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**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)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF TARGET COMPANY**

**THE ACQUISITION**

The Board is pleased to announce that on 19 December 2020, the Transferee (a wholly-owned subsidiary of the Company) entered into the Agreement, pursuant to which the Transferor conditionally agreed to sell, and the Transferee conditionally agreed to acquire, the entire equity interest in the Target Company for an aggregate consideration of RMB300 million.

**IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

**THE ACQUISITION**

The Board is pleased to announce that on 19 December 2020, the Transferee (a wholly-owned subsidiary of the Company) entered into the Agreement, pursuant to which the Transferor conditionally agreed to sell, and the Transferee conditionally agreed to acquire, the entire equity interest in the Target Company for an aggregate consideration of RMB300 million.

**THE AGREEMENT**

The principal terms of the Agreement are summarised below:

Date: 19 December 2020

Parties: (a) Transferee

(b) Founder

(c) Affiliated Entities

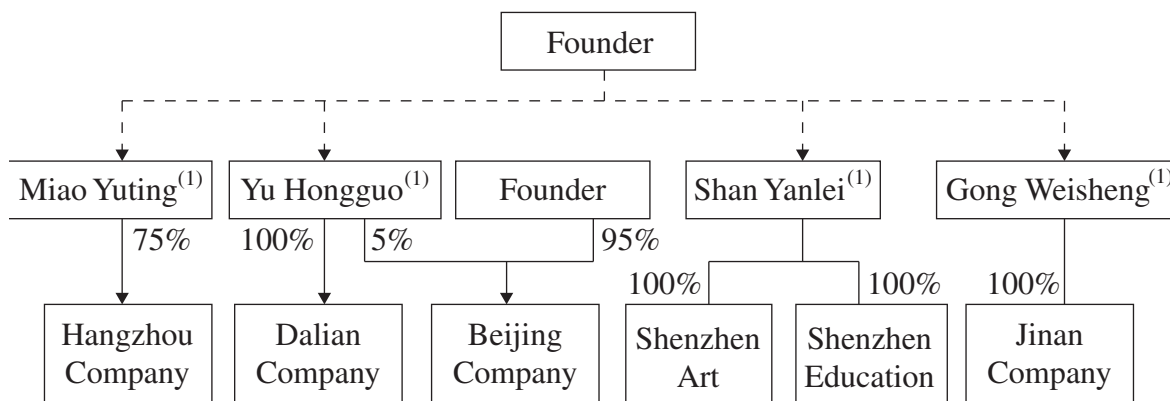
To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Founder and the Affiliated Entities are Independent Third Parties.

## Restructuring

Upon signing of the Agreement, the Founder agreed to commence a series of restructuring, pursuant to which associates of the Founder will establish a limited liability company (the “**Target Company**”) within the PRC and the Target Company will acquire all the equity interests of the Affiliated Entities (the “**Restructuring**”).

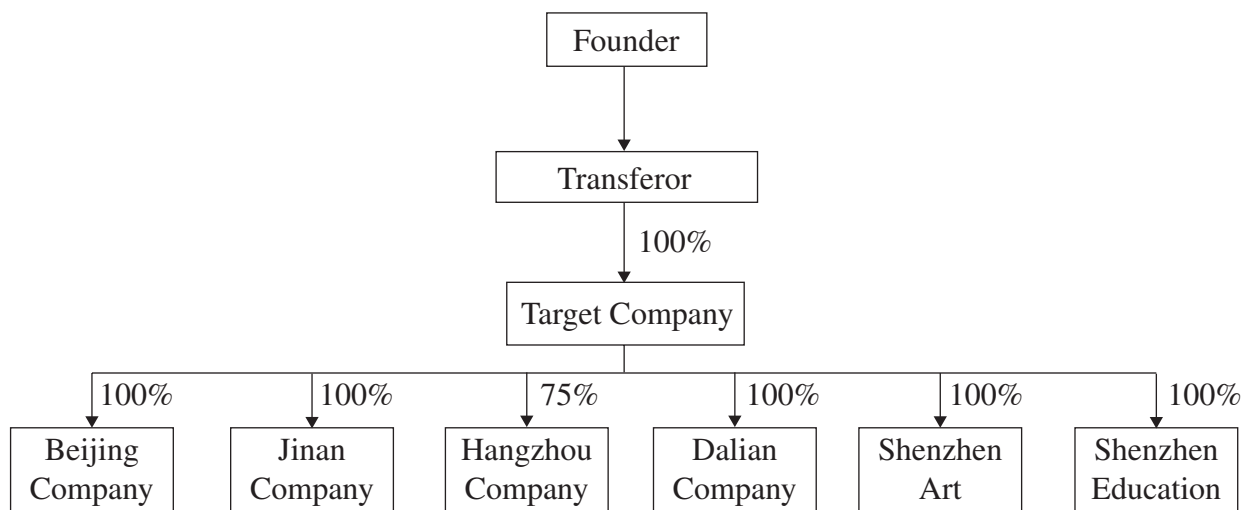
The following illustrates the structure of the Affiliated Entities before and after the Restructuring:

