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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Directors**") of Cathay Media and Education Group Inc. (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2021 (the "**Reporting Period**"). The results have been reviewed by the audit committee of the Company and the auditors of the Company, PricewaterhouseCoopers.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2021	2020	Change (%)
	(unaudited)	(unaudited)	
	(RMB'000, except percentages)		
Revenue	**231,023**	384,302	-39.9%
– Higher education (media and arts) and vocational education	**211,695**	186,622	13.4%
– Media, arts and vocational training	**15,168**	–	N/A
– TV/film production and investment	**4,160**	197,680	-97.9%
Gross profit	**139,917**	177,807	-21.3%
Profit for the period	**91,520**	127,369	-28.1%
Non-HKFRS: Adjusted Net Profit [(1)]	**98,803**	142,697	-30.8%

(1) Adjusted Net Profit, which is unaudited, represents profit for the period after adjustments for listing expenses, termination fee payment and amortisation of licensing rights payment to Communication University of China and those new items which did not exist in prior periods, including amortization of intangible assets arising from acquisition, additional depreciation of certain property, plant and equipment due to fair value adjustments arising from acquisition and change in fair value of financial labilities at fair value through profit or loss arising from acquisition.

The Board has resolved to recommend the payment of an interim dividend of HK$0.06 per share for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

BUSINESS REVIEW AND OUTLOOK

Overview of the Reporting Period

Our business includes higher education (media and arts) and vocational education, media, arts and vocational training, and TV/film production and investment.

On 15 March 2021, the Company was officially included in the list of eligible securities for Southbound Trading under Shenzhen-Hong Kong Stock Connect. In addition, the Group has been included in the Hang Seng Composite Index and Hang Seng Composite Smallcap Index, as well as the Hang Seng Consumer Goods & Services Index, since 15 March 2021. The Company has also been included in the MSCI China Small Cap Index since 30 November 2020.

Acquisition of Shuimuyuan

On 19 December 2020, the Group entered into a share purchase agreement with an independent third party (the "**Founder of Shuimuyuan**"), Beijing Shuimu Jinghua Education & Technology Co., Ltd, Monet (Hangzhou) Culture & Art Co., Ltd., Jinan Shuimuyuan Education & Technology Co., Ltd, Shenzhen Shuimuyuan Art Education Co., Ltd., Shenzhen Shuimuyuan Education & Technology Co., Ltd and Shuimuyuan (Dalian) Education & Technology Co., Ltd. (collectively, the "**Shuimuyuan**"), pursuant to which the Group agreed to acquire the entire controlling interests of Shuimuyuan for an aggregate consideration of RMB300 million.

Shuimuyuan is a leading art entrance exam training institution in the People's Republic of China ("**China**" or "**PRC**"). Pursuant to the terms of the acquisition of Shuimuyuan, among others, the Founder of Shuimuyuan has warranted and guaranteed to the Group that the consolidated net profit of Shuimuyuan for the three years ending 31 December 2021, 2022 and 2023 as calculated in accordance with PRC accounting standards shall not be less than RMB24.0 million, RMB27.6 million and RMB31.7 million, respectively. The acquisition of Shuimuyuan was completed on 6 April 2021. Reference is made to the announcements of the Company dated 20 December 2020, 28 January 2021 and 7 April 2021 for more details.

Acquisition of Olympic College

On 21 June 2021, the Group entered into a sale and purchase agreement (the "**Agreement**") with certain independent third parties, including the transferor (the "**Transferor**") and the beneficial owners of the Transferor, pursuant to which the Group agreed to acquire the entire controlling interests of, among others, the Olympic College of Nanjing Sport Institute (the "**Olympic College**") for a total consideration of RMB450 million (which may be adjusted to RMB250 million if certain conditions precedent (including completion of transfer of an additional land lot for the operation of Olympic College) cannot be satisfied within 36 months from the date of the Agreement). Reference is made to the announcements of the Company dated 22 June 2021 and 19 August 2021 for more details. In order to facilitate the restructuring in connection with the Agreement, the Group also entered into two bridging loan agreements (the "**Loan Agreements**") for the principal amounts of RMB250 million and RMB170 million, respectively, to be extended to the Transferor. The Group is entitled to a set-off over the consideration payable to the Transferor arising under the Agreement against any amount due to the Group from the Transferor or its associates arising under the Loan Agreements.

Olympic College, a secondary college of Nanjing Sport Institute located at land lots with an aggregate area of approximately 511 mu (equivalent to approximately 340,000 square metres) in Jiangning District, Nanjing City, currently offers 8 undergraduate majors, including 3 sports majors and 5 media and arts majors (journalism, film and television performance, digital media arts, English, economics and management). It is approved by the International Olympic Committee and authorized by the Chinese Olympic Committee, and is currently the only higher education college named "Olympic" in the PRC. As at the date of the Agreement, Olympic College had approximately 3,000 higher education students.

The Company expects that, if Olympic College is merged with 南京傳媒學院 ("**CUCN**" or our "**University**", formerly known as 中國傳媒大學南廣學院) upon completion of the acquisition of Olympic College, Olympic College will become a secondary college of CUCN and the Binjiang campus of CUCN (南京傳媒學院濱江校區), and the student enrolment of Olympic College may have room for growth from 3,000 students to 11,000 students in the coming years (assuming all conditions are satisfied including completion of transfer of an additional land lot). The acquisition of Olympic College is expected to complete in or around September 2021.

Higher education (media and arts) and vocational education

Our University converted from an independent college to a private higher education institution under the new school name 南京傳媒學院 (English name: Communication University of China, Nanjing) in March 2020. For a long time, we have always believed that every student has unlimited possibilities, and can light up their lives through media and art education. We have been adhering to this concept and providing our high-quality media and art education. For more than ten years, not only well-known literary and artistic star alumni, but also entrepreneurial star alumni have emerged from CUCN. There is also a large number of outstanding alumni working in national media, well-known internet companies and well-known cultural media institutions.

According to the Chinese Universities Alumni Association, CUCN was ranked first in media and arts independent colleges in China in 2021. As of 30 June 2021, CUCN had approximately 17,664 students enrolled, including 15,266 undergraduates, 441 international preparatory students and 1,957 vocational education students, representing a total year-on-year increase of approximately 19.2%.

