華夏視聽

2021

Interim Report

CATHAY MEDIA AND EDUCATION GROUP INC.

華夏視聽教育集團

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1981

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Sun Haitao
Ms. Chow Yuk Yin Ivy

AUTHORISED REPRESENTATIVES

Mr. Pu Shulin
Mr. Sun Haitao

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STOCK CODE

1981

COMPANY WEBSITE

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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 liabilities at fair value through profit or loss arising from acquisition. Please refer to the section headed "Non-HKFRS Measure – Adjusted Net Profit" in Management Discussion and Analysis for further details.

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 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 CUCN 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 interim report, 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.

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't 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 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.

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 liabilities 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) 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. 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% 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

In compliance with the Corporate Governance Code, the Company has established the remuneration committee of the Company (the "**Remuneration Committee**") to formulate remuneration policies.

The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee.

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 has also adopted the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme.

There have been no material changes in remuneration policies since 31 December 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The Board is committed to achieving high standards of corporate governance, which are crucial to the Company's development and 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 applicable code provisions as set out in the Corporate Governance Code, 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 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, the Company has adopted the Management Trading of Securities Policy (the "Company's Code"), with terms no less exacting than the Model Code, as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Company's Code.

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

DISCLOSURES PURSUANT TO RULES 13.13 AND 13.20 OF THE LISTING RULES

In order to facilitate the restructuring in connection with the acquisition of the Olympic College of Nanjing Sport Institute as disclosed in the section headed "Business Review and Outlook" in this report, the Group entered into two bridging loan agreements (the "Loan Agreements") for the principal amounts of RMB250 million (the "1st Loan") and RMB170 million (the "2nd Loan"), respectively, to be extended to the Jiangsu China Red Science and Education Investment Group Nanjing Energy and Technology Co. Ltd.* (江蘇華紅科教投資集團南京能源科技有限公司) (the "Transferor").

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

As at 30 June 2021, the 1st loan and the 2nd loan provided under the Loan Agreements remained outstanding, and the aggregate amount was RMB420 million which exceeded 8% under the assets ratio (as defined under Chapter 14 of the Listing Rules) and constituted an advance to an entity under Rule 13.13 of the Listing Rules.

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

AUDIT COMMITTEE

The Group 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 Group's independent non-executive Director with the appropriate professional qualifications) as the 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.

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

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

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this report.

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

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

DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to pay 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.

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

There has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the 2020 annual report.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Company

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

Note:

(1) The calculation is based on the total number of 1,660,000,000 Shares in issue as at 30 June 2021.

Interest in associated corporations

Associated corporation	Name of director	Nature of interest	Number of shares/amount of contribution to registered capital	Interest in associated corporation
Cathay Media Holding Inc.	Mr. Pu	Interest of controlled corporation	1	100%
Winning Global Ventures Limited	Mr. Pu	Interest of controlled corporation	1	100%
Media One International (PTC) Limited	Mr. Pu	Settlor	1	100%

Save as disclosed above, as at 30 June 2021, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, the following persons (other than the Directors and chief executives whose interests have been disclosed in this interim report), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO:

Name of Shareholder	**Capacity/Nature of interest**	**Number of ordinary shares**	**Approximate percentage of holding**[(1)]
Mr. Pu[(2)]	Interest of controlled corporation	1,155,000,000	69.57%
Cathay Media Holding Inc.[(2)]	Beneficial owner	1,155,000,000	69.57%
Media One International (PTC) Limited[(2)]	Beneficial owner	1,155,000,000	69.57%
Winning Global Ventures Limited[(2)]	Beneficial owner	1,155,000,000	69.57%
Aero Holdings Limited	Interest of controlled corporation	88,874,000	5.35%
Highland Pines Limited	Beneficial owner	88,874,000	5.35%
Lam Lai Ming	Interest of controlled corporation	88,874,000	5.35%
Li Gabriel	Interest of controlled corporation	88,874,000	5.35%

Notes:

(1) The calculation is based on the total number of 1,660,000,000 Shares in issue as at 30 June 2021.

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

Save as disclosed herein, as at 30 June 2021, no person, other than the Directors and chief executives whose interests are set out in this interim report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE SCHEMES

(i) Post-IPO Share Award Scheme

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

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of our Group.

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

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

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

As at 30 June 2021, no Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme.