### *Before the Restructuring*



- (1) Each of Miao Yuting, Yu Hongguo, Shan Yanlei and Gong Weisheng are employees or representatives of the Founder and hold their respective equity interest in the Affiliated Entities on behalf of the Founder.

### *After the Restructuring*



## Subject

Subject to completion of the Restructuring and in accordance with the terms and conditions of the Agreement, the Transferor agreed to sell, and the Transferee agreed to acquire, the equity interest in the Target Company. The Target Company will provide art training services to art entrance exam students under the brand of Shuimuyuan.

Shuimuyuan is a leading art entrance exam training institution in China and one of the largest art entrance exam training institutions in China in terms of number of students. As of November 2020, Shuimuyuan had five campuses and learning centers in Beijing, Jinan, Hangzhou, Shenzhen and Dalian, with approximately 3,100 trainees each year. Since its establishment, Shuimuyuan has built up a good reputation for its high-quality education standards. For example, in the 2019-2020 academic year, Shuimuyuan students obtained a total of 1,312 arts entrance certificates from China's nine arts academies. Shuimuyuan is also the top domestic training institution for students who target Academy of Arts & Design, Tsinghua University and Central Academy of Fine Arts, ranking first by the number of arts entrance certificates for nine consecutive years. For example, in the 2019-2020 academic year, 124 students and 393 students received arts entrance certificates from Academy of Arts & Design, Tsinghua University and Central Academy of Fine Arts, respectively. In such, Shuimuyuan has received many awards from professional institutions and industry newspapers and periodicals, including "Most Influential Education Group" (by xinhuanet.com), "Reputable Education Group" (by xinhuanet.com) and "Well-known Art Education Brand" (at the Education Ceremony of www.cnr.cn).

## **Consideration**

The total consideration for the Acquisition is RMB300 million, payable by the Transferee to the Transferor in the following manner:

1. a deposit of RMB60 million within five (5) business days of a written notice from the Transferor that the Transferor has opened a basic account pursuant to the Restructuring. Upon transfer of the equity interest in the Target Company, the deposit will constitute part of the consideration.
2. RMB105 million within ten (10) business days after the satisfaction of the following conditions precedents:
  - (i) approval of the Acquisition by the Board and, if applicable, shareholders of the Company at general meeting, the Transferee having performed its obligations under the Agreement and the Company having announced the Acquisition in accordance with applicable laws;
  - (ii) approval by the internal decision-making body of the Sellers and performance by the Sellers of their obligations under the Agreement;
  - (iii) completion of the Restructuring by the Sellers in accordance with the Agreement;
  - (iv) within thirty (30) business days of the completion of the Restructuring, the Transferee having been registered as the shareholder of the Target Company, the change of shareholders having occurred, and the articles of association or the amended articles of association of the Target Company having been registered or recorded with the relevant government authority;
  - (v) completion of the transfer of equity interest in the Target Company;
  - (vi) completion of the reorganisation or change of the board of directors or executive directors and authorised representative(s) of the Target Company and the Affiliated Entities (except the authorised representative(s) of the Beijing Company) at the request of the Transferee, and such reorganisation or change having been registered or recorded with the relevant government authority;

- (vii) issue of a written confirmation from the Founder to the Transferee confirming that the Sellers' statements and warranties under the Agreement are true, accurate and complete, the Sellers' continuous compliance with their commitments and obligations under the Agreement and without breaching the Agreement;
- (viii) issue of a written confirmation from the Founder to the Transferee confirming that there is no adverse material change;
- (ix) signing of an employment agreement and/or non-competition agreement with the Affiliated Entities by the core personnel in a format agreeable to the Transferee and the Founder; and
- (x) no applicable laws or government prohibitions restricting or prohibiting the Acquisition.