For the 2020/2021 school year, CUCN offered 44 undergraduate majors, covering multiple media and art fields. Among them, 2 majors were appraised as the first tier at the national level, and 8 majors were appraised as the first tier at the provincial level of Jiangsu. Our high-quality courses, ingenious ideas and excellent teaching results are what make CUCN uniquely competitive and attractive. For the 2020/2021 school year, approximately 65,000 students took the art entrance exams and only 5.7% were admitted.

Our international preparatory programs are supported by our cooperation with more than 70 leading media and art colleges across the world. Students enrolled in these programs can go to the overseas universities we cooperate with to continue their undergraduate courses after completing relevant courses.

Our vocational education programs serve adults who want to further develop skills for a new job, or develop a personal interest, or obtain a degree. We will provide self-taught examination preparation program (自考助學課程) to the aforementioned adults.

The phase II dormitory building at our University has been put into use from the 2020/2021 school year, providing additional capacity of approximately 4,000 students. We will continue to expand the capacity of our University. See the section headed "Outlook" for more details.

Media, arts and vocational training

The Group completed its acquisition of Shuimuyuan on 6 April 2021 as mentioned above and accordingly, the financial statements of Shuimuyuan were consolidated into the financial statements of the Group for about three months during the Reporting Period. The Group will continue to provide high school students with fine arts tutoring through the Shuimuyuan (水木源) brand. In terms of the number of students, Shuimuyuan is one of the largest fine arts tutoring institutions in China. As of the date of this announcement, Shuimuyuan had seven campuses and training centers in Beijing, Jinan, Hangzhou, Shenzhen, Dalian, Wuhan and Chongqing with approximately 3,100 students. As of 30 June 2021, Shuimuyuan recorded contract liabilities of approximately RMB110.4 million, the majority of which are expected to be recognised as training services income in the second half of 2021.

Shuimuyuan is 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 ten consecutive years from 2011 to 2021. In the 2020/2021 academic year, 114 students and 286 students received arts entrance certificates from Academy of Arts & Design, Tsinghua University and Central Academy of Fine Arts, respectively.

With its high-quality education standards, Shuimuyuan has established a good reputation and built a high popularity. Shuimuyuan has obtained various recognitions 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).

Leveraging years of successful media and arts higher education experience and ample resources from the media and the TV/film production industry, the Group has launched media and arts training programs with small scale recruitment activities in Beijing principally for younger children.

In addition, the Group has started exploring possible collaborations with certain well-known and seasoned practitioners in the TV/film production industry in order to provide vocational training courses for those who pursue their careers in the industry.

TV/film production and investment

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

We have contracted to invest in the TV series Kunlun Silk Road Treasure (崑崙絲路寶藏) (50% invested by the Group), Incomparable Beauty (無與倫比的美麗) (30% invested by the Group), Don't Call Me Jiuchen II (別叫我酒神 II) (50% invested by the Group) and Dreamed House (理想的房子) (55% invested by the Group), which are expected to be delivered in the second half of 2021 and accordingly, no revenue was generated from these TV series in the first half of 2021.

Recent Developments after the Reporting Period

Regulatory update

On 24 July 2021, the General Office of the Central Committee of the Communist Party of the PRC and the General Office of the State Council issued the Opinions on Further Reducing the Burden of Homework and of Off-campus Training on Students at the Compulsory Education Stage (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the "**Opinions**"). In the Opinions, several measures have been put forward to reduce the burden on students at the compulsory education stage and standardize off-campus tutoring institutions ("**Double Reduction**"). The Opinions mainly contain requirements and restrictions in relation to off-campus tutoring institutions catering for students at the compulsory education stage.

On 28 July 2021, the General Office of the Ministry of Education issued the Notice on Further Clarifying the Scope of Curriculum-based and Non-curriculum-based Categories for Off-campus Training at the Compulsory Education Stage (《關於進一步明確義務教育階段校外培訓學科類和非學科類範圍的通知》). It has been defined that when conducting off-campus tutoring, ethics and the rule of law, Chinese, history, geography, mathematics, foreign languages (English, Japanese, Russian), physics, chemistry, and biology shall be managed as curriculum subjects, whereas physical education (or sports and health), art (or music and fine arts) comprehensive practical activities (including information technology education, labour and technical education), etc. shall be managed as non-curriculum subjects.

The Group provides fine arts tutoring service to students sitting for art college entrance examination, in other words, non-curriculum-based tutoring catering for students at the high school stage, through Shuimuyuan. Therefore, the Group's principal business does not belong to curriculum-based tutoring at the compulsory education stage which is subject to the regulation of the Double Reduction policy. Our Directors are of the view that the Double Reduction policy does not have a material adverse impact on the principal business of the Group.

Expected growth in student enrolment of our University for the 2021/2022 school year

According to the current internal record of the number of existing students and the number of offers accepted by new students, it is expected that the overall student enrolment of our University for the 2021/2022 school year may have at least 30% growth as compared to that of the 2020/2021 school year. We will make a voluntary announcement of the actual student enrolment of our University at the beginning of the 2021/2022 school year in due course when the student enrolment of our University is ascertained after the commencement of the 2021/2022 school year of our University.

Outlook

Our TV/film production and investment business brings us reputation and recognition in China and helps connect CUCN with the industry. By leveraging our resources in the TV/film production and investment industry, we introduce industry leaders to join as our faculty advisers and provide a large number of internship and employment opportunities for our students. CUCN at the same time also serves as a source for the recruitment of talent and supply of creative content for our TV/film production and investment business. We will further promote cooperations among the media and arts industry, CUCN and our training centers, exploring more collaborations with industry leaders.

We see huge market potential in the field of education and content related to media and arts. Therefore, the Group plans to continue to maintain and strengthen the Group's leading position of its application-oriented higher education (which focuses on media and arts) and its TV series production and investment industry, while actively expanding media and arts training business and exploring opportunities of vocational training in the fields of media and arts and TV/film production and investment industries.