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

(ii) Post-IPO Share Option Scheme

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

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

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

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

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

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

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

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

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

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

As at 30 June 2021, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 160,000,000 Shares.

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

FOREIGN INVESTMENT LAW

Background of the Foreign Investment Law

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

Impact and consequences of the Foreign Investment Law

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

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

QUALIFICATION REQUIREMENT

Pursuant to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2020 version), the provision of higher education in the PRC falls within the ‘restricted’ category. Foreign investment in higher education institutions must be in the form of a Sino-foreign cooperation. In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation and its implementing rules, the foreign investor in a Sino-foreign school (a “Sino-Foreign School”) must be a foreign educational institution with relevant qualification and high quality of education (the “Qualification Requirement”). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見), the foreign portion of the total investment in a Sino-Foreign School should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. Our PRC Legal Adviser has advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience, and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement. We are implementing a business plan with a view to expanding our education operations overseas. We currently plan to establish and operate a university authorized to grant Bachelor of Arts degrees in Animation and Media in the state of California, the United States. We believe that such business plan represents our commitment and a meaningful endeavor to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed “Contractual Arrangements” in the Prospectus of the Company for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

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

On behalf of the Board

Pu Shulin
Chairperson
30 August 2021

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 61, which comprises the interim condensed consolidated balance sheet of Cathay Media and Education Group Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2021 Unaudited RMB'000	2020 Unaudited RMB'000
Revenue	7,8	**231,023**	384,302
Cost of revenue	11	**(91,106)**	(206,495)
Gross profit		**139,917**	177,807
Selling expenses	11	**(10,332)**	(22,141)
Administrative expenses	11	**(60,213)**	(38,445)
Net impairment losses on financial assets		**(4,963)**	–
Other income		**2,092**	6,803
Other gains-net	10	**14,111**	11,405
Operating profit		**80,612**	135,429
Finance income		**2,723**	125
Finance costs		**(2,750)**	(353)
Finance costs-net	12	**(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)	13	**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	14	**0.05**	0.10
– Diluted earnings per share	14	**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

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	15	341,660	106,228
Property, plant and equipment	16	727,672	603,202
Investments accounted for using the equity method	17	–	1,564
Intangible assets	18	290,472	1,099
Deferred income tax assets	21	24,960	16,183
Prepayments, deposits and other receivables	24	14,555	–
Total non-current assets		1,399,319	728,276
Current assets			
Television series and film rights and investments	19	39,087	33,775
Inventories	20	243,797	56,906
Trade receivables	23	305,585	367,549
Prepayments, deposits and other receivables	24	543,492	120,448
Financial assets at fair value through profit or loss	22	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	25	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	30	**197,029**	–
Deferred income		**1,115**	1,263
Financial liabilities at fair value through profit or loss	26	**40,548**	–
Deferred income tax liabilities	21	**45,172**	–
Total non-current liabilities		**283,864**	1,263
Current liabilities			
Trade payables	27	**62,704**	201,480
Other payables and accrual charges	28	**119,136**	91,608
Contract liabilities	9	**138,918**	204,690
Financial liabilities at fair value through profit or loss	26	**24,452**	–
Current income tax liabilities		**33,015**	38,332
Dividend payables	33(b)	**20,950**	21,604
Lease liabilities	30	**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

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

On behalf of the Board

Pu Shulin
Director

Sun Haitao
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company Share Capital (Note 25) RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
For the six months ended 30 June 2021							
At 1 January 2021		118	1,763,791	966,404	2,730,313	144,871	2,875,184
Comprehensive income							
Profit for the period		–	–	82,858	82,858	8,662	91,520
Currency translation differences		–	(12,419)	–	(12,419)	–	(12,419)
Total comprehensive income		–	(12,419)	82,858	70,439	8,662	79,101
Transaction with owners							
Non-controlling interests arising on business combination	31	–	–	–	–	10,000	10,000
Dividends	29	–	–	(110,859)	(110,859)	–	(110,859)
At 30 June 2021 (Unaudited)		118	1,751,372	938,403	2,689,893	163,533	2,853,426
For the six months ended 30 June 2020							
At 1 January 2020		86	548,976	703,516	1,252,578	124,175	1,376,753
Comprehensive income							
Profit for the period		–	–	117,742	117,742	9,627	127,369
Currency translation differences		–	537	–	537	–	537
Total comprehensive income		–	537	117,742	118,279	9,627	127,906
At 30 June 2020 (Unaudited)		86	549,513	821,258	1,370,857	133,802	1,504,659

