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華夏視聽

CATHAY MEDIA AND EDUCATION GROUP INC.

華夏視聽教育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1981)

(1) DISCLOSEABLE TRANSACTIONS: ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY; AND PROVISION OF BRIDGING LOAN; AND (2) ADVANCE TO AN ENTITY

THE ACQUISITION AND THE BRIDGING LOANS

The Board is pleased to announce that on 21 June 2021 (after trading hours), the Transferee (a consolidated affiliated entity of the Company) entered into the Sale and Purchase Agreement, pursuant to which the Transferor conditionally agreed to sell, and the Transferee conditionally agreed to acquire, the entire equity interest in the Target Company for an aggregate consideration of RMB450 million. To facilitate the Restructuring in connection with the Acquisition, the Transferee also entered into two Loan Agreements on the same date (after trading hours), pursuant to which the Transferee shall extend to the Transferor two bridging loans in the principal amounts of RMB250 million and RMB170 million, respectively, in accordance with the terms and conditions of the Loan Agreements.

IMPLICATIONS UNDER THE LISTING RULES

As the borrower (i.e. the Transferor) is the same under each of the Loan Agreements, the grant of the Loans are required to be aggregated under Rule 14.22 of the Listing Rules. Since one or more of the applicable percentage ratios in respect of each of the Acquisition and the Loans in aggregate is more than 5% but less than 25%, each of the Acquisition and the Loans constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval under Chapter 14 of the Listing Rules. Further, the Loans exceeds 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules and therefore the Loans also constitute advance to an entity under Rule 13.13 of the Listing Rules and subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised below:

Date: 21 June 2021 (after trading hours)

Parties:

- (a) The Transferee
- (b) The Transferor
- (c) The Founders
- (d) The Target Company
- (e) The Target College

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Transferor, the Founders, the Target Company and the Target College is an independent third party.

Subject

Subject to completion of the Restructuring and in accordance with the terms and conditions of the Sale and Purchase Agreement, the Transferor agreed to sell, and the Transferee agreed to acquire, the entire equity interest in the Target Company, and through the control of which, (1) all equity interest of the companies or entities under the Target Company, (2) certain land and properties owned or used by the Target Company, the Target College and their respective subsidiary entities (including the Target Sport Company and the Target Catering Company), and (3) other assets and rights owned by the Target Company, the Target College and their respective subsidiary entities (including the Target Sport Company and the Target Catering Company).

Consideration

The total consideration for the Acquisition is RMB450 million, payable by the Transferee to the Transferor in the following manner:

1. The first payment: RMB250 million to repay the loan owed to the Transferor by the Target Company (and such shareholder's loan will be transferred to the Transferee) within five (5) business days after the satisfaction of or the written exemption by the Transferee from the following conditions precedents responsible by the Founders and the Transferor:
 - (i) execution of the Sale and Purchase Agreement by the parties or their respective authorised representatives;
 - (ii) completion of the Restructuring by the Founders, the Transferor and the Target Company in accordance with the Sale and Purchase Agreement;
 - (iii) approval of the Acquisition and the relating amendments to the articles of association of the Target Company and the change of legal representative, directors and supervisors by the shareholders of the Target Company at general meeting;
 - (iv) approval of the appointment of the senior management in accordance with the terms of Sale and Purchase Agreement by the board of the directors of the Target Company;
 - (v) approval of the dissolution of the current board of the directors of the Target College, appointment of the school principal, financial officers, human resources officers and other senior management, the amendments of the articles of association of the Target College by the board of the directors of the Target College in accordance with the terms of Sale and Purchase Agreement, and the completion of relevant registrations and filings with regulators (if applicable);
 - (vi) completion of the registration with relevant administration for market regulation by the Transferor and the Target Company in respect of the Acquisition, including but not limited to registration of the Transferee as the sole shareholder of the Target Company, the adoption of new articles of association, the appointment of new directors, supervisors, senior management, and the change of the legal representative;
 - (vii) completion of appointment of directors, general managers, financial officers and other senior management, the change of new legal representatives, and any corresponding registration of subsidiary entities of the Target Company pursuant to the instructions of the Transferee;

- (viii) execution of a termination agreement, in the form satisfactory to the Transferee, between the Target Company and Nanjing Sport Institute (南京體育學院), pursuant to which (1) termination of the cooperation agreement in respect of Nanjing Sport Institute Olympic (Health) School (the “**Nanjing Sport Institute Cooperation Agreement**”); (2) clearance of claims and liabilities and confirmation that there was no breach committed by the Target Company, the Target College and Nanjing Sport Institute; (3) subsequent to the termination of the Nanjing Sport Institute Cooperation Agreement, Nanjing Sport Institute shall not make any claims on the basis of the Nanjing Sport Institute Cooperation Agreement (including the claim that the Target Company will donate assets of the Target College to Nanjing Sport Institute for free);
- (ix) renewal of the food operation license of the Target Catering Company;
- (x) removal from the Target College of the Spun-off Entities and any other third parties that previously operated within the Target College before the Acquisition;
- (xi) non-occurrence of any material adverse change in respect of the Target Company, the Target College, the Target Sport Company and the Target Catering Company, and no event that may cause material adverse effect on the rights of the Target Company, the Target College, the Target Sport Company and the Target Catering Company to own, use, handle or dispose of their assets;
- (xii) settlement of balances due to/from the Founders, the Transferor or its associates by/to the Target Company, the Target College, the Target Sport Company and the Target Catering Company, and the provision of written evidence to such effect to the satisfaction of the Transferee;
- (xiii) provision by the Founders to the Transferee of documents or agreements executed by third party creditors, confirming no outstanding debts due to the third party creditors by the Target Company or the Target College, or confirming that the parties have made arrangements in relation to the settlement of existing debts to the satisfaction of the Transferee;
- (xiv) settlement of debts due to third parties by the Target Company, the Target College, the Target Sport Company and the Target Catering Company;
- (xv) issuance of payment notification to the Transferee by the Transferor, stating (1) conditions precedents above have been satisfied, and (2) the account for payment of the relevant consideration; and
- (xvi) continued satisfaction of the conditions precedents.

