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CATHAY MEDIA AND EDUCATION GROUP INC.
華夏視聽教育集團
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1981)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Cathay Media and Education Group Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2019. These interim results have been reviewed by the Company’s audit committee.

HIGHLIGHTS

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

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

BUSINESS REVIEW AND OUTLOOK

Business review

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

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

The outbreak of the novel coronavirus (“**COVID-19**”) emerged in late 2019, and was declared a Public Health Emergency of International Concern and a Global Pandemic by the World Health Organization on 30 January 2020 and 11 March 2020, respectively. CUCN resumed teaching through online classes from the beginning of March 2020, about one month later than the spring semester was originally scheduled to begin, and resumed classroom learning from late April 2020. Such adjustments did not significantly affect the revenue of our higher education business, as the tuition fees and the boarding fees for the school year 2019/2020 were already collected at the beginning of the school year, in September 2019, and the revenue has been recognized based on the actual progresses of the semester. Although we have refunded approximately 2 to 4 months of boarding fees to our students in accordance with the relevant guidelines on refunding of boarding

fees to students due to the pandemic outbreak issued by local competent education authorities, such refund will only have a slight impact on the revenue of our higher education business. In the first half of 2020, a total of 64,891 students have taken the art entrance exams of CUCN for the school year 2020/2021, the number of which is higher than the previous school year. In late April 2020, in cooperation with Emperor Entertainment Group (英皇娛樂集團), one of the market leaders in the entertainment industry in the Asia-Pacific region, we offered a joint training program on performing arts called Golden Artist Plan which charges from RMB45,000 to RMB98,000 per student.

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

Outlook and Events after the Reporting Period

The Company was successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 July 2020 (the “**Listing Date**”), enabling the Company to enter into the international capital markets and also providing funds for the long-term development of the Company to grasp development opportunities in the industry. On 31 July 2020, the Over-allotment Option (as described in the prospectus of the Company dated 30 June 2020 (the “**Prospectus**”)) was fully exercised by the joint global coordinators (for themselves and on behalf of the international underwriters) pursuant to which the Company raised additional capital. Further details of the exercise of the Over-allotment Option are set out in the announcement of the Company dated 31 July 2020.

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

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

Business outlook

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

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

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

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

Cost of revenue

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

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

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

Gross profit and gross profit margin

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

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

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

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

Selling expenses

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

Administrative expenses

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

Other income

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

Other gains

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

Operating profit

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

Finance (costs)/income – net

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

Taxation

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

Profit for the period

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

Non-HKFRS Measure – Adjusted Net Profit

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

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

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

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

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

Liquidity and source of funding and borrowing

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

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

Significant Investments

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

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 30 June 2020.

Pledge of assets

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

Future plans for material investments or capital asset

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

Gearing ratio

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

Foreign exchange exposure

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

Contingent liabilities

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

Capital commitment

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

Employees and Remuneration

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

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

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

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

CORPORATE GOVERNANCE

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

Compliance with the Code on Corporate Governance Practices

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

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

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

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

Compliance with the Model Code for Securities Transactions by Directors

As the shares of the Company were not listed on the Stock Exchange during the Reporting Period, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules was not applicable to the Company during the Reporting Period.

After the Listing, the Company has adopted the Management Trading of Securities Policy (the “**Company’s Code**”) as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Company’s Code.

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

Audit committee

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

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

In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

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

Material litigation

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

Use of proceeds from Global Offering

On 15 July 2020, the shares of the Company were listed on the Stock Exchange. The net proceeds from the global offering (following full exercise of the Over-allotment Option, as defined in the Prospectus) were approximately HK\$1,332.8 million, which are intended to be applied in the manner set out in the Company's Prospectus.

Dividend

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

CONDENSED INTERIM FINANCIAL STATEMENTS

Interim Condensed Consolidated Statement of Comprehensive Income

| | <i>Note</i> | Six months ended 30 June | |
|---|-------------|---------------------------------|------------------|
| | | 2020 | 2019 |
| | | Unaudited | Unaudited |
| | | RMB'000 | RMB'000 |
| Revenue | 5, 6 | 384,302 | 599,495 |
| Cost of revenue | | <u>(206,495)</u> | <u>(300,572)</u> |
| Gross profit | | <u>177,807</u> | <u>298,923</u> |
| Selling expenses | | (22,141) | (7,968) |
| Administrative expenses | | (38,445) | (27,890) |
| Other income | | 6,803 | 8,171 |
| Other gains – net | | <u>11,405</u> | <u>17,856</u> |
| Operating profit | | <u>135,429</u> | <u>289,092</u> |
| Finance income | | 125 | 4,298 |
| Finance costs | | <u>(353)</u> | <u>(453)</u> |
| Finance (costs)/income – net | | (228) | 3,845 |
| Share of losses of investment accounted for using the equity method | | <u>(48)</u> | <u>–</u> |
| Profit before income tax | | 135,153 | 292,937 |
| Income tax expense | 7 | <u>(7,784)</u> | <u>(47,171)</u> |
| Profit for the period | | <u>127,369</u> | <u>245,766</u> |
| Profit attributable to | | | |
| Owners of the Company | | 117,742 | 223,944 |
| Non-controlling interests | | <u>9,627</u> | <u>21,822</u> |
| | | <u>127,369</u> | <u>245,766</u> |
| Earnings per share for profit attributable to owners of the Company (expressed in RMB per share) | | | |
| – Basic earnings per share | 8 | <u>0.10</u> | <u>0.19</u> |
| – Diluted earnings per share | 8 | <u>0.10</u> | <u>0.19</u> |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Currency translation differences | | <u>537</u> | <u>319</u> |
| Total comprehensive income | | <u>127,906</u> | <u>246,085</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 118,279 | 224,263 |
| Non-controlling interests | | <u>9,627</u> | <u>21,822</u> |
| | | <u>127,906</u> | <u>246,085</u> |