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2021 Unaudited RMB'000	2020 Unaudited RMB'000
Cash flows from operating activities			
Cash used in operations		**(271,598)**	(165,129)
Interest received		**657**	–
Income tax paid		**(6,521)**	(4,681)
Net cash outflow from operating activities		**(277,462)**	(169,810)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(121,280)**	(45,082)
Purchases of intangible assets		**(383)**	(546)
Proceeds from sale of property, plant and equipment		**48**	–
Purchases of financial assets at fair value through profit or loss		**(1,206,991)**	(67,600)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,460,109**	248,514
Interest received		**–**	125
Net proceeds from acquisition of remaining equity interests of joint venture	17	**1,756**	–
Payment for investments in joint venture	17	**–**	(1,750)
Net payment for acquisition of subsidiaries	31	**(157,374)**	–
Loans granted to third parties in relation to business combination	24	**(420,000)**	–
Net cash (outflow)/inflow from investing activities		**(444,115)**	133,661
Cash flows from financing activities			
Dividends		**(111,516)**	–
Repayments of borrowings		**–**	(32,000)
Payment of lease liabilities			
– Pincipal		**(1,011)**	–
– Interest		**(2,750)**	–
Payment of share issuance cost		**(7,647)**	(435)
Net cash outflow from financing activities		**(122,924)**	(32,435)
Net decrease in cash and cash equivalents		**(844,501)**	(68,584)
Cash and cash equivalents at beginning of period		**1,308,667**	120,481
Exchange gains on cash and cash equivalents		**(838)**	175
Cash and cash equivalents at end of period		**463,328**	52,072

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

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 (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 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 31.

(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 RMB420 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.

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 HKFRS 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 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2020 Annual Financial Statements.

There have been no changes in the risk management policies since 31 December 2020.

6.2 Liquidity risk

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

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

6.3 Fair value estimation

The Group has three types of financial assets that are measured at fair value as at 30 June 2021 (31 December 2020: three), which are the Group's trading securities, wealth management products purchased from bank ("WMPs") and television series investments. As the WMPs and television series investements are not traded in an active market, their fair values have been determined by using the expected return based on management judgment. The Group's trading securities, WMPs and television series investements have been designated as financial assets at fair value through profit or loss.

Financial liabilities at fair value through profit or loss of the Group represents the variable consideration paid for acquisition of 100% equity interests of the Shuimuyuan (Note 31). Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are required to be measured at fair value as at 30 June 2021 and 31 December 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2021 (Unaudited)				
Financial assets at fair value through profit or loss (Note 22)				
– Trading listed equity securities	7,951	–	–	7,951
– Wealth management products purchased from banks	–	163,309	406,723	570,032
– Television series investments, at fair value	–	–	2,000	2,000
	7,951	163,309	408,723	579,983
Financial liabilities at fair value through profit or loss (Note 26)				
– Variable consideration for acquisition of subsidiaries	–	–	65,000	65,000
	–	–	65,000	65,000
As at 31 December 2020				
Financial assets at fair value through profit or loss (Note 22)				
– Trading listed equity securities	9,308	–	–	9,308
– Wealth management products purchased from banks	–	–	809,232	809,232
– Television series investments, at fair value	–	–	1,038	1,038
	9,308	–	810,270	819,578

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Fair value estimation (continued)

The following table presents the changes in Level 3 of financial assets at fair value through profit or loss for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Opening balance	**810,270**	790,172
Additions	**426,500**	67,600
Settlements	**(834,313)**	(248,514)
Gains and losses recognised in profit and loss	**6,266**	13,437
Closing balance	**408,723**	622,695
Changes in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	**60,148**	10,520

The changes in Level 3 of financial liabilities at fair value through profit or loss for the six months ended 30 June 2021 and 30 June 2020 are presented in Note 26.

7 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 training fees 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.

7 SEGMENT INFORMATION (continued)

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)	(14,797)	(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 gains/(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

7 SEGMENT INFORMATION (continued)

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

	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.

7 SEGMENT INFORMATION (continued)

Geographical information

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

	Six months ended 30 June	
	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 and vocational education segment and training services segment.