Higher education (media and arts) and vocational education

The Group continues to expand the capacity of CUCN to accommodate more students. The completion of a new phase of dormitory building of CUCN is expected to provide extra capacity of approximately 5,000 students for the 2021/2022 school year. After completion of the new phase dormitory building, the total capacity of CUCN for the 2021/2022 school year is estimated to be 24,000 students. The Company expects that the maximum capacity of our University may reach approximately 30,000 students assuming the construction of all phases of dormitories and facilities is completed and the necessary government approvals are obtained. At the same time, we are also actively looking for new campuses to further expand the capacity for our higher and vocational education business so as to meet the strong organic growth brought about by the number of students enrolled in undergraduate programs, international preparatory courses and vocational education courses.

The Company believes that the Group's total maximum capacity of its higher education (media and arts) and vocational education may further increase, which may exceed 40,000 students upon completion of the acquisition of Olympic College (assuming all conditions are satisfied, including completion of transfer of additional land lot), as Olympic College will become a secondary college of CUCN and the Binjiang campus of CUCN (南京傳媒學院濱江校區). The Group will continue to identify suitable targets among media and arts universities around the world. The Group's mergers and acquisitions strategy for higher and vocational education aims to create a synergistic consortium of universities while maintaining the academic excellence, brand reputation and presence of CUCN.

Media, arts and vocational training

We leverage our edge in resources and brand reputation to provide students with presenting opportunities, striving to build a first-class and trustworthy flagship brand for media and arts training, as many parents in China realise the importance of all-round quality education for their children especially in their early stage of growing up during which children can develop their interests and talents. For the 2021/2022 academic year, we will open our flagship media and arts training center in Beijing, namely Cathay Kids Arts Center (華夏視聽藝術成長中心), which aims to provide drama, music, dancing and fine arts courses mainly for children aged from 3 to 12.

At the same time, we will continue to support the expansion of Shuimuyuan by opening more centers in cities where the demand for fine arts training is huge, and continue to improve the synergy between Shuimuyuan and the Group.

In addition, we will seek opportunities to develop other non-curriculum-based training and vocational training businesses primarily for the media and the TV/film production and investment industries.

TV/film production and investment

The Company expects that the TV series Kunlun Silk Road Treasure (崑崙絲路寶藏) (50% invested by the Group), Incomparable Beauty (無與倫比的美麗) (30% invested by the Group), Don't Call Me Jiuchen II (別叫我酒神 II) (50% invested by the Group) and Dreamed House (理想的房子) (55% invested by the Group) will be delivered in the second half of 2021.

We continue to pursue quality works and have been actively involved in the production and investment of TV series, variety shows and movies, whether as the sole producer or a co-producer, with others. We will also look for other high-quality TV/film projects and opportunities for investment.

The impact of COVID-19

Based on the current situation and the current information available to the Group, it is expected that the impact of coronavirus ("**COVID-19**") on the Group's operations and results may not be significant for the second half of 2021. For instance, our University is allowed to provide online courses for our students if the local government requires students not to attend physical classes as a result of COVID-19. However, the Group will closely monitor the future trends of COVID-19 and will make further disclosure when necessary.

Conclusion

Looking ahead, we will continue to expand the scale of our higher education (media and arts) and vocational education business, and produce and invest in high-quality content TV/film series. We will accelerate the development of media and arts training business and explore the opportunities for vocational training. While expanding through organic growth, we will actively carry out plans for mergers and acquisitions in the higher education, vocational education and non-curriculum-based training business to create the greatest return for the shareholders of the Company (the "**Shareholders**").

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The following table sets forth our revenue by business segment for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June			
	2021		2020	
	(unaudited)		(unaudited)	
	(RMB'000, except percentages)			
Segment Revenue				
Higher education (media and arts) and vocational education	**211,695**	**91.6%**	186,622	48.6%
Media, arts and vocational training	**15,168**	**6.6%**	–	–
TV/film production and investment	**4,160**	**1.8%**	197,680	51.4%
Total	**231,023**	**100.0%**	384,302	100.0%

Total revenue of the Group decreased from RMB384.3 million for the six months ended 30 June 2020 to RMB231.0 million for the six months ended 30 June 2021, due to the decrease in revenue from TV/film production and investment business.

Revenue from our higher education (media and arts) and vocational education business increased by RMB25.1 million, or 13.4%, from RMB186.6 million for the six months ended 30 June 2020 to RMB211.7 million for the six months ended 30 June 2021, primarily due to the growth in overall student enrolment.

For the six months ended 30 June 2021, revenue from our media, arts and vocational training business amounted to RMB15.2 million, which mainly comprised revenue generated from Shuimuyuan for the period from the completion date of acquisition of Shuimuyuan (i.e. 6 April 2021) to 30 June 2021. The peak business period of Shuimuyuan is normally from July of each year to February of next year. As of 30 June 2021, Shuimuyuan recorded contract liabilities of approximately RMB110.4 million, the majority of which are expected to be recognised as training services income in the second half of 2021.

Revenue from our TV/film production and investment business decreased from RMB197.7 million for the six months ended 30 June 2020 to RMB4.2 million for the six months ended 30 June 2021. The decrease was mainly due to the reason that the TV series Kunlun Silk Road Treasure (崑崙絲路寶藏) (50% invested by the Group), Incomparable Beauty (無與倫比的美麗) (30% invested by the Group), Don't Call Me Jiuchen II (別叫我酒神 II) (50% invested by the Group) and Dreamed House (理想的房子) (55% invested by the Group) are expected to be delivered in the second half of 2021 and no revenue was generated from these TV series in the first half of 2021, whereas licensing fees from the first-round distribution of Shichahai (什刹海), Zhaoge (朝歌) and Don'Call Me Jiushen (別叫我酒神) were recorded for the six months ended 30 June 2020.

Cost of revenue

	Six months ended 30 June			
	2021		2020	
	(unaudited)		(unaudited)	
	(RMB'000, except percentages)			
Segment Cost				
Higher education (media and arts) and vocational education	**76,528**	**84.0%**	70,713	34.2%
Media, arts and vocational training	**14,306**	**15.7%**	–	–
TV/film production and investment	**272**	**0.3%**	135,782	65.8%
Total	**91,106**	**100.0%**	206,495	100.0%

The cost of revenue of our higher education (media and arts) and vocational education business increased from RMB70.7 million for the six months ended 30 June 2020 to RMB76.5 million for the six months ended 30 June 2021, primarily due to the increase in teachers' salaries.