Interim Condensed Consolidated Statement of Balance Sheet

| | | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited RMB'000 |
|---|-------------|--|--|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | | 109,423 | 112,617 |
| Property, plant and equipment | | 570,013 | 539,960 |
| Investments accounted for using the equity method | | 1,704 | – |
| Intangible assets | | 8,622 | 15,659 |
| Deferred income tax assets | | 11,688 | 12,101 |
| | | <u>701,450</u> | <u>680,337</u> |
| Total non-current assets | | | |
| Current assets | | | |
| Television series and film rights | 9 | 57,604 | 71,650 |
| Inventory | | – | 3,820 |
| Trade receivables | 10 | 267,993 | 70,336 |
| Prepayments, deposits and other receivables | | 20,528 | 22,616 |
| Financial assets at fair value through profit or loss | | 630,556 | 799,516 |
| Cash and cash equivalents | | 52,072 | 120,481 |
| | | <u>1,028,753</u> | <u>1,088,419</u> |
| Total current assets | | | |
| | | <u>1,730,203</u> | <u>1,768,756</u> |
| Total assets | | | |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 86 | 86 |
| Other reserves | | 549,513 | 548,976 |
| Retained earnings | | 821,258 | 703,516 |
| | | <u>1,370,857</u> | <u>1,252,578</u> |
| Non-controlling interests | | 133,802 | 124,175 |
| | | <u>1,504,659</u> | <u>1,376,753</u> |
| Total equity | | | |

| | | As at 30 June 2020 Unaudited RMB'000 | As at 31 December 2019 Audited <i>RMB'000</i> |
|-------------------------------------|-------------|--|---|
| | <i>Note</i> | | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income | | 1,412 | 1,561 |
| Borrowings | | — | 32,000 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 1,412 | 33,561 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Trade payables | 11 | 91,703 | 36,304 |
| Other payables and accrual charges | | 98,435 | 104,253 |
| Contract liabilities | | 5,126 | 191,707 |
| Current income tax liabilities | | 7,264 | 4,574 |
| Dividend payables | | 21,604 | 21,604 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 224,132 | 358,442 |
| | | <hr/> | <hr/> |
| Total liabilities | | 225,544 | 392,003 |
| | | <hr/> | <hr/> |
| Total equity and liabilities | | 1,730,203 | 1,768,756 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 General information

Cathay Media and Education Group Inc. (the “Company”) was incorporated in the Cayman Islands on 4 January 2017 as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

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

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

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

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

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

2 Basis of preparation

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

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

3 Summary of significant accounting policies

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

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

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

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

4 Estimates

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

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

5 Segment information

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

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

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

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

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

| | Television series and film production RMB'000 | Higher education RMB'000 | Unallocated RMB'000 | Inter- segment elimination RMB'000 | Total RMB'000 |
|--|--|---|--------------------------------|---|--------------------------|
| Six months ended 30 June 2020 (Unaudited) | | | | | |
| Revenue | 197,680 | 186,622 | – | – | 384,302 |
| Cost of revenue | (135,782) | (70,713) | – | – | (206,495) |
| Gross profit | 61,898 | 115,909 | – | – | 177,807 |
| Selling expenses | (21,706) | (435) | – | – | (22,141) |
| Administrative expenses | (7,631) | (21,911) | (8,903) | – | (38,445) |
| Other income | 4,552 | 2,251 | – | – | 6,803 |
| Other(losses)/gains – net | (915) | 12,320 | – | – | 11,405 |
| Operating profit/(loss) | 36,198 | 108,134 | (8,903) | – | 135,429 |
| Finance expenses – net | | | | | (228) |
| Share of losses of investment accounted for using the equity method | | | | | (48) |
| Profit before income tax | | | | | 135,153 |
| Other segment information | | | | | |
| Total assets | 398,453 | 1,457,693 | 5,434 | (131,377) | 1,730,203 |
| Total liabilities | 269,866 | 59,690 | 27,365 | (131,377) | 225,544 |
| Additions to non-current assets | 331 | 35,856 | – | – | 36,187 |
| Depreciation and amortization (Note 9) | 137,832 | 23,889 | – | – | 161,721 |

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

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

Notes:

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

Geographical information

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

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

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

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

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

6 Revenue

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

7 Income tax expense

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

(i) Cayman Islands profits tax

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

(ii) British Virgin Islands profits tax

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

(iii) Hong Kong profits tax

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

(iv) PRC corporate income tax

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

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

8 Earnings per share

(a) Basic

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

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

(b) Diluted

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

9 Television series and film rights

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

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

10 Trade receivables

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

The table below sets forth an ageing analysis of trade receivables based on the recognition dates:

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

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

11 Trade payables

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

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

12 Dividend

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

13 Events occurring after the reporting period

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

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

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

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

The unaudited interim condensed consolidated statement of comprehensive income, the unaudited interim condensed consolidated balance sheet of the Group and its explanatory notes as presented above are extracted from the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cathaymedia.com). The interim report for the six months ended 30 June 2020 will be dispatched to the Company's shareholders and made available for review on the same websites in due course.

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

Hong Kong, 28 August 2020

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