8 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

9 CONTRACT LIABILITIES

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

	As at	As at
	30 June	31 December
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Licensing income	**14,659**	11,108
Higher education related income		
– Tuition fees	**9,092**	132,640
– Boarding fees	**762**	11,275
International preparatory program	**1,532**	20,571
Continuing and vocational education services	**2,075**	23,499
Training services income	**110,357**	–
Others	**441**	5,597
	138,918	204,690

9 CONTRACT LIABILITIES (continued)

(a) Revenue recognised in relation to contract liabilities

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

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Licensing income	**537**	9,206
Higher education related income		
– Tuition fees	**123,548**	126,908
– Boarding fees	**10,513**	3,865
Entrance examination fee income	**–**	21,135
International preparatory program	**19,039**	16,483
Continuing and vocational education services	**21,424**	2,536
Others	**240**	1,613
	175,301	181,746

(b) Unsatisfied performance obligations

	As at 30 June 2021	As at 31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
Expected to be recognised within one year		
Licensing income	**2,454**	669
Higher education related income		
– Tuition fees	**9,092**	132,640
– Boarding fees	**762**	11,275
International preparatory program	**1,532**	20,571
Continuing and vocational education services	**2,075**	23,499
Training services income	**110,357**	–
Others	**441**	5,597
Expected to be recognised over one year		
Licensing income	**12,205**	10,439
	138,918	204,690

10 OTHER GAINS – NET

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Changes in fair value of financial assets at fair value through profit or loss		
– Trading listed equity securities	**(1,337)**	(1,483)
– Wealth management products purchased from banks	**15,857**	13,437
Changes in fair value of financial liabilities at fair value through profit or loss (Note 26)	**(2,000)**	–
Others	**1,591**	(549)
	14,111	11,405

11 EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Employee benefit expenses	**68,184**	47,729
Amortisation		
– Television series and film rights	**–**	135,743
– Licensing rights	**–**	7,500
– Software	**405**	83
– Brand	**4,125**	–
– Non-compete agreement	**834**	–
Depreciation		
– Property, plant and equipment	**18,353**	15,201
– Right-of-use assets	**10,349**	3,194
Office expenses and utilities fee	**21,756**	15,122
Property management and maintenance expenses	**8,291**	4,361
Student activities expenses	**3,838**	1,042
Training expenses	**8,496**	5,769
Marketing and advertising expense	**4,877**	–
Professional fee	**3,320**	5,328
Auditors' remuneration		
– Audit services	**1,500**	2,500
– Non-audit services	**–**	–
Distribution expenses	**–**	20,279
Promotion expenses	**–**	282
Other expenses	**7,323**	2,948
Total cost of revenue, selling expenses and administrative expenses	**161,651**	267,081

12 FINANCE COSTS – NET

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Finance income		
Interest income from cash at bank and term deposits	**657**	125
Exchange gain – net	**2,066**	–
	2,723	125
Finance costs		
Interest on lease liabilities	**(2,750)**	–
Exchange loss – net	**–**	(353)
	(2,750)	(353)
Finance costs – net	**(27)**	(228)

13 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

13 INCOME TAX (CREDIT)/EXPENSE (continued)

(i) Cayman Islands profits tax

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

(ii) British Virgin Islands profits tax

The Company's direct subsidiary incorporated in British Virgin Islands under the International Business Companies 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.

14 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.

15 RIGHT-OF-USE ASSETS

	Land use rights	**Leased properties**	**Total**
	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2021			
Opening net book amount	**98,490**	**7,738**	**106,228**
Acquisition of subsidiaries (Note 31)	**–**	**241,463**	**241,463**
Additions	**–**	**4,318**	**4,318**
Depreciation charge	**(1,259)**	**(9,090)**	**(10,349)**
Closing net book amount	**97,231**	**244,429**	**341,660**
Six months ended 30 June 2020			
Opening net book amount	101,009	11,608	112,617
Depreciation charge	(1,259)	(1,935)	(3,194)
Closing net book amount	99,750	9,673	109,423

Land use rights with carrying amounts of approximately RMB97,231,000 as at 30 June 2021 (31 December 2020: RMB98,490,000) which are allocated by the PRC government, have no definite life of use stated in the land use rights certification. The estimated useful lives are 50 years which is the best estimate by reference to the normal lease terms as stated in the land use right certificates in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use rights as allocated by the PRC government.