For the six months ended 30 June 2021, the cost of revenue of our media, arts and vocational training business amounted to RMB14.3 million, which mainly comprised teachers' employee benefit expenses and depreciation of right-of-use assets of Shuimuyan for the period from the completion date of acquisition of Shuimuyuan (i.e. 6 April 2021) to 30 June 2021.

The cost of revenue of our TV/film production and investment business decreased from RMB135.8 million for the six months ended 30 June 2020 to RMB0.3 million for the six months ended 30 June 2021, primarily due to the reason that the TV series Kunlun Silk Road Treasure (崑崙絲路寶藏) (50% invested by the Group), Incomparable Beauty (無與倫比的美麗) (30% invested by the Group), Don't Call Me Jiuchen II (別叫我酒神 II) (50% invested by the Group) and Dreamed House (理想的房子) (55% invested by the Group) are expected to be delivered in the second half of 2021 and no amortised cost for these TV series was recognised in the first half of 2021. For the six months ended 30 June 2020, the cost of revenue from this segment was mainly attributable to the amortised cost for Zhaoge (朝歌) that the Group co-invested in and Shichahai (什剎海).

Gross profit and gross profit margin

	Six months ended 30 June			
	2021		2020	
	(unaudited)		(unaudited)	
	Gross profit	**Gross margin**	Gross profit	Gross margin
	(RMB'000, except percentages)			
Higher education (media and arts) and vocational education	**135,167**	**63.8%**	115,909	62.1%
Media, arts and vocational training	**862**	**5.7%**	–	–
TV/film production and investment	**3,888**	**93.5%**	61,898	31.3%
Total	**139,917**	**60.6%**	177,807	46.3%

As a result of the foregoing, the Group's overall gross profit decreased by 21.3% from RMB177.8 million for the six months ended 30 June 2020 to RMB139.9 million for the six months ended 30 June 2021. However, the Group's overall gross margin increased from 46.3% for the six months ended 30 June 2020 to 60.6% for the six months ended 30 June 2021, primarily due to the change in revenue mix where the proportion of revenue from higher education (media and arts) and vocational education increased.

The gross profit margin for our higher education (media and arts) and vocational education business increased from 62.1% for the six months ended 30 June 2020 to 63.8% for the six months ended 30 June 2021, mainly due to the increase in revenue from vocational education.

For the six months ended 30 June 2021, our media, arts and vocational training business recorded a gross profit of RMB0.9 million, which was mainly attributable to the gross profit of Shuimuyuan for the period from the completion date of acquisition of Shuimuyuan (i.e. 6 April 2021) to 30 June 2021. As mentioned above, the peak business period of Shuimuyuan is normally from July of each year to February of next year and accordingly, revenue and gross profit margin of Shuimuyuan for the period from April to June of each year was expected to be lower than those of other periods.

The gross profit margin for our TV/film production and investment business increased from 31.3% for the six months ended 30 June 2020 to 93.5% for the six months ended 30 June 2021, mainly attributable to the change in revenue mix within this business segment.

Selling expenses

The Group's selling expenses decreased by RMB11.8 million, or 53.3%, from RMB22.1 million for the six months ended 30 June 2020 to RMB10.3 million for the six months ended 30 June 2021, primarily due to the decrease in selling expenses for the TV/film production and investment business.

Administrative expenses

The Group's administrative expenses increased by RMB21.8 million, or 56.6%, from RMB38.4 million for the six months ended 30 June 2020 to RMB60.2 million for the six months ended 30 June 2021. The increase was primarily due to the increase in administration staff salaries and office expenses for the media, arts and vocational training business after acquisition of Shuimuyuan.

Other income

Other income decreased from RMB6.8 million for the six months ended 30 June 2020 to RMB2.1 million for the six months ended 30 June 2021. The decrease was primarily attributable to the decrease in government grants and donation income.

Other gains (net)

Other gains increased from RMB11.4 million for the six months ended 30 June 2020 to RMB14.1 million for the six months ended 30 June 2021, primarily due to the increase in the gain from the wealth management products purchased from banks.

Operating profit

As a result of the foregoing, the operating profit of the Group amounted to RMB80.6 million for the six months ended 30 June 2021, compared to RMB135.4 million for the six months ended 30 June 2020.

The operating profit from our higher education (media and arts) and vocational education business increased from approximately RMB108.1 million for the six months ended 30 June 2020 to approximately RMB125.2 million for the six months ended 30 June 2021, representing an increase of 15.8%.

The operating loss from our media, arts and vocational training business for the six months ended 30 June 2021 was mainly attributable to the reasons that the acquisition of Shuimuyuan were completed on 6 April 2021 (i.e. the financial statements of Shuimuyan were consolidated into the financial statements of the Group from 6 April 2021 to 30 June 2021 only) and the peak business period of Shuimuyuan is normally from July of each year to February of next year.

Our TV/film production and investment recorded an operating loss of RMB15.4 million for the six months ended 30 June 2021, as compared to the operating profit of RMB36.2 million for the six months ended 30 June 2020.

Finance costs – net

The Group recorded net finance cost of RMB0.03 million for the six months ended 30 June 2021, as compared to net finance costs of RMB0.2 million for the six months ended 30 June 2020.

Taxation

The Group recorded income tax credit of RMB10.9 million for the six months ended 30 June 2021, as compared to income tax expense of RMB7.8 million for the six months ended 30 June 2020, primarily because of the recognition of deferred tax assets attributable to the results of our media, arts and vocational training business and our TV/film production and investment business during the Reporting Period.

Profit for the period

As a result of the foregoing, the Group's profit for the period decreased from RMB127.4 million in the six months ended 30 June 2020 to RMB91.5 million in the six months ended 30 June 2021.