The Transferee is responsible for the satisfaction of condition (i). The Sellers shall be jointly and severally responsible for the satisfaction of conditions (ii) to (ix). The Transferee shall provide necessary cooperation for the satisfaction of conditions (iv) to (vi).

3. RMB45 million within ten (10) business days after the satisfaction of the following conditions precedents:

- (i) the auditor appointed by the Company (the "**Auditor**") has issued its audited report of the consolidated financial statements of the Target Company for the year ending 31 December 2021 and confirmed therein that the net profit attributable to owners of the Target Company has reached or exceeded RMB24 million;
- (ii) issue of a written confirmation from the Founder to the Transferee confirming that the Founder's statements and warranties under the Agreement are true, accurate and complete, and the Founder's continuous compliance with his commitments and obligations under the Agreement and without breaching the Agreement;
- (iii) issue of a written confirmation from the Founder to the Transferee confirming that there is no adverse material change; and
- (iv) no applicable laws or government prohibitions restricting or prohibiting the Acquisition.

The Founder is responsible for satisfaction of conditions (i) to (iii). The Transferee should cause the Auditor to issue its audited report before 30 April 2022. The Founder shall provide necessary cooperation to the Auditor in respect of the preparation of the audited report and relevant audit procedures.

4. RMB45 million within ten (10) business days after the satisfaction of the following conditions precedents:

- (i) the Auditor has issued its audited report of the consolidated financial statements of the Target Company for the year ending 31 December 2022 and confirmed therein that the net profit attributable to owners of the Target Company has reached or exceeded RMB27.6 million;

- (ii) issue of a written confirmation from the Founder to the Transferee confirming that the Founder's statements and warranties under the Agreement are true, accurate and complete, and the Founder's continuous compliance with his commitments and obligations under the Agreement and without breaching the Agreement;
- (iii) issue of a written confirmation from the Founder to the Transferee confirming that there is no adverse material change; and
- (iv) no applicable laws or government prohibitions restricting or prohibiting the Acquisition.

The Founder is responsible for satisfaction of conditions (i) to (iii). The Transferee should cause the Auditor to issue its audited report before 30 April 2023. The Founder shall provide necessary cooperation to the Auditor in respect of the preparation of the audited report and relevant audit procedures.

5. RMB45 million within ten (10) business days after the satisfaction of the following conditions precedents:

- (i) the Auditor has issued its audited report of the consolidated financial statements of the Target Company for the year ending 31 December 2023 and confirmed therein that the net profit attributable to owners of the Target Company has reached or exceeded RMB31.74 million;
- (ii) issue of a written confirmation from the Founder to the Transferee confirming that the Founder's statements and warranties under the Agreement are true, accurate and complete, and the Founder's continuous compliance with his commitments and obligations under the Agreement and without breaching the Agreement;
- (iii) issue of a written confirmation from the Founder to the Transferee confirming that there is no adverse material change; and
- (iv) no applicable laws or government prohibitions restricting or prohibiting the Acquisition.

The Founder is responsible for satisfaction of conditions (i) to (iii). The Transferee should cause the Auditor to issue its audited report before 30 April 2024. The Founder shall provide necessary cooperation to the Auditor in respect of the preparation of the audited report and relevant audit procedures.

### **Basis of consideration**

The consideration was determined after arm's length negotiations between the Transferee and the Sellers with reference to and considering, among others, past academic results, geographic location, brand reputation, number of students, courses offered and tuition level of the Target Company.

After considering the above factors, the Directors believe that the consideration for the Acquisition is fair and reasonable.

## Completion

Completion shall occur upon successful registration of the transfer of the equity interest in the Target Company by the Transferor to the Transferee, which is expected to occur in the first half of 2021.

## Profit guarantee

Pursuant to the Agreement, the Founder has warranted and guaranteed to the Transferee that the net profit attributable to owners of the Target Company, consolidating the financial information of the Affiliated Entities, for the three years ending 31 December 2021, 2022 and 2023 (each a “**Performance Guaranteed Year**”) as calculated in accordance with PRC GAAP shall not be less than RMB24 million, RMB27.6 million and RMB31.74 million (the “**Guaranteed Net Profit**”), respectively.

