
| | 267,993 | 70,336 |

- (a) The Group's trade receivables were denominated in RMB and the carrying amounts approximated their fair value.
- (b) The table below sets forth an ageing analysis of trade receivables based on the recognition dates:

| | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited RMB'000 |
|--------------------|---|--|
| Less than 6 months | 199,377 | 1,694 |
| 6 months to 1 year | 504 | 7,222 |
| 1 to 2 years | 68,112 | 61,420 |
| | 267,993 | 70,336 |

As at 30 June 2020, trade receivables of RMB68,333,000 were past due but not impaired, respectively. These are related to certain independent customers which are not in significant financial difficulty. Based on past experience, the Group expected that the past due balances can be recovered.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at 30 June 2020 Unaudited RMB' 000 | As at 31 December 2019 Audited RMB' 000 |
|--|--|---|
| Deposits and other receivables | | |
| Amounts due from related parties (Note 29(c)) | 3,539 | 1,688 |
| Payments of utilities on behalf of canteen operators and other third parties | 3,320 | 4,661 |
| Others | 2,043 | 2,235 |
| | 8,902 | 8,584 |
| Less: non-current portion | – | – |
| | 8,902 | 8,584 |
| Prepayments | | |
| Prepayment for television series and film rights | 440 | 832 |
| Prepayment for professional fees | 5,434 | 3,761 |
| Prepayment for teaching materials | 1,483 | 3,109 |
| Deductible value-added-tax | 3,843 | 4,718 |
| Others | 426 | 1,612 |
| | 11,626 | 14,032 |
| Less: non-current portion | – | – |
| | 11,626 | 14,032 |
| Total prepayments, deposits and other receivables – current portion | 20,528 | 22,616 |
| Total prepayments, deposits and other receivables – non-current portion | – | – |

The Group's deposits and other receivables were denominated in RMB.

For the current portion of the deposits and other receivables, their carrying amount is considered to be similar to their fair value.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 SHARE CAPITAL

| | Number of ordinary shares | Nominal value of ordinary shares US\$ |
|---|------------------------------|---|
| Authorised shares at 1 January 2019 and 30 June 2019 | | |
| – US\$1 each | 50,000 | 50,000 |
| Subdivision of shares (Note (a)) | 4,999,950,000 | – |
| At 1 January 2020 and 30 June 2020 – US\$0.00001 each | 5,000,000,000 | 50,000 |

- (a) On 5 September 2019, the shareholder of the Company resolved that the authorised share capital of the Company is divided into 5,000,000,000 shares with a nominal or par value of US\$0.00001 each.

Issued and fully paid ordinary shares

| | Number of ordinary shares | Equivalent nominal value of ordinary shares RMB'000 |
|--------------------------------------|------------------------------|--|
| Ordinary shares | | |
| At 1 January 2019 and 30 June 2019 | 1 | – |
| Subdivision of shares (Note (b)) | 99,999 | – |
| | 100,000 | – |
| Issued but not fully paid: | | |
| Increase in issued shares (Note (c)) | 1,199,900,000 | 86 |
| At 1 January 2020 and 30 June 2020 | 1,200,000,000 | 86 |

- (b) On 5 September 2019, one issued share of a nominal or par value of US\$1 each in the capital of the Company held by Cathay Media Holding Inc., a company wholly owned by Mr. Pu which is incorporated in the British Virgin Islands, is sub-divided into 100,000 shares of a nominal or par value of US\$0.00001 each.
- (c) On 5 September 2019, Cathay Media Holding Inc. and Media Fortune Limited, another company wholly owned by Mr. Pu Yu which is incorporated in the British Virgin Islands, subscribed 1,154,900,000 ordinary shares and 45,000,000 ordinary shares of the Company, respectively.