Non-HKFRS Measure – Adjusted Net Profit

In order to supplement the Group's consolidated financial statements, which are presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), the Group also uses adjusted net profit ("**Adjusted Net Profit**") as an additional financial measure. The Group presents this financial measure because it is used by the Group's management to evaluate the Group's financial performance by eliminating the impact of certain items that the Group does not consider to be indicative of the Group's performance during the Reporting Period. The Group also believes that this non-HKFRS measure provides additional information to investors and others in their understanding and evaluation of the Group's results of operations in the same manner as they help the Group's management in comparing financial results of the Group across accounting periods and those of the Group's peer companies. This non-HKFRS measure provides an unbiased presentation for investors to understand the Group's results of operations. However, this non-HKFRS measure does not have a standardised meaning prescribed by HKFRS and therefore it may not be comparable to similar measures presented by other companies listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Adjusted Net Profit, which is unaudited, represents profit for the period after adjusting for listing expenses, termination fee payment and amortisation of licensing rights payment to Communication University of China and those new items which did not exist in prior periods, including amortization of intangible assets arising from acquisition, additional depreciation of certain property, plant and equipment due to fair value adjustments arising from acquisition and change in fair value of financial labilities at fair value through profit or loss arising from acquisition. Adjusted Net Profit of the Group for the six months ended 30 June 2021 was RMB98.8 million, representing a decrease of 30.8%, from RMB142.7 million for the corresponding period in 2020.

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

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	(RMB'000)	
Profit for the period	**91,520**	127,369
Add: Listing expenses	**–**	7,828
One-off payment to Communication University of China	**–**	7,500
Depreciation and amortisation of intangible assets arising from acquisition	**4,959**	–
Change in fair value of financial liabilities at fair value through profit or loss arising from acquisition	**2,000**	–
Addition depreciation of certain property, plant and equipment due to fair value adjustments arising from acquisition	**324**	–
Non-HKFRS: Adjusted Net Profit	**98,803**	142,697

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

Liquidity, financial resources and capital structure

During the six months ended 30 June 2021, the Group funded its cash requirements principally from funds raised through the Global Offering (as defined in the prospectus of the Company dated 30 June 2020 (the "**Prospectus**")) in July 2020 and cash generated from operations.

As of 30 June 2021, the Group's cash and cash equivalents amounted to RMB463.3 million (as of 31 December 2020: RMB1,308.7 million), of which the majority were denominated in Hong Kong dollars and Renminbi ("**RMB**"). The decrease in cash and cash equivalents was primarily due to the provision of two bridging loans in an aggregate amount of RMB420 million to the Transferor in connection with the acquisition of Olympic College (see the section headed "Overview of the Reporting Period" above for details), partial consideration paid for the acquisition of Shuimuyuan and the decrease in cash generated from TV/film production and investment business during the six months ended 30 June 2020.

As of 30 June 2021, the Group's financial assets at fair value through profit or loss amounted to RMB578.0 million (as of 31 December 2020: RMB818.5 million). The majority of these financial assets at fair value through profit or loss were wealth management products purchased from banks for better utilisation of our surplus cash.

As of 30 June 2021, the Group did not have interest-bearing borrowings (as of 31 December 2020: Nil). As of 30 June 2021, the Group's total equity amounted to RMB2,853.4 million (as of 31 December 2020: RMB2,875.2 million). The Board will evaluate the Group's capital structure from time to time based on the Group's operations, its business growth, the relevant funding requirements and available financial resources.

Gearing ratio

The Group's gearing ratio is re-calculated as total interest-bearing borrowings divided by total equity. As of 30 June 2021, the Group's gearing ratio was zero (As of 31 December 2020: Nil).

Capital expenditure and commitment

During the six months ended 30 June 2021, the Group paid RMB121.3 million for the purchases of property, plant and equipment primarily for the expansion of the capacity of our University and paid RMB157.4 million in connection with the acquisition of Shuimuyuan.

As of 30 June 2021, capital commitment of the Group was RMB696.5 million (as of 31 December 2020 RMB334.0 million).

Foreign exchange exposure

During the six months ended 30 June 2021, the Group mainly operated in China and the majority of the transactions were settled in RMB, which is the Company's primary subsidiaries and consolidated affiliated entities' functional currency. As of 30 June 2021, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

Pledge of assets

As of 30 June 2021, the Group had no pledge of assets (as of 31 December 2020: Nil).

Contingent liabilities

The Group had no material contingent liabilities as of 30 June 2021 (as of 31 December 2020: nil).

Significant Investments

Save as certain bank's wealth management products (included in financial assets at fair value through profit or loss) as disclosed in the Prospectus, the Group did not make or hold other significant investments (including any investment in an investee company with a value of 5 per cent, or more of the Company's total assets as at 30 June 2021) during the Reporting Period.

Material acquisitions and disposals

Save for the acquisitions of Shuimuyuan and Olympic College of Nanjing Sport Institute as disclosed in the section headed "Business Review and Outlook" above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 30 June 2021.

Future plans for material investments or capital asset

As of 30 June 2021, the Group did not have detailed future plans for material investments or capital assets.

Employees and remuneration

As of 30 June 2021, the Group had a total of 2,035 employees. The following table sets forth the total number of employees by function as of 30 June 2021:

Function	**Number of employees**
Higher education (media and arts) and vocational education	
Teachers	1,213
Administration	232
Media, arts and vocational training	
Teachers	370
Administration	140
TV/film production and investment	
Content creation	55
Administration	25
Total	2,035

The total remuneration cost incurred by the Group for the six months ended 30 June 2021 was RMB68.2 million, as compared to RMB47.7 million for the six months ended 30 June 2020.

The Company also has adopted a post-IPO share award scheme and a post-IPO share option scheme.

CORPORATE GOVERNANCE

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

Compliance with the Code on Corporate Governance Practices

For the six months ended 30 June 2021, the Company has complied with all appliable code provisions as set out in the Corporate Governance Code and Corporate Govermance Report (the "**Corporate Governance Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Main Board (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), save for the deviation set out below.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairperson and chief executive should be separate and should not be performed by the same person. Mr. Pu Shulin ("**Mr. Pu**") performs both the roles of the chairperson of the Board and the chief executive officer of the Company. Mr. Pu is the founder of the Group and has extensive experience in the business operations and management of the Group. The Board believes that vesting the roles of both chairperson and chief executive officer in Mr. Pu has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning. This structure will enable the Company to make and implement decisions promptly and effectively.

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

Compliance with the Model Code for Securities Transactions by Directors

Since the listing of the Company's Shares on the Main Board of the Stock Exchange on 15 July 2020 (the "**Listing**"), the Company has adopted the Management Trading of Securities Policy (the "**Company's Code**"), with terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Company's Code.

Specific enquiry has been made of all the Directors and relevant employees and they have confirmed that they have complied with the Company's Code during the Reporting Period and up to the date of this announcement.