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

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Education equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2020								
Cost	719,566	86,911	7,028	123,677	6,314	–	57,683	1,001,179
Accumulated depreciation	(216,579)	(73,772)	(6,020)	(96,493)	(5,113)	–	–	(397,977)
Net book amount	502,987	13,139	1,008	27,184	1,201	–	57,683	603,202
Six months ended 30 June 2021 (Unaudited)								
Opening net book amount	502,987	13,139	1,008	27,184	1,201	–	57,683	603,202
Acquisition of subsidiaries	–	2,224	–	2,531	131	29,633	2,133	36,652
Additions	3,057	1,892	316	8,650	629	2,374	89,301	106,219
Transfer upon construction completed	7,629	–	–	6,589	–	–	(14,218)	–
Disposals	–	–	(48)	–	–	–	–	(48)
Depreciation charge	(9,057)	(2,578)	(207)	(5,182)	(232)	(1,097)	–	(18,353)
Closing net book amount	504,616	14,677	1,069	39,772	1,729	30,910	134,899	727,672
At 30 June 2021								
Cost	730,252	91,027	6,030	141,447	7,074	32,007	134,899	1,142,736
Accumulated depreciation	(225,636)	(76,350)	(4,961)	(101,675)	(5,345)	(1,097)	–	(415,064)
Net book amount	504,616	14,677	1,069	39,772	1,729	30,910	134,899	727,672

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 25 July 2019, the Group has entered into an investment agreement with a third party to establish a joint venture, Emperor Nanguang Performance (Nanjing) Co., Ltd. ("Emperor Nanguang"), each party agreed to contribute RMB1,750,000 as paid in capital to Emperor Nanguang and hold 50% share of interests of Emperor Nanguang. Emperor Nanguang was established on 15 November 2019 and the paid in capital was fully paid by each of the shareholders in 2020. The Group accounted for the investment using equity method as Emperor Nanguang was jointly controlled by shareholders.

On 11 January 2021, the Group has entered into an equity transfer agreement with the third party aforementioned, pursuant to which the Group has agreed to acquire the 50% share interests of Emperor Nanguang held by the third party with cash consideration of RMB1,751,000. The acquistion was completed on 23 March 2021, on which Emperor Nanguang became a wholly-owned subsidiary of the Group.

During the period from establishment of Emperor Nanguang to 23 March 2021, Emperor Nanguang had been no material operation, Therefore, the net identifiable assets of Emperor Nanguang mainly comprised cash and property, plant and equipment and the the fair value of the net identifiable assets equal to it's book value. No goodwill was recongised for the business combination.

18 INTANGIBLE ASSETS

	Computer Software RMB'000	Licensing rights RMB'000	Goodwill RMB'000	Brand RMB'000	Non-compete agreement RMB'000	Total RMB'000
At 31 December 2020						
Cost	2,439	22,500	–	–	–	24,939
Accumulated amortisation	(1,340)	(22,500)	–	–	–	(23,840)
Net book amount	1,099	–	–	–	–	1,099
Six months ended 30 June 2021 (Unaudited)						
Opening net book amount	1,099	–	–	–	–	1,099
Acquisition of subsidiaries (Note 31)	–	–	119,354	165,000	10,000	294,354
Additions	383	–	–	–	–	383
Amortisation charge	(405)	–	–	(4,125)	(834)	(5,364)
Closing net book amount	1,077	–	119,354	160,875	9,166	290,472
At 30 June 2021						
Cost	2,803	22,500	119,354	165,000	10,000	319,657
Accumulated amortisation	(1,726)	(22,500)	–	(4,125)	(834)	(29,185)
Net book amount	1,077	–	119,354	160,875	9,166	290,472

19 TELEVISION SERIES AND FILM RIGHTS AND INVESTMENTS

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited 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
Television series and film investments, at fair value	**2,000**	1,038
	39,087	33,775

	Adaption rights and scripts RMB'000	**Under production RMB'000**	**Completed production RMB'000**	**Total RMB'000**
As at 1 January 2021	**21,033**	**6,295**	**5,409**	**32,737**
Additions	**4,350**	**–**	**–**	**4,350**
As at 30 June 2021	**25,383**	**6,295**	**5,409**	**37,087**

20 INVENTORIES

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
– Work in progress	243,797	56,906