The Transferee is entitled to a set-off over any amount payable to the Transferor arising under the Sale and Purchase Agreement against any amount due to the Transferee from the Transferor or its associates arising under the Loan Agreements. It is envisaged that the Transferee will offset the outstanding loan amount under the 1st Loan Agreement over the first payment under the Sale and Purchase Agreement. If the Transferee decides to proceed with the set-off, the Transferee shall pay the Transferor in cash only the remaining balance of the consideration (if any) after the set-off. Subsequent to the first payment, the Transferee will acquire the shareholder’s loan owed by the Target Company.

2. The second payment: RMB200 million as the remaining consideration for the acquisition within fifteen (15) business days after the satisfaction of or the written exemption by the Transferee from the following conditions precedents responsible by the Founders and the Transferor:
- (i) the Founders and the Transferor shall assist the Target Company to make application to the Jiangning People's Government for right to use the land in respect of the Phase II Land Lot and to obtain written document issued by the Jiangning People's Government, confirming its consent to transfer the Phase II Land Lot to the Target Company; and
 - (ii) continued satisfaction of the conditions precedents set out above relating to the first payment.

If the 2nd Loan remains outstanding when the conditions precedents under the second payment are satisfied, it is envisaged that the Transferee will offset the outstanding loan amount under the 2nd Loan Agreement over the second payment under the Sale and Purchase Agreement and will pay the remaining balances (if any) in cash.

If the conditions precedents under the second payment cannot be satisfied within 36 months from the date of the Sale and Purchase Agreement, the Transferee shall be waived from the obligation to pay the second payment and shall not be considered to have breach the contract (save in the case that the Transferee chooses to give up on obtaining the Phase II Land Lot or the Jiangning People's Government refused to transfer the Phase II Land Lot due to illegal use of the Phase II Land Lot by the Transferee). In such event, the total consideration of the Acquisition will be the amount the Transferee pays for settlement of the shareholder's loan owed to the Transferor by the Target Company (i.e. the first payment as set out above).

Restructuring Payment Obligations

The Transferor agreed that the payment it shall receive pursuant to the Sale and Purchase Agreement shall be first applied to the settlement of the Restructuring Payment Obligations. The parties agreed that, prior to the full settlement of the Restructuring Payment Obligations, the Transferee shall make payments to the account designated by the Transferor for settling the Restructuring Payment Obligations on behalf of the Transferor and/or the Founders, and such payments to the designated account by the Transferee shall be considered as the Transferee having fulfilled its consideration payment obligation under the Sale and Purchase Agreement.

The Transferee is entitled to a set-off over any amount payable to the Transferor arising under the Sale and Purchase Agreement against any amount due to the Transferee from the Transferor or its associates arising under the Loan Agreements. If the Transferee decides to proceed with the set-off, the Transferee shall pay the Transferor in cash only the remaining balance of the consideration (if any) after the set-off.

Basis of consideration

The consideration was determined after arm's length negotiations between the Transferor and the Transferee with reference to the historical results and assets of the Target Group, the Target Group's location and branding, the programs offered and its prospect and tuition fee level, the number of students and enrolments, and the expected room for future development of the Target Group. Relevant factors for consideration includes:

Historical achievements and brand reputation: The Target College has a unique positioning for talent training. 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. It has become an established institute after 10 years of operation and accumulation, and has trained more than 5,000 application-oriented undergraduate talents for the development of sports industry with featured majors and talent training mode. The outstanding track record and brand effect of the Target College are invaluable intangible assets for subsequent enrolment activities, which also contribute to enhancing the corporate value of the Group.

Geographical location: The Target College and our University (南京傳媒學院) under the Group are both located in Nanjing, a famous ancient capital of six dynasties with historic culture. Nanjing is located in Yangtze Delta in the PRC, and is in proximity to Shanghai and Hangzhou, which is the political, economic and transport center of Jiangsu Province, enjoys distinct regional advantages and strong demand of talents. The acquisition of the Target College will bring sufficient synergy and room for development to the Group, while the scale of the international colleges and continuing education colleges of universities under the Group will be further enhanced. Integrated development in the same city will significantly improve management efficiency.

Number of students: As of May 2021, the Target College has approximately 3,000 regular higher education students. In the coming 4 years, the student enrolment at the Target College will continue to increase year by year. After the merger, the Target College is planning to accommodate 11,000 fulltime students. The acquisition of the Target College will further expand the student size and capacity of the universities under the Group and achieve strong endogenous growth.