At the end of any Performance Guaranteed Year, the Transferee should cause the Auditor to commence the audit of the Target Company and Affiliated Entities and produce the audited report of the Target Company before 30 April following each Performance Guaranteed Year. The parties agreed that the Auditor should produce the audited report in accordance with PRC GAAP and confirm therein the net profit attributable to owners of the Target Company, consolidating the financial information of the Affiliated Entities, (the “**Audited Net Profit**”). The Founder should ensure that the management and relevant personnel of the Target Company and Affiliated Entities, proactively cooperate and assist the Auditor in conducting the abovementioned audit and preparation of the audited report.

If the Audited Net Profit is less than the Guaranteed Net Profit in any Performance Guaranteed Year, the Founder shall compensate the Transferee in cash (the “**Performance Compensation**”). The formula for calculating the Performance Compensation is as follows:

$$(\text{Guaranteed Net Profit} - \text{Audited Net Profit}) \times R$$

where  $R = 3.6$  (i.e., the total consideration divided by the total Guaranteed Net Profit of the three Performance Guaranteed Years).

The Transferee has the right to choose to offset its outstanding payment obligations with its due Performance Compensation. If the Performance Compensation is greater than the Transferee’s payment obligations, the Transferee has the right to request the Transferor to return the amount corresponding to the difference.

The parties agreed that, if the following formula is used at the end of year 2023:

$$\frac{1 - \text{the accumulated Audited Net Profit of the three Performance Guaranteed Years}}{\text{Total Guaranteed Net Profit of the three Performance Guaranteed Years}} \times \text{Total consideration of RMB300 million}$$

and the amount is greater than the total of the Performance Compensation for the three Performance Guaranteed Years payable by the Founder, the Founder shall additionally compensate the Transferee with the same amount in cash for the difference.

In spite of the above, the parties agreed that in any Performance Guaranteed Year, if the Audited Net Profit is not less than ninety-five percent (95%) of the Guaranteed Net Profit, the Target Company shall be deemed to have achieved the guaranteed profit. In addition, if Beijing Company cannot carry out its Principal Business for the year ending 31 December 2021 due to a force majeure event (including COVID-19), each Performance Guaranteed Year may be postponed for one year at the request of the Founder (i.e. the Performance Guaranteed Year will be changed to 2022, 2023, 2024), and the Guaranteed Net Profit and compensation arrangements will apply to 2021, 2022, 2023, respectively.

## **Redemption**

After the transfer of the equity interest in the Target Company and before 30 June in the year following the third Performance Guaranteed Year, if any of the following occurs, the Transferee has the right to request the Founder to purchase the total equity interest of the Target Company held by the Transferee (the “**Redemption Right**”):

- (i) resignation of the Founder;
- (ii) resignation of more than one-third of the core personnel (as specified in the Agreement) in a Performance Guaranteed Year where the Guaranteed Net Profit is not completed; and
- (iii) misconduct of the Founder.

Upon receipt of a written notice (the “**Redemption Notice**”) from the Transferee to exercise its Redemption Right, the Founder shall pay the redemption consideration (the “**Redemption Consideration**”) to the Transferee. The Redemption Consideration is the sum of the actual amount payable for each instalment of the consideration.

If the Transferee has obtained Performance Compensation from the Founder pursuant to the Agreement, each instalment of the Redemption Consideration shall deduct the Performance Compensation payable by the Founder.

Within three (3) months of receipt of the Redemption Notice, the Founder shall pay the Redemption Consideration to the Transferee in full. Upon receipt of the total amount of the Redemption Consideration, the Transferee shall cooperate with the Founder to handle the registration procedures for the change of shareholders of the Target Company. The costs and taxes relating to the Transferee’s exercise of the Redemption Right shall be borne by the Founder.