21 DEFERRED INCOME TAX

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

Deferred income tax assets

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Beginning of the period	18,119	15,004
Acquisition of subsidiaries (Note 31)	58,177	–
Charged to profit or loss	8,173	3,115
End of the Period	84,469	18,119

Deferred income tax liabilities

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Beginning of the period	1,936	2,903
Acquisition of subsidiaries (Note 31)	106,711	–
Credited to profit or loss	(3,966)	(967)
End of the Period	104,681	1,936

The deferred income tax assets and deferred income tax liabilities have been offset in the consolidated financial statements as following:

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Deferred income tax assets	24,960	16,183
Deferred income tax liabilities	45,172	–

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Financial assets at fair value through profit or loss		
– Trading listed equity securities	**7,951**	9,308
– Wealth management products purchased from banks	**570,032**	809,232
	577,983	818,540

The WMPs are denominated in RMB, the principals and returns on all of these WMPs are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

23 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.

23 TRADE RECEIVABLES (continued)

(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

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Deposits and other receivables		
Amounts due from related parties (Note 33(b))	–	1,865
Payments of utilities on behalf of canteen operators and other third parties	2,272	3,276
Receivable on sales of television series and film rights	93,524	108,120
Loans granted to third parties (Note 2(b))	420,000	–
Rental deposits	2,360	–
Others	5,342	2,671
Subtotal	523,498	115,932
Prepayments		
Prepayment for television series and film rights	1,280	611
Prepayment for purchase of PPE	12,675	–
Prepayment for technical service fees	2,039	–
Prepayment for leasehold improvement	1,880	–
Deductible value-added-tax	12,610	1,010
Others	4,810	3,300
	35,294	4,921
Less: allowance for doubtful debts	(745)	(405)
Less: non-current portion (a)	(14,555)	–
Total prepayments, deposits and other receivables – current portion	543,492	120,448
Total prepayments, deposits and other receivables – non current portion	14,555	–

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

(a) The non-current portion of other receivables, prepayments and deposits include prepayments to suppliers for property, plant and equipment, and leasehold improvement for related parties.

25 SHARE CAPITAL

	Number of ordinary shares	**Nominal value of ordinary shares**
		US$
Authorised shares		
At 1 January 2020 and 30 June 2020 -US$0.00001 each	5,000,000,000	50,000
At 1 January 2021 and 30 June 2021 – US$0.00001 each	5,000,000,000	50,000

Issued and fully paid ordinary shares

	Number of ordinary shares	**Equivalent nominal value of ordinary shares**
		RMB'000
Ordinary shares		
At 1 January 2020 and 30 June 2020	1,200,000,000	86
At 1 January 2021 and 30 June 2021	1,660,000,000	118

26 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

As described in Note 31, pursuant to the investment aggreement, Mr. Ma Xiaochuan ("the Founder") has warranted and guaranteed to the Nanjing Bicheng that the net profit attributable to owners of Shuimuyuan, for the three years ending 31 December 2021, 2022 and 2023 (each a "Performance Guaranteed Year") as calculated in accordance with PRC accounting standards shall not be less than RMB24,000,000, RMB27,600,000 and RMB31,740,000 (the "Guaranteed Net Profit"), respectively. If the audited net profit is less than the Guaranteed Net Profit in each a Performance Guaranteed Year, the Founder shall compensate the Nanjing Bicheng in cash (the "Performance Compensation"), which amount is based on the formula agreed in the investment agreement. Nanjing Bicheng has the right to choose to offset its outstanding payment obligations of RMB45,000,000 for each of the three years ended 31 December 2021, 2022 and 2023 with its due Performance Compensation.

According to the aforementioned conditions, the Group recognized the outstanding payment obligations as variable consideration. The variable consideration payables were initially recognised and subsequently measure at fair value and the management has involved an independent qualified valuer to determine the fair value of variable consideration by using the discounted cash flow model.