Course offerings and tuition fee level: The Target College has 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). Sports businesses and sports industry have become a sunrise industry vigorously supported by the country. In accordance with "the total scale of the sports industry exceeding 5 trillion yuan will be realized by 2025" proposed in "Certain Opinions on Accelerating the Development of Sports Industry to Promote Sports Consumption", No.46 Document of the State Council, the sports industry will be propelled to become a pillar industry in national economy. There is no separation of culture and sports. After the merger, the Target College will be integrated and developed with CUCN to focus on such emerging fields as "sports + news", "sports + film and television", "sports + arts", "sports + exhibition and performance", "sports + new media marketing" and "sports + health communication", so as to cultivate innovative, inter-disciplinary and application-oriented talents. In the 2020-2021 academic year, the tuition fees of the Target College are approximately RMB14,000 to RMB16,500, hence there is huge room for further increase.

Expected room for future development: It is expected that the student enrolment of Target College will increase to 11,000 in the future and achieve strong endogenous growth. Meanwhile, the operation philosophy of the two schools will be fully complementary to each other and achieve synergy effect, which will raise the attractiveness of both schools in terms of school operation. By exporting the established management systems and experience of the University, it is expected that the management capability of the Target College will be greatly enhanced in the future with higher operation efficiency and improved financial performance.

The Company has conducted independent analysis on the subject, which mainly includes: (1) conducting site visits to inspect the location, environment and regional scale of the subject; (2) understanding the reasons for disposal of the subject by the Transferor and its financial background and current financial conditions; (3) understanding local market practices and relevant government policies applicable to the enterprises operating in the region where the Target Group were located; (4) understanding the corporate history and major milestones of the Target Group since their establishment; (5) review the recent historical financial data and records of the Group, including business operation, segment revenue and cost; (6) review the human resources of the Group, including the number of academic and non-academic staff; (7) evaluate the business prospect of the Target Group and its projected future revenue, including the existing number of students and the expected student enrolment in the future; (8) conduct internal analysis on investment return and consider the advantages and disadvantages of the acquisition of the Target Group. Furthermore, the Company also adopted the asset replacement cost approach to facilitate the determination of consideration. In forming the basis of consideration, the Directors have mainly considered: (i) the replacement cost required for the acquisition of businesses with similar scale and organization as the Target Group at the same or equivalent value; and (ii) the useful life and relevant depreciation cost of the subject to be acquired. The Directors have considered all the aforementioned information relating to the evaluation of the benefits of acquisition of the subject and the determination of the relevant consideration of acquisition. Based on the above, the Directors is of the view that the consideration is fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

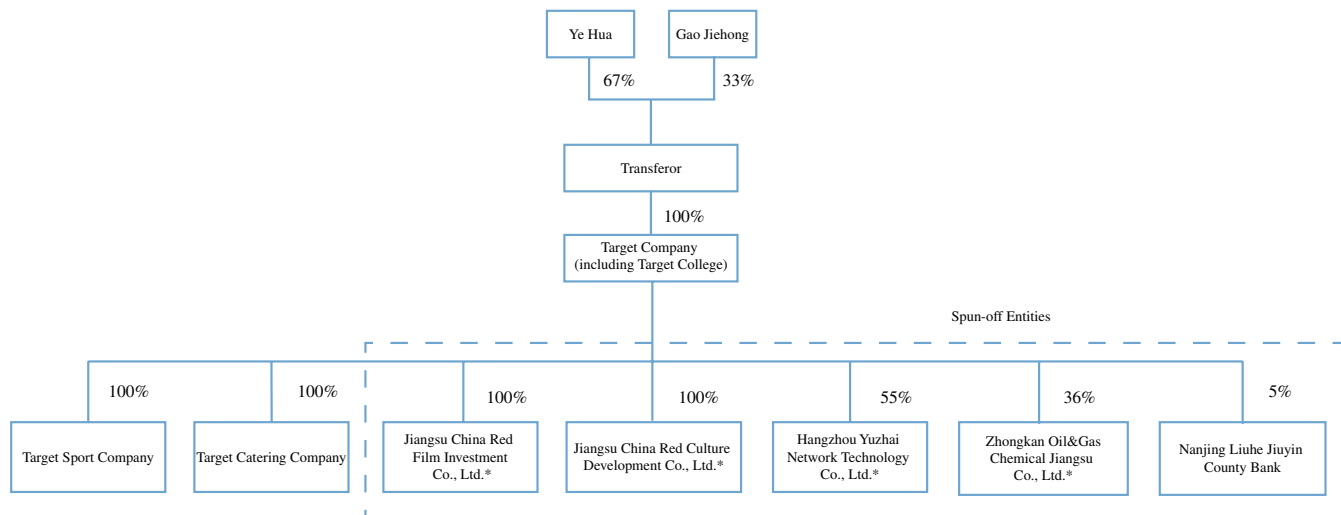
Restructuring

The Target Company was previously owned by the Founders and the Independent Third Party, and in anticipation of the Acquisition, the Transferor acquired the entire equity interest of the Target Company prior to the execution of the Sale and Purchase Agreement. Upon signing of the Sale and Purchase Agreement, the Transferor and the Founders agreed to commence a series of restructuring, pursuant to which, among others, the Target Company will dispose its equity interests in the Spun-off Entities save for the Target College, the Target Sport Company and the Target Catering Company, which shall form part of the subject of the Acquisition. The parties agreed that the Restructuring shall be completed within thirty (30) working days from the date of the Sale and Purchase Agreement or otherwise agreed in writing by the parties.