## **Non-competition**

Within thirty (30) days of the Agreement, the Founder shall (and shall ensure that the core personnel) sign an employment agreement with the Affiliated Entities in a format agreeable to the Transferee and the Founder. The agreement shall include provisions on non-competition restrictions to be complied with by the Founder and core personnel. The Founder and the core personnel agree that, without the prior written consent of the Transferee, they shall not, other than at the Target Company and the Affiliated Entities, directly or indirectly: (i) carry out or engage in other operations that are the same as the Principal Business activities; (ii) provide services, assistance or any convenience to entities that compete with the Principal Business; and (iii) hold any equity interest, owner’s interest and/or sponsor’s interest in any enterprise or business entity which compete with the Principal Business from the date of the Agreement to the second (2) anniversary date after the expiration of the third Performance Guaranteed Year.

## **Pre-emptive right to future business cooperation**

After the signing of the Agreement, if the Founder or his associates intend to directly or indirectly prepare, participate in the preparation of, or assist in the preparation of a general high school or vocational high school, the Founder shall first inform the Transferee before another third party. Under the same business cooperation conditions, the Founder shall (and shall ensure his associates) prioritise cooperation with the Transferee or its designated entity (including, but not limited, to the Company).

## **Corporate governance**

The parties agreed that during the profit guarantee period, the Founder and core personnel are responsible for managing and operating the Target Company and the Affiliated Entities. After the expiration of the third Performance Guaranteed Year, the Founder has the right to choose to continue to be employed by the Target Company and to operate and manage the Target Company and the Affiliated Entities, provided that the Founder and the Transferee have reached a consensus on the subsequent performance expectations of the Target Company, the employment period and remuneration package (including option incentive plan) of the Founder.

The Founder shall ensure the following arrangements and actions to the extent permitted under PRC law in relation to the Target Company or Affiliated Entities from the date of the Agreement:

- (i) change of directors and/or authorised representatives of the Target Company or the Affiliated Entities (except the authorised representative(s) of Beijing Company) at the request of the Transferee. The Target Company has a board of directors comprising of five (5) directors: the Transferee has the right to appoint four (4) directors, the Founder has the right to serve as a director. A resolution is deemed to have been passed after approval by more than half of the board of directors. Each Affiliated Entity shall have an executive director, the candidate of which shall be determined by the board of directors of the Target Company;
- (ii) compliance by the Target Company and the Affiliated Entities with the Company's system of managing its subsidiaries (including, but not limited to, financial management system) and regular provisions of the business contracts relating to the Target Company and the Affiliated Entities in accordance with the financial management and control requirements of the Transferee (including, but not limited to, integrating into the financial system of the Company at the request of the Transferee), acceptance of the financial controller or financial manager seconded from or appointed by the Company or the Transferee from time to time for managing and improving the financial management system of the Target Company and the Affiliated Entities, and cooperation with the audit request of the Company from time to time;
- (iii) prohibition of the use of private accounts for collecting revenue in relation to the businesses of the Affiliated Entities from the date of signing of the Agreement. Each Affiliated Entity shall collect such revenue with its bank account;
- (iv) completion of the housing provident fund account opening procedures of the Affiliated Entities as soon as possible and/or commencement of payment of housing provident fund and social insurance of employees in a timely manner in accordance with the instructions of the Transferee;



- (v) registration of the franchise business of the Target Company and Affiliated Entities in accordance with PRC law, completion of the application with relevant government authorities, and completing the rectification of such franchise business (including, but not limited to, perfecting the terms of the franchise contract, screening the scope of the franchising, etc.) in a timely manner in accordance with the instructions of the Transferee;
- (vi) adjustment of the content of the enrolment promotion materials in respect of the Principal Business and use of enrolment promotion language in accordance with PRC laws and commercial rationale in a timely manner in accordance with the instructions of the Transferee;
- (vii) Beijing Company to complete the change of address of the registrant of the trademarks under its name in a timely manner in accordance with the instructions of the Transferee, so that the address is consistent with the registered address of the business license held by Beijing Company on the date of signing of the Agreement;
- (viii) Hangzhou Company to complete the application for fire protection inspection and to obtain the corresponding fire protection certificate documents issued by the relevant government authority in a timely manner in accordance with the instructions of the Transferee in respect of its leased property; and
- (ix) Jinan Company to, as soon as possible, (i) obtain the “school license” (the school type is non-academic, and the scope of business is art training) issued by the relevant education department; (ii) change its scope of business under its current business permit according to the content set out in the “school license” to be obtained and complete the registration of the change of scope of business with the relevant registration authority in a timely manner in accordance with the instructions of the Transferee.