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

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Opening balance	**–**	–
Acquisition of subsidiaries (Note 31)	**63,000**	–
Change in fair value (Note 10)	**2,000**	–
Closing balance	**65,000**	–

27 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

28 OTHER PAYABLES AND ACCRUAL CHARGES

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Other payables and accrual charges		
Miscellaneous expenses received from students (Note (a))	**8,609**	12,455
Amount due to a related party (Note 33(b))	**–**	595
Payables for purchases of television series and film rights	**–**	2,805
Payables for teaching materials and other operating expenditure	**7,716**	6,655
Payables for purchases of property, plant and equipment	**1,837**	1,028
Payables to joint operators	**9,306**	9,504
Payables for deposits	**11,916**	6,191
Payables for professional services	**4,420**	12,228
Payables to prior shareholder of subsidiary acquired	**51,318**	–
Government subsidies payable to students	**1,575**	3,712
Others	**1,856**	4,279
Total financial liabilities	**98,553**	59,452
Salary and welfare payables	**19,591**	18,851
Other tax payable	**992**	13,305
Total non-financial liabilities	**20,583**	32,156
Other payables and accrual charges	**119,136**	91,608

Notes:

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

29 DIVIDEND

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Dividend paid for the 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).

30 LEASE LIABILITIES

	As at 30 June 2021	As at 31 December 2020
	Unaudited	Audited
	RMB'000	RMB'000
Current lease liabilities	**36,126**	–
Non-current lease liabilities	**197,029**	–
Total lease liabilities	**233,155**	–

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expense (Note 12)	**2,750**	–
Depreciation of right-of-use assets (Note 15)	**9,090**	1,935
Total cash outflow for leases	**3,761**	–

During six months ended 30 June 2021, the weighted average lessee's incremental borrowing rate applied to the recognition of lease liabilities was 4.90% (2020: Nil).

31 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 cosideration 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 (Note 26)	63,000
Total consideration	228,000
Less: Non-compete arrangement (Note 18 and (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 (Note 15)	241,463
Property, plant and equipment (Note 16)	34,519
Intangible assets (Note 18)	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 (Note 21)	(48,534)
Contract liabilities	(13,258)
	108,646
Less: Non-controlling Interests	(10,000)
Net identifiable assets acquired	98,646
Add: Goodwill (Note 18)	119,354
	218,000

31 BUSINESS COMBINATION (continued)

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.

32 COMMITMENTS

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Acquisition of subsidiaries (Note 2(b))	**450,000**	300,000
Property, plant and equipment (Note)	**246,499**	34,021
	696,499	334,021

Note:

As at 30 June 2021, capital expenditure for property, plant and equipment as contracted for but not yet incurred amounted to approximately RMB246,499,000 (as at 31 December 2020: approximately RMB34,021,000), which is mainly for construction of students apartments, teaching buildings and professors apartment of CUCN.

33 RELATED PARTY TRANSACTIONS

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

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

(a) Name and relationship with related parties

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

(b) Non-trade balances with related parties

	As at 30 June 2021 Unaudited RMB’000	As at 31 December 2020 Audited RMB’000
Amounts due from Emperor Nanguang	**–**	1,865
	–	1,865
Amounts due to Mr. Pu	**–**	595
Dividend payables		
– Non-controlling shareholder	**20,950**	21,604
	20,950	22,199

Notes:

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

33 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

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

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, allowances and other benefits	**2,451**	1,672

34 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/firm 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 29 and above, there is no other significant event occurred after the balance sheet date.

DEFINITIONS

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

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 15 July 2020
"Listing Date"	15 July 2020, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Pu"	Mr. Pu Shulin (蒲樹林), our founder, executive Director, Chief Executive Officer, Chairman and our Controlling Shareholder
"Nanjing Lanchou"	Nanjing Lanchou Corporate Management Co., Ltd. (南京藍籌企業管理有限公司), a company established in the PRC on 26 October 2017 and a Consolidated Affiliated Entity of our Company
"Post-IPO Share Award Scheme"	the post-IPO share award scheme conditionally approved and adopted by our Company on 22 June 2020
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally approved and adopted by our Company on 22 June 2020
"PRC Legal Adviser"	Commerce & Finance Law Offices
"Prospectus"	the prospectus of the Company dated 30 June 2020
"Reporting Period"	the six months ended 30 June 2021

"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"WFOE-Education"	Bicheng Art Consulting (Nanjing) Co., Ltd (碧城藝術諮詢(南京)有限公司), a company established in the PRC on July 29, 2019 and a wholly-owned subsidiary of our Company
"WFOE-Production"	Dongyang Huaxia Audio-Visual Culture Consulting Co., Ltd. (東陽華夏視聽文化諮詢有限公司), a company established in the PRC on August 15, 2019 and a wholly-owned subsidiary of our Company
"WFOEs"	WFOE-Education and WFOE-Production collectively
"%"	per cent