Audit committee

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

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2021 and has met with the independent auditor, PricewaterhouseCoopers. 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 with senior management members of the Company.

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 2021 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 INFORMATION

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.

Use of proceeds from Listing

The net proceeds from the Listing (following full exercise of the Over-allotment Option, as defined in the Prospectus) were approximately HK$1,383.0 million, which are intended to be applied in the manner set out in the Prospectus. There was no change in the intended use of proceeds as previously disclosed.

Set out below is the status of use of proceeds from the Listing as of 30 June 2021:

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Amount used as of 31 December 2020 (HK$ million)	Amount used for the six months ended 30 June 2021 (HK$ million)	Unutilised amount as of 30 June 2021 (HK$ million)	Expected time of full utilisation
Invest in high quality content of TV/film production	30%	414.9	107.9	307.0	–	N/A
Improve and expand our University	30%	414.9	47.2	119.5	248.2	2022
Mergers and acquisitions	30%	414.9	0.1	414.8	–	N/A
General working capital	10%	138.3	138.3	–	–	N/A

Interim dividend and closure of register of members

The Board has resolved to recommend the payment of an interim dividend for the six months ended 30 June 2021 of HK$0.06 per share to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 8 October 2021. The interim dividend will be distributed to Shareholders on or about Friday, 22 October 2021.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the interim dividend from Wednesday, 6 October 2021 to Friday, 8 October 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration, no later than 4:30 p.m. on Tuesday, 5 October 2021.

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June **2021** Unaudited *RMB'000*	2020 Unaudited *RMB'000*
Revenue	*6,7*	**231,023**	384,302
Cost of revenue		**(91,106)**	(206,495)
Gross profit		**139,917**	177,807
Selling expenses		**(10,332)**	(22,141)
Administrative expenses		**(60,213)**	(38,445)
Net impairment losses on financial assets		**(4,963)**	–
Other income		**2,092**	6,803
Other gains – net		**14,111**	11,405
Operating profit		**80,612**	135,429
Finance income		**2,723**	125
Finance costs		**(2,750)**	(353)
Finance costs – net		**(27)**	(228)
Share of losses of investment accounted for using the equity method		**–**	(48)
Profit before income tax		**80,585**	135,153
Income tax credit/(expense)	*8*	**10,935**	(7,784)
Profit for the period		**91,520**	127,369
Profit attributable to			
Owners of the Company		**82,858**	117,742
Non-controlling interests		**8,662**	9,627
		91,520	127,369
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
—Basic earnings per share	*9*	**0.05**	0.10
—Diluted earnings per share	*9*	**0.05**	0.10
Other comprehensive income			
Items that can not be reclassified to profit or loss			
Currency translation differences		**(12,786)**	–
Items that may be reclassified to profit or loss			
Currency translation differences		**367**	537
Total comprehensive income		**79,101**	127,906
Total comprehensive income attributable to:			
Owners of the Company		**70,439**	118,279
Non-controlling interests		**8,662**	9,627
		79,101	127,906

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2021 Unaudited *RMB'000*	As at 31 December 2020 Audited *RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets		**341,660**	106,228
Property, plant and equipment		**727,672**	603,202
Investments accounted for using the equity method		**–**	1,564
Intangible assets		**290,472**	1,099
Deferred income tax assets		**24,960**	16,183
Prepayments, deposits and other receivables		**14,555**	–
Total non-current assets		**1,399,319**	728,276
Current assets			
Television series and film rights and investments	*10*	**39,087**	33,775
Inventories		**243,797**	56,906
Trade receivables	*11*	**305,585**	367,549
Prepayments, deposits and other receivables	*2(b)*	**543,492**	120,448
Financial assets at fair value through profit or loss		**577,983**	818,540
Cash and cash equivalents		**463,328**	1,308,667
Total current assets		**2,173,272**	2,705,885
Total assets		**3,572,591**	3,434,161
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**118**	118
Other reserves		**1,751,372**	1,763,791
Retained earnings		**938,403**	966,404
		2,689,893	2,730,313
Non-controlling interests		**163,533**	144,871
Total equity		**2,853,426**	2,875,184

	Note	As at 30 June 2021 Unaudited *RMB'000*	As at 31 December 2020 Audited *RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**197,029**	–
Deferred income		**1,115**	1,263
Financial liabilities at fair value through profit or loss	*13*	**40,548**	–
Deferred income tax liabilities		**45,172**	–
Total non-current liabilities		**283,864**	1,263
Current liabilities			
Trade payables	*12*	**62,704**	201,480
Other payables and accrual charges		**119,136**	91,608
Contract liabilities		**138,918**	204,690
Financial liabilities at fair value through profit or loss	*13*	**24,452**	–
Current income tax liabilities		**33,015**	38,332
Dividend payables		**20,950**	21,604
Lease liabilities		**36,126**	–
Total current liabilities		**435,301**	557,714
Total liabilities		**719,165**	558,977
Total equity and liabilities		**3,572,591**	3,434,161

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The Company is an investment holding company and its subsidiaries and consolidated affiliated entities (collectively referred to as the "Group") are principally engaged in the provision of media and arts higher and vocational education service, media and arts training services as well as television series and film production in the People's Republic of China (the "PRC").

The ultimate holding company of the Company is Media One International (PTC) Limited, a company incorporated in the British Virgin Islands, and which is the trustee of a trust established in January 2021 of which the settlor is 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 and vocational education service business was principally carried out by the companies which are 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 and vocational education service business under common control of Mr. Pu were transferred to the Group.

On 15 July 2020, the Company completed a public offering of 400,000,000 shares at a price of HK3.10 per share (the "Offering Price"), and its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited. 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 30 August 2021.

2 Significant event

(a) On 6 April 2021, the Group, via a wholly-owned subsidiary, Bicheng Art Consulting (Nanjing) Co., Ltd. ("Nanjing Bicheng"), has completed acquisition of entire equity interests of Beijing Shuimu Huaxia Education Technology Co., Ltd., from it's sole shareholder. Beijing Shuimu Huaxia Education Technology Co., Ltd., an investment holding company incorprated in the PRC, together with it's subsidiries, Beijing Shuimu Jinghua Education & Technology Co., Ltd., Monet (Hangzhou) Culture & Art Co. Ltd., Jinan Shuimuyuan Education & Technology Co., Ltd., Shenzhen Shuimuyuan Art Education Co., Ltd., Shenzhen Shuimuyuan Education & Technology Co., Ltd. and Shuimuyuan (Dalian) Education & Technology Co., Ltd. (collectively, the "Shuimuyuan") are principally engaged in art training services to art entrance exam students. For further details, please refer to Note 15.