When the general manager of the Target Company approves a single payment (or the accumulated amount for the same matter) amounting to RMB2 million or above in relation to the Target Company and/or the Affiliated Entities, approval shall be sought from the board of directors of the Target Company.

## **Guarantee**

The Founder unconditionally and irrevocably provides joint liability guarantee to the Transferee for the performance of obligations by the other Sellers pursuant to the Agreement.

## FINANCIAL INFORMATION OF THE AFFILIATED ENTITIES

Based on information provided by each of the Affiliated Entities, the following is a summary of the unaudited aggregated financial information of the Affiliated Entities for the two financial years ended 31 December 2018 and 2019 (reflecting on a pro forma basis the financial position of the Target Company). The financial information of the Affiliated Entities were each prepared in accordance with HKFRS.

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	142,049	185,696
Net profit before tax	22,706	32,801
Net profit after tax	17,022	24,614

As at 31 December 2019, the unaudited total asset and net assets of the Affiliated Entities amounted to approximately RMB137,379 million and RMB24,614 million, respectively.

## INFORMATION ON THE PARTIES

The Transferee is a company established in the PRC with limited liability and a wholly-owned subsidiary of Cathay Media HK. Bicheng Art is principally engaged in providing art training services.

The Founder is a natural person in the PRC who: (1) indirectly owns the entire equity interests of (a) Dalian Company, (b) Shenzhen Art, (c) Shenzhen Education; and (d) Jinan Company; (2) indirectly owns 95% equity interest of Beijing Company; and (3) indirectly owns 75% equity interest of Hangzhou Company.

Beijing Company is a limited liability company incorporated and existing under the laws of the PRC. Its principal business is the provision of art test preparation services in Beijing.

Dalian Company is a limited liability company incorporated and existing under the laws of the PRC. Its principal business is the provision of art test preparation services in Dalian.

Hangzhou Company is a limited liability company incorporated and existing under the laws of the PRC. Its principal business is the provision of art test preparation services in Hangzhou.

Jinan Company is a limited liability company incorporated and existing under the laws of the PRC. Its principal business is the provision of training services in Jinan.

Shenzhen Art is a limited liability company incorporated and existing under the laws of the PRC. Its principal business is the provision of art test preparation services in Shenzhen.

Shenzhen Education is a limited liability company incorporated and existing under the laws of the PRC. Its principal business is the provision of art test preparation services in Shenzhen.

The Target Company is a limited liability company to be incorporated under the laws of the PRC. Its principal business will be the provision of art training services to art entrance exam students under the brand of Shuimuyuan.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

As disclosed in prospectus of the Company dated 30 June 2020 and the Company's interim report for the 6 months ended 30 June 2020, the Company has continued to selectively pursue strategic merger and acquisitions where opportunities arise to launch media and arts training programs that complement the media and arts education business of the Group.

The Directors believes that the Acquisition presents an excellent opportunity for the Group to further expand in the media and arts training area, including the following key benefits:

- Growth potential in the art entrance exam training industry. There is a market shortage of artistic talent, driven in recent years by significant demand for UI design and visual design capabilities due to the growth of the Internet. This is reflected by increases in enrolment of art majors, for which entrance examinations are an essential pre-requisite (in 2019, approximately 600,000 students took the national college art entrance exams, with further growth expected). As the vast majority of art students attend art entrance exam trainings prior to undertaking art entrance exams, there is considerable growth potential in this fragmented market space.
- Shuimuyuan's existing strength in the art entrance exam training industry. Shuimuyuan is one of the largest art entrance exam training institutions in China in terms of number of students. Shuimuyuan already has a presence across multiple regions with an established brand spanning the north, east and south of China with potential to grow nationally. Shuimuyuan also has a track record of high-quality education, with more than 3,000 students admitted to the nine Chinese art academies since inception.
- Diversification and expansion of the Group's media and arts training business. Whereas, the Group's current media and arts training programs are primarily for children and younger students, Shuimuyuan mainly provides art entrance exam training for secondary-school students. Therefore, the Acquisition will diversify the media and arts training programs provided by the Group, increase the range of students served and expand the geographical scope of the Group's business.