In order to facilitate the Restructuring in connection with the Acquisition, the Transferee and the Transferor have also entered into the Loan Agreements on the same date of signing of the Sale and Purchase Agreement for the 1st Loan and the 2nd Loan to be extended to the Transferor in the principal amounts of RMB250 million and RMB170 million, respectively. The 1st Loan shall be used by the Transferor to repay a loan due to the Independent Third Party, on behalf of the Target Company, and such amount will be owed to the Transferor by the Target Company and such shareholder's loan will subsequently be transferred to the Transferee when it makes the first payment under the Sale and Purchase Agreement as set out above. The 2nd Loan shall be used by the Transferor to repay the debt due to the Independent Third Party and its related parties by the Founders and their related parties arising from the Precedent Transfer and for other purposes. To the best knowledge of the Directors, the Independent Third Party is an independent third party and not connected with any members of the Group or any connected persons of the Company. Further details of the Loan Agreements are set out in sections headed "The 1st Loan Agreement" and "The 2nd Loan Agreement" below.

The following illustrates the structure of the Target Company as at the date of signing and completion the Sale and Purchase Agreement:

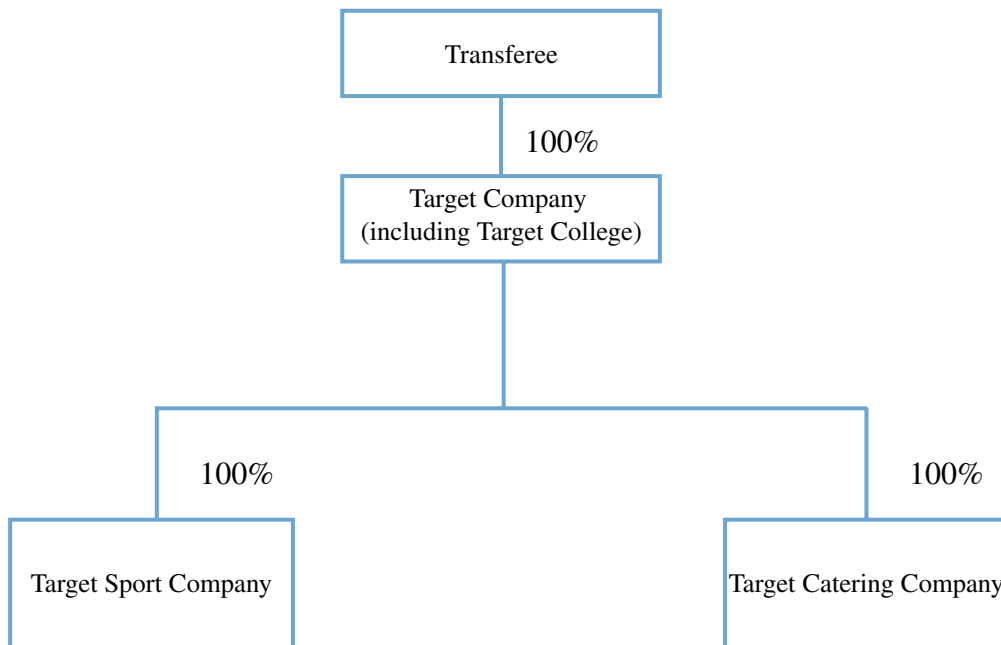
Date of signing the Sale and Purchase Agreement



Completion

Completion of the Acquisition shall occur upon successful registration of the transfer of the equity interest in the Target Company by the Transferor to the Transferee, which shall occur within three months from the date of the Sale and Purchase Agreement.

Completion



Post-completion undertaking by the Transferor, the Founders, the Target Company and the Target College

The Transferor, the Founders, the Target Company and the Target College undertook to the Transferee, jointly and individually, that upon signing and completion of the Sale and Purchase Agreement, they shall abide by the following undertakings and be liable for all losses incurred by the Transferee, the Target Company, the Target College and their subsidiaries due to the following:

1. Upon completion, if the Target College is determined by the competent authorities as withdrawing school-running funds, involving in illegal connected transactions or other violations due to the connected transactions or payments and receipts between the Target College and the Target Company or its related parties or other third parties before the completion, and is therefore subject to any penalty or required to return the relevant payments, the Transferor and the Founders shall be liable for all losses suffered by the Target College, the Target Company and the Transferee therefrom, and the Transferee shall have the option to deduct the corresponding amount from the outstanding consideration of the transaction (if any);

2. If the Target Company or the Target College is subject to any penalty due to defects in the land (including the Land Lots) or house occupation or construction permits application procedures which form part of the subject as stipulated in the Sale and Purchase Agreement (including but not limited to failure in the land use planning, engineering planning, and other construction procedures) or is required to demolish, relocate or dismantle the corresponding buildings, and the Target Company or the Target College actually bears the corresponding expenses or suffers losses or the Target Company and the Target College are required by the relevant inspection, supervision, acceptance check and other entities to pay extra fees during the application procedures for approval of construction of the aforementioned land or house, the Transferor and the Founders shall indemnify the Transferee such expenses and losses and the Transferee shall have the option to deduct the corresponding amount from the outstanding consideration of the transaction (if any);
3. The tuition, accommodation and other fees charged in advance by the Target College as of the date of signing the Sale and Purchase Agreement shall be retained in the account of the Target College. If the Transferor and the Founders fail to maintain the completeness of such advance receipts or the amount of the advance receipts decreased for reasons of the Transferor or the Founders, the Transferor and the Founder shall be liable for indemnification to the Transferee, and the Transferee shall have the option to deduct the corresponding amount from the outstanding consideration of the transaction (if any);
4. If the Target Company, the Target College, the Target Catering Company and the Target Sport Company are ordered by the competent authorities to rectify, repay and/or suffer any penalty due to the issues in relation to tax declaration, payment and withholding before the completion (including but not limited to the personal income tax, business tax/value-added tax and corporate income tax, etc.), the Transferor and the Founders shall indemnify such expenses and losses and the Transferee shall have the option to deduct the corresponding amount from the outstanding consideration of the transaction (if any);
5. If the Target Company, the Target College, the Target Catering Company and the Target Sport Company are ordered by the competent authorities to rectify, repay and/or suffer any penalty due to the issues of social security fund and provident fund contribution before the completion, the Transferor and the Founders shall indemnify such expenses and losses and the Transferee shall have the option to deduct the corresponding amount from the outstanding consideration of the transaction (if any);
6. If the Target Company, the Target College, the Target Catering Company and the Target Sport Company bear the corresponding losses upon completion in respect of the disputes pending at the time of signing the Sale and Purchase Agreement or the potential disputes caused by events before the completion, the Transferor and the Founders shall indemnify such expenses and losses and the Transferee shall have the option to deduct the corresponding amount from the outstanding consideration of the transaction (if any); and