24 TRADE PAYABLES

The ageing analysis of the trade payables based on their respective invoice dates are as follows:

| | As at 30 June 2020 Unaudited RMB' 000 | As at 31 December 2019 Audited RMB' 000 |
|--------------------|--|---|
| Less than 6 months | 55,403 | 36,304 |
| 6 months to 1 year | 36,300 | – |
| | 91,703 | 36,304 |

25 OTHER PAYABLES AND ACCRUAL CHARGES

| | As at 30 June 2020 Unaudited RMB' 000 | As at 31 December 2019 Audited RMB' 000 |
|---|--|---|
| Other payables and accrual charges | | |
| Miscellaneous expenses received from students (Note (a)) | 12,343 | 15,354 |
| Amount due to a related party (Note 29(c)) | 3,600 | 3,600 |
| Payables for teaching materials and other operating expenditure | 6,674 | 7,134 |
| Payables for purchases of property, plant and equipment | 1,187 | 2,094 |
| Payables to joint operators | 12,781 | 12,985 |
| Payables for deposits | 5,758 | 6,961 |
| Payables for interest | – | 547 |
| Payables for professional services | 27,325 | 24,451 |
| Government subsidies payable to students | 4,356 | 5,126 |
| Others | 7,521 | 8,388 |
| Total financial liabilities | 81,545 | 86,640 |
| Salary and welfare payables | 15,299 | 16,793 |
| Other tax payable | 1,591 | 820 |
| Total non-financial liabilities | 16,890 | 17,613 |
| Other payables and accrual charges | 98,435 | 104,253 |

Notes:

- (a) The amounts represent the miscellaneous expenses collected from students which are to be paid out by the Group on behalf of the students.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 BORROWINGS

| | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited RMB'000 |
|---|---|--|
| Non-current | | |
| – Unsecured borrowing from a third party non-financial institution (Note) | – | 32,000 |
| | – | 32,000 |

Notes:

- (a) In July 2019, a subsidiary of the Group has drawn down an unsecured loan of RMB32 million from a third party non-financial institution which bears fixed interest rate at 5% per annum and is repayable on 2 August 2027.
- (b) On 4 June 2020, the subsidiary has entered into a supplementary contract with the third party non-financial institution and early repaid the principal and interest of the unsecured loan on 5 June 2020.

27 DIVIDEND

The Board of Directors of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

28 COMMITMENTS

| | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited RMB'000 |
|--|---|--|
| Property, plant and equipment | 36,902 | – |
| Investment accounted for using the equity method | – | 1,750 |
| | 36,902 | 1,750 |

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control or joint control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or joint control.

The equity holders, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Name and relationship with related parties

| Name of related parties | Nature of relationship |
|--|---|
| Mr. Pu | Controlling Shareholder |
| Mr. Pu Yu | A shareholder of the Company |
| Cathay Media Holding Inc. ("CMHI") | Ultimate holding company of the Company |
| Lanchou Investment Holding Company Limited | An entity controlled by Mr. Pu |
| Media Fortune Limited ("MFL") | A company controlled by Mr. Pu Yu |
| Emperor Nanguang | A company jointly controlled by the Group |

(b) Significant transactions with related parties

During the six months ended 30 June 2020, the Group has the following significant transactions with related parties:

| | Six months ended 30 June | |
|--|-------------------------------|-------------------------------|
| | 2020 Unaudited RMB' 000 | 2019 Unaudited RMB' 000 |
| Loans to the controlling shareholder and related interest receivables | | |
| Interest income | — | 3,396 |
| Other non-trade transactions with related parties | | |
| Leasing of office building from Mr. Pu | — | 2,260 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS (continued)**(c) Non-trade balances with related parties**

| | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited RMB'000 |
|--|---|--|
| Amounts due from CMHI | 236 | 236 |
| Amounts due from MFL | 3 | 3 |
| Amounts due from Mr. Pu Yu | 153 | 153 |
| Amounts due from Mr. Pu | | |
| – Disposal consideration receivables from Mr. Pu | 1,296 | 1,296 |
| Amounts due from Emperor Nanguang | 1,851 | – |
| | 3,539 | 1,688 |
| Amounts due to Mr. Pu | 3,600 | 3,600 |
| Dividend payables | | |
| – Non-controlling shareholder | 21,604 | 21,604 |
| | 25,204 | 25,204 |

Notes:

- (i) The other amounts due from/to related parties were unsecured, interest-free, non-trading in nature, collectable/repayable on demand and denominated in RMB. Their carrying amounts approximated their fair values at each of the reporting dates.