(b) On 21 June 2021, Nanjing Lanchou Corporate Management Co., Ltd. ("Nanjing Lanchou"), a consolidated affiliated entity of the Group, entered into the sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which Nanjing Lanchou agreed to acquire entire equity interests of Jiangsu China Red Science and Education and Investment Group Co., Ltd. ("Target Company") for an aggregate cash consideration of RMB450 million, which may be adjusted to RMB250 million if certain conditions precedent (including completion of transfer of an additional land lot for the operation of the Olympic College of Nanjing Sport Institute ("Target College") cannot be satisfied within 36 months from the date of the Sale and Purchase Agreement). The Target Company owns 100% equity interests of the Target College, which is mainly engaged in fulltime undergraduate education programs.

On 21 June 2021, to facilitate the series of restructuring stated in the Sale and Purchase Agreement, Nanjing Lanchou has also entered into two loan agreements ("Loan Agreements"), pursuant to which Nanjing Lanchou shall grant to Jiangsu China Red Science and Education Investment Group and Nanjing Energy and Technology Co., Ltd. ("Transferor") two bridging loans in the principal amounts of RMB250 million and RMB170 million, respectively. The total loans of RMB 420 million are non-interest bearing with maturity date of six months from the date of disbursement, out of which, RMB410 milllion shall not be used for any purpose other than the repayment of subject debt agreed in the Loan Agreements. Mr. Ye Hua and Ms. Gao Jiehong, the founders of the Transferor, has pledged their 67% and 33% of equity interests in the Transferor as well as 9% equity interests in Jiangsu Zijin Science and Education Investment Co., Ltd., an entity in which Mr. Ye Hua held 30% equity interests, to Nanjing Lanchou as securities for the bridging loans. The Group has granted the aforementioned bridging loans in June 2021. As of the date of this interim financial information, the acquisition was yet completed.

The Group has granted the aforementioned bridging loans in June 2021 and recorded in other receivables. As of the date of this interim financial information, the acquisition was yet completed.

Other than the aforesaid, the Group's financial position and performance for the six months ended 30 June 2021 were not significantly impacted, which stayed the same as the Directors of the Company's assessment disclosed in the annual financial statements of the Company for the year ended 31 December 2020 (the "2020 Annual Financial Statements").

3 Basis of presentation

This interim condensed consolidated financial information for the six months ended 30 June 2021 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 the 2020 Annual Financial Statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

4 Significant accounting policies

The Group has applied the following amended standards in the interim condensed consolidated financial information:

- Covid-19-related Rent Concessions – Amendments to HKFRS 16

- Interest Rate Benchmark Reform – Phase 2 – Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and KFRS 16.

The adoption of these amended standards did not have any material impact on the significant accounting policies of the Group and the presentation of the interim condensed consolidated financial information.

The Group has not early adopted the new standards and amendments to HKFRSs that have been issued and not yet effective for the year ending 31 December 2021 in the interim condensed consolidated financial information.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

5 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 2020 Annual Financial Statements.

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.

In prior years, the CODM had identified the higher and vocational education and television series and film production as reportable segments. In 2021, the Group has expanded its business activities to training services through the acquisition of the Shuimuyuan, and the financial information on this business segment was also presented to the Group's CODM on a standalone basis. Accordingly, the Group had three reportable segments namely, the higher and vocational education segment, the training services segment and the television series and film productions segment for the six months ended 30 June 2021. Revenue of the higher and vocational education segment comprise of tuition fee income, boarding fee income, entrance examination fee income, international preparation program income, continuing and vocational education service income and others. Revenue of the training services segment comprise of art and other training fees. Revenue of the television series and film production segment represents the licensing income and sales income from the television series and film rights.

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/(losses)-net.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2021 is as follows:

	Higher and vocational education *RMB'000*	Training services *RMB'000*	Television series and film production *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Six months ended 30 June 2021 (Unaudited)						
Revenue	211,695	15,168	4,160	–	–	231,023
Cost of revenue	(76,528)	(14,306)	(272)	–	–	(91,106)
Gross profit	135,167	862	3,888	–	–	139,917
Selling expenses	(1,537)	(6,958)	(1,837)	–	–	(10,332)
Administrative expenses	(24,254)	(14,747)	(12,510)	(8,652)	–	(60,213)
Net impairment losses on financial assets	(492)	–	(4,471)	–	–	(4,963)
Other income	1,782	17	293	–	–	2,092
Other gain/(losses) – net	14,576	323	(788)	–	–	14,111
Operating profit/(loss)	125,242	(20,553)	(15,425)	(8,652)	–	80,612
Finance costs-net						(27)
Share of losses of investment accounted for using the equity method						–
Profit before income tax						80,585
Other segment information						
Total assets	2,436,635	832,671	1,618,938	1,054,033	(2,369,686)	3,572,591
Total liabilities	329,209	608,117	1,436,217	23,655	(1,678,033)	719,165
Additions to non-current assets	102,635	273,525	362	306,867	–	683,389
Depreciation and amortization	18,286	8,213	2,285	5,282	–	34,066

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

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

Notes:

(a) The unallocated expenses represent professional fees and directors' emoluments.

(b) The unallocated assets represent professional fees capitalised as at 30 June 2020 and cash received from issuance of ordinary shares upon IPO and intragroup receivables from subsidiaries as at 30 June 2021. The unallocated liabilities represent payables for professional fees and directors' emoluments.

(c) The inter-segment elimination is related to the inter-segment loans.

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	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
The PRC, excluding Hong Kong and Taiwan	**230,465**	369,454
Others	**558**	14,848
	231,023	384,302

Non-current assets are all located in the PRC during the six months ended 30 June 2021.

The major customers which contributed more than 10% of the total revenue for the six months ended 30 June 2020 and 2021 are listed as below:

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Customer A	**–**	70,047
Customer B	**–**	66,321

The Group's revenue during six months ended 30 June 2021 was mainly contributed by higher education segment and training services segment.