7. The Target Company has paid approximately RMB38 million for the acquisition of the Phase I Land Lot. The Transferor and the Founders undertook that the Transferor shall provide assistances to the Transferee that inclusive of the aforesaid RMB38 million, the actual cost for acquiring the Phase I Land Lot by the Target Company in the future shall not exceed RMB300,000/mu, and in the event that the actual cost for acquiring the Phase I Land Lot by the Target Company exceeds RMB300,000/mu due to the government increasing the land price or failing to provide the construction subsidies as agreed in the previous project investment agreement and its supplementary agreement, the difference shall be compensated by the Transferor and the Founders (but shall not exceed RMB15 million).

Corporate governance

Pursuant to the Sale and Purchase Agreement, the following personnel shall be appointed by the Transferee:

1. Target Company: directors, supervisors, general managers and financial officers
2. Target College: school principal, financial officers, human resources officers, infrastructure and logistics officers; and
3. Subsidiary entities: directors and legal representatives

Transitional arrangements on the campus and students enrolled in the Target College

The Transferor and the Founders shall hand over the operation of the Target College to the Transferee for its further arrangements before 1 August 2021. The Transferor and the Founders shall ensure the land and assets of the Target College are sound and fit for purpose. Fixed assets shall not be dismantled or destroyed without prior written consent by the Transferee before the handover to the Transferee.

The Transferor and the Founders shall manage the campus of and provide services to students currently enrolled in the Target College, compile a complete catalogue of the names of students enrolled, and transfer such catalogue to the Transferee according to the Sale and Purchase Agreement.

For tuition fees, accommodation charges, and miscellaneous fees collected for the school year from September 2020 to August 2021, the Transferee is entitled to such amount proportionate to the period from the completion under the Sale and Purchase Agreement to 30 August 2021. The Transferee is entitled to any future fees to be paid by the students already enrolled at the time of completion under the Sale and Purchase Agreement before they leave or graduate from the Target College.

FINANCIAL INFORMATION OF THE TARGET GROUP

Based on information provided by the Target Group, the following is a summary of the unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2019 and 2020 (reflecting on a pro forma basis the financial position of the Target Group). The financial information of the Target Group were each prepared in accordance with HKFRS.

	For the year ended 31 December 2019 RMB'000 (unaudited)	For the year ended 31 December 2020 RMB'000 (unaudited)
Revenue	46,012	47,097
Net (loss)/profit before tax	(322)	3,739
Net (loss)/profit after tax	(322)	3,739

As at 31 December 2020, the unaudited total asset and net liabilities of the Target Group amounted to approximately RMB261 million and RMB66 million, respectively.

THE 1ST LOAN AGREEMENT

The principal terms of the 1st Loan Agreement are summarised below:

Date:	21 June 2021 (after trading hours)
Lender:	Transferee
Borrower:	Transferor
Guarantors:	Mr. Ye Hua and Ms. Gao Jiehong
Principal Loan Amount:	RMB250 million
Purposes of the Loan:	Bridging loan for repayment of the shareholder's loan due to the Independent Third Party by the Transferor on behalf of the Target Company
Drawdown Date:	Three (3) working days from the date of full satisfaction of the drawdown conditions of this loan agreement

**Drawdown Payment
Instruction:**

Transferee is entitled to make payment of the loan directly to the designated receiving account specified under the agreement for the Precedent Transfer and by making such payment, the Transferee will be considered to have fulfilled its payment obligation under the 1st Loan Agreement

Repayment Date:

Earlier of six (6) months from the drawdown date of the 1st Loan Agreement, or in the event that the Sale and Purchase Agreement was executed, the completion date pursuant to the Sale and Purchase Agreement, or the compulsory early repayment date pursuant to the 1st Loan Agreement

**Compulsory early
repayment date:**

In the event of any of the following circumstances, the Transferee is entitled to request early repayment of all of the borrowings by the Transferor, and the date on which the Transferee request the Transferor to make early repayment will be the compulsory early repayment date:

1. The borrowings have not been used as agreed under 1st Loan the Agreement;
2. Any breach of the agreement for the Precedent Transfer by any of the parties, as a result of which the completion under the agreement for the Precedent Transfer does not take place, or leading to material changes to the terms and conditions of the transactions under the agreement for the Precedent Transfer or gives or is likely to give rise to any liability of the Transferor and/or the Founders for the breach of the agreement to the Precedent Transfer;
3. Any breach of the 1st Loan Agreement or the Share Pledges by the Transferor and/or the Founders, or any breach of undertakings and guarantees given by them under the 1st Loan Agreement or the Share Pledges, or that any of the representations and guarantees given by them under the 1st Loan Agreement and the Share Pledges is untrue, inaccurate or incomplete;
4. Any breach of the Sale and Purchase Agreement by the Transferor, the Founders or their related parties or any breach of undertakings and guarantees given by them under the Sale and Purchase Agreement;

Repayment Method:	The Transferee is entitled to a set-off over the principal loan amount against the amount due to the Transferor under the Sale and Purchase Agreement
Interest:	Nil
Security for the Loan:	Mr. Ye Hua and Ms. Gao Jiehong have executed the respective Share Pledges in favour of the Transferee over the Secured Equity Interests upon the terms of the Share Pledges

THE 2ND LOAN AGREEMENT

The principal terms of the 2nd Loan Agreement are summarised below:

Date:	21 June 2021 (after trading hours)
Lender:	Transferee
Borrower:	Transferor
Guarantors:	Mr. Ye Hua and Ms. Gao Jiehong
Principal Loan Amount:	RMB170 million
Purposes of the Loan:	Bridging loan of RMB160 million for the payment by the Transferor of the debt due to the Independent Third Party and its related parties by the Founders and their related parties arose from the Precedent Transfer
	No restriction on the usage of the remaining RMB10 million
Drawdown Date:	Three (3) working days from the date of full satisfaction of the drawdown conditions of this loan agreement
Drawdown Payment Instruction:	Transferee is entitled to make payment of the loan amount of RMB150 million directly to the receiving account specified under the agreement to the Precedent Transfer and RMB20 million to an account designated by the Transferor, RMB10 million of which will be separately paid to the Independent Third Party by the Transferor
	By making such payment, the Transferee will be considered to have fulfilled its payment obligation under the 2nd Loan Agreement

Repayment Date: Earlier of six (6) months from the drawdown date of the 2nd Loan Agreement, or in the event that the Sale and Purchase Agreement has been executed, the date on which the condition precedents for the second payment under the Sale and Purchase Agreement are satisfied, or the compulsory early repayment date pursuant to the 2nd Loan Agreement

Compulsory early repayment date: In the event of any of the following circumstances, the Transferee is entitled to request early repayment of all of the borrowings by the Transferor, and the date on which the Transferee request the Transferor to make early repayment will be the compulsory early repayment date:

1. The borrowings have not been used as agreed under the 2nd Loan Agreement;
2. Any breach of the agreement for the Precedent Transfer by any of the parties, as a result of which the completion under the agreement for the Precedent Transfer does not take place, or leading to material changes to the terms and conditions of the transactions under the agreement for the Precedent Transfer or gives or is likely to give rise to any liability of the Transferor and/or the Founders for the breach of the Equity Transfer Agreement;
3. Any breach of the 2nd Loan Agreement or the Share Pledges by the Transferor and/or the Founders, or any breach of undertakings and guarantees given by them under the 2nd Loan Agreement or the Share Pledges, or that any of the representations and guarantees given by them under the 2nd Loan Agreement and the Share Pledges is untrue, inaccurate or incomplete;
4. Any breach of the Sale and Purchase Agreement by the Transferor, the Founders or their related parties or any breach of undertakings and guarantees given by them under the Sale and Purchase Agreement;

Repayment Method: The Transferee is entitled to a set-off over the principal loan amount against the amount due to the Transferor under the Sale and Purchase Agreement

Interest: Nil

Security for the Loan: Mr. Ye Hua and Ms. Gao Jiehong have executed the respective Share Pledges in favour of the Transferee over the Secured Equity Interests upon the terms of the Share Pledges

The terms of the Loan Agreements were arrived at after arm's length negotiations between the Transferee, Mr. Ye Hua, Ms. Gao Jiehong and the Transferor.

The Directors consider that the transactions contemplated by the Loan Agreements are on normal commercial terms and the terms of the Loan Agreements are fair and reasonable and are in the interests of the Company and its Shareholders as a whole having considered the current market norm in relation to similar transactions and the expected revenue to be generated to the Group.

INFORMATION ON THE PARTIES

The Transferee (also lender to the Loan Agreements) is a limited liability company established in the PRC with limited liability on 26 October 2017 and a consolidated affiliated entity of the Company. The Transferee is an investment holding company.

The Founders are each a natural person in the PRC who collectively own an aggregate of 100% of the equity interests of the Target Company. Mr. Ye Hua and Ms. Gao Jiehong (also each a guarantor to the Loan Agreements) collectively hold the entire equity interests of the Transferor. Further details are set out in "The Sale and Purchase Agreement – Restructuring" above.

The Transferor (also borrower to the Loan Agreements) is a limited liability company established in the PRC on 28 January 2016 and is an investment holding company. The ultimate beneficial owners of the Transferor are Mr. Ye Hua and Ms. Gao Jiehong, who hold 67% and 33% of the equity interest of the Transferor, respectively.

The Target Company is a limited liability company established in the PRC on 15 November 2010. It is the school sponsor of the Target College and owns 100% interest of the Target College.

The Target College is the Olympic College of Nanjing Sport Institute, which is a secondary college of Nanjing Sport Institute established by the Target Company. It is mainly engaged in full-time undergraduate education programs and is located in Jiangning District, Nanjing City, Jiangsu Province, the PRC.