(d) Key management compensation

Key management includes directors (executive and non-executive), chief executive officer and chief financial officer. The compensation paid or payable to key management for employee services is shown below:

| | Six months ended 30 June | |
|---|---------------------------------|-----------|
| | 2020 | 2019 |
| | Unaudited | Unaudited |
| | RMB'000 | RMB'000 |
| Salaries, allowances and other benefits | 1,672 | 1,254 |

30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company listed its shares on the Main Board of the Hong Kong Stock Exchange on 15 July 2020. In connection with the global offering completed on 15 July 2020 and exercise of over-allotment option completed on 5 August 2020, the company issued a total of 460,000,000 shares at a price of HK\$3.10 per share for total proceeds (before related fees and expenses) of HK\$1,426 million.

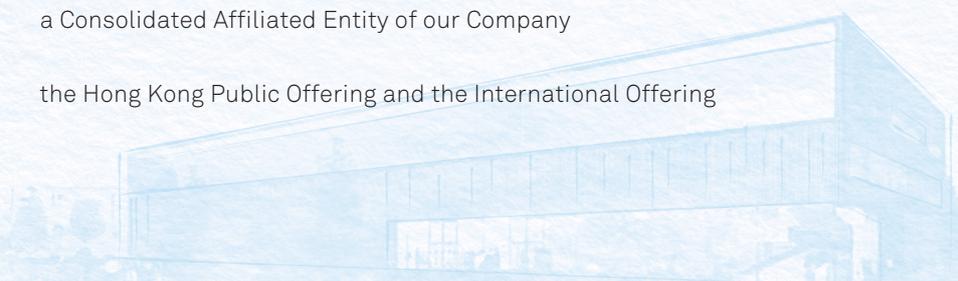
As the COVID-19 is continued in the second half of 2020 and is expected to last for several months, the directors of the Company has conducted an assessment of the impact of this post-balance sheet date based on the Group's business segments as below:

- For the television series and film production segment, the TV series and web film as planned were under production as scheduled;
- For the higher education segment, the students will commence the academic year 2020/2021 on schedule and are expected to be back to college since 28 August 2020, and all the tuition, boarding fee and related fees for the entire academic year 2020/2021 expected to be collected in September 2020.

Based on the assessment as mentioned above, the directors of the Company are of the view that there is not any significant adverse impact on the Group's financial position as of the report date as a result of the COVID-19 and there might be certain unfavorable impact on the Group's financial performance due to the delay in resuming the television series and film production activities but the financial effect of which for the year ending 31 December 2020 cannot be reasonably estimated at this stage. The Group will closely monitor the latest development of the COVID-19 and continue to adopt positive counter-measures to overcome any challenges or unfavorable impact arising from the COVID-19.

DEFINITIONS

| | |
|--|--|
| “Board” | the board of Directors |
| “China” or “PRC” | the People’s Republic of China and for the purposes of this document 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 |
| “Company” | 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 |
| “Company’s Code” | the Management Trading of Securities Policy adopted by the Company as its own securities dealing code |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Consolidated Affiliated Entity(ies)” | 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 |
| “Controlling Shareholder” | 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. |
| “Corporate Governance Code” | the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules |
| “CUCN” or “University” | 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 |
| “Director(s)” | the director(s) of our Company |
| “Dongyang Huaxia” | 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 |
| “Global Offering” | the Hong Kong Public Offering and the International Offering |