7 Revenue

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue recognised at a point in time		
Licensing income	**4,160**	197,680
Entrance examination fee income	**25,974**	30,515
	30,134	228,195
Revenue recognised over time		
Higher education related income		
– Tuition fees	**125,131**	126,979
– Boarding fees	**10,493**	3,865
International preparatory program	**21,570**	18,214
Continuing and vocational education services	**24,060**	2,740
Training service income	**15,168**	–
Others	**4,467**	4,309
	200,889	156,107
	231,023	384,302

8 Income tax (credit)/expense

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current income tax expense	**1,204**	7,371
Deferred income tax (credit)/expense	**(12,139)**	413
	(10,935)	7,784

(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 Acts 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 polices 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 2021, no regulations have been promulgated by such authorities in this regard. As a result, no income tax expense was recognised by Communication University of China, Nanjing ("CUCN") during six months ended 30 June 2021.

9 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	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Profit attributable to owners of the Company *(RMB'000)*	**82,858**	117,742
Weighted average number of ordinary shares in issue *('000)*	**1,660,000**	1,200,000
Basic earnings per share *(expressed in RMB)*	**0.05**	0.10

(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 2021.

10 Television series and film rights and investments

	As at 30 June 2021	As at 31 December 2020
	Unaudited	Audited
	RMB'000	*RMB'000*
Television series and film rights		
– Adaption rights and scripts	**25,383**	21,033
– Under production	**6,295**	6,295
– Completed production	**5,409**	5,409
	37,087	32,737
Televisions series and film investments, at fair value	**2,000**	1,038
	39,087	33,775

11 Trade receivables

	As at 30 June 2021 Unaudited *RMB'000*	As at 31 December 2020 Audited *RMB'000*
Trade receivables		
– Television series and film productions	**307,807**	364,048
– Higher and vocational education and related resources services	**5,699**	7,619
– Training services	**721**	–
	314,227	371,667
Less: allowance for doubtful debts	**(8,642)**	(4,118)
	305,585	367,549

(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 2021 Unaudited *RMB'000*	As at 31 December 2020 Audited *RMB'000*
Less than 6 months	**6,971**	258,008
6 months to 1 year	**219,529**	82,957
1 to 2 years	**74,259**	6,608
2 to 3 years	**4,826**	19,976
	305,585	367,549

12 Trade payables

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

	As at 30 June 2021 Unaudited *RMB'000*	As at 31 December 2020 Audited *RMB'000*
Less than 1 year	**16,016**	174,128
1 to 2 years	**19,568**	27,352
Over 2 years	**27,120**	–
	62,704	201,480

13 Financial liabilities at fair value through profit or loss

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
	RMB'000	*RMB'000*
Variable consideration for acquisition of subsidiaries		
Current portion	**24,452**	–
Non-current portion	**40,548**	–
	65,000	–

The movements of financial liabilities at fair value through profit or loss are set out below:

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Opening balance	**–**	–
Acquisition of subsidiaries	**63,000**	–
Change in fair value	**2,000**	–
Closing balance	**65,000**	–

14 Dividend

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Dividend paid in current year, of HK$8 cents (2020: Nil) per ordinary share	**110,859**	–

On 27 May 2021, the shareholders of the Company approved the declaration of the dividend relating to 2020 of HK$8 cents (equivalent to approximately RMB7 cents) per share, amounting to a total dividend of HK$132,800,000 (equivalent to approximately RMB110,859,000).

The Board has resolved to recommend the payment of an interim dividend of HK$6 cents per share for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

15 Business combination

As disclosed in Note 2(a), on 6 April 2021, Nanjing Bicheng has completed the acquisition of the Shuimuyuan, at an aggregate consideration of RMB300 million, which comprised 1) cash consideration of RMB165,000,000 which has been fully paid upon completion of the acquisition and 2) variable consideration of RMB45,000,000 for each of the three years ended 31 December 2021, 2022 and 2023 subject to satisfaction of the certain conditions as agreed in investment agreements.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	As at 6 April 2021 *RMB'000*
Purchase consideration	
Cash consideration paid	165,000
Variable consideration	63,000
Total consideration	228,000
Less: Non-compete arrangement (a)	(10,000)
Total purchase consideration	218,000

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value *RMB'000*
Right of use assets	241,463
Property, plant and equipment	34,519
Intangible assets	165,000
Prepayments, deposits and other receivables	7,666
Cash and cash equivalents	7,626
Lease liabilities	(227,172)
Other payable and accrual charges	(58,664)
Deferred income tax liabilities	(48,534)
Contract liabilities	(13,258)
	108,646
Less: Non-controlling Interests (c)	(10,000)
Net identifiable assets acquired	98,646
Add: Goodwill (b)	119,354
	218,000

Notes:

(a) The non-compete arrangement is part of employee contract and separately recognized as an intangible asset, by satisfying the contractual or other legal rights criterion.

(b) The goodwill is attributable to workforce and curriculum system of the art training established by Shuimuyuan. It will not be deductible for tax purpose.

(c) The Group elected to recognise the non-controlling interests at fair value.

(d) There were no acquisitions in the period ended 30 June 2020.

16 Events occurring after the reporting period

In August 2021, the Group was aware of condemn from news media in connection with personal misbehaviours of an actor who was involved in one of our co-produced TV series delivered to our customer but not yet broadcasted. The Group's operation results of its TV/film production may be affected by the incident. At 30 June 2021, the account receivable related to licensing of such TV series amounted to approximately RMB74 million which is the maximum financial exposure to the Group based on currently available information. As of the date of this interim financial information, management cannot reasonably estimate the financial impact as the relevant news were only made public shortly before the date of this interim financial information and further elaboration with our joint operator of the TV series and customer is in progress.

Other than the event as disclosed in Note 2(b), Note 14 and above, there is no other significant event occurred after the balance sheet date.

The unaudited interim condensed consolidated statement of comprehensive income, the unaudited interim condensed consolidated balance sheet of the Group and its explanatory notes as presented above are extracted from the unaudited interim condensed consolidated Financial information of the Group for the six months ended 30 June 2021.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cathaymedia.com). The interim report for the six months ended 30 June 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

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

Beijing, 30 August 2021

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