The Target Sport Company is a limited liability company incorporated and existing under the laws of the PRC. Its principal business is providing sport and health support in the Nanjing area. The Target Company is the sole shareholder of the Target Sport Company.

The Target Catering Company is a limited liability company incorporated and existing under the laws of the PRC. Its principal business is providing catering services in the Nanjing area. The Target Company is the sole shareholder of the Target Catering Company.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each and every of the parties above (save for the Transferee), is an independent third party and not connected with any member of the Group or any connected persons of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE LOANS

As set out under the section headed "The Sale and Purchase Agreement – Basis of consideration", the Target College is the only higher education college named "Olympic" in the PRC and has a strong growth in students numbers and a supplementary mix of majors, and the Acquisition represents further expansion of our University which is in line with its strong growth of students number. Taking into account that the Target College is a higher education college featuring sports major, the Board believes that the acquisition of the Target College will bring sufficient synergy and development potential to the Group, which mainly includes:

1. CUCN has a high compatibility with most majors of the Target College, which will help promote the sustainable development of the Target College and further expand school strategic layout of our University. There is no separation of culture and sports. The disciplines, majors, missions and talent training positioning of the two schools are highly compatible. The Target College has 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), with a high major compatibility.
2. The Target College has plan for having a size which can accommodate 11,000 full-time students. The Acquisition of the Target College will further expand the student size of our University and achieve strong endogenous growth. After the Acquisition, the Target College will be integrated and developed with our University to focus on such emerging fields as "sports + news", "sports + film and television", "sports + arts", "sports + exhibition and performance", "sports + new media marketing" and "sports + health communication", so as to cultivate innovative, inter-disciplinary and application-oriented talents.
3. The Acquisition and integration of Target College can significantly improve the condition of Target College for operating schools, enhance its level of operating schools and boost its capability in recruitment. The international colleges and continuing education colleges of universities under the Group will also provide Target College with diversified teaching resources, thus promoting synergic development among the educational sectors of the Group. As a leading private school in China related to media and arts, CUCN has generated marked reputation of operating schools and extensive social influence. Our University has had established operation and management experience in various aspects such as the establishment of disciplines and majors, the building of talent pool, the exploration of talent training model, recruitment reputation, and students' employment and start-up quality.

4. *The acquisition of Target College has further advanced the development strategy of the Group to integrate industry and education and continued the talent cultivation function of Target College, making positive contributions to increase applied sports talents in Jiangsu and even nationwide and to serve local sports business development.* Sports businesses and sports industry have become a rising industry vigorously supported by the country. In accordance with “the total scale of the sports industry exceeding 5 trillion yuan will be realized by 2025” proposed in “Certain Opinions on Accelerating the Development of Sports Industry to Promote Sports Consumption”, No.46 Document of the State Council, the sports industry will be propelled to become a pillar industry in national economy. According to the “13th Five-Year” Plan targets of China for the sports industry, the total scale of the sports industry in China will exceed 3 trillion yuan in 2020 with 6 million of employees. At present, there are approximately 120 thousand graduates from sports majors nationwide and there exists a large gap between the supply of sports talents and the rapid development of the industry.

The Loans were made in order to facilitate the Restructuring in connection with the Acquisition as they shall be used by the Transferor, inter alia, to repay the loan owed to the Independent Third Party by the Target Company and the debts owed by the Founders and their related parties to the Independent Third Party arising from the Precedent Transfer. The Loans advance was also made on the basis of the Company’s credit assessments made on the financial strength and repayment ability of the Transferor and the Founders, the Share Pledges provided by the Founders, and the relatively short term nature of the advance. After taking into account the factors as disclosed above in assessing the risks of the relevant advance, the Company considers that the risks involved in the advance to the Customers are relatively low.

After considering the factors above, the Directors consider that the Acquisition and the Loans are on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the borrower (i.e. the Transferor) is the same under each of the Loan Agreements, the grant of the Loans are required to be aggregated under Rule 14.22 of the Listing Rules. Since one or more of the applicable percentage ratios in respect of each of the Acquisition and the Loans in aggregate is more than 5% but less than 25%, each of the Acquisition and the Loans constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but is exempt from independent shareholders’ approval under Chapter 14 of the Listing Rules. Further, the Loans exceeds 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules and therefore the Loans also constitute advance to an entity under Rule 13.13 of the Listing Rules and subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

SOURCE OF FUND AND USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

DEFINITIONS

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

“Acquisition”	the acquisition the entire equity interest in the Target Company pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Cathay Media HK”	Cathay Media Group (Hong Kong) Limited (華夏視聽傳媒集團(香港)有限公司), a company incorporated in Hong Kong on 27 January 2017 and a wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China and for the purposes of this announcement only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“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
“Director(s)”	the director(s) of our Company
“Founders”	Gao Ye Hong (高傑紅), Ye Hua (葉華) and Ye Chi Ya (葉馳亞), each a PRC national and each an independent third party
“Global Offering”	the Hong Kong public offering and the international public offering, details of which are set out in the Company’s prospectus dated 30 June 2020
“Group”	the Company, its subsidiaries and the consolidated affiliated entities from time to time
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a limited partnership established in the PRC, the only shareholder of the Target Company (holding approximately 59% then) other than the Founders before the Precedent Transfer, and an independent third party who is not a connected person of the Company within the meanings ascribed thereto under the Listing Rules