DEFINITIONS

| | |
|--------------------------------------|---|
| “Group”, “we” or “us” | 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 |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKFRS” | Hong Kong Financial Reporting Standards |
| “Latest Practicable Date” | 28 August 2020, being the latest practicable date for ascertaining certain information in this interim report before its publication |
| “Listing” | the listing of the Shares on the Main Board |
| “Listing Date” | 15 July 2020, the date on which the Shares were listed on the Stock Exchange |
| “Listing Rules” | 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 |
| “Main Board” | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with Growth Enterprise Market of the Stock Exchange |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules |
| “Mr. Pu” | Mr. Pu Shulin (蒲樹林), our founder, executive Director, Chief Executive Officer, Chairman and our Controlling Shareholder |
| “Nanjing Lanchou” | 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 |
| “NRTA” | the National Radio and Television Administration (國家廣播電視總局) |
| “Post-IPO Share Award Scheme” | the post-IPO share award scheme conditionally approved and adopted by our Company on 22 June 2020 |

| | |
|---------------------------------------|---|
| “Post-IPO Share Option Scheme” | the post-IPO share option scheme conditionally approved and adopted by our Company on 22 June 2020 |
| “PRC Legal Adviser” | Commerce & Finance Law Offices |
| “Prospectus” | the prospectus of the Company dated 30 June 2020 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of PRC |
| “Reporting Period” | the six months ended 30 June 2020 |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary” or “subsidiaries” | has the meaning ascribed to it thereto in section 15 of the Companies Ordinance |
| “substantial shareholder(s)” | has the meaning ascribed to it in the Listing Rules |
| “United States” or “U.S.” | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “U.S. dollars” or “US\$” | United States dollars, the lawful currency of the United States |
| “WFOE-Education” | Bicheng Art Consulting (Nanjing) Co., Ltd (碧城藝術諮詢(南京)有限公司), a company established in the PRC on 29 July 2019 and a wholly-owned subsidiary of our Company |
| “WFOE-Production” | Dongyang Huaxia Audio-Visual Culture Consulting Co., Ltd. (東陽華夏視聽文化諮詢有限公司), a company established in the PRC on 15 August 2019 and a wholly-owned subsidiary of our Company |
| “WFOEs” | WFOE-Education and WFOE-Production collectively |
| “%” | per cent |



GLOSSARY

| | |
|--------------------------------------|--|
| “first-round broadcasting” | a TV series is allowed to be initially aired on no more than two satellite TV channels pursuant to the One TV Series Two Channels (“一劇兩星”) rule required by the SARFT, and the initial airing by the first one or two channels is generally referred to as “first-round broadcasting” in China. After the exclusivity period of the first-round broadcasting right expires, which is generally one month, TV series can be further licensed to be broadcasted on additional TV channels. |
| “higher education” | a sub-sector of formal education that is also known as post-secondary education. It refers to an optional final stage of formal learning that occurs after completion of secondary education and is often delivered at universities, academies, colleges, or similar level educational institutes. |
| “licensing fee” | the fee that TV program production firms charge TV stations and online video platforms for the right to broadcast TV series and variety shows on TV channels, websites and mobile apps. |
| “media and arts education” | education on the majors of aesthetics, music and dance, drama and film, visual arts and design, according to the Major List of Undergraduate Education at Regular Higher Educational Institutions (2012 revision) announced by the MOE. |
| “media and arts universities” | higher educational institutions with a focus on media and arts education, often identified as media and communication university (傳媒大學) or arts college (藝術學院) in school names. |
| “TV series” | a popular TV content type in China which is characterized by a single storyline developed over certain number of episodes. TV series episodes are typically broadcast on consecutive days until completion of the series. |
| “TV program” | includes TV series and variety TV shows. |
| “school year” | despite the fact that our financial year ends on December 31, the school year for our University starts in September, and ends in late June of the next year. |
| “viewer rating” | a measure of audience size of a given TV program and is expressed as a percentage of the potential TV audience viewing at any given time. Unless otherwise specified in this document, viewer ratings or viewership of any TV program broadcast via cable networks in China are based on data reported by CVSC Sofres Media Co Ltd. (央視-索福瑞媒介研究有限公司) and viewer ratings or viewership of any TV program in Hong Kong and Taiwan are based on data reported by ACNielsen. For TV series broadcast only via internet, viewership measurement is expressed as view counts of respective online platforms. |