- Future business synergy and financial growth. The Company expects to leverage its brand recognition and experience and connections in the arts education and content creation industries to support the Target Company’s expansion and development. In addition, the Founder has warranted and guaranteed RMB24.00 million, RMB27.6 million and RMB31.74 million in net profit attributable to owners of the Target Company for the three years ending 31 December 2021, 2022 and 2023.

As such, the Directors consider that the Acquisition is on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Since one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but is exempt from independent shareholders’ approval under Chapter 14 of the Listing Rules.

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

The Company refers to its prospectus dated 30 June 2020. Under the section headed “Future Plans and Use of Proceeds”, the Company contemplated that approximately 30% of the proceeds from the Global Offering will be used for the acquisition of media and arts higher education institutions and/or training institutions to supplement the Group’s media and arts education business. The Company will use the proceeds under this category to fund the Acquisition in addition to cash from internal resources of the Group.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

<b>“Affiliated Entities”</b>	collectively, Beijing Company, Hangzhou Company, Jinan Company, Shenzhen Art, Shenzhen Education and Dalian Company
<b>“Agreement”</b>	the agreement dated 19 December 2020 entered into by the Transferee, the Founder, and the Affiliated Entities
<b>“Acquisition”</b>	the acquisition of the entire equity interest in the Target Company pursuant to the terms and conditions of the Agreement
<b>“Beijing Company”</b>	Beijing Shuimu Jinghua Education & Technology Co., Ltd* (北京水木京華教育科技有限公司), a limited liability company incorporated and existing under the laws of the PRC
<b>“Board”</b>	the board of Directors

<b>“Cathay Media HK”</b>	Cathay Media Group (Hong Kong) Limited (華夏視聽傳媒集團(香港)有限公司), a company incorporated in Hong Kong on 27 January 2017 and a wholly-owned subsidiary of our Company
<b>“China” or “PRC”</b>	the People’s Republic of China and for the purposes of this announcement only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
<b>“Company”</b>	Cathay Media and Education Group Inc. (華夏視聽教育集團) (formerly known as Cathay Media Group Inc. (華夏視聽傳媒集團)), an exempted company incorporated in the Cayman Islands with limited liability on 4 January 2017
<b>“connected person(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Dalian Company”</b>	Shuimuyuan (Dalian) Education & Technology Co., Ltd.* (水木源(大連市)教育科技有限公司), a limited liability company incorporated and existing under the laws of the PRC
<b>“Director(s)”</b>	the director(s) of our Company
<b>“Founder”</b>	Mr. Ma Xiaochuan (馬小川), a PRC national and an Independent Third Party
<b>“Global Offering”</b>	the Hong Kong public offering and the international public offering, details of which are set out in the Company’s prospectus dated 30 June 2020
<b>“Group”</b>	the Company, its subsidiaries and the consolidated affiliated entities from time to time
<b>“Hangzhou Company”</b>	Monet (Hangzhou) Culture & Art Co. Ltd.* (莫內(杭州)文化藝術有限公司), a limited liability company incorporated and existing under the laws of the PRC
<b>“HKFRS”</b>	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party(ies)”</b>	an entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
<b>“Jinan Company”</b>	Jinan Shuimuyuan Education & Technology Co., Ltd.* (濟南水木園教育科技有限公司), a limited liability company incorporated and existing under the laws of the PRC
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Principal Business”	the principal business of the Target Company and the Affiliated Entities, being painting training and art candidate cultural course training for the purpose of college entrance examination
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	collectively, the Founder and the Affiliated Entities
“Shares”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Art”	Shenzhen Shuimuyuan Art Education Co., Ltd.* (深圳水木源藝術教育有限公司), a limited liability company incorporated and existing under the laws of the PRC
“Shenzhen Education”	Shenzhen Shuimuyuan Education & Technology Co., Ltd.* (深圳水木源教育科技有限公司), a limited liability company incorporated and existing under the laws of the PRC
“Target Company”	a limited liability company to be incorporated under the laws of the PRC as a holding company of the Affiliated Entities
“Transferee”	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
“Transferor”	a limited partnership enterprise to be established, controlled by the Founder and holding the entire equity interest in the Target Company following completion of the restructuring as set out in the Agreement
“%”	percent

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

Hong Kong, 20 December 2020

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

\* *For identification purpose only*