“Land Lots”	Collectively, Phase I Land Lot and Phase II Land Lot
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loans”	collectively, the 1st Loan and the 2nd Loan
“Loan Agreements”	collectively, the 1st Loan Agreement and the 2nd Loan Agreement
“Precedent Transfer”	the transfer of entire equity interest of the Target Company to the Transferor by the Founders and the Independent Third Party prior to the Acquisition
“Phase I Land Lot”	the land lot currently used by the Target College as campus site, with a total surface area of 261 mu
“Phase II Land Lot”	the land lot north of Phase I Land Lot, with a total surface area of 250 mu
“Principal Business”	the principal business of the Target Group, being media and arts training, arts performance training, arts education consulting and supporting services
“Restructuring”	a series of pre-Acquisition restructuring agreed upon by the Target Company, the Transferor and the Founders pursuant to the Sale and Purchase Agreement including the transfer of entire equity interest of the Target Company to the Transferor and the disposal of equity interests in Spun-off Entities by the Target Company
“Restructuring Payment Obligations”	liabilities, claims and fees incurred by the Founders and the Transferor under the agreements entered into by the Transferor and the Founders with other parties for the purpose of the completion of the Restructuring
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 21 June 2021 entered into by the Transferee, the Transferor, the Founders, the Target Company and the Target College
“Secured Equity Interests”	collectively, the entire equity interest of the Transferor and the 9% equity interest in the Jiangsu Zijin
“Shares”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Pledges”	collectively, the Share Pledge A, the Share Pledge B and the Share Pledge C

“Share Pledge A”	the share pledge dated 21 June 2021 and executed by Mr. Ye Hua in favour of the Transferee over the 67% equity interest of the Transferor to secure the Transferor’s liability and obligations under the Loan Agreements
“Share Pledge B”	the share pledge dated 21 June 2021 and executed by Ms. Gao Jiehong in favour of the Transferee over the 33% equity interest of the Transferor to secure the Transferor’s liability and obligations under the Loan Agreements
“Share Pledge C”	the share pledge dated 21 June 2021 and executed by Mr. Ye Hua in favour of the Transferee over the 9% equity interest of Jiangsu Zijin Science and Education Investment Co. Ltd* (江蘇紫金科教投資有限公司) (“ Jiangsu Zijin ”), a limited liability company established in the PRC on 22 August 2002, to secure the Transferor’s liability and obligations under the Loan Agreements; Jiangsu Zijin is 30% owed by Mr. Ye Hua and 70% owed by a natural person in the PRC, who is an independent third party and is not connected with any member of the Group or any connected person of the Company
“Spun-off Entities”	the subsidiaries and investee companies to be spun-off by the Target Company as part of the Restructuring, namely Jiangsu China Red Film Investment Co., Ltd.* (江蘇華紅影視投資有限公司), Jiangsu China Red Culture Development Co., Ltd.* (江蘇華紅文化發展有限公司), Hangzhou Yuzhai Network Technology Co., Ltd.* (杭州御宅網絡科技有限公司), Zhongkan Oil&Gas Chemical Jiangsu Co., Ltd.* (中勘石油天然氣化工江蘇有限公司) and Nanjing Luhe Jiuyin County Bank* (南京六合九銀村鎮銀行股份有限公司)
“Target Catering Company”	Jiangsu Huajie Catering Management Co. Ltd.* (江蘇華傑餐飲管理有限公司), a limited liability company established in the PRC on 1 December 2010, a wholly-owned subsidiary of the Target Company
“Target College”	Olympic College of Nanjing Sport Institute (南京體育學院奧林匹克學院), a school established in the PRC in May 2011 and solely sponsored by the Target Company
“Target Company” or “China Red Group”	Jiangsu China Red Science and Education and Investment Group Co. Ltd.* (江蘇華紅科教投資集團有限公司), a limited liability company established in the PRC on 15 November 2010 as the sole school sponsor of the Target College and the sole shareholder of the Target Sport Company and the Target Catering Company
“Target Group”	collectively, the Target Company, the Target College, the Target Sport Company and the Target Catering Company

“Target Sport Company”	Jiangzu China Red Sports and Health Management Limited Company* 江蘇華紅運動健康管理有限公司, a limited liability company established in the PRC on 3 December 2014 and a wholly-owned subsidiary of the Target Company
“Transferee”	Nanjing Lanchou Corporate Management Co., Ltd. (南京藍籌企業管理有限公司), a limited liability company established in the PRC on 26 October 2017 and a wholly-owned subsidiary of our Company. It is also the lender to the Loan Agreements
“Transferor”	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), a company established in the PRC on 28 January 2016 and owned by Mr. Ye Hua and Ms. Gao Jiehong as to 67% and 33%, respectively. It is also the borrower to the Loan Agreements
“University” or “CUCN”	Nanjing Chuanmei Xueyuan* (南京傳媒學院), university operated by our Group
“1st Loan”	a term loan in the principal amount of RMB250 million granted by the Transferee to the Transferor pursuant to the terms of the 1st Loan Agreement
“1st Loan Agreement”	a loan agreement dated 21 June 2021 entered into between the Transferee and the Transferor relating to the provision of the 1st Loan
“2nd Loan”	a term loan in the principal amount of RMB170 million granted by the Transferee to the Transferor pursuant to the terms of the 1st Loan Agreement
“2nd Loan Agreement”	a loan agreement dated 21 June 2021 entered into between the Transferee and the Transferor relating to the provision of the 2nd Loan
“%”	percent

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

Hong Kong, 22 June 2021

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

* For identification purposes only